cloncurry metals
LIMITED
ABN 15 122 162 396

26 September 2008

Company Announcements Office
Australian Securities Exchange Limited
Level 5, Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

Annual Report

Please find following the Annual Report for Cloncurry Metals Limited for the period ending 30 June 2008.

Yours sincerely

Barry Casson
Company Secretary/Finance Director
Cloncurry Metals Limited

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ANNUAL FINANCIAL REPORT
30 June 2008

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22 September 2008

Dear Shareholders

I wish to begin by thanking our directors who have shown through our first year how they understand our industry. I pay tribute to our CEO Simon Finnis and our Exploration Manager Glenn Beere who have justified our high expectations of them. The Company is in good experienced hands, which, with cash, is the way to succeed through tough times for small companies.

We, like most others, did not predict the combination of factors that currently applies, of world financial problems, low investor confidence, and low base metal prices. Now we have to succeed even if these settings prevail for some time.

We remain up-beat about medium and long term base metal prices including zinc and lead, based on projections of supply and demand, not current stockpile balances. We note that almost all projections of Asian growth have been too low, almost all projections of supply too high, and that more modest growth will still stretch supply projections. The recent closures of marginal production further moderate supply, and closures will probably continue in the short term.

The short term situation affects the Pegmont Project, because the Company must decide whether to exercise the option to purchase Pegmont from Pegmont Mines Ltd, by 31 December 2008. The signing on 3 September 2008 of the Memorandum of Understanding with BHP Billiton, who own the Cannington project 25km away, was an essential and positive move, as our CEO explains. At all but highest prices Pegmont is more viable in combination with Cannington than as a stand-alone project.

Pegmont drilling has been a complicated process, as the ore horizon is structurally complex and it is difficult to assess "misses." We have, after some hits and misses, now intersected an extension 350m from known mineralisation and will drill this further.

The main targets in our other major projects in the Cloncurry area, as stated in the prospectus, are major deposits of Broken Hill Type and of Iron Oxide Copper-Gold (IOCG). Such deposits would be valuable in any likely price cycle. We have spent the year doing and assessing gravity and magnetic surveys, and will drill the best targets before the end of 2008, when the rig moves from Pegmont.

For the time being, cash is king, and we have managed expenditures well, as evident from our balance sheet. We expect to have in excess of $4M in the bank at the end of calendar year 2008. The Company is involved in several discussions regarding new opportunities, and that will continue. We will be selective, and are dedicated to succeeding through these difficult times.

We thank you our shareholders for your support, and will continue to work hard for you.

Yours sincerely

Ross Fardon

Ross Fardon
Chairman

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Dear Shareholders

While we were preparing the Company for listing a little over a year ago, we believed we had an evenly mixed and strong portfolio of tenements. This belief was justified with our successful listing, where we raised A$10,000,000 in our Initial Public Offering of 40,000,000 shares at A$0.25.

We differed from many other aspiring exploration companies in that we had purposely put together a package of opportunities that offered value for different reasons:

- The Pegmont Project offered a near term development opportunity, with potential to enhance the resources known to be contained in this well known deposit;
- The South Cloncurry tenements, and the Burdekin tenements, were longer term grass roots exploration targets, representing higher risk and higher reward opportunities.

Since listing in October 2007, the Company has been active in both areas and I summarise our current status as follows.

Pegmont Lead/Zinc/Silver Project – Pegmont is a long known prospect that was first discovered in 1971. In the days of significantly lower commodity prices it had been explored and discarded by such well known companies as North Limited, Newmont and BHP. Given the much higher prices prevailing around listing time, we expected that Pegmont had a good chance of succeeding, and given that we had fresh ideas about the structure and geology of the deposit, and would use modern geophysical exploration techniques, we also believed we had a good chance of enhancing what was already known about this Project.

A new ground magnetic survey completed in late 2007 identified a deep magnetic anomaly that showed the potential for extensions to the known mineralisation. While early drilling into this area picked up some thin magnetic structures we were not convinced these were the source of the magnetic anomaly and stopped the deep drilling so we could re-evaluate our thinking. We have recently completed a new deep hole that intersected very good mineralisation in a 6.5m Banded Iron Formation (BIF) from 270m and a further two BIFs totalling 4.4m thickness between 324 and 332m down hole. We now plan to drill another deep hole 200m to the north to further test our theory. Upmost in our thinking is that this intersection is much deeper than any previous mineralisation encountered and is over 350m from the main lode. We are therefore optimistic that it has the potential to add significant additional tonnage to what is known at Pegmont.

Between the two deep drilling programs we drilled some 5,000m testing for mineralisation beyond what is known as the main lode. We have encountered many mineralised zones but in the absence of assay results we have been reluctant to raise expectations by releasing a list of drill holes with intersections not yet fully analysed.

On top of the exploration work, we have progressed discussions with BHP Billiton to the point where we recently signed a Memorandum of Understanding with them. The two companies have agreed to work together to assess the various alternatives of processing ore mined at Pegmont through the Cannington Plant. This is positive news for Cloncurry Metals and the Pegmont Deposit as it has the potential to provide a clear way forward to early development with a low capital cost. We believe that there is scope for a mutually beneficial arrangement to be finalised within the proposed time frame.

Additionally we have identified other opportunities on the Pegmont tenements that we are keen to explore further and hope to do so before years' end. We also entered into a Joint Venture with Fusion Resources Limited over two tenements close to Pegmont that host various Lead/Zinc anomalies and we hope that this ground will provide satellite feed for a developed Pegmont. Please see the Location Plan on page 19 for further details.

All the above leads me to believe that we have enhanced the value at Pegmont and although commodity prices have retreated in the recent past, we believe it is a short term correction and is partially offset by the decreasing value of the Australian dollar.

South Cloncurry Tenements – For the purposes of reporting we have loosely grouped our tenements south of Cloncurry, not including Pegmont, as our South Cloncurry Tenements. As seen from the Location Plan on page 20, we have various parcels of tenements which we refer to as Toolebuc, Kennedy Highway, and Springvale. We have added several more tenement applications, including two to the south-east of Kennedy Highway, to be known as Boulia.

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Earlier in calendar year 2008, we carried out a significant gravity survey over the best magnetic anomalies and have identified several good drilling targets. The best two will be drilled this calendar year and will be assisted by the two Cooperative Drilling Initiative grants we have been awarded by the Queensland Department of Minerals and Energy. This initiative rewards innovative exploration and our plan to drill for deep under cover ore-bodies is seen as particularly innovative.

While the progress on these prospects has been slower than we would like we anticipate drilling deep holes within the next few months and hope to be able to report the outcomes shortly thereafter.

Burdekin Tenements – In our June 2008 quarterly we reported our progress here and I am increasingly positive about the progress and potential for discovery on these tenements. In addition to the new anomaly, now known as Fish Creek, and the previously identified Mt Dillon prospect, our exploration team has identified further interesting ground and we have applied for exploration permits over these areas. The geology is identical to what we are seeing at our other prospects and we are happy to add them to our portfolio.

We have completed an IP Survey over Mt Dillon and Fish Creek, as the best technical way to identify the scope of the anomalism, and also to test areas where geochemical exploration is ineffective. We will drill here before the end of the year also and hope for a discovery of a significant epithermal gold/silver system, probably of Mt Carlton type.

As you can see from the above we have been true to the approach published in our Prospectus, and we will continue to aggressively pursue our goal of being a mine developer and producer, both on the tenements above and on any other opportunities that arise that offer the potential to add to shareholder value.

I would like to thank the Board for their tremendous support and also our exploration team, led tirelessly and creatively by Glenn Beere who is ably assisted by Allen Hill and the field crews.

While we operate in difficult times with a volatile world marketplace, we continue to see unprecedented demand for metals from China and the rest of the developing world. Based on prevailing long-term supply and demand projections we continue to expect higher metals prices than at present in the medium to long-term.

We at Cloncurry Metals Limited are about building a successful company and the foundations are the most important of any structure. I thank you for your support during the laying of the foundation stones, and I look forward to your support during the coming year where we hope to add to our current potential.

Yours sincerely

Simon Finnis
Chief Executive Officer

Directors' report

The directors present their report together with the financial report of Cloncurry Metals Limited ('the Company'), for the financial year ended 30 June 2008 and the auditor's report thereon. Comparatives are for the financial period commencing on the date of incorporation, being 12 October 2006, and ended 30 June 2007 (**"the financial period ended 30 June 2007"**).

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	*Age*	*Experience, special responsibilities and other directorships*
Dr Ross Fardon FTSE, B.Sc.App. (Mining Geology), PhD. Fulbright Scholar Independent Non-Executive Chairperson Appointed 22 June 2007 Member of the Audit Committee Member of the Remuneration Committee	70	Dr Fardon was formerly in charge of global exploration for BHP Billiton and Mount Isa Mines. He was also the former Director General of Mines and Energy South Australia and Chairman of a Commonwealth Cooperative Research Centre, and has reviewed all geological surveys in Australia. Dr Fardon has previously founded two high-tech companies (Technomin and APR Ltd), in both of which he also held CEO positions.
Robert Thorpe B.Tech (Mech.Eng.), AMIAMA, MAICD Independent Non-Executive Director Appointed 22 June 2007 Chairman of the Remuneration Committee	63	Mr Thorpe is a Non-Executive Director of the Company and has over 33 years experience in design, engineering, project management, construction, operation and maintenance of large scale processing facilities internationally. Mr Thorpe has extensive experience in contract and commercial management, estimating systems and corporate risk management. He has previously held Director and General Manager positions in engineering and operations management companies in Queensland and Western Australia and senior management roles in start up organisations including as the founding Managing Director of Ausenco Limited, a role he held for eight years.
W Frank Bunting B.SC (Hons) Geology, 1st Class, Dip Ed, (Environmental Sciences) Technical Director Appointed 8 May 2007	55	Mr Bunting is Technical Director of the Company and has had over 26 years experience with BHP Billiton Exploration operating around the world. Mr Bunting is a geologist with specialist BHT, IOCG, gold and nickel skills who has had significant roles in several major discoveries around the world, including the Cannington mine in north-west Queensland.
Michael Arnett LLB B.Comm. Independent Non-Executive Director Appointed 22 June 2007 Chairman of the Audit Committee	46	Mr Arnett is an Independent Non-Executive Director and currently holds several directorships including with Archipelago Resources plc (listed on AIM, London), Anzon Energy Limited (AIM listed), Anzon Australia Limited, Queensland Energy Resources Limited, Red Sky Energy Limited and NRW Holdings Limited. Mr Arnett is a consultant and formerly partner and Chief Operating Officer of international law firm Deacons.
Barry Casson CA MAICD Finance Director Appointed 12 October 2006 Member of the Audit Committee Member of the Remuneration Committee	57	Mr Casson is Finance Director and Company Secretary. Mr Casson is a Chartered Accountant with over 35 years accounting and primarily commerce experience and approximately 24 years in the mining industry as Finance Director, CFO or equivalent. He has had extensive international experience in project financing and corporate transactions and is a Member of the Institute of Company Directors in Australia. He is also currently Corporate Finance Executive and Joint Company Secretary for Australian Solomons Gold Limited (TSX:SGA) and a non-executive director of Archipelago Resources plc (AIM listed).

