

# ANNUAL REPORT 2010

ACN 105 578 756



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**ASX Trading Symbols: Shares - CLY, Options - CLYO**

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CHAIRMANS' ADDRESS

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the 2010 Annual Report for Clancy Exploration Limited. In 2010 Clancy consolidated its corporate and operational functions in Orange NSW culminating in the closure of the Perth corporate office in March 2011. In addition, Mark Stewart resigned as Clancy's Managing Director and was replaced by Gordon Barnes, who retains his responsibilities as Exploration Manager. These changes have allowed Clancy to increase the exploration focus on its 100% owned projects in NSW and this strategy is delivering very promising results at a number of wholly owned projects. Clancy's Board of Directors join me in thanking Mr. Stewart for his contribution to the company and wish him success in his new endeavours.

At Condobolin, high-grade rock chip sample results up to 26g/t gold, 70g/t silver, 8.5% copper and 25.3% zinc were obtained from a number of prospects. Follow-up RC drilling returned significant gold intercepts at the Phoenix prospect of 8m @ 3.7g/t gold, including 2m @ 9.8 g/t gold and 8m @ 3.73g/t gold, including 2m @ 10.35g/t gold. Elsewhere at Condobolin, encouraging base metal drill intercepts were returned from the Potters prospect, 6m @ 2.7% zinc and 2.7% lead and the Mascotte prospect, 4m @ 3.7% zinc and 1.3g/t gold. These impressive results from Clancy's first drill program point to a bright future for this emerging project.

At Trundle, RC drilling at the Trundle Park prospect returned substantial widths of shallow, low to moderate grade gold and copper in magnetite skarn with intercepts of 56m @ 0.88g/t gold and 0.35% copper and 52m @ 0.45g/t gold. The drilling also uncovered a narrow epithermal vein overprinting the skarn with a high-grade gold and copper intercept of 2m @ 20g/t gold and 6.97% copper. Trundle will continue to be a focus for Clancy in 2011.

Other 100% owned projects where work was undertaken in 2010, or is in progress, include Orange East, Cundumbul, Fairholme, Roseholme, Currumburrama, Billabong Creek and Yalgoo.

Clancy's Joint Venture (JV) with Gold Fields in NSW continued to evolve in 2010 with the number of JV projects increased to seven after the completion of the previous JV Option period. Gold Fields continued an active drilling program on the Cowal East, Myall and Wellington North JVs with over 20,000m of drilling completed in 2010.

In January 2011, Clancy announced the formation of an exploration JV with Minemakers subsidiary TNT Mines Limited over two Exploration licences in north-west Tasmania, held by Clancy's wholly owned subsidiary, Geoinformatics Exploration Tasmania Pty Ltd.

In August 2010, the company raised \$2,190,269 through a renounceable rights issue which offered one new share together with a free attaching option for every three shares held at an issue price of 8 cents. All shares offered under the Rights Issue were taken up by existing shareholders or rights holders, with a significant number of shareholders applying for additional shares. The issue was underwritten by Patersons Securities Limited.

