



# ANNUAL REPORT 2012







# Cullen Resources Limited

## CORPORATE DIRECTORY

**ABN: 46 006 045 790**

### Directors

Denis Clarke (Non-executive Chairman)  
Chris Ringrose (Managing Director)  
John Horsburgh (Non-executive)  
Grahame Hamilton (Non-executive)  
Wayne Kernaghan (Non-executive)

### Secretary

Wayne Kernaghan

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### Solicitors

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### Bankers

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Sydney NSW 2000

### Securities Quoted

Australian Stock Exchange  
Limited  
Home Exchange - Sydney  
ASX Code: CUL

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# Chairman's Report

## ▶ DEAR FELLOW SHAREHOLDER

Cullen is a discovery-driven exploration company that over many years has built a large portfolio of projects in several very prospective geological terranes. Concurrently, in joint venture we are participating in a planned, major iron ore development in the West Pilbara region of Western Australia. Our company is well-positioned in regions where exploration activity is high, where new discoveries are being made, and in commodities of interest to the market.

It is a deliberate strategy of ours to seek out multiple opportunities in several commodities in order to fully exploit our in-house geological expertise and spread risk. We have adopted this strategy both here in Australia, and in selected, stable, mining-friendly jurisdictions overseas. Countries with accessible geological databases, high fundamental prospectivity and especially those with covered terranes where limited previous exploration has been completed, offer the best opportunities for the application of Cullen's innovative exploration methods and approach. This is Cullen's niche, and we have been successful in developing an excellent portfolio of prospective projects for our own exploration, or for attracting joint venture partners. Through the past year the Company has progressed several of its projects to an exciting drill-testing stage. In particular, the North Tuckabianna project near Cue in the Murchison Region of Western Australia, and the TL Property in British Columbia, offer significant opportunities for discovery. These projects and their targets have been honed from careful research, data compilation, field surveys, programme planning and application of experience and geological knowledge.

Cullen is also continuing its innovative approaches in exploration, including utilizing regional biogeochemical surveying in its search for gold in covered terrane in Finland. Also in Finland, the Company has taken a number of ground positions over advanced graphite prospects where diamond drilling has located wide intersections of good-grade graphite.

The Company through the Mt Stuart Iron Ore Joint Venture (MSIOJV) is participating in a valuable, planned, new iron ore development project in the West Pilbara Region. Cullen has recently appointed RFC Ambrian Limited as advisors to pursue various corporate options for maximising the value of our iron ore interest.

In conclusion, I wish to sincerely thank all shareholders for their continued interest and support, and our small but effective team of staff in Perth, my fellow directors, our consultants and contractors for their contributions.



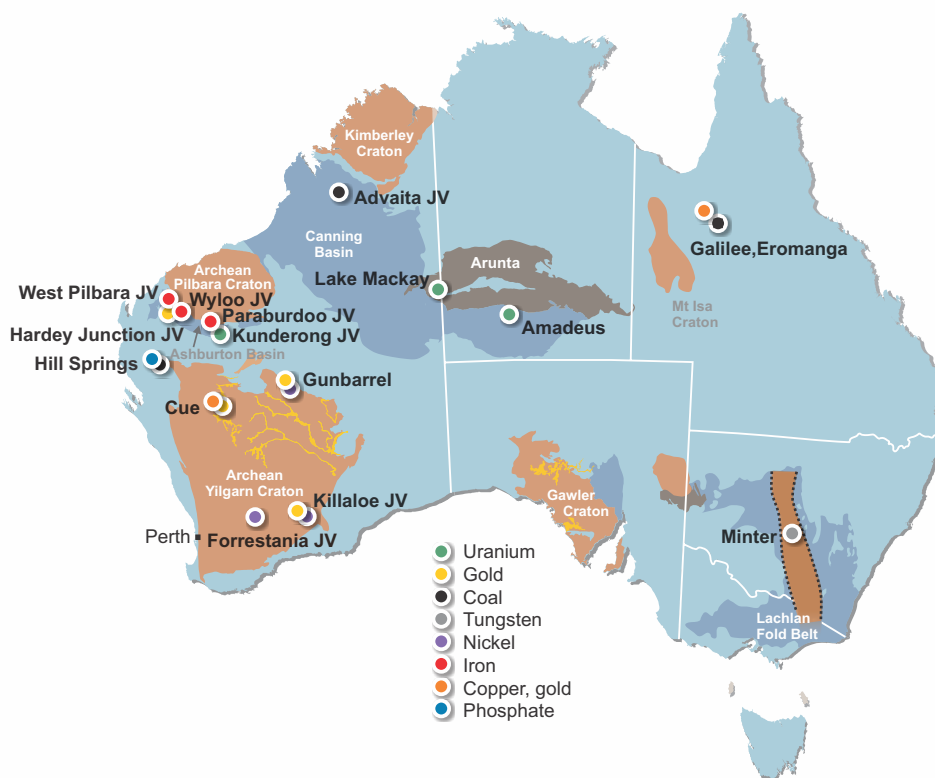
Dr. Denis Clarke, Chairman

# Company Profile

▶ Perth-based minerals explorer with:

- iron ore Reserve
- geographically diverse interests
- multi-commodity portfolio
- multiple JV partnerships
- active programmes
- innovative approach
- motivated management
- experienced board

Australia, Namibia, Scandinavia, Canada





# Highlights

## 2011/2012

### **MURCHISON, WA** **GOLD & BASE METALS**

Project area approximately 30km east of Cue, covering the northern part of the Tuckabianna – Webbs Patch greenstone sequence. Exploration targets for gold and VMS-style base metal mineralisation in this underexplored area. EM anomalies ready to drill.

### **BRITISH COLUMBIA** **ZINC**

HelITEM survey flown centred on high-grade, greenfields zinc mineralisation at the “TL Property” where trenching exposed +10m wide sulphide mineralization with best channel sample of 3m @ 8.98% Zn. Numerous EM anomalies defined for follow-up.

### **LACHLAN, NSW** **TUNGSTEN**

Diamond drilling completed at Minter testing for cupola-related, tungsten-bearing vein system. Best assay of 1.4m @ 1.36% WO<sub>3</sub> from 232.7m.

### **CATHO WELL, WA** **IRON**

Mineral Resource Estimate for the Catho Well Channel Iron Deposit of 98Mt @ 55.0 % Fe and a Maiden JORC Reserve Estimate of 70Mt @ 54.8% Fe (Cullen 30%).

### **WYLOO, WA** **IRON**

Maiden Inferred Resource of Bedded Iron of 16.9Mt @ 57.11% Fe (Cullen 20%).

### **SCANDINAVIA** **IRON, GOLD & COPPER** **GRAPHITE**

Tenure in Sweden near Kiruna (iron and copper) and in Finland near Kuusamo (gold). Large portfolio for graphite in Finland.

### **NAMIBIA** **COPPER**

Five Exclusive Prospecting Licences in Namibia for copper and base metals are granted with other applications for copper and coal pending.

### **CANNING BASIN, WA** **COAL**

RC drilling campaign completed by JV Manager, Advaita Canning Resources Pty Ltd, with coal intersections in four holes.

### **NW QUEENSLAND** **COAL**

Two tenements granted near Hughenden with several others in Galilee and Eromanga Basins pending.



# Exploration Review

## Australia

### ASHBURTON/PILBARA, WA

Cullen holds a number of tenements in the Ashburton/West Pilbara Region, in several joint ventures, in the search for iron, gold, and uranium. These joint ventures provide the Company with exposure to a number of exploration plays in an environment where local concentration of exploration effort, by well-positioned players represents the most cost effective route to a discovery.

### WEST PILBARA MT STUART JV – IRON

The Mt Stuart Iron Ore Joint Venture (MSIOJV) is between Cullen - 30%, and the unincorporated joint venture known as the Australian Premium Iron Joint Venture (APIJV) - 70%. The APIJV comprises Aquila Steel Pty Ltd (a subsidiary of Aquila Resources Limited (Aquila, ASX: AQA)) 50%, and AMCI (IO) Pty Ltd 50%. In July 2010, Aquila reported the results of a Feasibility Study (FS) for the 30Mtpa West Pilbara Iron Ore Project - Stage 1 indicating technical viability.

The Catho Well deposit is a potential component of the broader West Pilbara Iron Ore Project (WPIOP). Ore derived from the Catho Well Deposit (MSIOJV) contributes to the main, blended product stream maintaining an average 57.2% Fe throughout the proposed 15 year mine life of the WPIOP - Stage 1 mining operations. The Mining Feasibility Study (MFS) for Catho Well will include a scenario which assumes the ownership of Cullen's run of mine ore will be transferred, after loading to trains, at the "mine gate". It is anticipated that, based on the MFS, the MSIOJV Participants will require the JV Manager to submit a Development Proposal to the MSIOJV Participants and that this, in turn, will lead to consideration of a Decision to Mine by the MSIOJV Participants.

A feasibility study for the mining of the Catho Well deposit was issued by the Manager in May, 2012. As indicated to the ASX on the 7 June, 2012, Cullen does not accept that the study is a feasibility study under the definition in the MSIOJV agreement, mainly because the development requires an infrastructure rail and port solution which has not yet been approved.



# Exploration Review



## MINERAL RESOURCE ESTIMATE FOR THE CATHO WELL CHANNEL IRON DEPOSIT: (CULLEN 30%)

Joint Venture	JORC Classification	Mt	Fe %	P %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	S %	Mn %	MgO %	LOI %
Mt Stuart JV	Measured	2	55.1	0.041	6.61	3.64	0.020	0.058	0.208	9.99
	Indicated	73	55.1	0.037	6.91	3.16	0.016	0.079	0.178	10.26
	Inferred	23	54.6	0.037	7.53	3.10	0.015	0.102	0.209	10.40
	TOTAL	98	55.0	0.037	7.05	3.15	0.016	0.084	0.186	10.29

The Catho Well Mineral Resource estimate is reported at a 53% Fe cut-off. The resource estimate has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).

In December 2010, Cullen reported the maiden JORC Ore Reserve Estimate for the Catho Well Channel Iron Deposit based on the Resource Estimate.

## MT STUART JOINT VENTURE (MSIOJV) ORE RESERVE ESTIMATE (CULLEN 30%)

Product	Category	Tonnes Mt	Fe %	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P %	LOI %
Product 1	Proved	1	55.28	3.33	6.57	0.043	10.03
	Probable	69	54.80	3.23	7.23	0.037	10.31
	Total	70	54.81	3.23	7.22	0.037	10.30
TOTAL	Proved	1	55.28	3.33	6.57	0.043	10.03
	Probable	69	54.80	3.23	7.23	0.037	10.31
	Total	70	54.81	3.23	7.22	0.037	10.30

### Competent Person Statement Resource

The information in this announcement that relates to Mineral Resources has been supervised by Mr Stuart Tuckey and Mr Richard Gaze who are members of the Australasian Institute of Mining and Metallurgy. Mr Tuckey is a full-time employee of Australian Premium Iron. Mr Gaze is a full time employee of Golder Associates Pty Ltd. Messrs Tuckey and Gaze have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tuckey and Mr Gaze consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

### Competent Person Statement Reserve

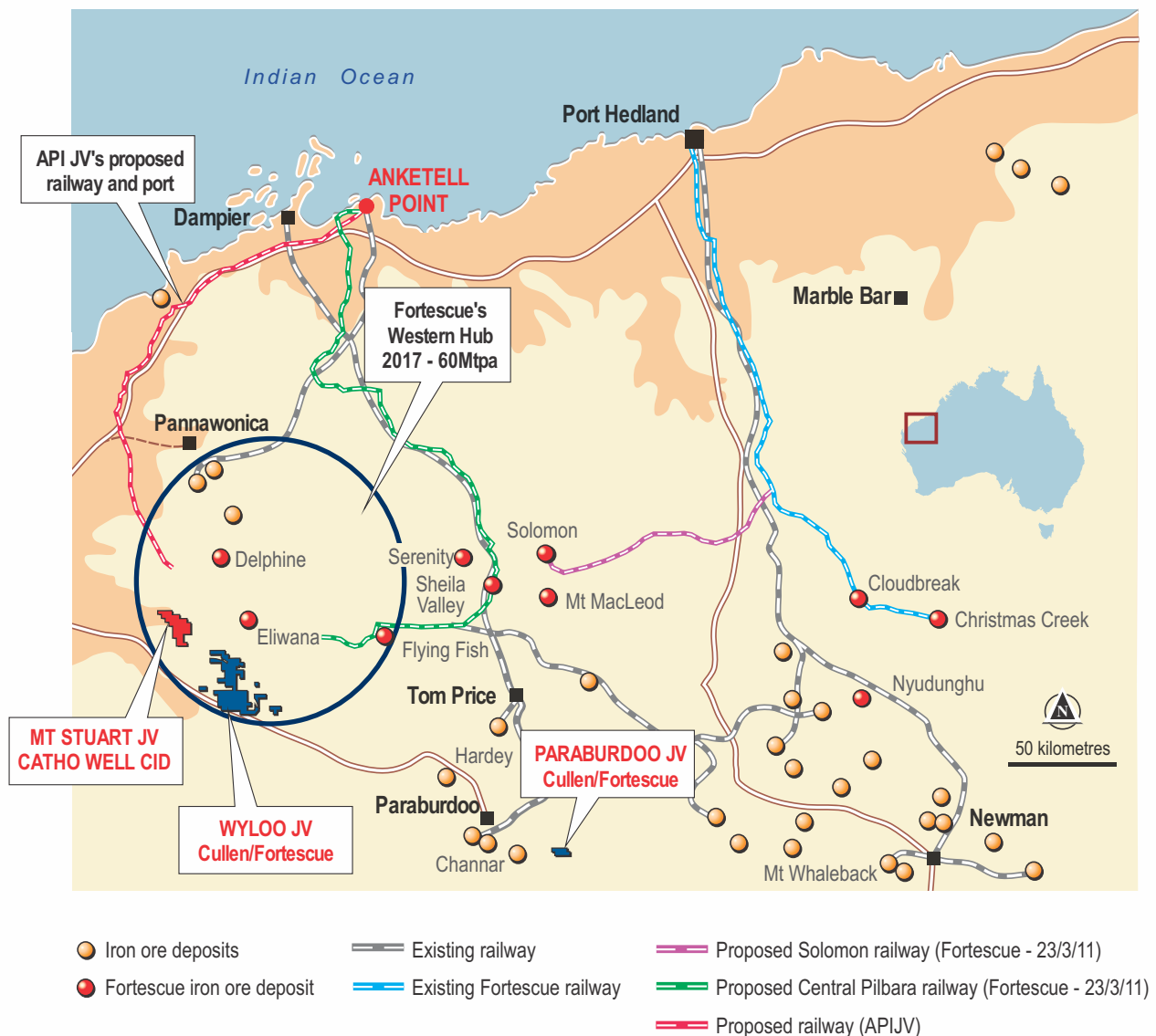
The information in this release that relates to Ore Reserves is based on information compiled by Mr Steve Craig, Managing Director of ORElogy (Mining Consultants). Mr Craig is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Craig consents to the inclusion of the matters based on his information in the form and context in which it appears in this release.

# Exploration Review

## WYLOO AND PARABURDOO JVs – IRON

The Wyloo Project lies within Fortescue's proposed "Western Hub" mining centre, and just south of Cullen's, 30%-owned Catho Well Channel Iron Deposit which is part of the West Pilbara Iron Ore Project – Stage 1. Fortescue can earn up to an 80% interest in the iron ore rights on EL08/1393 and ELs 47/1154, 1649 and 1650. Fortescue has provided a maiden Resource Estimate of 16.9Mt @ 57.11% Fe in a Bedded Iron Deposit at Wyloo South, in the Inferred category, and has thereby earned 51%.