Directors' report (continued)

2. Company secretary

Barry Casson CA MAICD was appointed to the position of company secretary on 5 July 2007, replacing Stephen Everett who had been company secretary since incorporation. Mr Casson is a qualified Chartered Accountant and has held a number of company secretary positions over many years, and is currently joint company secretary of Australian Solomons Gold Limited, listed on the Toronto Stock Exchange.

3. Directors' meetings

An Audit Committee and Remuneration Committee were established in July 2007; two meetings were held by the Audit Committee and one meeting was held by the Remuneration Committee during the year to 30 June 2008.

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Dr Ross Fardon	5	5	2	2	1	1
Robert Thorpe	5	5	-	-	1	1
Frank Bunting	3	5	-	-	-	-
Michael Arnett	3	5	2	2	-	-
Barry Casson	5	5	2	2	1	1

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

4. Corporate Governance Statement

This statement outlines the main corporate governance practices in place. The Board implemented the following matters in July 2007, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Company including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board's charter are located on the Company's website (www.cloncurrymetals.com.au).

The Board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer and management personnel, including employees and consultants. Responsibilities are delineated by formal authority delegations.

Directors' report (continued)

4.1 Board of Directors (continued)

Board processes

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee and an Audit Committee. These committees have written mandates and operating procedures, which will be reviewed on a regular basis. The Board has also established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board has agreed to hold at least four scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and Company Secretary. Papers are circulated a week prior to each meeting and standing items include the Chief Executive Officer's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. The Chief Executive Officer is regularly involved in discussions with directors on all Company matters, not only at Board meetings.

Director education

Given the quality and experience of the Board, the Company has no formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors maintain regular contact with each other and have the opportunity to meet with management to gain a better understanding of business operations. Directors have access to continuing education opportunities to update and enhance their skills and knowledge as, and if, sought by individual directors.

The CEO maintains a register of relevant ASX updates and circulates to the Board.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified advisor at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is also to be made available to all other members of the board.

Composition of the board

The names of the directors of the Company in office at the date of this report are set out in the Directors' report on page 4 of this report. The Board endeavours to compose the board using the following principles:

- a minimum of four directors, with a broad range of expertise covering technical, legal, commercial and corporate, and both nationally and internationally;
- a majority of independent non-executive directors;
- a majority of directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of financing or risk management of publicly listed companies;
- a non-executive independent director as Chairperson;
- enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- A maximum period of three years service, subject to re-election every three years.

Directors' report (continued)

Composition of the board (continued)

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company;
- is not a material supplier or customer of the Company or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

4.2 Nomination committee

The Company does not have a nomination committee as it considers that, given the current size and scope of activities, the full Board should oversee the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's Chief Executive Officer. The Board develops guidelines on the appropriate skill mix, personal qualities, expertise and diversity of each position. Where a vacancy occurs or there is a need for particular skills, the Board will determine the selection criteria based on the skills deemed necessary. The Board may delegate specific directors to identify potential candidates with advice from an external consultant. The Board will then consider the applicants and appoint the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

Pending the establishment of a Nomination Committee, the Chairperson is authorised to use an external facilitator to annually review the effectiveness of the board, its committees, individual directors, and senior executives. The other directors have an opportunity to contribute to the review process. The performance criteria take into account each director's contribution to setting the direction, strategy and financial objectives of the Company, and monitoring compliance with regulatory requirements and ethical standards.

The Chairperson's reviews will generate recommendations to the board, which will vote on them. The nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and the Company. Directors displaying unsatisfactory performance are required to retire.

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment, including expectations of attendance and preparation for all Board meetings, minimum hourly commitment, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

In the absence of a Nominations Committee the Board will also conduct an annual review of the performance of the Chief Executive Officer and the senior executives reporting directly to him and the results discussed at a Board meeting.

4.3 Remuneration committee

The Remuneration Committee was established on 12 July 2007.

The Remuneration Committee will review and make recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the Remuneration Committee appointed on 12 July 2007 are:

- Robert Thorpe (Chairperson) – Non-Executive
- Ross Fardon – Independent Non-Executive
- Barry Casson – Finance Director

Directors' report (continued)

4.3 Remuneration committee (continued)

The Board policy is that the Remuneration Committee will comprise a majority of independent non-executive directors. At the present time, Mr Thorpe and Mr Casson are not fully independent due to their relationship with the major shareholder, Global Resources Corporation Pty Ltd (GRC). Mr Thorpe is an Alternate Director of a member of the board of GRC, and Mr Casson is the company secretary of GRC. Notwithstanding these relationships, the Board of the Company views the experience of both committee members as adding significant value to the committee and the Company.

The Chief Executive Officer, Simon Finnis, who commenced employment in September 2007, is invited to remuneration committee meetings, as required, to discuss other executives' performance and remuneration packages but does not attend meetings involving matters pertaining to him.

The Remuneration Committee will meet a minimum of once a year and further meetings will be held as required.

The Remuneration Committee's charter is available on the Company's website.

4.4 Remuneration report – audited

4.4.1 Principles of compensation – audited

Remuneration is referred to as compensation throughout this report. The Company has two executive directors and two key executives, the Chief Executive Officer, who was appointed on 1 September 2007 and the Exploration & Development Manager, who was appointed on 1 July 2007. The Company had no employees prior to 1 July 2007. The following principles of compensation have been agreed to by the Board and will form the basis of the Remuneration Committee principles of compensation going forward.

The two key executives will have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company, other staff, contractors and consultants.

Compensation levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration Committee will obtain independent advice on the appropriateness of compensation packages of the Company given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the Company's performance including:
  - the successful implementation of exploration programs designed to confirm and establish resources for development into operations
  - the Company's earnings, when and if appropriate
  - the growth in share price and delivering enhancement of shareholder value
  - the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short- and long-term performance-based incentives.

In addition to their salaries, the Company also provides non-cash benefits to its key management personnel. The Company does not run or contribute to a post-employment defined benefit superannuation plan on their behalf. Superannuation contributions required by law are made to the superannuation plan of the employee's choice.

Directors' report (continued)

4.4.1 Principles of compensation – audited (Continued)

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds, as required by law.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual and Company performance.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives and to keep the Company competitive in the marketplace. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, and is based on agreed Key Performance Indicators for each position. The long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan (see note 19 to financial statements).

Short-term incentive bonus

Each year the Remuneration Committee will set the Key Performance Indicators (KPI's) for the key management personnel. The KPI's will generally include measures relating to the Company and the individual, and include financial, people, strategy, and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Company and to its strategy and performance.

The Remuneration Committee will recommend the cash incentive to be paid to the individuals for approval by the Board. The method of assessment chosen will provide the committee with an objective assessment of the individual's performance.

Long-term incentive

Options are issued under the Employee Share Option Plan (EmSOP) (made in accordance with thresholds set in plans that have been initially approved by the Board) and provides for key management personnel to receive varying numbers of options over ordinary shares for no consideration. The actual number of options issued depends on the seniority and responsibility of the executive concerned. The exercise prices and vesting periods of the options is set to provide a realistic incentive to each executive and their contribution to the Company and the enhancement of value for all shareholders.

In addition to the options provided to executives, the Company has made an issue of options to certain directors; however the entitlements have not been made as a broad scheme to remunerate the Board. Each of the directors in receipt of options to date was due to a specific and largely pre-agreed recognition of contribution to the establishment of the Company and its portfolio of projects, and becoming a publicly listed entity. These option entitlements are noted in the table in Note 19. The considered policy of exercise and vesting dates provided to the executives and to certain directors are summarised as follows:

- The exercise prices and vesting terms for options issued to executives recognises the highly competitive market in Australia within the mining industry. Commercial salary arrangements are currently seen as being only part of the attraction to executives and increasingly executives desire a meaningful incentive in the form of options or shares offered. The Company has recognised this aspect and negotiated with each executive the terms of issue, which includes a five year term and varying exercise prices generally expressed in three tranches vesting over the first three years. The Company recognises the modest nature of the premiums to the Initial Public Offering (IPO) issue price however the inherent attraction of these premiums as negotiated effectively form a crucial element of the total remuneration package.
- The exercise prices for options issued to the particular directors noted have been set at significantly higher levels than those applicable to the executives. This acknowledges the issue of options is not forming part of a remuneration base of the relevant directors but in recognition of a contribution that will reward in the longer term the significant efforts already made, and continued to be made, into the future. Accordingly the premiums have been set at a more realistic hurdle rate related to price expectations based on successful exploitation of the projects. The five year term and three tranche vesting date approach is consistent with the options terms for executives

Directors' report (continued

4.4.1 Principles of compensation – audited (Continued)

Service contracts

The Company has entered into employment contracts for both the Chief Executive Officer and Exploration & Development Manager. There are no service contracts with any of the directors or the company secretary.

The employment contract for the Chief Executive Officer provides an unlimited term but is capable of termination on 3 months notice.

The employment contract for the Exploration & Development Manager is structured as an exclusive consulting agreement for 220 working days per year, and an exclusivity period of three years.

There are no termination payments provided for in either contract.

The Company retains the right to terminate a contract immediately by making payment equal to 3 month's pay in lieu of notice. The Chief Executive Officer was entitled to receive statutory entitlements of accrued annual and long service leave on termination of employment until 30 June 2008. These entitlements ceased from 1 July 2008 and his remuneration was adjusted to compensate for this change.

There are no provisions for annual leave or long service leave entitlements for the Exploration & Development Manager.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are to be reviewed each year to take into account individual performance, any change in the scope of the role performed by the senior executive, cost-of-living changes and any changes required to meet the principles of the compensation policy.

Individual performance is measured against agreed key performance indicators, including successful completion of operational tasks, timely execution of work programs, adherence to governance standards and procedures and feedback from stakeholders and other interested parties.

Non-executive directors

Total compensation for all non-executive directors was set by the Board on 22 June 2007 at $147,000 and has not as yet been voted upon at a general meeting of shareholders. The levels of fees set have been based on a review involving reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently set at $35,000 per annum for the Chairperson and $28,000 per annum for each non-executive director. These fees are paid quarterly in arrears.

The Chairperson and non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities including membership of a committee(s).

There is no Board Retirement Scheme, and there is currently no intention to establish such a Scheme.

The full Board was appointed on 22 June 2007 and no fees were paid or payable for the comparative period.