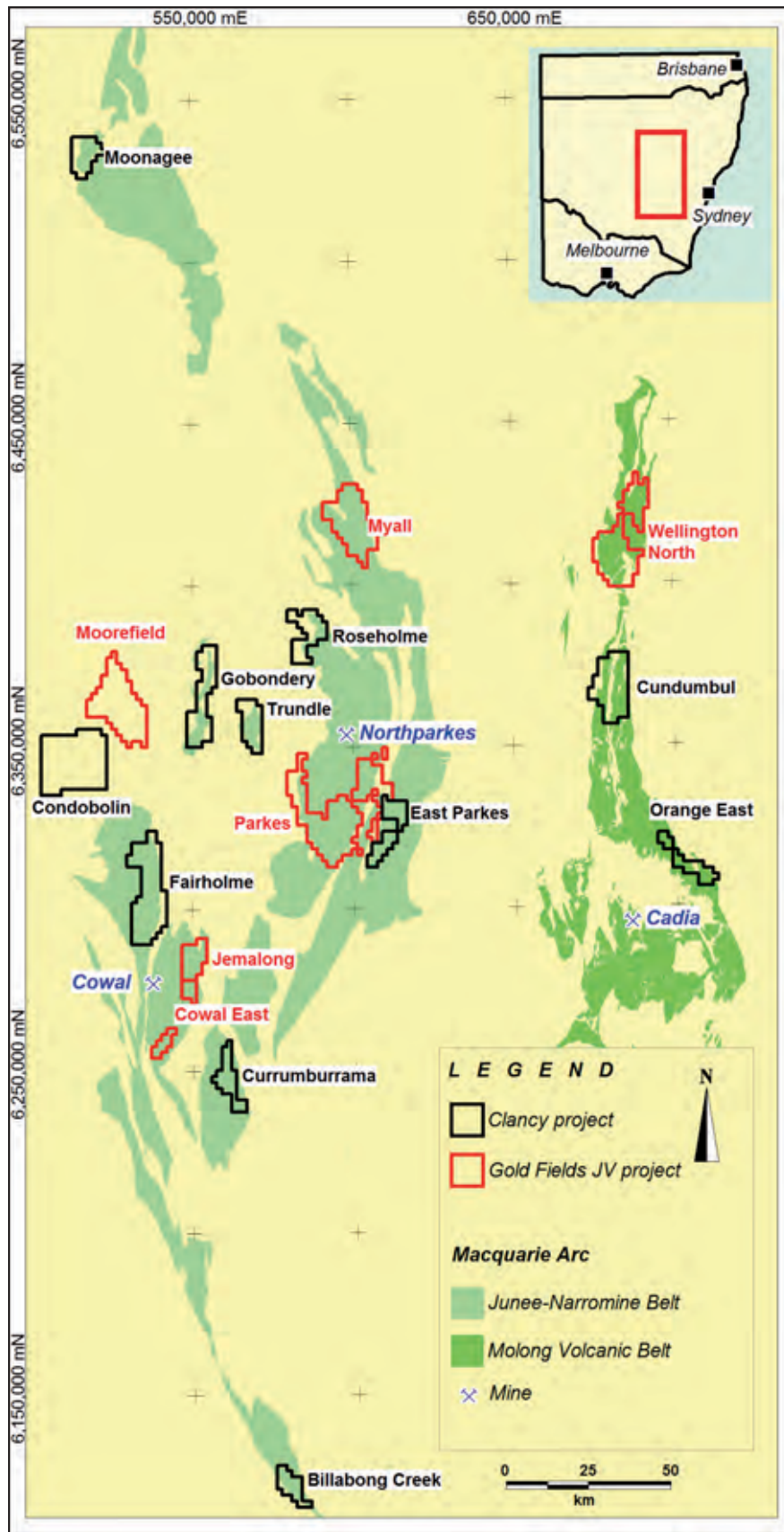
Clancy looks forward to a busy and prosperous 2011 as it ramps up activity on its 100% owned projects. Success in these projects will be reflected in an improved share price, for the benefit of all shareholders.

Yours sincerely,



Dr. James Macdonald  
Chairman

OPERATIONS REPORT



Map showing the location of Clancy projects in the Macquarie Arc of Lachlan Fold Belt. Inset – the location within NSW.

OPERATIONS REPORT

### New South Wales Projects

Clancy's tenement portfolio in NSW consists of 19 exploration projects covering 3,203km<sup>2</sup>. The majority of the projects are in the Lachlan Fold Belt and are focused on the Ordovician Macquarie Arc, which hosts several large porphyry copper-gold deposits, including the world class deposits in the Cadia Valley near Orange. Clancy's targeting indicates that the geological environment within the Macquarie Arc projects is prospective for porphyry copper-gold deposits. Clancy also has several tenements outside of the Macquarie Arc that are prospective for gold and base metals.