Fortescue can earn up to an 80% interest in the iron ore rights on Cullen's EL52/1667, located ~ 25km south east of Paraburdoo in the Pilbara Region of Western Australia. The tenement includes potential for bedded iron deposits within the Brockman Iron Formations, along strike from the Paraburdoo and Channar Groups of iron deposits. Fortescue completed a 26 hole RC drilling programme for 2150m with a best intersection of 5m @ 55.36% Fe with follow-up drilling planned.



### COMPETENT PERSONS STATEMENT – WYLOO JV

Mr. Stuart Robinson is a full-time employee of Fortescue Metals Group Ltd and Mr. Glascock recently resigned from the company. Both people provided geological interpretations for Mineral Resource calculations and compiled the exploration results. Mr. Robinson, who is a Fellow of The Australasian Institute of Mining and Metallurgy, and Mr. Glascock, who is a Member of The Australasian Institute of Mining and Metallurgy have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr. Robinson and Mr. Glascock consent to the inclusion in this report of the matters based on this information and in the form and context in which it appears.



# Exploration Review



## TUNNEL CREEK JV – URANIUM

The Company has a Joint Venture agreement with Element 92 Pty Ltd, a wholly-owned subsidiary of Thundelarra Exploration Ltd (Thundelarra), over its two tenements (ELs 52/1890, 1892) at Tunnel Creek/Kunderong, in the Ashburton Province. U3O8 Limited (U3O8) and Thundelarra have agreed for U3O8 to farm-in and take over management of two of the EL's in this Cullen/Thundelarra JV (EL52/1890 and EL52/1892). U3O8 and Thundelarra can together earn 70%, with Cullen to retain 30% in these two tenements, in what is now called the Saltwater Pool JV. During the year U3O8 changed its name to Avocet, ASX : AYE.

At the Monster Prospect on EL52/1892 area, sampling has returned up to 8.8g/t gold (Au), 150g/t silver (Ag) and 1.1% antimony (Sb). These samples are from a complex, brecciated quartz vein system and were collected from a small area over various parts of the veins. A total of 22 samples returned between 1.0 and 150g/t Ag, whilst 10 samples returned between 0.1g/t and 8.08g/t Au. A review of radiometrics, electromagnetics and satellite imagery is also on-going and this will be followed by a detailed follow-up sampling and geological mapping programme. Work to identify unconformity-related uranium and orogenic gold deposits in Avocet's projects areas, including Tunnel Creek, is on-going.



## HARDEY JUNCTION JV – GOLD

Intrepid Mines Limited sold the Paulsens Gold Mine, located approximately 15km north of the Hardey Junction JV ground, to Northern Star Resources Ltd in a deal which included sale of their beneficial interest in the Hardey Junction JV. Cullen holds a 20% Free Carried Interest to decision to mine based on a Bankable Feasibility study in this Joint Venture. Northern Star has completed a 50m line spacing aeromagnetic/radiometric survey with interpretation of data in progress. A targeting/ranking exercise now underway will determine the priority of future exploration.

# Exploration Review



## NORTH TUCKABIANNA, WA – GOLD AND BASE METALS

The company completed a 7-hole, ~1000m RC scout drilling programme at its North Tuckabianna copper/gold project which targeted three conductors (NT1-NT3) identified by a helicopter-borne EM survey (VTEM – 100-200m line spacing). The VTEM survey was flown across the Eelya Complex and the northern section of the Tuckabianna greenstone belt in Cullen's North Tuckabianna Project Area in March 2012.

The felsic Eelya Complex hosts the high-grade Hollandaire copper discovery of Silver Lake Resources Ltd (ASX: SLR – 10 November 2011) as well as several other EM conductor targets, currently being explored by Silver Lake Resources Ltd, including the Colonel and Mt Eelya prospects.

Cullen's drilling intersected disseminated sulphide (mainly pyrite and pyrrhotite, 1-20% visually identified over intervals of 1-20m downhole) in mafic and felsic rocks at or near the modelled conductor plates from the VTEM survey in all holes drilled. However, downhole surveys completed at each VTEM anomaly redefined the position of the conductor plates and show that the conductive targets had been narrowly missed by the first pass drilling (see Figures) and therefore had not been adequately tested.

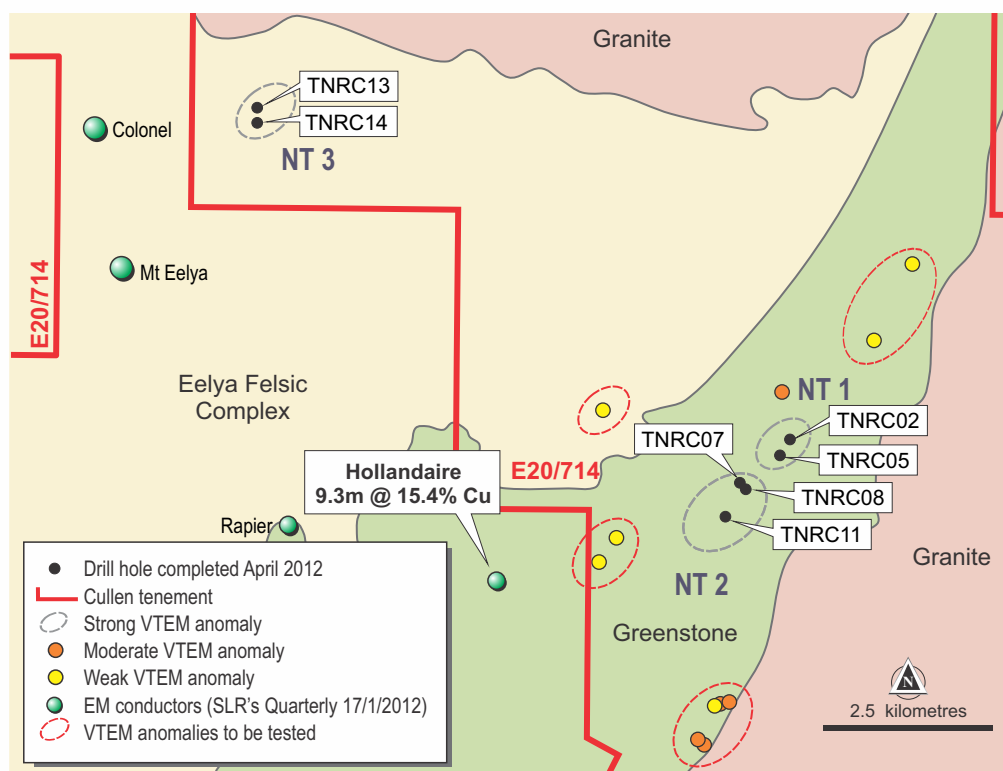
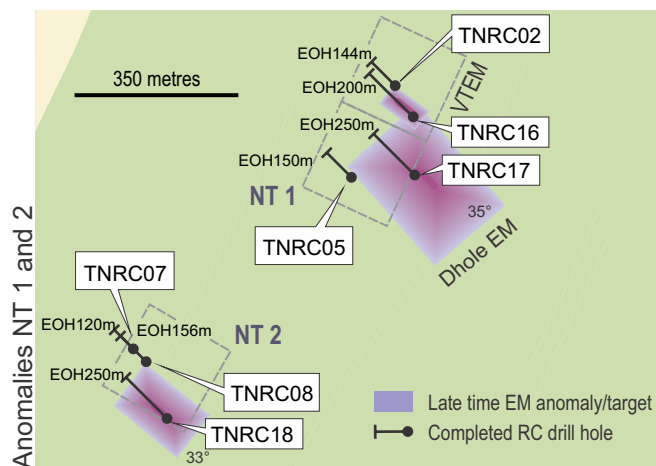
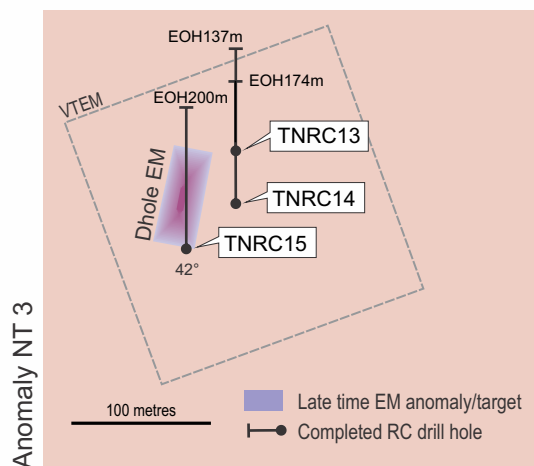
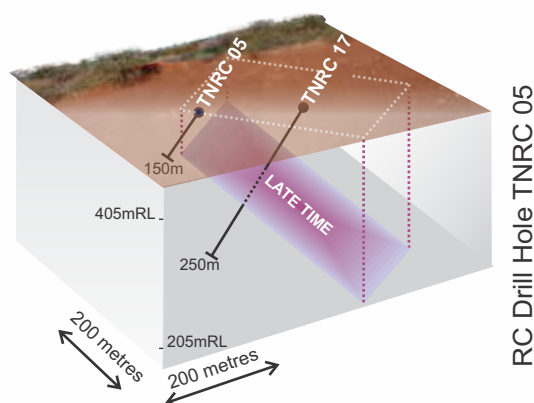
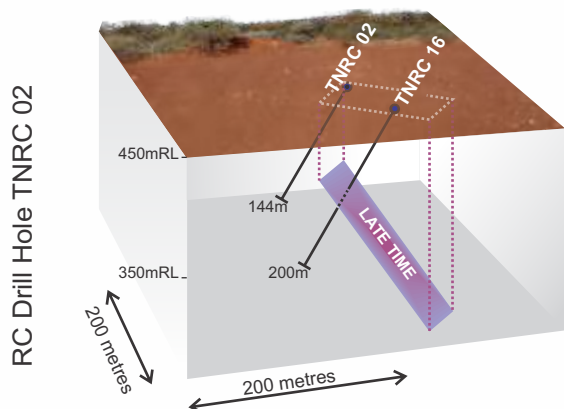
The drill samples assays include a best result of 0.19% Cu and 0.21% Zn from 62-64m depth in drill hole TNRC14 at the target NT3. The best gold result is 0.12g/t from 66-68m in drill hole TNRC11 at target NT2.

TABLE: PARAMETERS OF RE-MODELLED CONDUCTOR PLATES BASED ON  
DOWNHOLE GEOPHYSICAL SURVEYS

EM Anomaly	Down hole Plate	Down dip Extent (m)	Dip (degrees)	Strike length (m)	Azimuth (degrees)
NT1	One	146	51	49	126
	Two	350	35	200	139
NT2	One	214	33	115	128
NT3	One	42	42	22	194

These redefined conductor plates were tested in August 2012 with four RC holes (TNRC15-18) and intersected zones of disseminated sulphide but with only geochemically anomalous assay results (maximum Cu - 1980ppm). Several low-order VTEM anomalies remain to be investigated and tested, initially using A/C and/or RAB drilling (see Figures).

# Exploration Review





# Exploration Review



## NORTH EASTERN GOLDFIELDS, WA

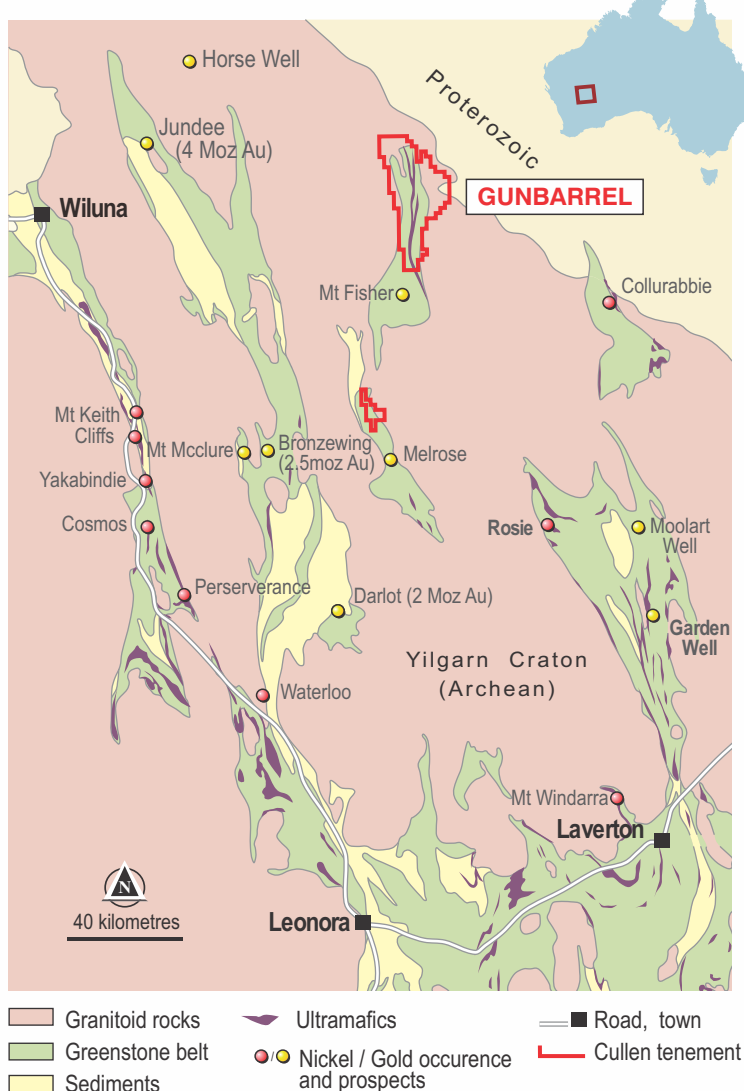
### GUNBARREL – GOLD, NICKEL

Cullen has been progressively reviewing the extensive database, and has undertaken field assessments of the nickel and gold prospectivity of its Gunbarrel greenstone belt project. Regional data and models for new minerals discoveries, such as “Rosie” – nickel, and “Garden Well” - gold, in the Duketon greenstone belt, have been taken into consideration when identifying priority target areas for drilling at Gunbarrel as follows.

The northern and southern extensions of the Eureka North West mineralization, where previous intersections of gold in conglomerate include 8m @ 2.92 g/t Au, is interpreted to continue for some 10km to the north under lake cover and has not been tested by systematic drilling to date.

The northern and southern extension of the Taipan shear zone - the Taipan target area has a best drill intercept of 22m @ 2.1 g/t Au, including 6m @ 5.0 g/t Au. It is a robust mineralised system of quartz veining, pyrite and carbonate alteration hosted by sheared mafic schists over a strike length of 700m and up to 100m wide (91m @ 0.3 g/t Au in “DDH1” from 133m) and open to the north and south.

Nickel targets include: “AK47” (0.2m @ 1.93% Ni from 140m) where further EM and drilling is required; the eastern untested RAB anomaly (11m @ 0.86 % Ni), where ground EM is planned; and several VTEM and ground EM anomalies near “GBD 15” (0.5m @ 0.95% Ni) where further RC drilling is required. Field reconnaissance is in progress and heritage clearance surveys are being planned.