Directors' report (continued)

4.4.1 Principles of compensation – audited (Continued)

Directors' and executive officers' remuneration – audited

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the two named Company executives for the year ended 30 June 2008 are:

	Short-term				Post-employment	Other long term	Termination benefits	Share-based payments		S300A(1)(e)(i) proportion of remuneration performance related %	S300A(1)(e)(i) Value of options as proportion of remuneration %
	Salary & fees	STI cash bonus $	Non-monetary benefits	Total	Super-annuation benefits			Options	Total $		
Directors											
Non-executive directors											
Dr Ross Fardon	35,000	-	-	35,000	-	-	-	15,444	50,444	-	30.6%
Robert Thorpe	28,000	-	-	28,000	-	-	-	-	28,000	-	-
Michael Arnett	28,000	-	-	28,000	-	-	-	-	28,000	-	-
Executive directors											
W Frank Bunting	28,000	-	-	28,000	-	-	-	36,663	64,663	-	56.7%
Barry Casson	28,000	-	-	28,000	-	-	-	10,999	38,999	-	28.2%
Executives											
Simon Finnis (appointed 1.9.07)	217,893	-	4,849	222,742	19,462	-	-	54,534	296,738	-	18.4%
Glen Beere (appointed 1.7.07)	221,059	-	-	221,059	-	-	-	35,888	256,947	-	14.0%
TOTALS	**585,952**	**-**	**4,849**	**590,801**	**19,462**	**-**	**-**	**153,528**	**763,791**		**20.1%**

All figures are for the year ended 30 June 2008. There was no remuneration paid or payable for the year ended 30 June 2007, as there were no executives employed during this period and the majority of the Board were only appointed on 22 June 2007. There were no options on issue as at 30 June 2007.

The fair value of the options issued during the year is calculated at the date of the grant using a Black-Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. Market conditions have been taken into account within the valuation model.

Directors' report (continued)

4.4.1 Principles of compensation – audited (continued)

Details of performance related remuneration - audited

Details of the Company's policy in relation to the proportion of remuneration that is performance related is discussed on page 9.

No bonuses were paid or payable during the year ended 30 June 2008 and no bonuses were paid for the financial period ended 30 June 2007.

4.4.2 Equity instruments – audited

All options refer to options over ordinary shares of Cloncurry Metals Limited, which are exerciseable on a one-for-one basis under the Employee Share Option Plan (EmSOP). There were no options issued over the shares of Cloncurry Metals Limited during the period ended 30 June 2007.

4.4.2.1 Options and rights over equity instruments granted as compensation – audited

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vested during 2008
Directors						
Dr Ross Fardon	150,000	30 July 2007	8.7 cents	40 cents	9 Oct 12	Nil
	150,000	30 July 2007	7.1 cents	50 cents	9 Oct 12	Nil
	150,000	30 July 2007	5.9 cents	60 cents	9 Oct 12	Nil
	450,000					
W Frank Bunting	400,000	30 July 2007	8.7 cents	40 cents	9 Oct 12	Nil
	300,000	30 July 2007	7.1 cents	50 cents	9 Oct 12	Nil
	300,000	30 July 2007	5.9 cents	60 cents	9 Oct 12	Nil
	1,000,000					
Barry Casson	120,000	30 July 2007	8.7 cents	40 cents	9 Oct 12	Nil
	90,000	30 July 2007	7.1 cents	50 cents	9 Oct 12	Nil
	90,000	30 July 2007	5.9 cents	60 cents	9 Oct 12	Nil
	300,000					
Executives						
Simon Finnis	400,000	30 July 2007	12.2 cents	25 cents	9 Oct 12	Nil
(appointed 1.9.07)	300,000	30 July 2007	11.1 cents	28.75 cents	9 Oct 12	Nil
	300,000	30 July 2007	10.2 cents	32.5 cents	9 Oct 12	Nil
	1,000,000					
Glen Beere	400,000	30 July 2007	11.1 cents	28.75 cents	9 Oct 12	Nil
(appointed 1.7.07)	100,000	30 July 2007	12.2 cents	28.75 cents	9 Oct 12	100,000
	500,000					

Directors' report (continued)

4.4.2 Equity instruments – audited (Continued)

4.4.2.1 Options and rights over equity instruments granted as compensation – audited (Continued)

The options are being provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment or position as an officer of the Company. The options are exercisable from their vesting date to their expiry date, subject to continuing employment service. All options expire on 9 October 2012.

Further details regarding options issued to directors and executives under the Cloncurry Metals Limited Employee Share Option Plan are in note 19 to the financial statements.

4.4.2.2 Modification of terms of equity-settled share-based payment transactions - audited

No terms of equity-settled share-based payment transactions have been altered or modified by the Company during the reporting period or the prior period.

4.4.2.3 Exercise of options granted as compensation - audited

No shares were issued on the exercise of options during the reporting period, or since the end of the reporting period.

4.4.2.4 Analysis of options and rights over equity instruments granted as compensation - audited

Details of vesting profiles of the options granted as remuneration to each key management person of the Company and each of the two named Company executives are detailed below.

	Options granted				
	Number	Date	% vested in year	% forfeited in year	Financial years in which grant vests
Dr Ross Fardon	150,000	30 July 2007	0%	0%	1 July 2008
	150,000	30 July 2007	0%	0%	1 July 2009
	150,000	30 July 2007	0%	0%	1 July 2010
W Frank Bunting	400,000	30 July 2007	0%	0%	1 July 2008
	300,000	30 July 2007	0%	0%	1 July 2009
	300,000	30 July 2007	0%	0%	1 July 2010
Barry Casson	120,000	30 July 2007	0%	0%	1 July 2008
	90,000	30 July 2007	0%	0%	1 July 2009
	90,000	30 July 2007	0%	0%	1 July 2010
Simon Finnis	400,000	30 July 2007	0%	0%	1 July 2008
(appointed 1.9.07)	300,000	30 July 2007	0%	0%	1 July 2009
	300,000	30 July 2007	0%	0%	1 July 2010
Glen Beere	100,000	30 July 2007	100%	0%	1 July 2007
(appointed 1.7.07)	200,000	30 July 2007	0%	0%	1 July 2008
	200,000	30 July 2007	0%	0%	1 July 2009

Directors' report (continued)

4.4.2 Equity instruments – audited (continued)

4.4.2.5 Analysis of movements in options - audited

	Granted in year *	Value of Options Exercised in year	Lapsed in year
	$	$	$
Dr Ross Fardon	32,482	-	-
W Frank Bunting	73,623	-	-
Barry Casson	22,087	-	-
Simon Finnis	112,622	-	-
Glen Beere	56,642	-	-
TOTALS	**297,456**	-	-

*Total value of options to be expensed over their term.

4.4.3 Payments to person before taking office - audited

Chief Executive Officer Simon Finnis received $14,026 prior to his appointment on 1 September 2007 for services provided in July 2007.

In addition, Mr Finnis was granted 1,000,000 options on 30 July 2007. These options were issued in three tranches, with vesting dates of one, two and three years from the date of the Company listing on the Australian Stock Exchange. The Company listed on 9 October 2007.

4.5 Audit committee

The Audit Committee was established and members appointed on 12 July 2007.

The Audit Committee has a documented charter, approved by the Board. A majority of members must be independent directors. The Chairperson may not be the Chairperson of the Board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

The members of the Audit Committee as appointed are::

- Michael Arnett, LLB, B.Com. (Chairperson) – Independent Non-Executive
- Dr Ross Fardon, FTSE, B.Sc. App. (Mining Geology), PhD. Fulbright Scholar – Independent Non-Executive
- Barry Casson, CA MAICD – Finance Director

The external auditors and the Chief Executive Officer are invited to Audit Committee meetings at the discretion of the Committee.

The Audit Committee's charter is available on the Company's website.

The responsibilities of the Audit Committee include:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is adequate for shareholder needs
- assessing corporate risk assessment processes
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review
- providing advice to the board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001

Directors' report (continued)

4.5 Audit committee (continued)

- assessing the adequacy of the internal control framework and the Company's code of ethical standards
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Audit Committee will review the performance of the external auditors on an annual basis and will normally meet with them during the financial year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results
- review the draft annual and half-year financial report, and recommend Board approval of the financial report
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

4.6 Risk management

Oversight of the risk management system

The board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company. The operational and other risk management compliance and controls have been assessed initially this year and will be assessed each financial year. All future risk assessments will cover the whole financial year and the period up to the signing of the annual financial report for all material operations of the Company.

Risk profile

The Audit Committee will report to the Board quarterly on the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. Further details of the Company's risk management policy and internal compliance and control system will be made available on the Company's website.

Risk management and compliance and control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The Board's policy on internal control will take into account the size and scope of current activities, details of which will be made available on the Company's website. It will comprise the Company's internal compliance and control systems, including:

- *Investment appraisal* – Guidelines for capital (including exploration and development) expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Policies have been established to ensure:

- capital expenditure and commitments above a certain size obtain prior Board approval
- financial exposures are controlled, including the use of derivatives
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- business transactions are properly authorised and executed
- financial reporting accuracy and compliance with the financial reporting regulatory framework
- environmental regulation compliance

Directors' report (continued)

4.6 Risk management (continued)

Quality and integrity of personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. Given the present size and scope of activities, there is no formal succession plan currently in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Financial reporting

The Chief Executive Officer and Finance Director have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Company's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its exploration activities.

The Company is committed to achieving a high standard of environmental performance. Due to the size and scope of current activities the Company has not established an Environmental Management Committee; however the Board charter includes focus on this area of operating performance. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

As part of this process the Board is responsible for:

- setting and communicating environmental objectives and quantified targets
- monitoring progress against these objectives and targets
- implementing environmental management plans in operating areas which may have a significant environmental impact
- identifying where remedial actions are required and implementing action plans
- regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

To enable it to meet its responsibilities, the Board has established a regular internal reporting process. Environmental performance is reported from each site up through management to the Board on a regular basis. On a quarterly basis the Chief Executive Officer will report to the Audit Committee who then report to the Board on the Company's environmental performance. For the period ended 30 June 2007 there was no relevant requirements of environmental regulations as the Company had not commenced activity on its portfolio of projects.

Assessment of effectiveness of risk management

Internal audit

The Company does not employ internal auditors.

The audit committee is responsible for ensuring compliance with internal controls and risk management programs by regularly assessing the effectiveness of the above-mentioned compliance and control systems. The scope and effectiveness of these assessments are subject to an independent review at least once every two years.

Directors' report (continued)

4.7 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company are set out in note 23 to the financial statements.

Code of conduct

The Company has advised each director, manager and employee that they must comply with the Code of Conduct Policy adopted by the Board. The policy covers the following:

- aligning the behaviour of the Board and management with the Code of Conduct by maintaining appropriate core Company values and objectives
- fulfilling responsibilities to shareholders by delivering shareholder value
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure
- employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and donations
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution
- conflicts of interest
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain
- confidentiality of corporate information
- protection and proper use of the Company's assets
- compliance with laws
- reporting of unethical behaviour.