The Clancy portfolio in NSW consists of 12 wholly owned projects that are managed by Clancy and 7 joint venture projects with Gold Fields Australasia Pty Ltd (Gold Fields) that are managed by Gold Fields. The Clancy and Gold Fields exploration teams are both based in Orange, NSW. A total of 24,068m of drilling and a substantial number of geophysical surveys were completed on the NSW project portfolio in the year to 31 December 2010.

### **Condobolin**

(NSW, Clancy 100%)

Condobolin (EL6939 & ELA4103) is located in the central west of NSW immediately north of the Condobolin township. Condobolin has a substantial mining history, predominantly as a base metals field (lead, zinc and copper), as well as gold. The mineralisation is hosted in epithermal-style quartz veins within the metasedimentary units of the Ordovician Girilambone Group, associated with pyrite, sphalerite, galena, chalcopyrite, arsenopyrite and free gold.

Field reconnaissance was undertaken around the historic workings at the Phoenix, Surprise, Mascotte, Julia Reuben, Piebald, Bluebell and Potters prospects, which have previously recorded production of high grade gold, copper, silver, lead and zinc. The prospects lie on a regional north-east oriented mineralised trend approximately 5km north of the township of Condobolin. Twelve rock chip samples were collected from mullock around the historic workings. Sulphide mineralisation is present in epithermal textured veins at all prospects. High-grade gold, copper and zinc results were returned with **7 of the 12 samples assaying >5g/t gold and 2 assaying >5% copper** with a maximum values of 26g/t gold and 8.53% copper respectively. One sample assayed **25.3% zinc**.

The rock chip results confirm that the area has potential for shallow, high grade mineralisation. Historic records suggest that mineralised veins are within 100m of the surface. An RC drilling program was designed to follow up on the rock chip results. Nineteen RC holes (1787m) were drilled to test whether the lodes mined historically are present at depth.

All drill holes intersected hydrothermally altered slate and phyllite that hosts coarse sulphides within epithermal veins containing significant gold, silver and base metal mineralisation. Multiple target zones remain open at depth and along strike and each of the four prospects drilled carries significant potential for further high grade mineralisation.