# Exploration Review



## EASTERN GOLDFIELDS, WA

### KILLALOE – GOLD AND NICKEL

Cullen and Matsa Resources Limited ("Matsa") signed an agreement to allow Matsa to farm-in to Cullen's Killaloe Project near Norseman in W.A. (EL63/1018, EL63/1199 and PLs 63/1331-1333 and 1672). Matsa can earn a 70% interest in the Killaloe Project by agreeing to sole-fund exploration expenditure of \$500,000 within 3 years of satisfaction of the conditions precedent. Matsa can terminate the agreement at any time after incurring a minimum \$100,000 of exploration expenditure. Matsa has completed data compilation and review and has outlined a number of targets for further exploration.



### FORRESTANIA, WA – GOLD, NICKEL AND IRON

Cullen holds a 20% Free Carried Interest in the western portion of Hannans Reward Limited (Hannans) Stormbreaker Prospect, centred ~12km north of the Flying Fox Nickel Mine in the Forrestania Greenstone Belt. Hannans completed 2000m RC drilling programme in September 2011 targeting a surface TEM anomaly and interpreted ultramafic lithologies for nickel sulphides, but did not detect any significant anomalies. In addition, Hannans has identified an iron ore prospective Banded Iron Formation where it plans to carry out a programme of RC drilling to follow-up on iron-rich rock chip sample assays and a pervious intersection in drillhole "FSRC035" (35m @ 47.5% Fe).





# Exploration Review

## KIMBERLEY, WA

### CANNING BASIN JV – COAL

Cullen has signed a Heads of Agreement (HOA) with Advaita Canning Resources Pty Ltd, a subsidiary of a private, Singapore-based, energy-focused, investment company Advaita Power Resources Pte Ltd. Advaita's goal is to become a preferred fuel supply partner for Indian power producers and has mandates for coal supply from several power companies setting up over 10 Giga Watts of imported coal-based power capacity in India.

Advaita commenced a RC drilling program over the granted Canning Basin JV tenements, in mid - July 2011. A series of drill holes perpendicular to the strike of the regional geology was completed, to gain an understanding of the stratigraphy, and to explore for the coal-bearing horizons.

The results of the 23 holes, 4246m drilled showed the presence of coal in 4 holes, with coal seams intersections ranging from 0.19m to 1.55m recorded. Further drilling is planned for the 2012/2013 season.



Photograph: Porcupine Gorge north of Hughenden

## QUEENSLAND

### GALILEE AND EROMANGA BASINS – COAL

Montrose Resources Pty Limited, a wholly-owned subsidiary, holds applications for coal in the Millungera Basin (EPCAs 2222, 2227, 2244, and 2247), Eromanga/Galilee Basin - Winton area (EPCAs 2628, 2629, 2630, and 2632) and in the Galilee Basin. Montrose's two tenements near Hughenden (EPCs 2226 and 2236) are now granted. In this latter area, three targets for coal have been interpreted from aeromagnetic data for further exploration. Montrose is seeking to farm-out its Hughenden tenure.

An area of interest west of Winton has been developed where a water bore, "WB2498", intersected 193.5m (from 112.8m to 306.3 EoH) of "shale and coal" that is interpreted to be Cretaceous Winton Formation. Petroleum wells in the same region include "McQueen #1", that intersected 4m of shale and coal (164 -168m) and "Cork #1", that intersected 5m of shale and coal (380-385m; 80% coal) within a broader carbonaceous (trace, to 20% coal) sediment sequence from 60-420m down hole. Cullen has applied for four EPCAs covering "WB2498" and extensions north and south towards the McQueen and Cork drill collars (now under applications by another company).



Photograph: Camels travelling on Hughenden-Winton Road



# Exploration Review

## CENTRAL LACHLAN FOLD BELT, NSW

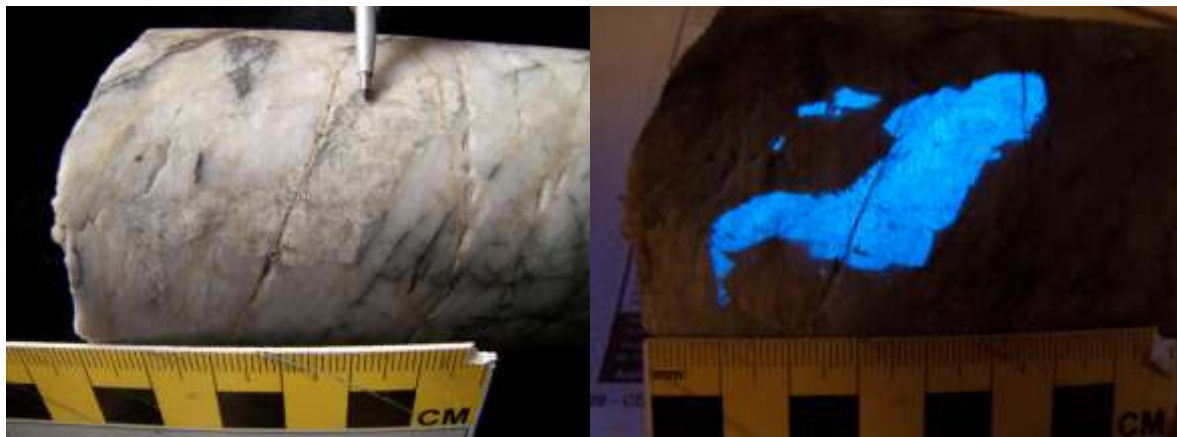
### MINTER – TUNGSTEN

A combined RC percussion-diamond drilling programme totalling 536.8 metres in three holes was undertaken on the Minter project in June 2012 testing selected geological/geochemical targets at the Doyenwae and Orr Trig prospects. Holes were designed to test beneath zones of anomalous tungsten and tin geochemistry outlined by earlier soil sampling and shallow percussion/aircore/RAB drilling.

At the Doyenwae Prospect, RC percussion hole MRC005 averaged 447ppm tungsten over the full 111 metre length of the hole with localised two-metre zones of quartz-scheelite veining assaying up to 0.35% tungsten. Diamond drill hole CMDD001, drilled to 258.0 metres at the Doyenwae prospect, intersected significant quartz + sulphide veining throughout much of the hole. Examination of the core with an ultraviolet lamp detected widespread scheelite mineralisation occurring both within quartz veins and as disseminations/aggregates in silica-altered sandstone units; particularly in the interval from 130 metres to the end of the hole. The true width of potential mineralisation in both MRC005 and CMDD001 is uncertain as preliminary observations of vein orientations in the CMDD001 drill core indicate that the holes may be drilling at a low angle to some of the mineralised quartz veins, assays pending.

At the Orr Trig Prospect, diamond core hole CMDD002; drilled to 267.8 metres, intersected scattered zones of narrow quartz veining and localised silicification over much of the hole with scheelite being observed as disseminations in sandstone and within quartz veins in the interval between 100m and 250m. Although it would appear that hole CMDD002 has been drilled in an appropriate direction with respect to the orientation of the quartz veins, the amount of observable scheelite mineralisation is less than that noted in CMDD001. The results included: 1m @ 0.7% WO<sub>3</sub> (from 131.45m), 1.4m @ 1.36% WO<sub>3</sub> (from 232.7m), and 4.05m @ 0.58% WO<sub>3</sub> (from 185m) in CMDD001.

Hole ID	Prospect	Drilling Method	Easting (MGA)	Northing (MGA)	Azimuth (MGA)	Azimuth (Magnetic)	Collar Dip	Final Depth (m)
MRC005	Doyenwae	RCP	455919	6311235	102°	90°	- 55	111
CMDD001	Doyenwae	Diamond	455598	6311188	102°	90°	- 55	258.0
CMDD002	Orr Trig	Diamond	456112	6316919	95°	83°	- 50	267.8



Photographs of core sections from CMDD001 @ 188.15m under normal and UV light – showing scheelite in clast

# Exploration Review

## Scandinavia

### SWEDEN AND FINLAND –

#### GOLD, COPPER, IRON

Cullen holds two exploration licences in Sweden near Kiruna, and in late 2010, Cullen initiated exploration in the Kuusamo greenstone belt of far north eastern Finland adjacent to the Juomasuo deposit (1.95Mt @ 4.9 g/t Au) of Dragon Mining Limited. Dragon has announced total resources in its Kuusamo project area of 3.4 Mt @ 4.2 g/t Au (460,700 oz), with historical, bonanza grade drill intersections at Juomasuo including: 57.3m @ 62.56 g/t Au and 5.30m @ 206.85 g/t Au ([www.dragon-mining.com.au](http://www.dragon-mining.com.au)).

During 2011, Cullen reviewed geological databases for the Proterozoic greenstone belts of northern Finland to identify other opportunities for effective application of the biogeochemical approach, in which Cullen is building its expertise. Cullen, through its wholly-owned Finnish registered subsidiary, has now applied for ~750 km<sup>2</sup> of prospective ground in the greenstone belts that host the Kittila gold deposit (Agnico – Eagle, 5 Moz of Reserves, [www.agnico-eagle.com](http://www.agnico-eagle.com)); and the Rompas prospect (Mawson Resources Ltd – Rompas is a discovery with bonanza gold grades in surface channel samples including: 0.3m @ 1,866g/t Au and 8.0% U, and 0.26m @ 1,510g/t Au and 3.95% U ([www.mawsonresources.com](http://www.mawsonresources.com)). Cullen plans biogeochemical surveying across these new project areas and ground follow-up of any anomalies in 2012/2013.

In June 2012, Cullen completed a detailed biogeochemical survey (275 samples) on its Exploration Licence application directly north of Dragon's Kuusamo/Juomasuo gold project, as well as from an area south, along strike of the prospective lithologies.

#### EXPLORATION TARGETS<sup>1</sup>

The term Exploration Target where used herein is conceptual in nature and there has been insufficient exploration to define a Mineral Resource, and it is uncertain if further exploration will result in the determination of a Mineral Resource under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code (2004). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve

# Exploration Review

## FINLAND –

### GRAPHITE

In early 2012, Cullen commenced a review of graphite opportunities in Finland following the release of information by Talga Gold Limited (ASX:TLG) concerning the Nunasvaara graphite deposit in northern Sweden, which currently contains a JORC - compliant inferred Mineral Resource of 3.6 Mt @ 23% C (see TLG's ASX release, 28 February 2012).

Cullen has lodged three Ore Prospecting Licence applications (Exploration Licence equivalents) and four Claim Reservation applications over six graphite prospects in the name of its wholly-owned, Finnish-registered subsidiary company. These prospects have previously been explored for graphite and/or base metals by the Geological Survey of Finland (Geologian Tutkimuskeskus or GTK) and companies, mostly in the period 1970-2000. The historic work done by GTK was aimed at the potential of graphite as a fuel source. Graphite's metallurgical characteristics for other industrial uses were not, or only partly, investigated. Existing databases for these graphite prospects include aerial and ground geophysical surveys, geological maps and diamond drill cores stored at the Geological Survey of Finland.

The major strategic advantages of Cullen's Finnish graphite portfolio are:

- Location in a first world country with very good infrastructure and a well-educated and trained workforce;
- Existing, accessible data and drill core material that will allow rapid evaluation and determination of potential;
- Proximity to potential graphite markets in Europe; and,
- Advanced prospects with indications of potential multi-million tonne Exploration Targets<sup>1</sup> in the range of 1 to 5 Mt @ 5 to 20% C of amorphous to flake-size graphite from work completed to date.

Cullen may begin work on these prospects now, during the application stage of the licences and the life of the claim reservations (two years), by examining the drill cores in Finland, re-sampling and analysing parts of the core, and re-assessing the drill and geophysical databases. This work will commence as soon as possible and will lead to a rapid prioritization of the portfolio.

Cullen will also work to find an off-take partner for the graphite at an early stage and would then prioritize further activities, including drilling for resource estimation, accordingly.

TABLE: SUMMARY OF GRAPHITE PROSPECT AREAS APPLIED FOR BY CULLEN IN FINLAND

PROJECT AREA	APPLICATION TYPE	SIZE (km <sup>2</sup> )	HISTORIC DRILL HOLES	COMMENTS
KOLARI	Claim Reservation	13.8	8 diamond drill holes (1918-1985) Rautaruukki Oy, Kiiruna AB, GTK	
	Ore Prospecting Licence	5.5		
TUNTURI	Claim Reservation	99.12	32 diamond drill holes (1996-1997) GTK	Flaky graphite reported
POLVELA	Ore Prospecting Licence	9.2	4 diamond drill holes (1983) GTK	Hole R303 <b>29m @ 18% C from 13m depth</b> (estimated from cross section)
VIISTOLA / HYYPIÄ	Ore Prospecting Licence	1.36	13 diamond drill holes (1972-1983) GTK	Hole R430 <b>14.6m @ 31.8% C from 48.5m</b>
AITOO	Claim Reservation	187.11	15 diamond drill holes (1983-1992) GTK, Outokumpu, Oy	Hole R336 <b>7.6m @ 34.8% C from 7.4m;</b> Hole R331 <b>99.55m @ 12.1% C from 5m</b>
MISI	Claim Reservation	170.56	75 diamond drill holes (1955-2006) GTK, Rautaruukki Oy, Lapin Malmi Oy	Competing application

GTK = The Geological Survey of Finland (Geologian Tutkimuskeskus)



# Exploration Review

## Canada

### BRITISH COLUMBIA, TL PROPERTY – BASE METALS

Early in 2011, Cullen signed an agreement with a Vancouver-based private prospecting syndicate whereby Cullen may earn an 80% interest in the TL Property located in south-east British Columbia, Canada. Cullen has subsequently explored the property primarily for base metals with considerable early success.

In May and June 2011, Cullen dug three trenches to test geochemical anomalies which returned a best result of 3m @ 8.98% Zn from channel samples, with highly anomalous molybdenum (maximum 1339 ppm) and rhenium (maximum 580 ppb), copper, bismuth, nickel, tin, and tungsten. The trenches exposed an assemblage of calcsilicate-marble, quartzite, biotite-garnet-schist and paragneiss. During October 2011, Cullen flew a HeliTEM (helicopter borne EM) survey across the entire TL project area in order to characterize the known “Trench” mineralization and prioritise targets. The survey identified a very strong, ~6000m long conductor trending east-west beyond the trench site – see Figure.