Trading in Company securities by directors and employees

The key elements of the trading in Company securities by Directors and employees under the Trading Blackout Policy are:

- identification of those restricted from trading - directors and senior executives may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - except between 5 and 2 days after either the release of the Company's half-year and annual results to the Australian Securities Exchange (ASX), the annual general meeting or any major announcement
  - whilst in possession of price sensitive information not yet released to the market
- to raise the awareness of legal prohibitions including transactions with colleagues and external advisers
- to require details to be provided of intended trading in the Company's shares
- to require details to be provided of the subsequent confirmation of the trade
- the identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's web site.

Directors' report (continued)

4.8 Communication with shareholders

The Board policy is to provide shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure Policy operates as follows:

- the Chief Executive Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered, and all senior executives must follow a 'Weekly Continuous Disclosure Discovery' process, which involves monitoring all areas of the Company's internal and external environment
- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments
- the half-yearly report contains summarised financial information and a review of the operations of the Company during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it
- proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website
- the external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information will be made available on the Company's website within one day of public release, and will be e-mailed to all shareholders who lodge their e-mail contact details with the Company. Information on lodging e-mail addresses with the Company is available on the Company's website.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

5. Principal activities

The principal activities of the Company during the financial period ending 30 June 2008 were to explore and evaluate its existing portfolio of exploration projects located in Queensland while seeking other opportunities in the region and elsewhere.

The Company has grouped its exploration assets into three main project areas, as below:

- Pegmont Area Tenements
- South Cloncurry Tenements
- Burdekin Tenements

Pegmont Area Tenements

This area started off with tenements included as part of the option Agreement between Cloncurry Metals Limited and Pegmont Mines Limited. The Company has also been actively increasing its landholdings in this area to support the exploration focus around this asset, with the long term aim of providing satellite feed to a developed Pegmont Mine.

Directors' report (continued)

5. Principal activities (continued)

License Details – Pegmont Option Tenements

ML 2620, ML 2621, ML 2623.

EPM 14491, EPM 15106, EPM 14784.

License Details – Company owned Tenements

Several EPMAs also exist, these tenements having been applied for outside the option Agreement. These are:

EPMA 16670, 16671, 17062 and 17085

Location Plan

Pegmont is located 25km west of the Cannington Mine and 125km south of Cloncurry.

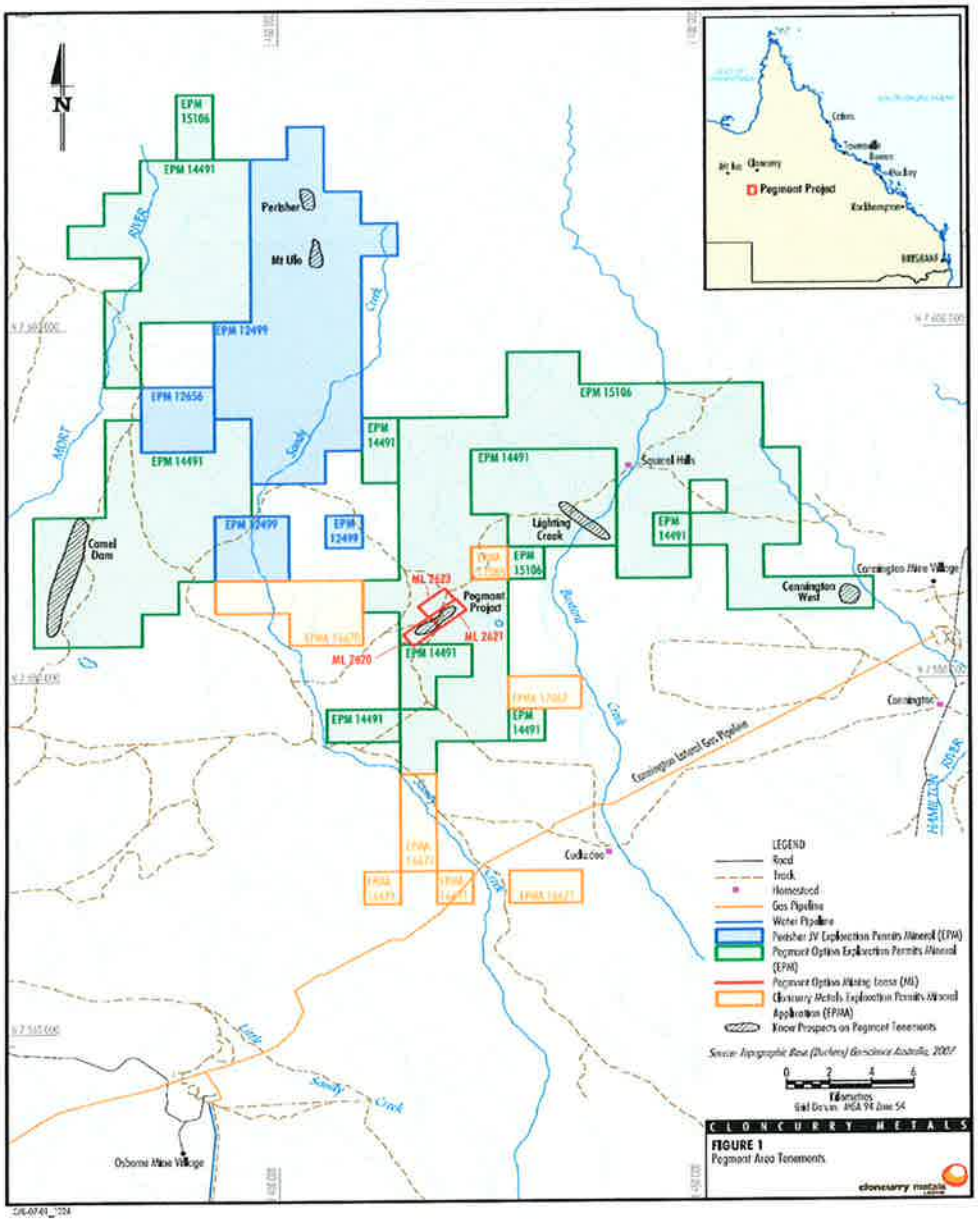


FIGURE 1
Pegmont Area Tenements

Directors' report (continued)

5. Principal activities (continued)

The focus of this year's work has been to assess this project with the aim of providing sufficient information to allow an informed decision as to whether to exercise the option over the asset. Significant drilling has been carried out and more is planned to meet the Company goals. In parallel the development options are being analysed.

South Cloncurry Tenements

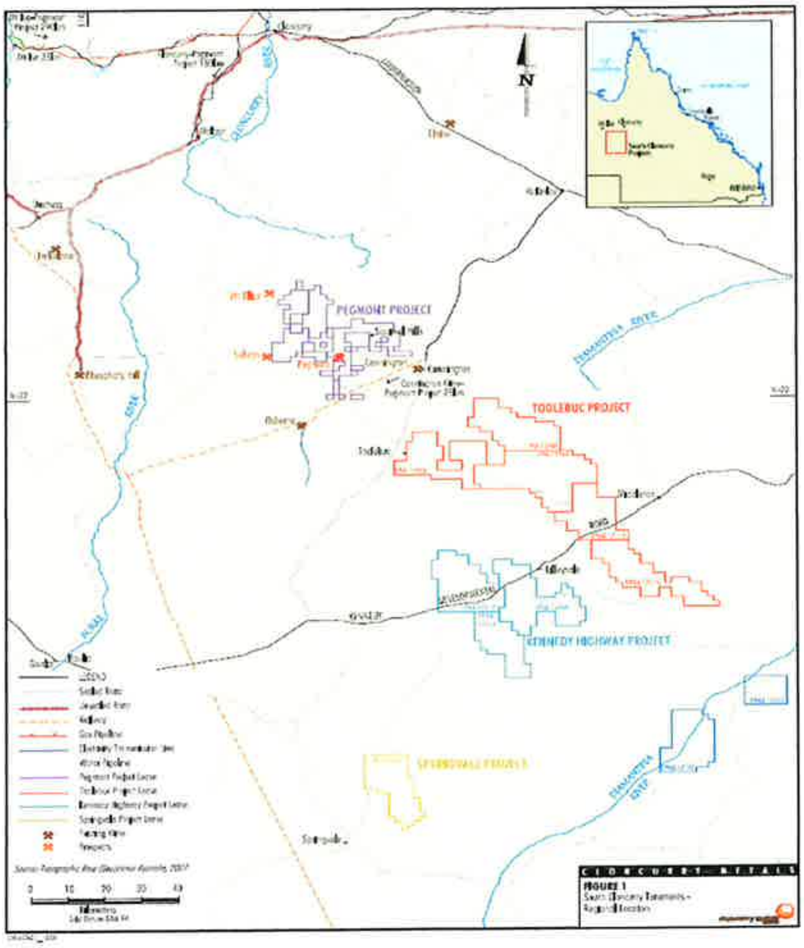
License Details

EPM 15944, 15945, 15947 and 15948.

EPMA 15946, 17114, 17115, 17116, 17117, 17141 and 17142.

These tenements are all located well south of Cloncurry and are prospective for Iron Oxide Copper Gold (IOCG) and Broken Hill Type (BHT) orebodies.

The focus of the year's work has been on known anomalies over which an extensive gravity survey was completed. This has shown up various interesting features and drilling will take place later in 2008.



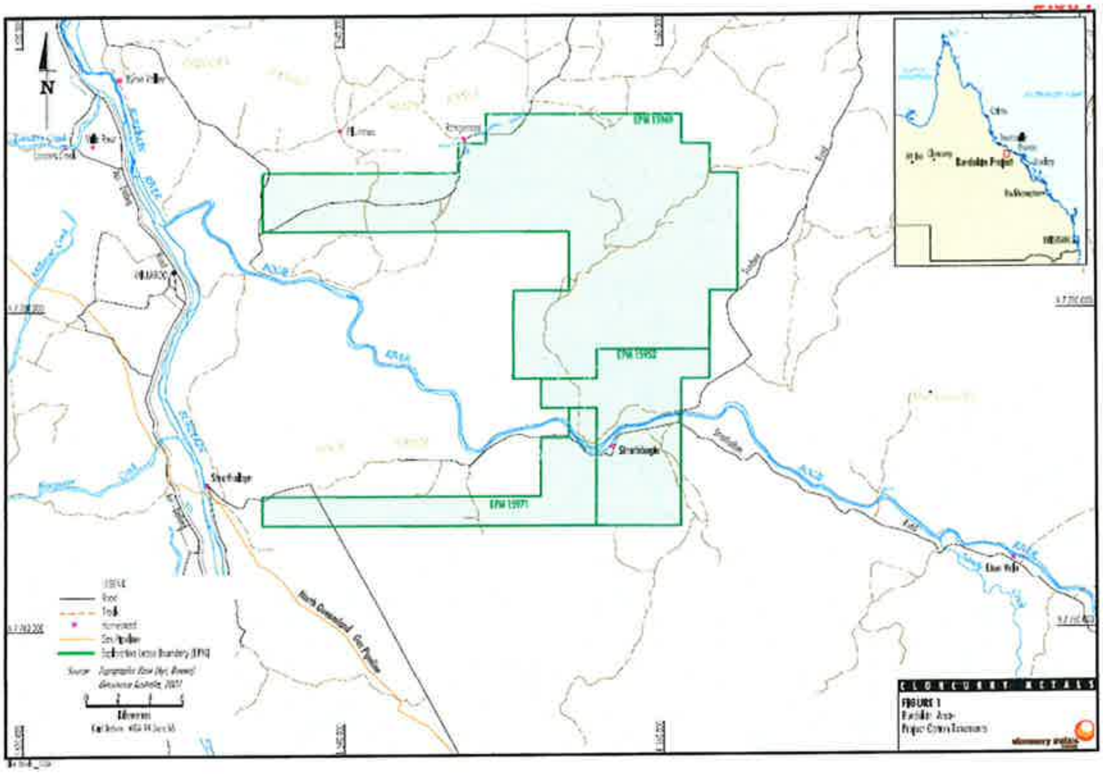
Burdekin Tenements

License Details

EPM 15952, 15969 and 15971.