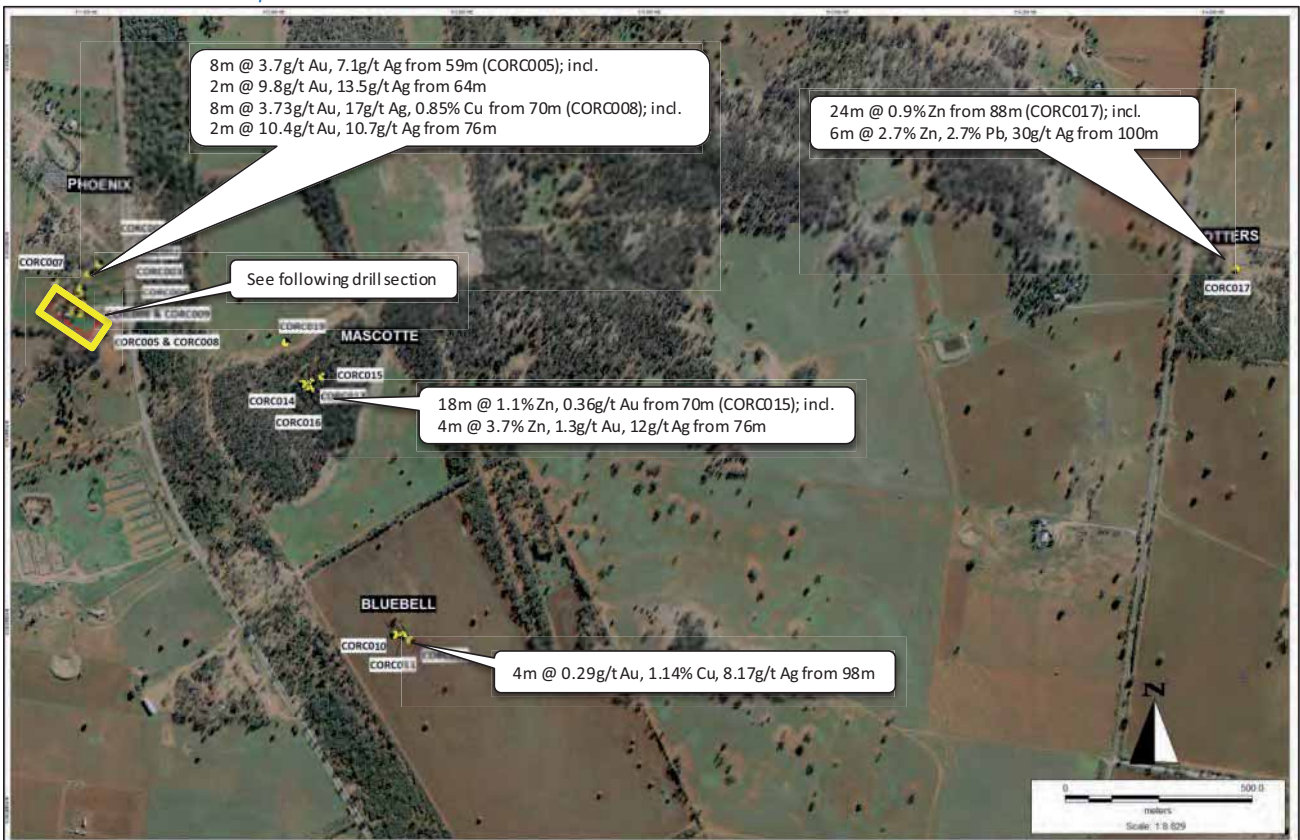
Drill hole CORC005 at the Phoenix prospect intersected two gold lodes adjacent to and below the old workings:

- **8m @ 3.7g/t Au**, 7.1g/t Ag, 0.62% Pb and 0.26% Zn from 59m, including
  - **2m @ 9.8g/t Au**, 13.5g/t Ag, 1.54% Pb, 0.4% Zn from 64m
- **2m @ 3.1g/t Au**, 17.2g/t Ag, 0.85% Cu, 0.17% Pb, 0.5% Zn from 70m; including
  - **1m @ 4.08g/t Au, 30g/t Ag, 1.56% Cu**, 0.2% Pb, 0.62% zinc from 70m.

OPERATIONS REPORT



Air photo showing the location of Condobolin prospects that returned high-grade rock chip results in 2010.