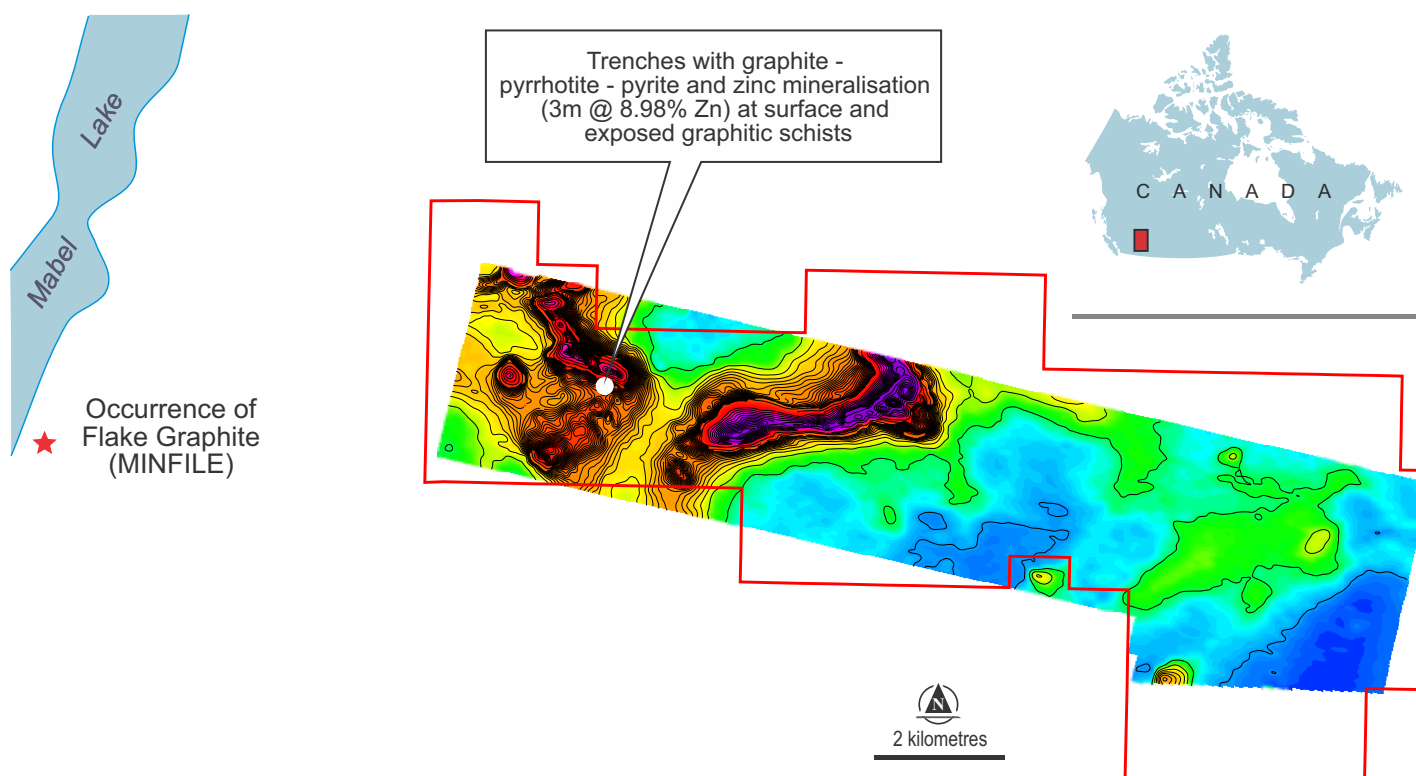
During a field visit in June 2012, ~100 organic soil samples were taken from an area immediately south of the TL gossan-trench site. Zinc, molybdenum and mercury geochemical anomalies show a prominent southeasterly trend coincident with magnetic and EM anomalies over approximately 400m and open to the northwest. A diamond drilling programme in the trenched area is scheduled for September 2012.

Cullen's trenches also exposed graphite-bearing schists and graphitic-sulphidic masses (see photos) including coarse-grained “flake” graphite. Furthermore, a showing of “crystalline flake graphite” is recorded near Mabel Lake ~5km west of the TL Property boundary in the “MINFILE” database of the BC Geological Survey. The host lithology to this occurrence near Mabel Lake is interpreted by Cullen to be part of the same stratigraphy that occurs within the TL Property.





# Exploration Review



Graphite is well-known to be highly conductive and commonly the source of airborne EM anomalies. It is possible therefore, that the large EM conductor (~6km in length) within the TL Property indicates a mixed sulphide/graphite-bearing rock unit. Sulphide/graphite development may be concentrated in favourable structural positions within this unit. Further fieldwork and sampling is planned for this field season.

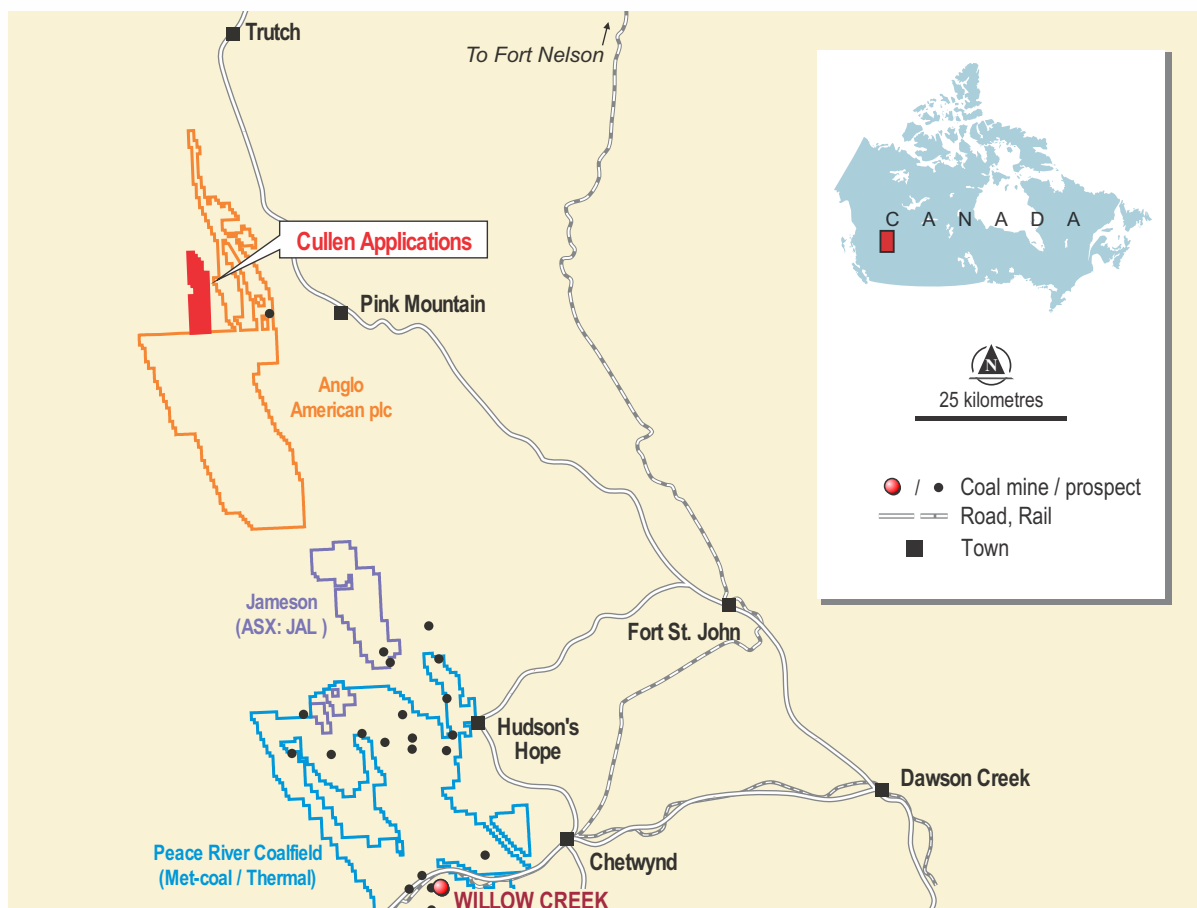


# Exploration Review



## PEACE RIVER COALFIELD, BRITISH COLUMBIA – COAL

In early 2012, Cullen initiated a review of the Peace River Coalfield of north-east British Columbia. This is a prime metallurgical coalfield with a number of producing mines and major mining companies involved in exploration and acquisition of assets (see Figure). As a result, Cullen, through its wholly-owned Canadian subsidiary, has applied for ~100 km<sup>2</sup> of tenements over an under explored trend of Gething Formation west of Pink Mountain (see Figure). The area adjoins a large Anglo application (January 2012) to the south and east. Anglo mines coal in the Peace River Coalfield at Trend near Tumbler Ridge. This is an exciting exploration initiative where Cullen can apply first pass mapping and geochemical techniques in a fairly accessible environment in the summer months (May – October), once the applications are approved.





# Exploration Review

## Namibia

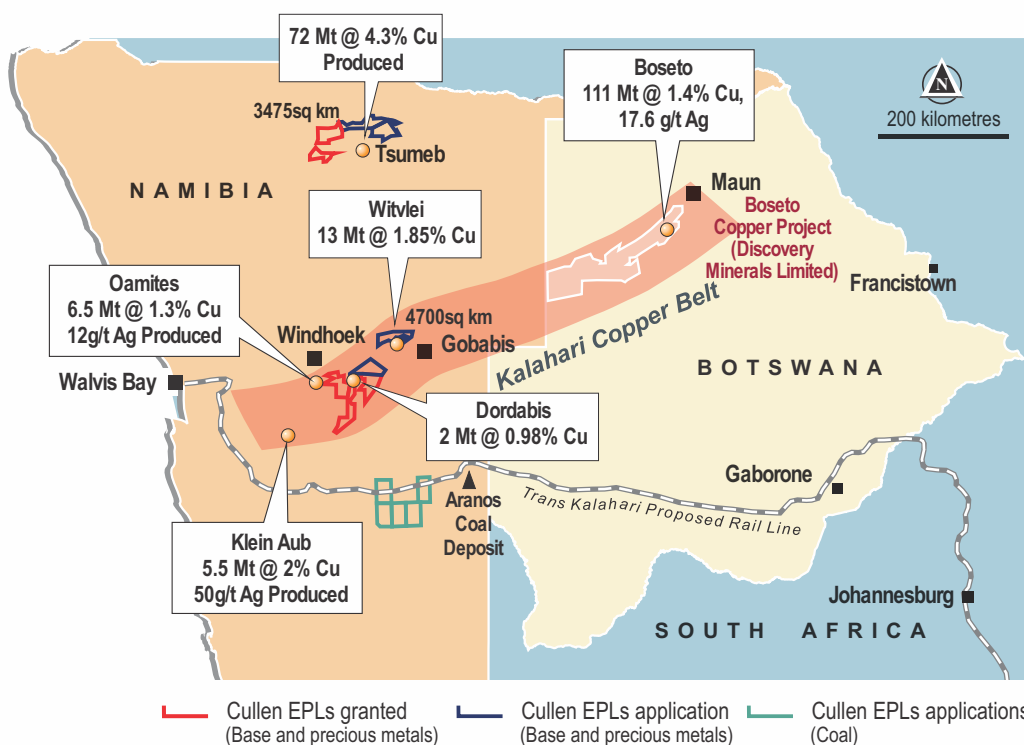
### TSUMEB AND KALAHARI COPPER BELT –

#### COPPER, REE, AND BASE METALS

#### KAROO BASIN – COAL

Cullen Resources Namibia (Pty) Ltd has an exploration presence in Namibia, south-west Africa. Cullen Namibia has to date: lodged applications for ~ 8,000 km<sup>2</sup> of prospective ground in Namibia; targeting large, sediment-hosted, African copper belt-type deposits; Tsumeb-type base metal deposits and Rare Earth Elements (REEs) in carbonatites. Five EPL applications, two near Tsumeb and three east of Windhoek, prospective for copper, have now been granted. Cullen has purchased aeromagnetics data and has completed stratigraphic and structural interpretation. A field review has been completed and rapid assessment by geochemistry and/or stratigraphic drilling can commence.

Cullen Resources Namibia (Pty) Limited, has also applied for five Exclusive Prospecting Licences for coal in the Aranos Basin of southern Namibia. This basin hosts the Aranos Coal deposit, but little regional exploration appears to have been undertaken on the western margin of the basin. Cullen has generated these projects on the basis of the known coal prospectivity of the Karoo Basin. The applications are expected to be processed in the second half of 2012.



# Exploration Review

## SCHEDULE OF TENEMENTS (as at 30 June 2012)

REGION	TENEMENTS	ASSOCIATED TENEMENTS / APPLICATIONS	CULLEN INTEREST	COMMENTS
<b>WESTERN AUSTRALIA</b>				
<b>ASHBURTON / PILBARA</b>				
Mt Stuart JV	EL08/1135, 1330, 1341, EL08/1292		30%	API has earned 70% of iron ore rights 50 cents per tonne royalty
Hardey Junction JV	EL08/1166, 1189, 1763, 1843, P08/546		20%	Northern Star 80% 2% NSR royalty
Wyloo JV	EL08/1393, EL47/1154, 1649, 1650, P08/556		50%	FMG can earn up to 80% of iron ore rights
Paraburdoo JV	EL52/1667		100%	FMG can earn up to 80% of iron ore rights
Tunnel Creek JV	EL52/1890, 1892		100%	Thundelarra Exploration and U3O8 can earn up to 70%
Hardey North		EL08/2227, 2145		Application only. No current interest
<b>NE GOLDFIELDS</b>				
Gunbarrel	EL53/1299, 1300 +/ *	EL53/1630, 1635	100%	+2.5% NPI Royalty to Pegasus on Cullen's Rights *1.5% NSR Royalty to Aurora
Irwin Well		EL53/1637		Application only. No current interest
Irwin Bore JV	EL53/1209, P53/1264, 1265		90%	Western Australian Resources - 10%
Wonganoo	EL53/1611		100%	
Lake Mackay		EL80/4209	100%	Application only. No current interest
Hill Springs	EL09/1766, 1885			
<b>EASTERN GOLDFIELDS</b>				
Killaloe	EL63/1018, 1199, P63/1672, 1332-1333		100%	Matsa can earn 70%
<b>FORRESTANIA</b>				
Forrestania JV	EL77/1406, 1327, 1354, M77/0544 P77/3607, 3613, 3762, 3763 P77/3582 - 3588		20%	Hannans Reward Ltd - 80% 2.5% NSR royalty
<b>KIMBERLEY</b>				
Advaita JV	EL04/1836, 1930, 1932, 1945, 1946		100%	Advaita can earn 75% in coal rights
<b>CARNARVON BASIN</b>				
North Tuckabianna	EL20/714, 755	EL20/808	100%	
<b>NEW SOUTH WALES</b>				
Minter	EL6572		100%	
<b>NORTHERN TERRITORY</b>				
Yambla	E26142		100%	
Amadeus		E25493, 25494		Applications only. No current interest
<b>QUEENSLAND</b>				
Hughenden	EPCs 2226, 2236		100%	
		EPCs 2222, 2227, 2244, 2247, 2628, 2629, 2630, 2632 EPMs 18904 - 18906, 18913		Applications only. No current interest
<b>NAMIBIA</b>				
Tsumeb	EPLs 4493, 4495	EPLs 4501, 4497	100%	
Kalahari	EPLs 4494, 4496, 4500	EPLs 4498, 4599	100%	
Aranos Basin		EPLs 4599 - 4603		Applications only. No current interest
<b>SWEDEN</b>				
Kiruna area	Holmajarvi 2 and Lavasjakka		100%	
<b>FINLAND</b>				
	Kuusamo South & West, Rompas South, West and Central, Suurikuusikko Northeast and South, Kanasenvaara, Joutseno 13, Misi, Kolari, Viistola, Polvela, Tunturi, Aitoo			Claim reservations (2 years) or EL applications
<b>CANADA</b>				
Mabel Lake	TL 1-15			Cullen earning 80%
Pink Mountain		418132, 418133		Applications only. No current interest

# Exploration Review

## JOINT VENTURES - SUMMARY TABLE

Joint Venture (Farm-out)	Commodity Focus	JV Partner	JV Partner Earning (Earned)	Expenditure required and time	Cullen's FCI to DTM	Cullen's NSR	Comment
Paraburdoo	Iron Ore	Fortescue Metals Group Ltd	80%	-	20%	-	1.5% FOB Royalty capped to 20Mt
Hardey Junction	Gold	Northern Star Resources Ltd	(80%)	-	20%	2%	Intrepid sold its Paulsen's gold mine, including its interest in the Hardey Junction JV to Northern Star Resources Ltd in July 2010.
Mt. Stuart	Iron Ore	API JV (50% owned by Aquila, 50% AMCI)	(70%) <sup>∞</sup>	-	-	-	API has completed Feasibility study of its regional interests. Cullen contributing at 30% in Mt Stuart JV, 50 cents/tonne royalty
Tunnel Creek	Uranium	Thundelarra/ Element 92 Pty Ltd	70% or 80%	\$1.5M /5 years	20%	2%	U3O8 farmed into two tenements
Wyloo	Iron Ore	Fortescue Metals Group Ltd	80% (51%)	-	20%	-	1.5% FOB Royalty capped to 15Mt
Forrestania	Nickel, Gold	Hannans Reward Ltd	(80%)	-	20%	2.5%	Part of a large project position held by Hannans
Killaloe	Nickel, Gold	Matsa Resources Limited	70%	\$500K/3 years	20%	2%	
Canning Basin	Coal	Advaita Canning Resources Pty Ltd	75%	\$1.5M/2.3 years	20%	-	For coal rights only
Joint Venture (Farm-in)	Commodity Focus	JV Partner	Cullen Earning (Earned)	Expenditure required and time	Farmee's FCI	Farmee's NSR	Comment
TL Property, Canada	Base Metals	TL Syndicate	80%	CDN \$690K/ 3 years	10%	2%	
Irwin Bore	Gold	WAR Ltd	(90%)	-	10%	2%	

DTM = Decision to Mine    FOB = Free on Board    FCI = Free Carried Interest    NSR = Net Smelter Return    ∞ = Iron ore rights only    NPI = Net Profits Interest

### Competent Person Statements

The information in this report that relates to Exploration Results is based on information compiled by Dr Chris Ringrose, Managing Director, Cullen Resources Ltd who is a Member of the Australasian Institute of Mining and Metallurgy. Dr. Ringrose is a full-time employee of Cullen Resources Ltd. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr. Ringrose consents to the report being issued in the form and context in which it appears.