Location Plan

The Burdekin Tenements are located 150km south east of Townsville and 75km west of Bowen.



Description

This area has potential for epithermal gold-silver mineralisaton and work since listing has concentrated on known gold anomalism. Significant progress has been made on these tenements and drilling is likely to take place later in 2008.

Directors' report (continued)

5. Principal activities (continued)

Objectives

The Company's objectives are to explore its portfolio of projects to:

- upgrade the undeveloped Pegmont lead-zinc deposit both in size and grade and achieve early production from this source
- deliver major discoveries of large Broken Hill-type (BHT) lead-zinc-silver and iron-oxide copper-gold (IOCG) and uranium resources and so become a substantial miner
- discover other styles of economic copper, gold and uranium deposits
- leverage off the skill and experience base of the Board, management and substantial shareholder, Global Resources Corporation Pty Ltd, and capture additional significant business opportunities in the Cloncurry area, and elsewhere.

In order to meet theses objectives the following targets have been set for the 2008 financial year and beyond:

- complete the requisite level of drilling required for the Pegmont option agreement, being 4,000m by 31 December 2007 – the stage has been completed,
- drill a minimum of a further 6,000m by 31 December 2008 – the Company is on target to achieve this,
- complete exploration and drilling on other projects as the relevant applications for Exploration Permits for Minerals are granted. In the near term to carry out drilling on the Burdekin Project which was granted in June 2007, and
- evaluate further project interests which compliment existing objectives and project interests.

6. Operating and financial review

Overview of the group

The Company listed on the Australian Securities Exchange on 9 October 2007.

The Company has three main areas of interest:

- Pegmont Area Tenements
- South Cloncurry Tenements
- Burdekin Tenements

The total area of tenements held and in application is 4,100 km^2.

On 12 July 2007 the Company issued pre-IPO seed capital amounting to an issue of 3.34 million shares at an issue price of $0.15 per share to raise $501,000. These shares were issued through an arrangement with ABN Amro Morgan in Brisbane, Australia who were paid a commission of 4% on the gross proceeds.

On 25 July 2007 the Company entered into a property option agreement with Pegmont Mines Limited (Property Option Agreement), a company listed on the National Stock Exchange of Australia in Newcastle, New South Wales, Australia. Pursuant to the terms of this agreement, the Company has the right to acquire a 100% interest in a number of tenements, described as follows:

- The Pegmont project comprises Exploration Permits for Minerals (EPM) numbered 14491 and 15106, together with Mining Leases numbered 2620, 2621 and 2623, and

- The Trekelano project comprises EPM number 14784.

Pursuant to the Property Option Agreement, the Company has the option to acquire the Pegmont and Trekelano projects listed above, by notice in writing not less than 60 days prior to the expiry date. The expiry date is 28 February 2009 unless otherwise extended by any Force Majeure event which can, depending on the event, extend the expiry date to not later than 30 June 2009.

Directors' report (continued)

6. Operating and financial review (continued)

Overview of the group (continued)

The Company must also undertake minimum exploration on the projects, such that it has completed not less than 10,000m of drilling by 31 December 2008 of which not less than 4,000m of drilling was to be completed by 31 December 2007. The drilling required for the period to 31 December 2007 commenced in late August 2007 and was completed by 10 November 2007.

Upon exercise of the property option, the Company is required to pay $12,000,000 as an advance royalty payment comprising:

1. A cash payment of $9,600,000 to Pegmont; and
2. An issue of Company shares to Pegmont to the value of $2,400,000, such shares being issued at the IPO price of $0.25 per share (i.e. an issue of 9,600,000 shares).

Once in production, the Company is required to pay an ongoing royalty of 1.25% on all production from the Pegmont and Trekelano project tenements.

On 29 August 2007 the Company filed a prospectus with the Australian Securities and Investments Commission for an issue of 40,000,000 new shares at an issue price of $0.25 per share for gross proceeds of $10,000,000. This issue was underwritten by ABN AMRO Morgans Corporate Limited in Brisbane, Australia for an administration fee of 2% and an underwriting fee of 4%.

The Company was admitted to the Official List of the ASX on 5 October 2007 and commenced trading on 9 October 2007.

A drilling program commenced at the Pegmont Project in August 2007, managed by Pegmont Mines Ltd (NSX:PMI) pending completion of the IPO and listing of Cloncurry Metals. This program was successfully completed by 10 November. In total 43 RC percussion holes, with 5 NQ diamond tales, were drilled for a total of 5,410m. This met the first requirement of the Pegmont Property Option agreement of a minimum of 4,000m drilling by 31 December 2007.

In November 2007 the Company signed a drilling contract for calendar 2008 involving at least 16,000m of drilling. The 2008 program was delayed, commencing in early June 2008. Seven holes were completed at Pegmont for a total 1,479m of percussion and diamond drilling.

The Queensland Department of Mines and Energy (DME) approved the tenements EPM 15944, 15945 and 15948 in November 2007 and in December 2007 the DME approved the tenements EPM 15952, 15947 and 15971.

Shareholder returns

The nature of the Company's business is high risk, targeting high reward and significant expenditure is being incurred in the Company's projects. This is expected to continue for at least another twelve months and no dividend is expected during this period and the Directors can give no assurance as to the payment of future dividends or the level of franking of such dividends. The payment of fully franked dividends will depend upon the availability of sufficient distributable profits, the Company's franking credit position, working capital requirements, future capital expenditure requirements, general business and financial conditions and any other factors the Directors may consider relevant.

Investments for future performance

The Company's main focus is the development and evaluation of its portfolio of mining projects and the Company is applying its financial resources and expertise towards this purpose.

Directors' report (continued)

6. Operating and financial review (continued)

Review of financial condition

The Company raised net proceeds of $9.5m from the successful completion of its Initial Public offering in October 2007. By 30 June 2008 the Company had invested $2.2m in exploration and evaluation and a further $0.2m in the acquisition of plant and equipment.

As at balance date the Company has more than $7 million in cash reserves to support its operations. These funds are invested in bank deposits with a range of terms that aim to optimise interest income while ensuring the Company has sufficient liquidity to meet its financial obligations.

To date the Company has operated within budget and generally in accordance with the indicative use of funds set out in the Prospectus, although less funds have been spent to balance date on drilling due to the delayed start to the 2008 program.

Significant changes in the state of affairs

The Initial Public Offer (IPO) for Cloncurry Metals Limited culminated on 9th October when the company officially listed. There was strong support for the IPO and the full subscription of 40 million shares at $0.25 were issued.

Pegmont Project
During the first drilling program in late 2007, 43 RC percussion holes and 5 Percussion diamond tails were drilled for a total of 5,410m, of this approx 443m was drilled for oxide metallurgical samples by Pegmont Mines Limited (PMI). This program satisfied the stage 1 drilling component of the agreement with PMI.
In general the results of this early drill program supported the previous interpretation of the mineralised BIF being the sole mineralised horizon, with no significant structural repetition or thickening being present. In a gross sense, the orebody dips at a low to moderate angle to grid east, although there is local steepening of the lode to be sub vertical.
Drilling in 2008 was delayed by rig availability and finally commenced on 2nd June. Focus of the initial parts of the program was to test magnetic targets generated by 3 dimensional inversion modelling, in particular the southern deep magnetic sources which, in part, have been indicated to have a steep orientation. Seven holes were completed in June totalling 1,479m of percussion and diamond drilling. No assays had been received as of the date of this report.
The Company entered a Joint Venture with Fusion Resources Limited (Fusion), over EPMs 12499 and 12656. As the tenements are strategically placed about 15km NW of Pegmont, this arrangement fits our strategy of picking up prospective ground that may provide satellite feed for a developed Pegmont Mine.

South Cloncurry Tenements
A major gravity program was carried out early in 2008 targeting the best magnetic anomalies. This was completed in April with the results analysed over the ensuing months. The culmination of this program has led to two deep holes being planned for Kennedy Highway (Broken Hill Type Lead/Zinc target) and Springvale (Iron Oxide Copper Gold target). Both holes will be approximately 800m deep, with depth to basement expected to be 400 and 500m respectively. These holes are likely to be drilled in September 2008.
The Queensland Department of Mines and Energy advised that the Company has been granted a drilling subsidy of up to $160,000 for 2 drill-holes under the CDI program ($80,000 each hole). These grants will be applied to the holes mentioned above.
Several new tenements were applied for in this region, all being prospective for Iron Oxide Copper Gold and Broken Hill Type ore bodies.

Burdekin Project
Early field reconnaissance showed that the Mt Dillon prospect contains widespread alteration. Further reconnaissance recognised that there were several other areas of interest within the tenement areas.

A significant geochemical program was embarked upon and identified several gold anomalies, in addition to the known Mt Dillon prospect. Further stream sediment sampling further supported a new area of geochemical anomalism in the Fish Creek area, South-west of the Mt Dillon prospect.

Follow-up and infill sampling will be undertaken during the second half of 2008 to complete coverage of the area of interest. Additionally an IP survey is planned for the anomalous zones.

Directors' report (continued)

6. Operating and financial review (continued)

Significant changes in the state of affairs (continued)

Exploration and Growth Strategy
Near term - Prove an economic Pb/Zn resource at Pegmont.

Status – Drilling continues and successful completion of the stage 2 drilling requirement of the arrangement with Pegmont Mines Limited is imminent. Once complete and the assay results are to hand, the board will carefully consider whether to exercise the option over the Pegmont Project and surrounding tenements.

Medium Term - Expand and locate satellite resources close to Pegmont. Evaluate and acquire other medium term prospects.
Status – A Joint Venture was signed with Fusion Resources over ground near to the Pegmont Project. Additionally there are several new Lead/Zinc targets that have been identified on the Pegmont option tenements that require further work.