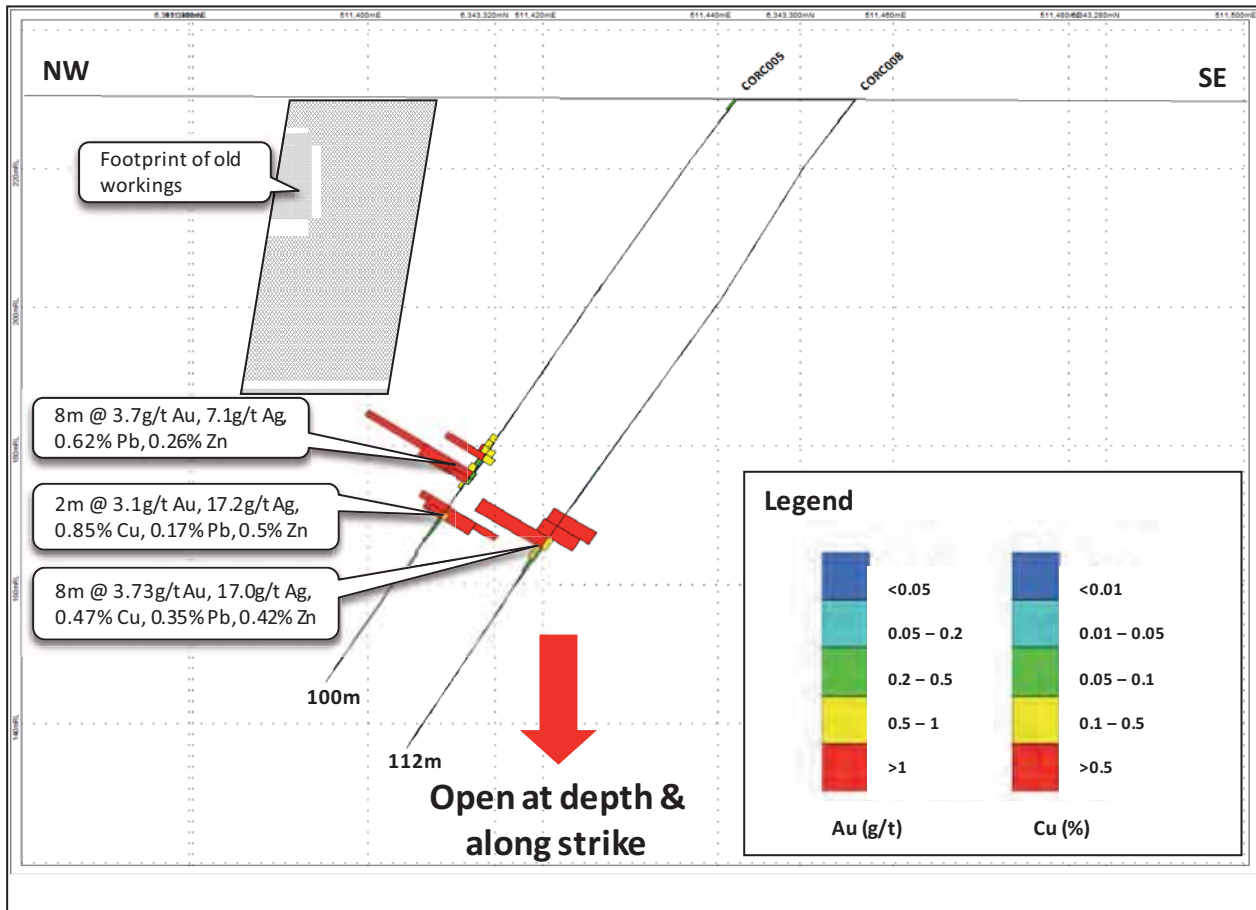


Air photo showing the location of Condobolin RC drill holes with significant drill intercepts. A section through the Phoenix prospect (yellow box) is shown in the following figure.

OPERATIONS REPORT

Drill hole CORC008, also at Phoenix, was drilled as a fence hole 15m below hole CORC005 and intersected the same lode:

- **8m @ 3.73 g/t gold**, 17 g/t Ag, 0.47% CU, 0.35% Pb, 0.42% zinc from 72m, including
  - **2m @ 1.77 g/t gold, 33 g/t Ag, 0.98% Cu**, 0.17% Pb, 0.15% zinc from 72m
  - **2m @ 10.35 g/t gold**, 10.75 g/t Ag, 0.14% Cu, 0.57% Pb, 0.64% Zn from 76m.



*Oblique NW-SE section at Phoenix showing significant intercepts in holes CORC005 and CORC008.*

The drilling has confirmed that the width of mineralisation and gold grade is consistent with depth and extends beyond historic workings. The 8m gold lode zone in hole CORC005 was analysed by screen fire assay for coarse gold, the results from which demonstrate that there is approximately 10% coarse gold fraction at Phoenix. Further 1m sampling of mineralised zones at all prospects will be undertaken and the samples submitted for screen fire assay.