The information in this report that relates to Exploration Results for uranium is based on information compiled by Dr Chris Ringrose, Managing Director of Cullen Resources Ltd and reviewed by Mr. Grahame Hamilton, Director, Cullen Resources Ltd., both of whom are Members of the Australasian Institute of Mining and Metallurgy. Mr. Hamilton is also a geological consultant to Cullen Resources Ltd. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr. Ringrose and Mr. Hamilton consent to the report being issued in the form and context in which it appears.



## DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2012.

### Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

- **Dr Denis Clarke BSc, BA, PhD, FAIMM (Non-Executive Chairman) (Appointed 1 April 1999)**

Dr Denis Clarke has more than 40 years' experience in exploration and mining operations. Over 15 years with Plutonic Resources ("Plutonic"), he contributed significantly at the General Manager level to its success as it developed from a small explorer in 1983 to one of Australia's largest gold miners prior to its take-over in 1998 in a transaction which valued Plutonic at \$1 billion. Dr Clarke at various times managed the exploration, finance, administration and corporate divisions. He subsequently was a director and consultant to Troy Resources Limited for eleven years as it developed from explorer to a successful international gold miner. During the past three years Dr Clarke has been Chairman or Non-Executive Director of the following listed companies:

- Hill End Gold Limited (from 25 February 2010 to present)
- Signature Metals Limited (from 14 September 2012 to present)
- Anglo Australian Resources NL (from 9 April 2004 to 28 November 2011)
- BCD Resources NL (from 25 November 2004 to 25 February 2011)
- BCD Resources (Operations) NL (from 27 February 2007 to 25 February 2011)
- Troy Resources Limited (from 24 March 1999 to 27 November 2010)

- **Dr Chris Ringrose BSc, PhD, MBA, MAIMM, MAICD (Managing Director) (Appointed 19 June 2003)**

Dr Chris Ringrose has been an exploration geologist based mainly in Western Australia since he completed his geology degrees in Scotland in 1982. His career has included experience with EZ, Chevron and Aztec, and prior to joining Cullen, he was Exploration Manager with Troy Resources NL for nine years. Dr Ringrose has also completed an MBA at Deakin University and brings to the Company significant management, exploration and project evaluation experience gained both in Australia and overseas. Dr Ringrose has had no other directorships of listed companies in the last three years.

- **Grahame Hamilton BSc, MSc, MAIG (Non-Executive Director) (Appointed 1 April 1999)**

Mr Grahame Hamilton, a graduate of the University of NSW, has extensive experience over 35 years in exploration, corporate and project management. He has wide ranging expertise in project evaluation. Between 1994 and 1996 he managed the Brocks Creek exploration, environmental impact statement, feasibility study, mine development and construction for Solomon Pacific Resources NL. Before Solomon, Mr Hamilton worked with Getty Oil Development Co. - Minerals Division as Queensland Manager. Mr Hamilton had been a director of AIM-listed public company Mariana Resources Limited until his resignation on 28 November 2008.

- **John Horsburgh BSc, MSc, FAIMM (Non-Executive Director) (Appointed 1 April 1999)**

Mr John Horsburgh, a graduate of the Royal School of Mines, has over 40 years' industry experience including 11 years with Solomon Pacific Resources NL. Prior to this he gained extensive experience in Australia and overseas with Getty Oil Development Co., Billiton and RTZ Group. Mr Horsburgh is Executive Chairman of TSX and AIM-listed public company Mariana Resources Limited.

- **Wayne John Kernaghan BBus, ACA, FAICD, ACIS (Non-Executive Director and Company Secretary)**  
**(Appointed 11 November 1997)**

Mr Wayne Kernaghan is a member of the Institute of Chartered Accountants in Australia with a number of years experience in various areas of the mining industry. He is also a Fellow of the Australian Institute of Company Directors. During the past three years Mr Kernaghan has held and is currently a director and holds the following listed company directorships:

- Gulf Industrials Limited
- South American Ferro Metals Limited (from 26 June 2012)
- Farmworks Australia Limited (from 19 February 2010 to 24 August 2011)

#### **Principal Activities**

The principal activity for the Consolidated Entity comprising Cullen Resources Limited ("the Company") and its controlled entities (together "the Consolidated Entity") during the course of the financial year was mineral exploration. There was no significant change in the nature of the Consolidated Entity's activities during the year.

#### **Results**

The loss attributable to the Consolidated Entity for the financial year was \$2,649,846 [2011: loss \$1,640,087]. No income tax was attributable to this result [2011: Nil].

#### **Dividends**

The directors do not recommend the payment of a dividend for this financial year. No dividend has been declared or paid by the Company since the end of the previous financial year.

#### **Significant Changes in the State of Affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

#### **Review of Operations**

Cullen is a mineral exploration company seeking deposits of gold, nickel, coal, copper, uranium and iron ore either in its own right, or managed by other partners in Joint Ventures.

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

- Ashburton Province, WA (Hardey Junction JV, Mt Stuart JV, Wyloo JV, Paraburdoo JV and Tunnel Creek /Saltwater Pool JV - gold, uranium and /or iron ore projects)
- North Eastern Goldfields, WA (Gunbarrel and Irwin Bore, gold and nickel projects)
- Eastern Goldfields, WA (Killaloe gold and nickel project)
- Forrestania, WA (Forrestania JV, gold and nickel project)
- Central Lachlan Fold Belt, NSW (Minter tungsten project)
- Eromanga, Millungera and Galilee Basins, NW Queensland (coal and copper-gold projects)

Drilling by Cullen or its Joint Venture partners during the year to 30 June 2012 included programmes for: iron ore at Wyloo; for copper and gold at the North Tuckabianna project; for tungsten at Minter and for nickel deposits in the Forrestania area. Other exploration field work has included: field reconnaissance, geological mapping, geochemical surveys, and evaluations of new project opportunities. The Company continued to market projects as potential farm-out opportunities.

Also during the year the Company continued exploration activities in Namibia, in south-west Africa with aeromagnetic data interpretation for copper in two prospective terranes. The company also has tenements for coal exploration in Namibia, and has an exploration presence in Scandinavia with applications in Sweden and Finland. The company has applied for a number of tenements with graphite prospectivity in Finland.

Also overseas, Cullen progressed work at the "TL Property" project in south-east British Columbia in a search for base metals. The first pass trenching programme Cullen conducted discovered high-grade zinc mineralisation at surface for further evaluation, and a heliTEM survey was flown during the year and preliminary drill targets finalised.

A total of \$2,619,422 (2011: \$1,935,531) was spent on exploration by Cullen during the year, with Joint Venture Partners contributing further exploration funds on Cullen tenements.

Cullen will continue to identify and evaluate both advanced and "grass roots" projects throughout Australia and in selected overseas locations. Cullen's portfolio is under continual evaluation to focus on projects likely to result in discovery of an economic mineral deposit.

#### **Corporate**

At 30 June 2012 available cash totalled \$2,459,240 (2011: \$2,632,257).

#### **After Balance Date Events**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the subsequent financial years other than:

#### **Likely Developments and Future Results**

Other than as referred to in this report, further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations would, in the opinion of the directors, be speculative and not in the best interests of the Consolidated Entity.

#### **Environmental Regulation**

The exploration activities of the Consolidated Entity in Australia are subject to environmental regulation under the laws of the Commonwealth and the States in which those exploration activities are conducted. The environmental laws and regulations generally address the potential impact of the Consolidated Entity's activities in the areas of water and air quality, noise, surface disturbance and the impact upon flora and fauna. The directors are not aware of any environmental matter which would have a materially adverse impact on the overall business of the Consolidated Entity.

#### **Options**

As at the date of this report the Company has 22,000,000 (2011: 22,000,000) options which were outstanding. Refer to Note 11 of the financial statements for further details of the options outstanding.

During the year no fully paid ordinary shares were issued by virtue of the exercise of options (2011: Nil). Since the end of the financial year no shares have been issued by virtue of the exercise of options (2011: Nil).



**Directors' Interest**

At the date of this report, the interest of the directors in the shares and options of the company were:

2012	Direct		Indirect	
	Fully Paid Shares	Options	Fully Paid Shares	Options
D. Clarke	-	2,000,000	4,614,000	-
C. Ringrose	200,000	8,000,000	-	-
G. Hamilton	-	2,000,000	15,141,004	-
J. Horsburgh	2	2,000,000	16,702,122	-
W. Kernaghan	2,000,000	2,000,000	1,623,376	-

**Directors' Meetings**

During the year the Company held sixteen meetings of directors. The attendance of the directors at meetings of the Board were:

	Board of Directors Attended	Maximum possible eligible to attend
D. Clarke	16	16
C. Ringrose	16	16
G. Hamilton	16	16
J. Horsburgh	16	16
W. Kernaghan	16	16

**Indemnification and insurance of Directors and Officers**

The Company has entered into deeds of indemnity with the Directors indemnifying them against certain liabilities and costs to the extent permitted by law. The Company has paid premiums totalling \$19,995 (2011: \$19,925) in respect of Directors and Officers Liability Insurance and Company reimbursement policies, which covers all Directors and Officers of the Company. The policy conditions preclude the Company from any detailed disclosures.

**Employees**

The Consolidated Entity employed three employees as at 30 June 2012 (2011: 4).

**Corporate Governance**

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Cullen Resources Limited support and have adhered to the principles of good corporate governance. The Company's corporate governance statement is on page 32.

**Auditor Independence**

The directors have received the auditor's independence declaration for the year ended 30 June 2012 which is on page 30 and forms part of this directors' report. For the year the auditors have provided taxation services to the Consolidated Entity.

## REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Cullen Resources Limited.

This remuneration report outlines the director and executive remuneration arrangements of the Consolidated Entity in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the parent company. Only directors of the Consolidated Entity meet the definition of key management personnel as the executive role is performed by the executive director.

Details of key management personnel:

### Directors

D. Clarke	Chairman (Non-Executive)
C. Ringrose	Managing Director
G. Hamilton	Director (Non-Executive)
J. Horsburgh	Director (Non-Executive)
W. Kernaghan	Director (Non-Executive)

### Remuneration Policy

The remuneration policy of Cullen Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Cullen Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows.

The remuneration policy, setting the terms and conditions for the executive director was developed by the Board. The executive receives a base salary on factors such as length of service and experience, superannuation, options and incentives. The Board reviews executive packages annually by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to either long term or short term performance of the Consolidated Entity. However, to align directors' interest with shareholder interests, the directors are encouraged to hold shares in the Company. There is a specified aggregate directors fees of \$250,000 for non-executive directors which was approved by shareholders at a general meeting of the Company. The \$250,000 excludes other services outside of non-executive directors' fees.

### Remuneration Incentives

Director and executive remuneration is currently not linked to either long term or short term performance conditions. The Board feels that the expiry date and exercise price of the options currently on issue to the directors and executives is sufficient to align the goals of the directors and executives with those of the shareholders to maximise shareholder wealth, and as such, has not set any performance conditions for the directors or the executives of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

**Group performance and shareholder wealth**

Below is a table summarising key performance and shareholder wealth statistics for the Consolidated Entity over the last five years.

Financial Year	Loss After Tax \$	EPS Cents	Share Price Cents
30 June 2008	2,314,751	(0.44)	2.9
30 June 2009	6,307,393	(1.14)	2.6
30 June 2010	2,161,235	(0.39)	3.4
30 June 2011	1,640,087	(0.27)	3.0
30 June 2012	2,649,846	(0.41)	1.8

**Employment Contracts****Managing Director**

Pursuant to an agreement Dr Ringrose will provide managing director services to the Company. The term of this arrangement is from 1 November 2006 and will continue thereafter unless terminated on not less than three months' notice given at any time. Effective from 1 April 2011 Dr Ringrose's salary is \$265,000pa. The position of the director will become redundant under this agreement in the limited circumstances where the employment of the Managing Director is terminated as a result of a takeover or merger of the Company. The Company will pay the Managing Director the equivalent of four weeks per year of service or part thereof of his base salary as a redundancy payment.

As part of Dr Ringrose's employment package he was issued with 8,000,000 options with the following terms. The options will expire on the earlier of the date which is one month after the Director to whom the options are issued ceases to be a Director of the Company (or such longer period as determined by the Board of Directors) or at 5.00 pm on 30 November 2013 ("the Expiry Date") with an exercise price of \$0.075. This is contained in the notice of meeting which was approved by shareholders.

During the year the Board paid a discretionary bonus of \$10,000 to Dr Ringrose. This bonus was discretionary therefore there were no performance conditions attached to this bonus.

**Non Executive Directors**

The non executive directors have been issued with two million options each with an exercise price of \$0.075 each. The options will expire on the earlier of the date which is one month after the Director to whom the options are issued ceases to be a Director of the Company (or such longer period as determined by the Board of Directors) or at 5.00 pm on 30 November 2013 ("the Expiry Date"). This is contained in the notice of meeting which was approved by shareholders.

**Directors' and Executives' Remuneration**

Details of remuneration provided to directors who include the most highly remunerated executives for the year ended 30 June 2012 are as follows:

Directors	Short Term				Post Employ- ment	Long Term	Share Based Payments	Total \$	Perfor- mance Related %
	Director Fees \$	Salary/ Consult- ing \$	Bonus \$	Non Monetary Benefits \$	Super- annuation \$	Long Service Leave \$	Options \$		
D. Clarke	35,000	-	-	-	3,150	-	-	38,150	-
C. Ringrose	-	265,000	10,000	* 6,836	24,750	8,208	-	314,794	-
G. Hamilton	30,000	80,775	-	-	2,700	-	-	113,475	-
J. Horsburgh	30,000	-	-	-	2,700	-	-	32,700	-
W. Kernaghan	30,000	41,000	-	-	2,700	-	-	73,700	-
<b>Total</b>	<b>125,000</b>	<b>386,775</b>	<b>10,000</b>	<b>6,836</b>	<b>36,000</b>	<b>8,208</b>	<b>-</b>	<b>572,819</b>	<b>-</b>

\* This relates to the provision of a motor vehicle.