Other assets in the region have been identified as opportunities and are subject to evaluation/negotiation.

Longer Term - Explore for large BHT and IOCG deposits on South Cloncurry land holdings and epithermal Au/Ag deposits on the Burdekin tenements.

Status – As detailed above two deep holes are planned for the South Cloncurry tenements on concurrent magnetic/gravity anomalies. Further work on these prospects will depend on the outcomes of that drilling. Wider evaluation and exploration relying on modern geophysical techniques continues on these tenements.

Burdekin continues to be a very interesting epithermal Gold/Silver exploration area with further work in the near future expected to identify good drilling targets.

7. Dividends

No dividends have been paid or declared during the financial years ended 30 June 2008 (2007: nil).

8. Events subsequent to reporting date

In September 2008 the Company entered into a Memorandum of Understanding with BHP Billiton to assess various arrangements in connection with the Pegmont project. A period of due diligence has commenced and a formal decision by BHP Billiton is expected by the end of October 2008.

Other than the above, 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 of the Company, to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

9. Likely developments

The Company will continue to focus on the exploration and evaluation of its portfolio of mining projects.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in the report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Any transaction agreed with BHP Billiton may have a positive influence on the Company's activities and direction of future exploration.

Directors' report (continued)

10. Directors' interests

The relevant interest of each director in the shares or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Direct Interest in Ordinary shares	Indirect Interest in Ordinary Shares	Options over ordinary shares
Dr Ross Fardon, Independent Non-Executive Chairman	Nil	90,000	450,000
Robert Thorpe, Non-Executive Director	Nil	20,000	Nil
Frank Bunting, Technical Director	Nil	Nil	1,000,000
Michael Arnett, Independent Non-Executive Director	8,000	112,000	Nil
Barry Casson, Finance Director	Nil	320,000	300,000

11. Share options

Options granted to directors and officers of the Company

On 30 July 2007 the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the following officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Directors			
Dr Ross Fardon, Independent Non-Executive Chairman	150,000	$0.40	9 October 2012
	150,000	$0.50	9 October 2012
	150,000	$0.60	9 October 2012
Robert Thorpe, Non-Executive Director	Nil	N/A	N/A
Frank Bunting, Technical Director	400,000	$0.40	9 October 2012
	300,000	$0.50	9 October 2012
	300,000	$0.60	9 October 2012
Michael Arnett, Independent Non-Executive Director,	Nil	N/A	N/A
Barry Casson, Finance Director	120,000	$0.40	9 October 2012
	90,000	$0.50	9 October 2012
	90,000	$0.60	9 October 2012
Officers			
Simon Finnis, CEO,	400,000	$0.25	9 October 2012
appointed 1 September 2007	300,000	$0.2875	9 October 2012
	300,000	$0.325	9 October 2012
Glenn Beere, Exploration & Development Manager,	100,000	$0.2875	9 October 2012
appointed 1July 2007	200,000	$0.2875	9 October 2012
	200,000	$0.2875	9 October 2012
Stephen Everett, Company Secretary, appointed 12 October 2006, resigned 5 July 2007	Nil	N/A	N/A

All options were granted during the financial year. No options have been granted since the end of the financial year.

Directors' report (continued)

11. Share options (continued)

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
9 October 2012	$0.25	400,000
9 October 2012	$0.2875	800,000
9 October 2012	$0.325	300,000
9 October 2012	$0.40	670,000
9 October 2012	$0.50	540,000
9 October 2012	$0.60	540,000
		3,250,000

All options expire on the earlier of their expiry date or termination of the recipient's employment or fulfilling the role of a director or officer of the Company. The options have varying vesting dates and exercise prices.

These options do not entitle the holder to participate in any share issue of the Company.

12. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Dr Ross Fardon, Robert Thorpe, Frank Bunting, Michael Arnett, Barry Casson, and a former director Stephen Everett, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Under the terms of an agreement entered into in 27 July 2007, the Company has agreed to indemnify certain senior executives for all liabilities to another person (other than the Company) that may arise from their position in the Company, except where the liability arises out of conduct involving a lack of good faith. The senior executives in question are Simon Finnis, the Chief Executive Officer, and Glenn Beere, the Exploration and Development Manager. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

Insurance premiums

The Company has arranged director and officer's liability insurance with cover commencing in November 2007, for past, present or future director, secretary, executive officer or employee. The insurance cover relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual directors of officers of the Company.

Directors' report (continued)

13. Non-audit services

KPMG was appointed auditor of the Company on 22 June 2007.

During the period ended 30 June 2008, KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. In preparing for the IPO and listing of the Company, KPMG was retained to provide the Investigating Accountants Report.

The Board has considered the non-audit services provided, which was the role of Independent Accountant for the report in the Prospectus of the Company dated 29 August 2007, by the auditor and is satisfied that the provision of those non-audit services by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- the non-audit services were reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Information on audit fees paid or payable to KPMG for the period ended 30 June 2008 are disclosed in Note 25 to the financial statements.

14. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 55 and forms part of the directors' report for financial year ended 30 June 2008.

This report is made with a resolution of the directors:

Ross Fardon

Dr Ross Fardon

Chairman

Dated this 26th day of September 2008.

BALANCE SHEET
As at 30 June 2008

	Note	2008 $	2007 $
Assets			
Cash and cash equivalents	14a	7,027,153	50
Trade and other receivables	13	139,848	-
Prepayments		22,362	33,604
Total current assets		7,189,363	33,654
Exploration and evaluation	10	2,379,282	167,035
Property, plant and equipment	11	182,522	-
Total non-current assets		2,561,804	167,035
Total assets		9,751,167	200,689
Liabilities			
Trade and other payables	20	424,079	79,134
Finance lease liability	17	12,803	-
Employee benefits	18	7,237	-
Total current liabilities		444,119	79,134
Finance lease liability	17	40,947	-
Total non-current liabilities		40,947	-
Total liabilities		485,066	79,134
Net assets		9,266,101	121,555
Equity			
Share capital	15	9,638,964	150,050
Reserves	15	153,528	-
Retained losses	15	(526,391)	(28,495)
Total equity		9,266,101	121,555

The notes on pages 33 to 54 are an integral part of these financial statements.

INCOME STATEMENT
For the year ended 30 June 2008

	Note	2008 $	2007 [1] $
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(897,812)	(28,495)
Results from operating activities		(897,812)	(28,495)
Finance income	8	402,343	-
Finance expenses	8	(2,427)	-
Net finance income		399,916	-
Loss before income tax		(497,896)	(28,495)
Income tax expense	9	-	-
Loss for the period		(497,896)	(28,495)
Earnings per share:			
Basic earnings per share (AUD)	16	(1.05 cents)	(6.19 cents)

[1] The comparative information is for the period from incorporation of the Company on 12 October 2006 to 30 June 2007.

The notes on pages 33 to 54 are an integral part of these financial statements.

STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 30 June 2008

	Note	2008	2007 [1]
		$	$
Loss for the period		(497,896)	(28,495)
Total recognised income and expense for the period	*15*	(497,896)	(28,495)

Other movements in equity arising from transactions with owners as owners are set out in note 15.

[1] The comparative information is for the period from incorporation of the Company on 12 October 2006 to 30 June 2007.

The notes on pages 33 to 54 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2008

	Note	2008 $	2007 [1] $
Cash flows from operating activities			
Cash paid to suppliers and employees		(755,266)	-
Interest paid	8	(24)	-
Net cash used in operating activities	14b	(755,290)	-
Cash flows from investing activities			
Interest received		342,694	-
Acquisition of property, plant and equipment	11	(142,806)	-
Acquisition of exploration & development projects		(1,929,014)	-
Net cash used in investing activities		(1,729,126)	-
Cash flows from financing activities			
Proceeds from issue of share capital	15	10,501,000	50
Payment of transaction costs		(979,667)	-
Payment of finance lease liabilities		(9,814)	-
Net cash from financing activities		9,511,519	50
Net increase in cash and cash equivalents		7,027,103	50
Cash and cash equivalents at 1 July		50	-
Cash and cash equivalents at 30 June	14a	7,027,153	50

[1] The comparative information is for the period from incorporation of the Company on 12 October 2006 to 30 June 2007.

The notes on pages 33 to 54 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Cloncurry Metals Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Ground Floor, 60 Kingsford Smith Drive, Albion. Queensland. The Company is primarily involved in exploration, notably for lead and zinc in the Cloncurry and Bowen regions of Queensland, Australia.

The Company was incorporated on 12 October 2006 as Cloncurry Precious Metals Pty Ltd. It became Cloncurry Metals Ltd on 6 July 2007. The comparative information presented in this financial report is therefore for the period from 12 October 2006 to 30 June 2007.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company also complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 22 September 2008.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is:

- Note 10 - Impairment of exploration and evaluation assets
- Note 19 – Measurement of share-based payments

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost, less any impairment losses.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and term deposits.

Accounting for finance income and expense is discussed in note 3(h).

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(iii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives and depreciation methods for the current period is as follows:

• plant and equipment	5 – 10 years
• office equipment and software	3 – 5 years
• furniture and fittings	5-10 years
• leased motor vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(c) Exploration and evaluation expenditure

Exploration and evaluation expenditure is considered separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest. This policy is in line with the requirements of *AASB 6 Exploration for and Evaluation of Mineral Resources*.

Exploration and evaluation expenditure related to an area of interest may be carried forward providing that rights to tenure of the area of interest are current and provided further that at least one of the following conditions is met:

(i) Such expenditure is expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; and

(i) Exploration and evaluation activities in the area of interest have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in respect of areas of interest are written off in the Income Statement when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount.

Once a development decision has been taken up, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration an evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Cloncurry Metals performs an impairment test on capitalised exploration and evaluation costs if there is an impairment indicator such as:

- the right to explore has expired during the period or will expire in the near future and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration and evaluation in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale even if development in the specific area is likely to proceed.

In the event of impairment, write-downs to the income statement are made. Any subsequent increments are also recognised in the income statement to the extent that it is a reversal of the previous write-down.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development within property, plant and equipment.

(d) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee benefits

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs such as workers' compensation insurance.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(f) Employee benefits (continued)

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(g) Lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(h) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on lease liabilities and are recognised in profit or loss using the effective interest method.

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the Company.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive potential ordinary shares as at balance date.

(l) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segments), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company currently operates solely in the resources industry in Australia.

(m) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASB's. The revised AASB 101 will become mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's disclosures.
- *AASB 8 Operating Segments* replaces the presentation requirements of segment reporting in *AASB 114 Segment Reporting*. It will require the disclosure of segment information based on the Company's internal management structure. AASB 8 becomes mandatory for the Company's 30 June 2010 financial statements and will primarily impact disclosures in the financial report.
- *AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company's financial report.