Hole CORC017 at the Potters prospect intersected a wide zinc halo around a massive silver-lead-zinc lode. This hole also intersected a 1m-wide stope situated near the bottom of the historic workings (96m):

- 24m @ 0.9% Zn, 0.8% Pb, 8.9g/t Ag from 88m, including
  - **6m @ 2.7% Zn, 2.7% Pb, 30g/t Ag** from 100m.

A wide, zinc halo was also intersected around higher-grade silver-lead-zinc-gold lenses at the Mascotte prospect, particularly in hole CORC015:

- 18m @ 1.1% Zn, 0.36g/t gold, 3.5g/t Ag, 0.19% Pb from 70m, including
  - **4m @ 3.7% Zn, 1.3g/t gold**, 12g/t Ag, 0.64% Pb from 76m.

## OPERATIONS REPORT

Drilling at the Bluebell prospect was cut short due to rain, however hole CORC012 intersected low-to moderate-grade mineralisation in the distal part of the Bluebell epithermal system:

- 4m @ 0.29g/t Au, 1.14% Cu, 8.17g/t Ag from 98m.

The project was formerly a JV Option Project with Gold Fields, which has now been returned to Clancy. During the JV Option period, Gold Fields drilled two RC holes (292m) at the Mascotte prospect, where previous explorers had intersected significant gold intercepts in shallow RC drilling such as 6m @ 4.59 g/t gold from 25m and 5m @ 2.05 g/t gold from 28m. The Gold Fields drilling planned to test the down-dip position of the shallow RC intercepts. The first hole was abandoned due to drilling difficulties and the second hole deviated significantly due to the strong penetrative foliation in the country rocks. Mineralisation in this hole (MARC002) is patchy, occurring in four intervals: 76-80m, 89-98m, 110-136m and 165-171m, and is characterised by 1-5% pyrite with traces of galena, disseminated within Ordovician host phyllite and quartz veins. Some narrow low-grade gold intercepts were returned from MARC002:

- 1m @ 0.31g/t Au from 96m
- 1m @ 0.32g/t Au from 118m
- 1m @ 0.21g/t Au from 128m
- 1m @ 0.67g/t Au from 155m

Given the very large hole deviation experienced in the recent Gold Fields drilling, it seems unlikely that the previous shallow RC drilling (generally <50m deep) was straight. There is no record of the earlier holes being properly surveyed, suggesting that the geometry of the gold mineralisation has not been adequately defined. At this stage it is unclear if MARC002 has adequately tested the down-dip potential of previous intercepts (6m @ 4.59 g/t Au and 5m @ 2.05 g/t Au).

The RC drilling completed at Condobolin by Clancy is the first step in a broader, regional scale exploration program to test the potential of the Condobolin Mineral Field. Further drilling, geophysical surveys and geochemical surveys will be undertaken in 2011.

### **Trundle**

(NSW, Clancy 100%)