The Company has no policy on directors and executives entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Details of remuneration provided to directors who include the most highly remunerated executives for the year ended 30 June 2011 are as follows:

Directors	Short Term			Post Employment	Long Term	Share Based Payments	Total \$	Performance Related %
	Director Fees \$	Salary/ Consulting \$	Non Monetary Benefits \$	Super-annuation \$	Long Service Leave \$	Options \$		
D. Clarke	35,000	-	-	3,150	-	55,400	93,550	-
C. Ringrose	-	255,260	* 7,172	22,973	24,139	221,600	531,144	-
G. Hamilton	30,000	82,125	-	2,700	-	55,400	170,225	-
J. Horsburgh	30,000	-	-	2,700	-	55,400	88,100	-
W. Kernaghan	30,000	33,360	-	2,700	-	55,400	121,460	-
<b>Total</b>	<b>125,000</b>	<b>370,745</b>	<b>7,172</b>	<b>34,223</b>	<b>24,139</b>	<b>443,200</b>	<b>1,004,479</b>	<b>-</b>

\* This relates to the provision of a motor vehicle.

#### Options granted as part of remuneration for the year ended 30 June 2012

There were nil (2011: 16,000,000) options granted as part of director and executive emoluments during the year.

#### Shares issued on exercise of remunerated options

During the financial year nil (2011: Nil) remunerated options were exercised. During the financial year nil (2011: 8,000,000) options expired. The directors exercised nil (2011: Nil) options during the year.

Directors	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options expired during the year \$	Total value of options granted, exercised and expired during the year \$
D. Clarke	-	-	-	-
C. Ringrose	-	-	-	-
G. Hamilton	-	-	-	-
J. Horsburgh	-	-	-	-
W. Kernaghan	-	-	-	-

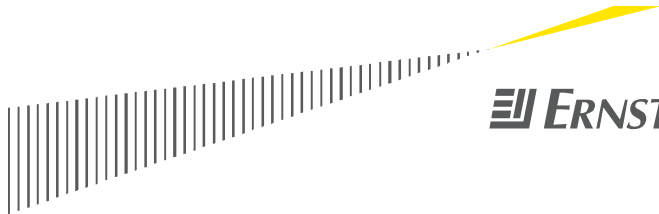
There were no options granted as a part of remuneration for the year ended 30 June 2012.

#### Options granted as part of remuneration for the year ended 30 June 2011

Directors	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options expired during the year \$	Total value of options granted, exercised and expired during the year \$
D. Clarke	55,400	-	(99,540)	(44,140)
C. Ringrose	221,600	-	-	221,600
G. Hamilton	55,400	-	(99,540)	(44,140)
J. Horsburgh	55,400	-	(99,540)	(44,140)
W. Kernaghan	55,400	-	(99,540)	(44,140)

The options issued are not subject to any performance conditions.

End of Remuneration Report



**ERNST & YOUNG**

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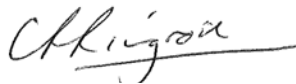
## **Auditor's Independence Declaration to the Directors of Cullen Resources Limited**

In relation to our audit of the financial report of Cullen Resources Limited for the year ended 30 June 2012, 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

P McIver  
Partner  
Perth  
27 September 2012

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'C. Ringrose', with a horizontal line extending from the end of the signature.

**C. Ringrose**  
**Director**  
**Perth, WA**  
**27 September 2012**



## CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Cullen Resources Limited have adhered to the principles of corporate governance and this statement outlines the main corporate governance practices in place throughout the financial year. The ASX Corporate Governance Council released revised Corporate Governance Principles and Recommendations on 2 August 2007. Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Unless otherwise stated, the practices were in place for the entire year.

### Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuing arrangements are in place to adequately manage those risks.

The primary responsibility of the Board includes:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exists and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of executive directors; and
- the establishment and maintenance of appropriate ethical standards.

The responsibility for the operation and administration of the Company is carried out by the directors, who operate in an executive capacity, supported by senior professional staff. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the Board.

The Directors of the Company are as follows:

Dr Denis Clarke  
Dr Chris Ringrose  
Grahame Hamilton  
John Horsburgh  
Wayne Kernaghan

For information in respect to each director refer to the Directors' Report.

### **Independent Directors**

Under ASX guidelines, principle 2.1, two of the current Board of five directors are considered to be independent directors. Dr Ringrose is the executive director and Mr Horsburgh and Mr Hamilton, who are former executive directors, are, under the ASX guidelines deemed not to be independent by virtue of their positions or former positions. The Board is satisfied that the structure of the Board is appropriate for the size of the Company and the nature of its operations and is a cost effective structure for managing the Company.

### **Board Composition**

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the Company. Any director so appointed must then stand for election at the next Annual General Meeting of the Company.

### **Terms of Appointment as a Director**

The constitution of the Company provides that a Director, other than the Managing Director, may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

### **Board Committees**

In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management. Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

### **Remuneration**

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Board, with recommendations being made by the non-executive directors. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision making.

### **Make Timely and Balanced Disclosure**

The board has in place written policies and procedures to ensure the Company complies with its obligations under the continuous disclosure rule 3.1 and other ASX Listing Rule disclosure requirements.

### **Independent Professional Advice**

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

**Code of Conduct**

In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.

**Diversity Policy**

The Company is in the process of establishing a diversity policy.

As at 30 June 2012, 33.3% of the workforce is female with no females at board or senior management level.

**Communication to Market & Shareholders**

The Board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report which is available to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate;
- the Annual General Meeting and other meetings called to obtain approval for board action as appropriate; and,
- The Company's website.

**Share Trading**

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

**External Auditors**

The external auditor is Ernst and Young. The external auditors are invited to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Full details of the company's corporate governance practices can be viewed at its website [www.cullenresources.com.au](http://www.cullenresources.com.au).



**Consolidated Statement of Financial Position  
at 30 June 2012**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	22(i)	2,459,240	2,632,257
Receivables	5	144,015	69,156
<b>Total Current Assets</b>		<b>2,603,255</b>	<b>2,701,413</b>
<b>Non Current Assets</b>			
Other financial assets	6	32,400	540,450
Plant & Equipment	7	5,974	11,608
Exploration & Evaluation	8	3,751,958	3,142,502
<b>Total Non Current Assets</b>		<b>3,790,332</b>	<b>3,694,560</b>
<b>Total Assets</b>		<b>6,393,587</b>	<b>6,395,973</b>
<b>Current Liabilities</b>			
Trade and other payables	9	814,465	194,816
Provisions	10	143,597	135,956
<b>Total Current Liabilities</b>		<b>958,062</b>	<b>330,772</b>
<b>Non Current Liabilities</b>			
Provisions	10	22,226	17,056
<b>Total Non Current Liabilities</b>		<b>22,226</b>	<b>17,056</b>
<b>Total Liabilities</b>		<b>980,288</b>	<b>347,828</b>
<b>Net Assets</b>		<b>5,413,299</b>	<b>6,048,145</b>
<b>Equity</b>			
Issued Capital	11	36,605,266	34,610,266
Share based payment reserve	12	1,280,125	1,280,125
Available for sale reserve	13	-	(20,000)
Accumulated Losses	14	(32,472,092)	(29,822,246)
<b>Total Equity</b>		<b>5,413,299</b>	<b>6,048,145</b>

**Consolidated Statement of Changes in Equity  
at 30 June 2012**

	Note	Issued Capital \$	Share Based Payment Reserve \$	Available for Sale Reserve \$	Accumulated Losses \$	Total Equity \$
<b>At 1 July 2010</b>		31,724,656	728,925	-	(28,182,159)	4,271,422
Loss for the year		-	-	-	(1,640,087)	(1,640,087)
Other comprehensive income	13	-	-	(149,550)	-	(149,550)
Release of unrealised loss reserve due to impairment		-	-	129,550	-	129,550
Total comprehensive income/(expense) for the year		-	-	(20,000)	(1,640,087)	(1,660,087)
Issue of share capital		2,936,235	-	-	-	2,936,235
Share issue costs		(50,625)	-	-	-	(50,625)
Share based payments	12	-	551,200	-	-	551,200
<b>At 30 June 2011</b>		34,610,266	1,280,125	(20,000)	(29,822,246)	6,048,145

	Note	Issued Capital \$	Share Based Payment Reserve \$	Available for Sale Reserve \$	Accumulated Losses \$	Total Equity \$
<b>At 1 July 2011</b>		34,610,266	1,280,125	(20,000)	(29,822,246)	6,048,145
Loss for the year		-	-	-	(2,649,846)	(2,649,846)
Other comprehensive income	13	-	-	-	-	-
Release of unrealised loss reserve due to impairment		-	-	20,000	-	20,000
Total comprehensive income/(expense) for the year		-	-	20,000	(2,649,846)	(2,629,846)
Issue of share capital		2,100,000	-	-	-	2,100,000
Share issue costs		(105,000)	-	-	-	(105,000)
Share based payments	12	-	-	-	-	-
<b>At 30 June 2012</b>		36,605,266	1,280,125	-	(32,472,092)	5,413,299

**Consolidated Statement of Comprehensive Income  
for the year ended 30 June 2012**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
Revenues	3	168,990	1,046,794
Rent		(38,336)	(38,958)
Salaries and Consultants' fees		(416,959)	(419,032)
Compliance expenses		(188,479)	(164,537)
Impairment of exploration expenditure	8	(2,009,986)	(1,239,187)
Exploration and evaluation expenses		-	(170,138)
Share based payments	12	-	(551,200)
Impairment of available for sale investments		(6,845)	(129,550)
Depreciation		(5,634)	(8,315)
Other expenses		(152,597)	(196,005)
Loss before income tax	3	(2,649,846)	(1,870,128)
Income tax benefit	4	-	230,041
Net Loss attributable to members of Cullen Resources Limited after tax		<u>(2,649,846)</u>	<u>(1,640,087)</u>
Other Comprehensive Income			
Net change in fair value for sale assets	13	-	(149,550)
Release of unrealised loss reserve due to impairment	13	20,000	129,550
Total comprehensive income/(expense) for the period		<u>(2,629,846)</u>	<u>(1,660,087)</u>
Basic (loss) per share (cents per share)	23	(0.41)	(0.27)
Diluted (loss) per share (cents per share)	23	(0.41)	(0.27)



**Consolidated Statement of Cash Flows  
for the year ended 30 June 2012**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Research and development grant		-	230,041
Cash payments in the course of operations		(358,177)	(1,145,308)
GST refunded		124,895	104,961
Interest received		71,982	161,467
<b>Net operating cash flows</b>	22(ii)	(161,300)	(648,839)
<b>Cash flows from investing activities</b>			
Security deposits		(22,400)	-
Proceeds from sale of investment		635,125	-
Proceeds from sale of tenements		-	100,000
Payment for plant & equipment		-	(5,821)
Payments for exploration & evaluation		(2,619,442)	(1,765,393)
<b>Net investing cash flows</b>		(2,006,717)	(1,671,214)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,100,000	2,936,235
Share issue costs		(105,000)	(50,625)
<b>Net financing cash flows</b>		1,995,000	2,885,610
Net increase/(decrease) in cash and cash equivalents		(173,017)	565,557
Cash and cash equivalents at the beginning of the financial year		2,632,257	2,066,700
<b>Cash and cash equivalents at the end of the financial year</b>	22(i)	<b>2,459,240</b>	<b>2,632,257</b>

## Notes to the Financial Statements

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards. The financial statements have also been prepared in accordance with the historical cost convention using the accounting policies described below and do not take account of changes in either the general purchasing power of the dollar or in prices of specific assets.

#### (b) Statement of compliance

The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### (c) Accounting policies and disclosures

The Group has adopted all new and amended Australian Accounting Standards and AASB interpretations which were applicable as of 1 July 2011. Adoption of these new and amended Australian Accounting Standards and ASSB interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

#### 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 group had cash assets of \$2,459,240 at 30 June 2012. The directors acknowledge that continued exploration and development of the consolidated group's mineral exploration projects will necessitate further capital raisings.

The consolidated group 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 group is appropriate as the company and consolidated group have successfully completed a capital raising during the year to 30 June 2012, 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 group 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 group 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 group does not continue a going concern.

#### (d) Principles of consolidation

The consolidated financial statements include the financial statements of Cullen Resources Limited and the results of all of its controlled entities which are referred to collectively throughout these financial statements as the "Consolidated Entity". The results of controlled entities are prepared for the same reporting period as the parent, using consistent accounting policies. All inter-entity balances and transactions, and unrealised profits arising from intra-economic entity transactions, have been eliminated in full.

#### (e) Taxes

##### Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint venture, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

#### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(f) Provision for employee benefits**

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave and long service leave. Annual leave provisions expected to be settled within twelve months are measured at their nominal amounts. Long service leave provisions are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

#### **(g) Investments in controlled entities**

Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account when they are proposed by the controlled entities.

#### **(h) Exploration and Evaluation Expenditure**

##### **(i) Expenditure is deferred**

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification,



capitalised exploration and evaluation expenditure is assessed for impairment.

**Impairment**

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Statement of Comprehensive Income.

**(i) Foreign currency**

Both the functional and presentation currency of Cullen Resources Limited and its Australian subsidiaries is Australian dollars (\$A).

Foreign currency transactions are translated to Australian currency at the rate of exchange ruling at the date of the transactions. Monetary items in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the Statement of Comprehensive Income in the financial year in which the exchange rates change, as exchange gains or losses.

**(j) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 8 years.

The assets residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

**(k) Revenue**

Other revenue includes interest revenue on short term deposit received from other persons. It is brought to account using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**(l) Joint ventures**

The Consolidated Entity's interests in jointly controlled assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures.

Joint venture expenses are recognised on a proportionate basis according to Cullen's joint venture interest. The Consolidated Entity does not currently receive any income from its joint venture assets.

The Consolidated Entity does not hold any interests in jointly controlled entities.

**(m) Payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

**(n) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

**(o) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

**(p) Issued capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(q) Earnings per share (EPS)**

Basic EPS is calculated as net profit/(loss) attributable to members, adjusted to exclude costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted EPS is calculated as net profit/ (loss) attributable to members, adjusted for:

- costs of servicing equity;
- the after tax effect of interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares, adjusted for any bonus element.

**(r) Change in accounting policies**

The accounting policies adopted are consistent with those of the previous year, except as noted at Note 1(c).

**(s) Share based payments**

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- (i) The grant date fair value of the option.
- (ii) The current best estimate of the number of options that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- (iii) The expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

The company may also issue options that do not have any vesting conditions.

Until an option has vested, any amounts recorded are contingent and will be adjusted if more or fewer options vest than were originally anticipated to do so. Any option subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled option are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the option is recognised immediately. However, if a new option is substituted for the cancelled option and designated as a replacement option on the date that it is granted, the cancelled and new option are treated as if they were a modification of the original option, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

**(t) Investment and other financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Consolidated Entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Subsequent measurement of available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. After initial measurement, available –for-sale financial assets are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss recorded is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded is recognised in the income statement.

**(u) Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

**(v) New accounting standards and interpretations**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

- i. Accounting Standards and Interpretations issued but not yet effective.

International Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2012. The group is still in the process of reviewing their impact, if any. These are outlined in the table below.