4. Determination of fair values

Certain accounting policies and disclosures of the Company require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Share-based payment transactions

The fair value of employee stock options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the options (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

NOTES TO THE FINANCIAL STATEMENTS

5. Financial risk management

Overview

The Company has exposures to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board does not have a Risk Management Committee and the board as a whole is responsible for developing risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from its term deposits. The Company mitigates credit risk on cash and term deposits by dealing with regulated banks in Australia. Credit risk is low as it consists predominantly of amounts recoverable from taxation authorities in Australia.

Trade and other receivables

The Company's exposure to credit risk is limited to accrued interest on its term deposits and GST paid to suppliers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Cash flow is monitored on an ongoing basis. Management reports tracking actual cash flows against budget are circulated to directors on a monthly basis.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's market risk is limited to interest rate risk.

Interest rate risk

The Company adopts a policy of optimising interest rates on its term deposits by investing in a range of terms that are conservative and ensure liquidity is available when required to meet the Company's commitments.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the Company's exploration and evaluation activities and supporting functions.

There were no changes in the Company's approach to capital management during the year.

6. Segment reporting

The Company currently operates solely in the resources industry in Australia.

NOTES TO THE FINANCIAL STATEMENTS

7. Personnel expenses

	2008 $	2007 [1] $
Wages and salaries	211,521	-
Other associated personnel expenses	31,810	-
Increase in liability for annual leave	7,237	-
Equity-settled share-based payment transactions	153,528	-
	404,096	-

8. Finance income and expenses

Interest income on bank deposits	402,343	-
Interest expense on finance lease	(2,403)	
Bank interest	(24)	-
Net finance income	399,916	-

9. Income tax expense

Current tax expense		
Current period	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total income tax expense	-	-

[1] The comparative information is for the period from incorporation of the Company on 12 October 2006 to 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS

9. Income tax expense (continued)

	2008	2007 [1]
	$	$
Numerical reconciliation between tax expense and pre-tax accounting profit		
Loss for the period	(497,896)	(28,495)
Income tax using the Company's domestic rate of 30% (2007: 30%)	(149,369)	(8,549)
Deductible temporary differences	4,753	6,000
Non-deductible expenses	47,093	-
Current year losses for which no deferred tax asset was recognised	97,523	2,549
Total income tax expense	-	-

[1] The comparative information is for the period from incorporation of the Company on 12 October 2006 to 30 June 2007.

10. Exploration and evaluation expenditure

	2008	2007
	$	$
Capitalised exploration and evaluation		
Opening balance	167,035	-
Acquisitions	2,212,247	167,035
Balance at 30 June	2,379,282	167,035

The recoverability of the carrying amounts of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company has grouped its exploration assets into three main project areas, as below:

- Pegmont Area Tenements
- South Cloncurry Tenements
- Burdekin Tenements

Pegmont Area Tenements

This area started off with tenements included as part of the option Agreement between Cloncurry Metals Limited and Pegmont Mines Limited. The Company has also been actively increasing its landholdings in this area to support the exploration focus around this asset, with the long term aim of providing satellite feed to a developed Pegmont Mine.

On 25 July 2007 the Company entered into a property option agreement with Pegmont Mines Limited (Property Option Agreement), a company listed on the National Stock Exchange of Australia in Newcastle, New South Wales, Australia. Pursuant to the terms of this agreement, the Company has the right to acquire a 100% interest in a number of tenements, described as follows:

- The Pegmont project comprises Exploration Permits for Minerals (EPM) numbered 14491 and 15106, together with Mining Leases numbered 2620, 2621 and 2623, and
- The Trekelano project comprises EPM number 14784.

NOTES TO THE FINANCIAL STATEMENTS

10. Exploration and evaluation expenditure (continued)

Pursuant to the Property Option Agreement, the Company has the option to acquire the Pegmont and Trekelano projects listed above, by notice in writing not less than 60 days prior to the expiry date. The expiry date is 28 February 2009 unless otherwise extended by any Force Majeure event which can, depending on the event, extend the expiry date to not later than 30 June 2009.

The Company must also undertake minimum exploration on the projects, such that it has completed not less than 10,000m of drilling by 31 December 2008 of which not less than 4,000m of drilling was to be completed by 31 December 2007. The drilling required for the period to 31 December 2007 commenced in late August 2007 and was completed by 10 November 2007.

Upon exercise of the property option, the Company is required to pay $12,000,000 as an advance royalty payment comprising:

1. A cash payment of $9,600,000 to Pegmont; and
2. An issue of Company shares to Pegmont to the value of $2,400,000, such shares being issued at the IPO price of $0.25 per share (i.e. an issue of 9,600,000 shares).

Once in production, the Company is required to pay an ongoing royalty of 1.25% on all production from the Pegmont and Trekelano project tenements.

The focus of this year's work has been to assess this project with the aim of providing sufficient information to allow an informed decision as to whether to exercise the option over the asset. Significant drilling has been carried out and more is planned to meet the Company goals. In parallel the development options are being analysed.

In the event that the option over the Pegmont lease is not exercised the carrying value of the capitalised exploration and evaluation asset in relation to the Pegmont project will be impaired. At 30 June 2008 capitalised exploration and evaluation costs related specifically to the Pegmont project were $1,840,747 (2007: $nil). Further information in connection with the Pegmont project is detailed in Note 24.

South Cloncurry Tenements
These tenements are all located well south of Cloncurry and are prospective for Iron Oxide Copper Gold (IOCG) and Broken Hill Type (BHT) orebodies.

The focus of the year's work has been on known anomalies over which an extensive gravity survey was completed. This has shown up various interesting features and drilling will take place later in 2008.

Burdekin Tenements
The Burdekin Tenements are located 150km south east of Townsville and 75km west of Bowen.

11. Property, plant and equipment

	Plant and equipment	Office furniture and equipment	Leased motor vehicles	Total
	$	$	$	$
Cost				
Balance at 12 October 2006	-	-	-	-
Additions	-	-	-	-
Balance at 1 July 2007	-	-	-	-
Additions	36,073	106,733	61,161	203,967
Balance at 30 June 2008	36,073	106,733	61,161	203,967
Depreciation and impairment losses				
Balance at 12 October 2006	-	-	-	-
Depreciation for the year	-	-	-	-
Balance at 1 July 2007	-	-	-	-
Depreciation for the year	3,966	10,860	6,619	21,445
Balance at 30 June 2008	3,966	10,860	6,619	21,445
Carrying amounts				
At 12 October 2006	-	-	-	-
At 30 June 2007	-	-	-	-
At 1 July 2007	-	-	-	-
At 30 June 2008	32,107	95,873	54,542	182,522

Leased motor vehicle

The Company leases a motor vehicle under a finance lease agreement (see note 17). As at 30 June 2008, the net carrying amount of the leased vehicle was $54,542 (2007: nil).

NOTES TO THE FINANCIAL STATEMENTS

12. Tax assets and liabilities

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items.

	2008	2007
	$	$
Deductible temporary differences	10,752	6,000
Tax losses	100,072	2,549
	110,824	8,549

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

Movement in unrecognised deferred tax assets during the year

	Balance 12 October 2006	Addtions	Recognition	Balance 30 June 2007	Additions	Recognition	Balance 30 June 2008
Deductible temporary differences	-	6,000	-	6,000	4,752	-	10,752
Tax losses	-	2,549	-	2,549	97,523	-	100,072
	-	(41,562)	50,111	8,549	(561,399)	663,674	110,824

13. Trade and other receivables

	2008	2007
	$	$
Current		
Accrued interest income	59,649	-
GST receivable	78,974	-
Other	1,225	-
	139,848	-

14a. Cash and cash equivalents

	2008	2007
Cash and bank balances	729,584	50
Term deposits	6,297,569	-
	7,027,153	50

NOTES TO THE FINANCIAL STATEMENTS

14b. Reconciliation of cash flows from operating activities

	Note	2008 $	2007 $
Cash flows from operating activities			
Loss for the period		(497,896)	(28,495)
Adjustments for:			
Interest received		(342,694)	-
Depreciation	11	21,445	-
Interest expense on finance lease	8	2,403	-
Equity-settled share-based payment transactions		153,528	-
Operating profit before changes in working capital and provisions		(663,214)	(28,495)
Change in receivables		(139,848)	-
Change in prepayments and deposits		11,242	(33,604)
Change in trade and other payables		29,293	62,099
Change in employee benefits		7,237	-
Net cash used in operating activities		(755,290)	-

15. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital $	Equity compensation reserve $	Retained earnings $	Total $
Balance at 12 October 2006	-	-	-	-
Total recognised income and expense	-	-	(28,495)	(28,495)
Issue of ordinary shares	150,050	-	-	150,050
Balance at 30 June 2007	150,050	-	(28,495)	121,555
Balance at 1 July 2007	150,050	-	(28,495)	121,555
Total recognised income and expense	-	-	(497,896)	(497,896)
Issue of ordinary shares per IPO	10,501,000	-	-	10,501,000
Share issue costs	(1,012,086)	-	-	(1,012,086)
Equity settled transactions	-	153,528	-	153,528
Balance at 30 June 2008	9,638,964	153,528	(526,391)	9,266,101

NOTES TO THE FINANCIAL STATEMENTS

15. Capital and reserves (continued)

Share capital

	2008	2007
	No. of shares	No. of shares
On issue at 1 July	15,000,050	-
Issued for cash	43,340,000	15,000,050
On issue at 30 June – fully paid	58,340,050	15,000,050

The Company has also issued share options (see Note 19).

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

Equity compensation reserve

The equity compensation reserve records the amount expensed during the year with respect to options issued. No options have been exercised.

16. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the loss attributable to ordinary shareholders of $497,896 (2007: $28,495) and a weighted average number of ordinary shares of 47,192,290 (2007: 459,820).

	2008	2007
	$	$
Loss for the period	497,896	28,495

Weighted average number of ordinary shares

	Note	2008	2007
Issued ordinary shares at 1 July	15	15,000,050	-
Effect of shares issued 12 October 2006 (Date of incorporation)	15	-	50
Effect of shares issued 22 June 2007		-	459,770
Effect of shares issued 12 July 2007		3,230,491	-
Effect of shares issued 9 October 2007		28,961,749	-
Weighted average number of ordinary shares at 30 June		47,192,290	459,820

Diluted earnings per share

There were 3,250,000 options outstanding as at balance date with exercise prices ranging from 25 cents to 60 cents. While these options are potentially dilutive, that is not the case as at balance date.

NOTES TO THE FINANCIAL STATEMENTS

17. Finance lease liability

This note provides information about the Company's interest-bearing finance lease liability, which is measured at amortised cost. For more information about the Company's exposure to interest rate and liquidity risk, see Note 21.