CULLEN RESOURCES LIMITED - ANNUAL REPORT 2012

Reference	Title	Summary	Application date of standard*	Application date for Group*
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets  [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 Jan 2012	1 July 2012
AASB 2011-3**	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments  [AASB 1049]	This Standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049.  Amendments to Australian Accounting Standards – Improvements to AASB 1049 can be found in AASB 2011-13.	1 July 2012	N/A
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income  [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012



Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI).</li> <li>• The remaining change is presented in profit or loss.</li> <li>• If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</li> </ul> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2013***	1 July 2013

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Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. <b>It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.</b></p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7.</p>	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p>	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	1 July 2013

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Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	1 July 2013
AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	1 July 2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	<p>This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the “stripping activity asset”.</p> <p>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.</p> <p>Consequential amendments were also made to other standards via AASB 2011-12.</p>	1 January 2013	1 July 2013
AASB 2011-4	<p>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</p> <p>[AASB 124]</p>	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 July 2013



CULLEN RESOURCES LIMITED - ANNUAL REPORT 2012

Reference	Title	Summary	Application date of standard*	Application date for Group*
Annual Improvements 2009–2011 Cycle ****	Annual Improvements to IFRSs 2009–2011 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>AASB 1 First-time Adoption of International Financial Reporting Standards</p> <ul style="list-style-type: none"> <li>• Repeated application of IFRS 1</li> <li>• Borrowing costs</li> </ul> <p>AASB 101 Presentation of Financial Statements</p> <ul style="list-style-type: none"> <li>• Clarification of the requirements for comparative information</li> </ul> <p>AASB 116 Property, Plant and Equipment</p> <ul style="list-style-type: none"> <li>• Classification of servicing equipment</li> </ul> <p>AASB 132 Financial Instruments: Presentation</p> <ul style="list-style-type: none"> <li>• Tax effect of distribution to holders of equity instruments</li> </ul> <p>AASB 134 Interim Financial Reporting</p> <ul style="list-style-type: none"> <li>• Interim financial reporting and segment information for total assets and liabilities</li> </ul>	1 January 2013	1 July 2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>a) Tier 1: Australian Accounting Standards</li> <li>b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</li> </ul> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</li> <li>b) The Australian Government and State, Territory and Local Governments</li> </ul> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>a) For-profit private sector entities that do not have public accountability</li> <li>b) All not-for-profit private sector entities</li> <li>c) Public sector entities other than the Australian Government and State, Territory and Local Governments.</li> </ul> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.</p>	1 July 2013	1 July 2013

## 2. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

In applying the Consolidated Entity's accounting policies management continually evaluates estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Consolidated Entity. All estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates and assumptions. Significant estimates and assumptions made by the management in the preparation of these financial statements are outlined below:

### ***Significant accounting estimates and assumptions***

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### ***(a) Impairment of capitalised exploration and evaluation expenditure***

The future recoverability of capitalised exploration expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

#### ***(b) Share-based payment transactions***

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either a binomial or Black-Scholes model, with the assumption detailed in Note 17. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>3. REVENUE AND EXPENSES</b>		
(Loss) after crediting the following revenues:		
Other Revenues		
Interest received	71,160	161,467
Sale of tenements	-	885,327
Profit on sale of shares	97,830	-
	<u>168,990</u>	<u>1,046,794</u>

Loss after charging the following expenses:

Auditors remuneration in respect of the Audit of the financial statements	49,698	50,428
Provision for employee benefits	12,811	21,124
Operating lease payments	36,501	34,849
Superannuation	89,416	60,861

#### 4. INCOME TAX

Operating loss before income tax	(2,649,846)	(1,870,128)
Prima facie income tax (benefit) calculated at 30% (2011: 30%)	(794,953)	(561,038)
Non-deductible expenses	2,387	193,871
Less deferred tax benefits not brought to account at balance date	<u>792,566</u>	<u>367,167</u>
Research and development grant	-	230,041
Total income tax (expense)/benefit	<u>-</u>	<u>230,041</u>

Cullen Resources Limited and its 100% owned subsidiaries have entered the tax consolidation regime from 1 July 2002. The head entity of the tax consolidation group is Cullen Resources Limited.

The entity has adopted the stand alone taxpayer method for measuring current and deferred tax amounts. The members of the income tax consolidated group have entered into a tax funding agreement.



Consolidated	Statement of Financial Position		Statement of Comprehensive Income	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Deferred Tax Liabilities</b>				
Exploration	(1,125,587)	(942,750)	182,836	157,861
<b>Deferred Tax Assets</b>				
Provisions	49,747	45,904	3,843	6,337
Accruals	10,500	7,500	-	-
Other	-	-	-	-
Deferred tax assets used to Offset deferred tax liabilities	1,065,340	889,346	(178,993)	(151,524)
Net Deferred Tax Recognised in the Statement of Financial Position	-	-	-	-

As at 30 June 2012 future income tax benefits were available to the Consolidated Entity in respect of operating losses and prospecting and exploration expenditure incurred. The directors estimate the potential income tax benefit at 30 June 2012 in respect of tax losses not brought to account is \$12,846,089 (2011: \$12,110,776) and there is no expiry date. The benefit of these losses has not been brought to account. The benefit will only be obtained if:

- the Consolidated Entity derives future assessable income of a nature and of sufficient amount to enable the benefit to be realised.
- the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

	Consolidated	
	2012	2011
	\$	\$
<b>5. RECEIVABLES</b>		
Current		
Other debtors	144,015	69,156

Other debtors includes GST receivable which is non-interest bearing.

## 6. OTHER FINANCIAL ASSETS

Non current		
Security deposits	32,400	10,000
Available for sale financial assets comprise:		
Listed investments at fair value		
- Shares in listed corporations	-	530,450
	32,400	540,450

The security deposits are non-interest bearing and relate to mining tenements.

	Consolidated	
	2012	2011
	\$	\$
<b>7. PLANT &amp; EQUIPMENT</b>		
Plant & Equipment at cost	161,533	161,533
Accumulated depreciation	(155,559)	(149,925)
Total written down amount	5,974	11,608
(a) Reconciliation		
Plant & Equipment		
Carrying amount at beginning	11,608	14,102
Additions	-	5,821
Depreciation expense	(5,634)	(8,315)
	5,974	11,608
<b>8. EXPLORATION &amp; EVALUATION</b>		
Costs carried forward in respect of areas of interest in the exploration and evaluation phase		
Opening balance	3,142,502	2,616,296
Expenditure incurred during the year	2,619,442	1,765,393
	5,761,944	4,381,689
Less		
Impairment (a)	(2,009,986)	(1,239,187)
Closing balance net of impairment	3,751,958	3,142,502

Mining tenements are carried forward in accordance with the accounting policy set out in Note 1.

The ultimate recoupment of the book value of deferred costs relating to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest and the Consolidated Entity's ability to continue to meet its financial obligations to maintain the 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 sell. In determining fair value less costs to sell the directors had regard to the best evidence of what a willing participant would pay in an arms length transaction. Where no such evidence was available, areas of interest were written down to nil pending the outcome of any future farm-out arrangement. The Company will continue to look to attract farm-in partners and/or recommence exploration should circumstances change.

**9. TRADE AND OTHER PAYABLES**

Current		
Trade creditors - unsecured	814,465	194,816

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>10. PROVISIONS</b>		
Current		
Employee benefits	143,597	135,956
Non Current		
Employee benefits	22,226	17,056

# 11. CONTRIBUTED EQUITY

## Issued capital

693,089,431 ordinary shares  
(2011: 623,089,431)

36,605,266 34,610,266

Movement in issued shares for the year:

	<b>2012</b>		<b>2011</b>	
	<b>Number of</b>	<b>\$</b>	<b>Number of</b>	<b>\$</b>
	<b>Shares</b>		<b>Shares</b>	
Beginning of the financial year:	623,089,431	34,610,266	557,839,763	31,724,656
Issued at 3.00 cents each (i)	70,000,000	2,100,000	-	-
Issued at 4.50 cents each (ii)	-	-	65,249,668	2,936,235
Less share issue expenses	-	(105,000)	-	(50,625)
End of financial year:	693,089,431	36,605,266	623,089,431	34,610,266

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(i) Issued under a placement.

(ii) Issued under a placement and a Share Purchase Plan.

## Options

As at 30 June 2012 there are 22,000,000 (2011: 22,000,000) unissued shares in respect of which options were outstanding and the details of these are as follows:

<b>Number</b>	<b>Grant Date</b>	<b>Vesting Date</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
16,000,000	1/12/10	1/12/10	0.075	30 November 2013
6,000,000	14/03/11	14/03/11	0.060	13 March 2014
<b>22,000,000</b>				

Δ All options have vested

The options have no rights until they are exercised and become ordinary shares.

During the year nil (2011: 14,000,000) options lapsed.

During the year Nil (2011: 22,000,000) options were issued.

Since the end of the financial year no shares have been issued by virtue of the exercise of options.

## 12. SHARE BASED PAYMENT RESERVE

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

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Beginning of the financial year	1,280,125	728,925
Share based payments	-	551,200
End of financial year	1,280,125	1,280,125

## 13. AVAILABLE FOR SALE RESERVE

This relates to the movement in the fair valuation of financial assets.

Beginning of the financial year	(20,000)	-
Net change in fair value of financial assets during the year	-	(149,550)
Release of unrealised loss reserve due to impairment	20,000	129,550
End of financial year	-	(20,000)

## 14. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(29,822,246)	(28,182,159)
Net (loss)	(2,649,846)	(1,640,087)
Accumulated losses at the end of the year	(32,472,092)	(29,822,246)

## 15. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

The consolidated financial statements at 30 June 2012 include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

Name	Place of Incorporation	Interest %		Investment \$	
		June 2012	June 2011	June 2012	June 2011
Cullen Minerals Pty Limited	Australia	100	100	-	-
Cullen Exploration Pty Ltd	Australia	100	100	-	-
Montrose Resources Pty Limited	Australia	100	100	1	1
Red Dirt Resources Pty Ltd	Australia	100	100	1	1
Bearmark Investments Pty Ltd	Botswana	100	100	-	-
Cullen Resources Namibia Pty Ltd	Namibia	100	100	15	15
Cullen Exploration Inc.	Canada	100	-	1	-
ARCTEX OY	Finland	100	-	4,072	-
ARCTEX AB	Sweden	100	100	7,915	7,915



	Consolidated	
	2012	2011
	\$	\$
<b>16. KEY MANAGEMENT PERSONNEL</b>		
<b>(a) Compensation for key management personnel</b>		
Short-term employee benefits	528,611	502,917
Post-employment benefits	36,000	34,223
Other long-term benefits	8,208	24,139
Termination benefits	-	-
Share-based payments	-	443,200
Total compensation	572,819	1,004,479

**(b) Option holdings of directors**

Directors	Balance at beginning of year 1 July 2011 Number	Options issued Number	Options lapsed Number	Balance at end of year 30 June 2012 Number	Total Number	Vested and exercisable at 30 June 2012 Number
D Clarke	2,000,000	-	-	2,000,000	2,000,000	2,000,000
C Ringrose	8,000,000	-	-	8,000,000	8,000,000	8,000,000
G Hamilton	2,000,000	-	-	2,000,000	2,000,000	2,000,000
J Horsburgh	2,000,000	-	-	2,000,000	2,000,000	2,000,000
W Kernaghan	2,000,000	-	-	2,000,000	2,000,000	2,000,000
Total	16,000,000	-	-	16,000,000	16,000,000	16,000,000

The outstanding options are exercisable at \$0.075 and have an expiry date of 30 November 2013.

These options had a weighted average exercise price of \$0.075 and a weighted average remaining contractual life of 1.42 years.

Directors	Balance at beginning of year 1 July 2010 Number	Options issued Number	Options lapsed Number	Balance at end of year 30 June 2011 Number	Total Number	Vested and exercisable at 30 June 2011 Number
D Clarke	*2,000,000	2,000,000Δ	*(2,000,000)	2,000,000	2,000,000	2,000,000
C Ringrose	-	8,000,000Δ	-	8,000,000	8,000,000	8,000,000
G Hamilton	*2,000,000	2,000,000Δ	*(2,000,000)	2,000,000	2,000,000	2,000,000
J Horsburgh	*2,000,000	2,000,000Δ	*(2,000,000)	2,000,000	2,000,000	2,000,000
W Kernaghan	*2,000,000	2,000,000Δ	*(2,000,000)	2,000,000	2,000,000	2,000,000
Total	8,000,000	16,000,000Δ	(8,000,000)	16,000,000	16,000,000	16,000,000

\* The outstanding options are exercisable at \$0.1338 and have an expiry date of 30 November 2010 and expired during the year.

Δ The outstanding options are exercisable at \$0.075 and have an expiry date of 30 November 2013.

These options had a weighted average exercise price of \$0.075 and a weighted average remaining contractual life of 2.42 years.

(c) Shareholdings of directors

Directors	Balance 1 July 2011 Number	Options Exercised Number	Net Change Purchase Number	Balance 30 June 2012 Number
D Clarke	3,383,000	-	1,231,000	4,614,000
C Ringrose	200,000	-	-	200,000
G Hamilton	15,141,004	-	-	15,141,004
J Horsburgh	16,103,124	-	599,000	16,702,124
W Kernaghan	3,333,000	-	290,376	3,623,376
<b>Total</b>	<b>38,160,128</b>	<b>-</b>	<b>2,120,376</b>	<b>40,280,504</b>

Directors	Balance 1 July 2010 Number	Options Exercised Number	Net Change Purchase Number*	Balance 30 June 2011 Number
D Clarke	3,050,000	-	333,000	3,383,000
C Ringrose	200,000	-	-	200,000
G Hamilton	14,808,004	-	333,000	15,141,004
J Horsburgh	15,770,124	-	333,000	16,103,124
W Kernaghan	3,000,000	-	333,000	3,333,000
<b>Total</b>	<b>36,828,128</b>	<b>-</b>	<b>1,332,000</b>	<b>38,160,128</b>

\* Transaction participating in share purchase plan.

The directors' shareholdings are held directly and indirectly. Refer to the Directors' Report on page 25 for the breakdown.

17. SHARE BASED PAYMENTS

	2012 \$	2011 \$
(a) Recognised share based payment expenses		
Director options	-	443,200
Employee options	-	108,000
	-	<u>551,200</u>

(b) Employee Options

(i) Options held at the beginning of the reporting period

Number	Grant Date	Vest Date	Expiry Date	Weighted Average Exercise Price
6,000,000	14/3/11	14/3/11	13/3/14	\$0.06

(ii) Options lapsed / exercised during the year

Number	Grant Date	Exercise Date	Exercise Price	Number Lapsed
-	-	-	-	-

(iii) Options issued during the year

Number	Grant Date	Vest Date	Expiry Date	Weighted Average Exercise Price	Weighted Average Share Price
-	-	-	-	-	-

(iv) Options held at the end of the reporting period

Number	Grant Date	Vest Date	Expiry Date	Exercise Price	Weighted Average Fair Value of Options
6,000,000	14/3/11	14/3/11	13/3/14	\$0.06	\$0.0216

These options had a weighted average exercise price of \$0.06 and a weighted average remaining contractual life of 1.75 years.

The fair value of the equity settled share options granted are estimated as at the date of allocation using a Binomial Model taking into account the terms and conditions upon which they were granted.

(v) Valuation of options issued during the year

Number	Grant Date	Vest Date	Expiry Date	Exercise Price	Weighted Average Fair Value of Options
-	-	-	-	-	-

(c) Weighted average remaining contractual life

2012  
Years

2011  
Years

Options - Employee

1.75

2.75

Options - Directors

1.42

2.42

(d) Range of exercise prices

2012  
\$

2011  
\$

Options - Employee

0.06

0.06

Options - Directors

0.75

0.075

(e) Weighted average fair value at date of issue

2012  
\$

2011  
\$

Options - Employee

0.0216

0.0216

Options - Directors

0.0277

0.0277

**(f) Option pricing model**

The fair value of the equity settled share options granted are estimated as at the date of allocation using a Binomial Model taking into account the terms and conditions upon which they were granted.

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

	2012	2011
Dividend yield	-	-
Expected volatility	-	85.00%
Risk free interest rate	-	5.30%
Exercise price	-	\$0.06
Share price at measurement date	-	\$0.039

The following table lists the inputs used at the date of allocation for directors' options:

	2012	2011
Dividend yield	-	-
Expected volatility	-	104.11%
Risk free interest rate	-	4.98%
Exercise price	-	\$0.075
Share price at measurement date	-	\$0.048

**18. JOINT VENTURES**

The Consolidated Entity has interests in the following jointly controlled assets:

	Principal Activity	Other Participant
(a) Irwin Bore (Cullen operates)	Exploration	Western Australian Resources Ltd (WAR)
(b) Hardey Junction	Exploration	Northern Star Resources Ltd (Northern Star)
(c) Mt Stuart	Exploration	Australian Premium Iron Management Pty Limited (API)
(d) Wyloo	Exploration	Fortescue Mining Group Limited (Fortescue)
(e) Tunnel Creek/Saltwater Pool	Exploration	Thundelarra Exploration Limited (Thundelarra) / U3O8 Limited (U3O8) – now Avocet Resources Limited
(f) Paraburdoo	Exploration	Fortescue Mining Group Limited (Fortescue)
(g) Forrestania	Exploration	Hannans Reward Limited (Hannans)
(h) Killaloe	Exploration	Matsa Resources Limited (Matsa)
(i) Canning Basin	Exploration	Advaita Canning Resources Pty Ltd (Advaita)
(j) TL Property, Canada	Exploration	TL Syndicate

- a) Cullen has a 90% interest, WAR retains a 10% interest.
- b) Northern Star has an 80% interest, Cullen is 20% free carried.
- c) API has earned a 70% interest in the iron ore rights and Cullen is contributing at 30% for its interest.
- d) Fortescue can earn up to 80% in the iron ore rights.
- e) Thundelarra/Avocet can earn 70%.
- f) Fortescue can earn 80% in the iron ore rights.

- g) Hannans has an 80% interest; Cullen is 20% free carried.
- h) Matsa can earn a 70% interest.
- i) Advaita Canning Resources Pty Ltd can earn up to 75% interest in the coal rights.
- j) Cullen can earn 80%.

The joint venture assets are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and any outputs and do not, in themselves, generate revenue and profit. The net contribution of any joint venture activities to the operating profit before income tax is \$Nil (2011: \$Nil). The Consolidated Entity's assets employed in the joint ventures, are included in the balance sheet of the Consolidated Entity as follows:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>		
Receivables	83,331	28,421
<b>Non-Current Assets</b>		
Exploration and expenditure	3,655,754	3,056,707
<b>Current Liabilities</b>		
Trade and other payables	55,518	-

## 19. COMMITMENTS

### (a) Minimum exploration work

The Consolidated Entity has certain obligations to perform minimum exploration work and expend minimum amounts of money on mineral exploration tenements. The Consolidated Entity has committed to expend a minimum of \$2,302,380 (2011: \$3,607,220) over the next year to keep its current tenements in good standing. Approximately 68% (2011: 61%) of this expenditure will be met by our Joint Venture partners.

### (b) Joint Venture commitment

The Consolidated Entity has certain obligations in respect to the Mt Stuart JV and maybe required to expend further funds over the next year being its share of the joint venture expenditure.

### (c) Lease expenditure commitments

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Lease expenditure commitment		
Operating leases (non-cancellable) for premises		
Minimum lease payments		
- not later than one year	41,616	35,388
- later than one year and not later than five years	24,276	56,031
Aggregate lease expenditure contracted for at reporting date but not provided for	65,892	91,419

This lease for the premises is for the period 1 February 2010 to 31 January 2014 with an option for a further five years. There are no contingent rentals or restrictions imposed by the lease arrangements.

## 20. 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.

Geological payments were made to Innerleithen Pty Ltd totalling nil (2011: nil) which is a company controlled by Mr J Horsburgh. Geological payments were made to Weeroona Investments Pty Ltd totalling \$80,775 (2011: \$82,125) which is a company controlled by Mr G Hamilton. Consultancy payments were made to Mosman Corporate Services Pty Ltd totalling \$41,000 (2011: \$33,600) which is a company controlled by Mr W Kernaghan.

## 21. OPERATING SEGMENTS

### Identification of Reportable Segments

The Consolidated Entity has based its operating segment on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The Consolidated Entity currently does not have production and is only involved in exploration. As a consequence, activities in the operating segment are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of the manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on this criteria, the Consolidated Entity has only one operating segment, being exploration, and the segment operations and results are the same as the Consolidated Entity's results.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Non Current Assets by Geographical regions:</b>		
Australia	3,718,044	3,694,560
Namibia	-	-
Canada	72,288	-
	<u>3,790,332</u>	<u>3,694,560</u>

## 22. STATEMENT OF CASH FLOWS

### (i) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and short term deposits at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	<u>2,459,240</u>	<u>2,632,257</u>

### (ii) Reconciliation of operating (loss)

#### after income tax to net cash used in operating activities

Operating (loss) after income tax	(2,649,846)	(1,640,087)
Add/(less) non cash items		
Profit on sale of tenements	-	(780,000)
Profit on sale of investment	(97,830)	-
Impairment of available for sale assets	13,155	129,550
Depreciation	5,634	8,315
Share based payments	-	551,200
Provisions for employee benefits	12,811	21,124
Impairment exploration expenditure	2,009,986	1,239,187
(Decrease) / Increase in creditors	619,649	(216,771)
Decrease / (Increase) in receivables	(74,859)	38,643
	<u>(161,300)</u>	<u>(648,839)</u>
Net operating cashflows		



### Share based payments

During the year the Consolidated Entity made share based payments of \$Nil (2011: \$551,200) to directors and employees of the Consolidated Entity.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
<b>23. EARNINGS/(LOSS)PER SHARE</b>		
Basic (loss) per share (cents per share)	(0.41)	(0.27)
Diluted (loss) per share (cents per share)	(0.41)	(0.27)
The following reflects the income and share data used in the calculations of basic and diluted (loss) per share		
Net (loss)	(2,649,846)	(1,640,087)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	642,459,294	606,100,263
Options on issue at year end are not dilutive and hence not used in the calculation of diluted EPS	22,000,000	22,000,000

There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for either of the periods presented.

### 24. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise receivables, payables, and cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board of Directors. Due to the size and nature of the company's operations, and as the company does not use derivative instruments or debt, the directors do not believe the establishment of a risk management committee is warranted.

#### (a) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents.

The Group's exposure to interest rate risk for each class of financial assets and financial liabilities is set out below.

<b>Financial Instruments</b>	<b>Consolidated</b>	
	<b>Floating interest rate</b>	<b>Floating interest rate</b>
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash and cash equivalents	2,459,240	2,632,257
<b>Total Financial Assets</b>	<b>2,459,240</b>	<b>2,632,257</b>

Cash gives rise to interest rate risk because the interest rate is variable.

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The following summarises the effect on loss and equity of financial instruments held at balance date as a result of a 1% movement in interest rates, with all other variables remaining constant.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Interest rate +1%	(24,592)	(26,322)
Interest rate -1%	24,592	26,322

The selection of 1% sensitivity check was based on recent interest rate adjustments.

### **(b) Currency Risk**

The Consolidated Entity has limited exposure to foreign currency risk as it pays for its overseas exploration activities from Australia in various overseas currencies.

### **(c) Price Risk**

The Consolidated Entity has exposure to equity securities price risk.

The Group's exposure to equity price risk for available for sale financial assets is set out below.

<b>Available for sale financial assets</b>	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Listed investments	-	530,450
<b>Total Listed Investments</b>	-	530,450

The following summarises the effect on loss and available for sale financial assets held at balance date as a result of a 10% movement in listed security prices, with all other variables remaining constant.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Listed security prices +10%	-	(53,045)
Listed security prices -10%	-	53,045

The selection of 10% sensitivity check was considered appropriate.

### **(d) Credit Risk**

Credit risk arises from the financial assets of the Consolidated Entity, namely trade and other receivables. The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to its carrying amount. Exposure at balance date is addressed in each applicable note.

The Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Consolidated Entity and cash and cash equivalents are spread amongst two of the big four Australian Banks.

### **(e) Liquidity Risk**

The liquidity position of the Consolidated Entity is managed to ensure sufficient liquid funds are available to meet the Consolidated Entity's financial commitments in a timely and cost-effective manner. The Consolidated Entity funds its activities through capital raisings in order to limit its liquidity risk which is monitored on a monthly basis.

Contractual maturity of the trade payables is within 30 day terms.

The Consolidated Entity manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. The Consolidated entity has established comprehensive risk reporting covering its business units that reflect expectations of management of the expected statement of financial assets and liabilities.

**(f) Fair Values**

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	30 June 2012				30 June 2011			
	Quoted Market Price (Level 1)	Valuation technique- market observable inputs (Level 2)	Valuation technique- non market observable inputs (Level 3)	Total	Quoted Market Price (Level 1)	Valuation technique- market observable inputs (Level 2)	Valuation technique- non market observable inputs (Level 3)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Available for sale assets								
- Listed Investments	-	-	-	-	530,450	-	-	530,450
	-	-	-	-	530,450	-	-	530,450

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deductions for transaction costs. The fair value of the listed equity investments are based on quoted market prices. There were no transfers between the categories during the year.

**(g) Capital Management**

Management controls the capital of the Consolidated Entity in order to provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in responses to include the management of debt levels, distributions to shareholders and share issues.

The Consolidated Entity uses cash flow forecasts to manage and adjust its capital management.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

Capital managed by the Consolidated Entity consists of shareholders equity.

	Consolidated	
	2012	2011
	\$	\$
Shareholders equity	5,413,299	6,048,145

**25. AUDITOR'S REMUNERATION**

Amounts received or due and receivable  
by Ernst and Young

- an audit or review of the financial report of the entity and any other entity in the Consolidated Entity	49,698	50,428
- taxation services provided to the Consolidated Entity	17,650	8,490

## 26. PARENT ENTITY INFORMATION

Information relating to Cullen Resources Limited.

	2012 \$	2011 \$
Current assets	1,653,281	2,137,113
Total assets	5,735,616	6,148,600
Current liabilities	64,681	46,459
Total liabilities	64,681	46,459
Issued capital	36,605,266	34,610,266
Accumulated losses	32,214,456	29,822,246
Share based payment reserve	1,280,125	1,280,125
Available for sale reserve	-	(20,000)
Total shareholders' equity	5,670,935	6,048,145
Loss of the parent entity	2,446,207	1,660,103
Total comprehensive income of the parent entity	2,446,207	1,660,103

The parent entity has no contingent liabilities, nor does it have any contractual commitments for the acquisition of property, plant or equipment.

## 27. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the subsequent financial years.

## 28. CORPORATE INFORMATION

The financial report of Cullen Resources Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 27 September 2012.

Cullen Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

## 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 notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b).
- (c) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2012.

On behalf of the Board



**C. Ringrose**  
**Director**  
**Perth, WA**  
**27 September 2012**

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

### **Report on the financial report**

We have audited the accompanying financial report of Cullen Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit 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.



## Opinion

In our opinion:

- a. the financial report of Cullen Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the remuneration report

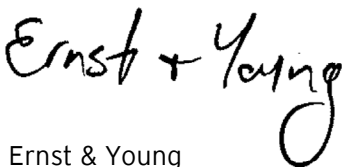
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Cullen Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

## Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1 - Going Concern to the financial report, there is material uncertainty whether the group will be able to pay its debts as and when they fall due and payable and realise its assets and extinguish its liabilities in the normal course of operations 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 group not continue as a going concern.

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

Ernst & Young

A handwritten signature in black ink, appearing to read 'P McIver'.

P McIver  
Partner  
Perth

27 September 2012

## SHAREHOLDER INFORMATION

### CAPITAL STRUCTURE

As at 26 September 2012, the company had the following securities on issue:

	Fully paid Ordinary shares
Issued Capital	693,089,431
<b>Top 20 Shareholders</b>	
Total holding of twenty largest shareholders	309,205,123
% of total shares on issue	44.61%
<b>Distribution of shareholders</b>	
1 - 1,000 shares	160
1,001 - 5,000 shares	190
5,001 - 10,000 shares	404
10,001 - 100,000 shares	1,686
100,001 and over	690
<b>Total</b>	<b>3,130</b>
Unmarketable Parcels as at 26 September 2012 Minimum \$500.00	1,100

### OPTIONS

As at 26 September 2012, 22,000,000 unissued shares in respect of options were outstanding. These are as follows:

Number	Exercise Price	Expiry Date
16,000,000	\$0.075	30 November 2013
6,000,000	\$0.06	13 March 2014

### SUBSTANTIAL SHAREHOLDERS

The company has three Substantial Shareholders as at 26 September 2012

Name	%	No. of shares
Brisbane Investments I and II Mende and Kundrun	7.34	50,822,699
Aquila Resources Ltd	15.12	104,843,426
Wythenshawe & Associates Pty Ltd	13.53	93,778,538

**TWENTY LARGEST SHAREHOLDERS**

The names of the twenty holders of the fully paid shares at 26 September 2012 are listed below:

<b>Name</b>	<b>No. of Shares</b>	<b>% Held</b>	<b>Rank</b>
Penoir Pty Ltd	72,000,000	10.39	1
Glyde Street Nominees Pty Ltd	33,000,000	4.76	2
Wythenshawe Pty Ltd	27,747,378	4.00	3
Brisbane Investments I Ltd	25,411,350	3.67	4
Brisbane Investments II Ltd	25,411,349	3.67	5
Warramboos Holdings Pty Ltd	15,250,000	2.20	6
Wythenshawe Pty Ltd	14,757,698	2.13	7
Kitchsmith Pty Ltd	14,688,002	2.12	8
Innerleithen Pty Ltd	13,284,120	1.92	9
Aquila Resources Limited	11,846,603	1.71	10
Chiatta Pty Ltd	9,000,000	1.30	11
BT X Pty Ltd	8,500,000	1.23	12
H Wallace-Smith and Co Pty Ltd	7,998,266	1.15	13
Penoir Pty Ltd	5,690,123	0.82	14
Lindglade Enterprises Pty Ltd	4,614,000	0.67	15
Warramboos Holdings Pty Ltd	4,598,462	0.66	16
A N Superannuation Pty Ltd	4,000,000	0.58	17
Mr Neil Ronald Griffin	3,874,355	0.56	18
ATFT Pty Ltd	3,833,000	0.55	19
Mr Brendon Russell Strong	3,700,417	0.53	20
<b>Total</b>	<b>309,205,123</b>	<b>44.61</b>	

**VOTING RIGHTS**

Every member present in person or by representative shall on a show of hands have one vote, and on a poll every member present in person or by representative, proxy or attorney shall have one vote in respect of each fully paid share held by him.



**Registered and Principal Office**

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