	2008	2007
	$	$
Current liabilities		
Finance lease liability	12,803	-
	12,803	-
Non-current liabilities		
Finance lease liability	40,947	-
	40,947	-

Term and debt repayment schedule
Terms and conditions of outstanding loans were as follows:

				30 June 2008		30 June 2007	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Finance lease liabilities	AUD	8.38%	2011	53,750	53,750	-	-

Finance lease liabilities
Finance lease liabilities of the Company are payable as follows:

	Future minimum lease payments $	Interest $	Present value of minimum lease payments $	Future minimum lease payments $	Interest $	Present value of minimum lease payments $
	2008	2008	2008	2007	2007	2007
Less than one year	16,822	4,020	12,803	-	-	-
Between one and five years	45,240	3,763	40,947	-	-	-
More than five years	-	-	-	-	-	-
	62,062	7,783	53,750	-	-	-

18. Employee benefits

	2008	2007
Current	$	$
Liability for annual leave	7,237	-

NOTES TO THE FINANCIAL STATEMENTS

19. Equity-based compensation

On 30 July 2007 the Company established a share option programme that entitles directors, key personnel and senior employees to purchase shares in the Company.

On 30 July 2007, the Board issued options over ordinary shares to key management personnel. The options have vesting periods of nil to three years from the date the Company listed on the Australian Securities Exchange and a range of exercise prices. The vesting of the options is not performance based and they were provided at no cost to the recipients. The Company listed on the Australian Securities Exchange on 9 October 2007.

All options expire on the earlier of their expiry date or termination of the individual's employment or position as an officer of the Company.

The details of the share options at grant date are set out below.

Number of instruments	Exercise price	Vesting date	Expiry date	Fair value per option
400,000	$0.25	9 October 2008	9 October 2012	$0.12
500,000	$0.2875	9 October 2009	9 October 2012	$0.11
300,000	$0.325	9 October 2010	9 October 2012	$0.10
100,000	$0.2875	9 October 2007	9 October 2012	$0.12
200,000	$0.2875	9 October 2008	9 October 2012	$0.11
670,000	$0.40	9 October 2008	9 October 2012	$0.09
540,000	$0.50	9 October 2009	9 October 2012	$0.07
540,000	$0.60	9 October 2010	9 October 2012	$0.06

The number and weighted average exercise price of the options is as follows:

	Weighted average exercise price	**Number of options**
Outstanding at 1 July	-	-
Granted during the period	$0.3977	3,250,000
Outstanding at 30 June	$0.3977	3,250,000
Exerciseable at 30 June	$0.2875	100,000

NOTES TO THE FINANCIAL STATEMENTS

19. Equity-based compensation (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes option-pricing model, incorporating the expected volatility of the Company's share price over the life of the options as set out below:

	2008	2007
Fair value at grant date (weighted average of fair values)	$0.09	-
Share price at grant date	$0.25	-
Exercise price	$0.25 - $0.60	-
Expected volatility (weighted average volatility)	47.1%	-
Option life (expected weighted average life)	5 years	-
Expected dividends	-	-
Risk-free interest rate (based on government bonds)	5.75%	

Employee expenses

	2008	2007
	$	$
Share options granted in 2008 – equity settled	153,528	-

20. Trade and other payables

	2008	2007
Trade payables	238,261	34,918
Non-trade payables and accrued expenses	185,818	44,216
	424,079	79,134

NOTES TO THE FINANCIAL STATEMENTS

21. Financial instruments
Credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	2008	2007
	$	$
Trade and other receivables	139,848	-
Cash and cash equivalents	7,027,153	50
	7,167,001	50

All of the Company's exposure to credit risk at the reporting date was in Australia.

None of the Company's receivables are past due and no allowance for impairment losses has been recognised. (2007: nil)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	6 mths or less	6-12 months	1-2 years	2-5 years
30 June 2008						
Finance lease liabilities	53,750	(62,062)	(8,411)	(8,411)	(16,822)	(28,418)
Trade and other payables	424,079	(424,079)	(424,079)	-	-	-
	477,829	(486,141)	(432,490)	(8,411)	(16,822)	(28,418)
30 June 2007						
Trade and other payables	79,134	(79,134)	(79,134)	-	-	-
	79,134	(79,134)	(79,134)	-	-	-

Currency risk

The Company's assets and liabilities are in Australian dollars and the Company has no material exposure to currency risk.

NOTES TO THE FINANCIAL STATEMENTS

21. Financial instruments (continued)

Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2008	2007
	$	$
Fixed rate instruments		
Financial liabilities	53,750	-
Variable rate instruments		
Financial assets	7,027,153	-

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity	
	$		$	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2008				
Variable rate instruments	70,272	(70,272)	-	-

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2008		30 June 2007	
	$		$	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	139,848	139,848	-	-
Cash and cash equivalents	7,027,153	7,027,153	50	50
Trade and other payables	(424,079)	(424,079)	(79,134)	(79,134)
Employee benefits	(7,237)	(7,237)	-	-
Finance lease liability	(53,750)	(53,750)	-	-
	6,681,935	6,681,935	(79,084)	(79,084)

22. Capital and other commitments

a) Operating leases

The Company has not made any commitments of a capital nature as at 30 June 2008. The Company has a commitment at balance date to drill a minimum of 10,000 metres by 31 December 2008, of which 4,000 was drilled by balance date.

Non-cancellable operating lease rentals are payable as follows:

	2008	2007
	$	$
Less than one year	50,424	-
Between one and five years	59,080	-
	109,504	

b) Mining tenements

The Company is required, as a condition of retaining the rights to mine these tenements, to pay rental and incur minimum levels of expenditure with respect to these tenements. These are as follows:

	2008	2007
	$	$
Less than one year	806,941	-
Between one and five years	3,189,435	-
	3,996,376	

23. Related parties

Key management personnel remuneration

The key management personnel remuneration is as follows:

	2008	2007
	$	$
Short-term employee benefits	590,801	-
Post-employment benefits	19,462	-
Share-based payments	153,528	-
	763,791	-

Other transactions with key management personnel

a) $40,000 was paid to Bunting Exploration Services Pty Ltd, an entity controlled by W Frank Bunting, for technical services provided during the year, and

b) $69,000 was paid to Fylbin Pty Ltd, an entity controlled by Barry Casson, for management, accounting and secretarial services provided during the year.

NOTES TO THE FINANCIAL STATEMENTS

23. Related parties (continued)

Individual directors and executives compensation disclosures

Options over ordinary shares

The movement during the reporting period in the number of options over ordinary shares in Cloncurry Metals Pty Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2007	Granted as compensation	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors					
Dr Ross Fardon	-	450,000	450,000	-	-
W Frank Bunting	-	1,000,000	1,000,000	-	-
Barry Casson	-	300,000	300,000	-	-
Executives					
Simon Finnis	-	1,000,000	1,000,000	-	-
Glen Beere	-	500,000	500,000	100,000	100,000

No options were held, granted or exercised by key management personnel during the comparative period.

Movements in shares

	Held at 1 July 2007	Purchases	Sales	Held at 30 June 2008
Dr Ross Fardon	-	90,000	-	90,000
Robert Thorpe	-	20,000	-	20,000
Michael Arnett	-	112,000	-	112,000
Barry Casson	-	320,000	-	320,000

24. Subsequent events

In September 2008 the Company entered into a Memorandum of Understanding with BHP Billiton to assess various arrangements in connection with the Pegmont project. A period of due diligence has commenced and a formal decision by BHP Billiton is expected by the end of October 2008.

Other than the above, 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, iIn the opinion of the directors of the Company, to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

NOTES TO THE FINANCIAL STATEMENTS

25. Auditor's remuneration

	2008	2007
	$	$
KPMG Australia		
Audit and review of financial reports	33,500	20,000
Independent Accountant's report for 2007 prospectus	25,500	-
	59,000	20,000

Directors' Declaration

Financial Statements 30 June 2008

In the opinion of the directors of Cloncurry Metals Limited ("the Company"):

1 In the opinion of the directors of Cloncurry Metals Limited (the Company):

(a) the financial statements, notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 1 to 51, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at [date] and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer for the financial year ended 30 June 2008.

Dated at Brisbane this 26th day of September 2008.

Signed in accordance with a resolution of the directors:

Ross Fardon

Dr Ross Fardon
Chairman

Barry Casson
Finance Director

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Cloncurry Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Crane
Partner

Brisbane

26 September 2008

KPMG

Independent auditor's report to the members of Cloncurry Metals Limited

Report on the financial report

We have audited the accompanying financial report of Cloncurry Metals Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 29 to 55.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 control 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 control. 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

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*.

Auditor's opinion

In our opinion:

(a) the financial report of Cloncurry Metals Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2008 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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2008. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Cloncurry Metals Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane

26 September 2008

Additional Shareholder Information as at 19 September 2008

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows.

Range of Units Summary

Number of Shares	Holders	Units held	% of Total
1 to 1,000	4	973	0.00
1,001 to 5,000	55	167,236	0.29
5,001 to 10,000	82	718,915	1.23
10,001 to 100,000	310	12,683,835	21.71
> 100,001	65	44,848,891	76.77
Total	**516**	**58,419,850**	**100.00**

As of the above date there were 49 shareholders holding less than a marketable parcel of 5,000 shares.

Top 20 Shareholders

Rank	Name	Units held	% of Total
1	Global Resources Corporation Pty Ltd	15,603,360	26.71
2	Talbot Group Holdings Pty Ltd	5,834,004	9.99
3	Pegmont Mines Limited	4,000,000	6.85
4	Mr Tham Keng Chuen	2,000,000	3.42
5	Equity Trustees Limited SGH Micro Cap Trust	1,500,000	2.57
6	BT Portfolio Services Limited	944,422	1.62
7	Nitram Plus Investments Pty Ltd	756,200	1.29
8	Hamrog Pty Ltd	700,000	1.20
9	Bar-Jonah Capital Pty Ltd	635,700	1.09
10	UBS Wealth Management Australia Nominees Pty Ltd	537,200	0.92
11	Mrs Ruth Paneth Mrs Jacqueline Bierenkrant (Ruth Paneth S/F)	500,000	0.86
12	Rocket Science Pty Ltd	500,000	0.86
13	Mr Nicholas Charles Richards	490,000	0.84
14	Mrs Hayley Geraldene Finnis Mr Simon Finnis (Finnis Super Fund A/C)	475,000	0.81
15	Mr Paul Leslie Duncan Mrs Daranee Duncan Mr Paul Kennedy Duncan (Pochana Super Fund A/C)	453,199	0.78
16	Berbe No. 132 Nominees Pty Ltd	400,000	0.68
17	Mr Denis Wood Mrs Anne Wood (The Wood Investment A/C)	400,000	0.68
18	Jamboree Valley Pty Ltd (Kermond Super Fund A/C)	369,000	0.63
19	Hancroft Pty Ltd	362,000	0.62
20	Gurravembi Investments Pty Limited	359,919	0.62
	Total	**38,820,004**	**63.03**

Escrowed Shares

A total of 960,660 shares were held in escrow for a period of 12 months from the date of issue of the securities.

A total 15,101,149 shares are held in escrow for a period of 24 months from the date of issue of the securities.