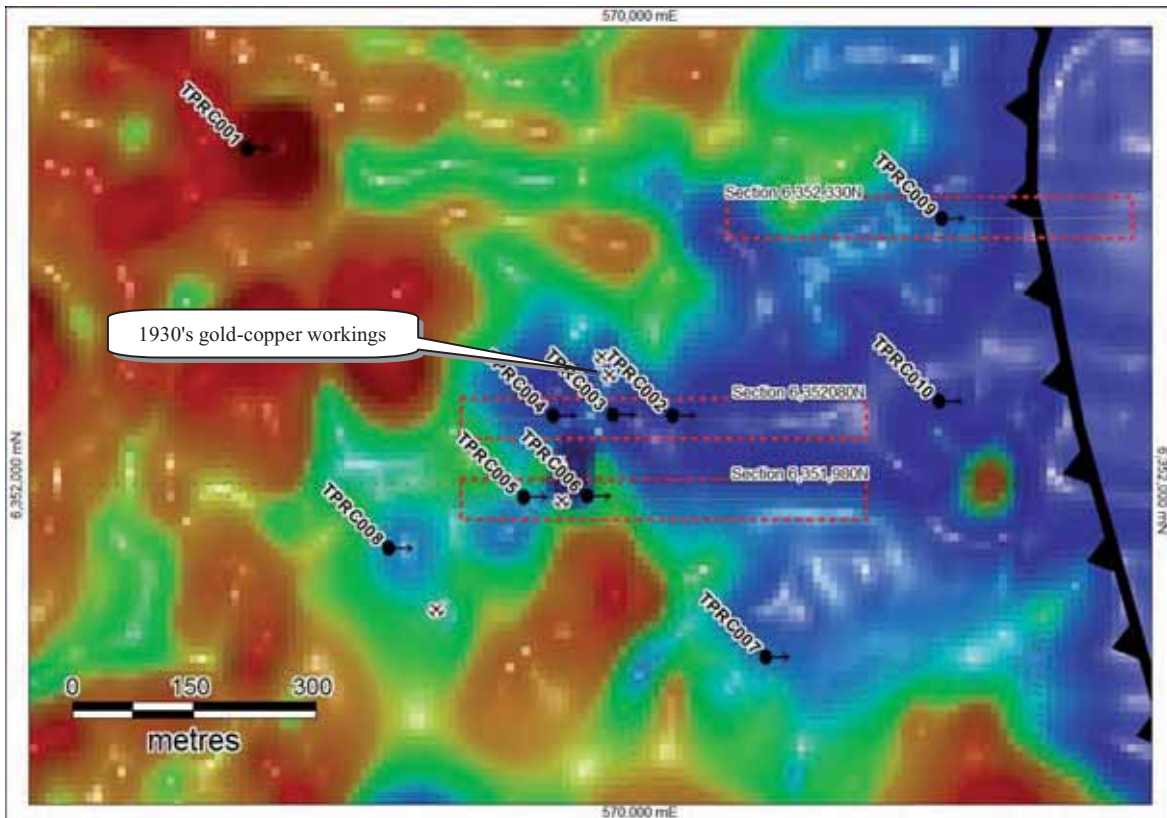
Trundle consists of two exploration licences EL4512 and EL7187 located 25km west of the Northparkes copper-gold mine (Rio Tinto). It has many similarities to Northparkes and is separated from the Northparkes district by a north-south trending Devonian rift basin. Interpretation of geophysical data suggests that Trundle may have originally been part of the Northparkes complex, which was subsequently dismembered during development of the rift. Work focussed at the Trundle Park and Mordialloc prospects in 2010.

At Trundle Park, a 3D IP survey was completed and several diamond holes drilled by previous explorers were re-logged which defined several shallow gold-copper drill targets. Previous intercepts from the prospect include 11m @ 1.2g/t Au & 0.36% Cu from 3m; 25.45m @ 0.71g/t Au from 14.85m; and 35m @ 0.59g/t Au & 0.25% Cu from 12m. The style of mineralisation is similar to the Big Cadia skarn that is associated with the giant Cadia Valley porphyry deposits. The skarn at Cadia produced about 140,000 tonnes of copper at a grade of 5-7% Cu and over 1.5Mt of iron ore before the discovery of the massive Cadia Valley porphyry deposits. The Big Cadia skarn is the distal part of the Cadia hydrothermal system and forms part of the current resource and it was mined for decades before the porphyry deposits were discovered. At Trundle Park there is potential for porphyry copper-gold mineralisation at depth.

Ten RC holes (1239m) were drilled to test the gold-copper targets at Trundle Park. Eight of the ten holes returned significant gold-copper and/or silver results, including the following intercepts:

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- TPRC003: **56m @ 0.88g/t Au, 0.35% Cu, 3.74g/t Ag** from 34m, including
  - **2m @ 20g/t Au, 6.97% Cu, 81g/t Ag** from 64m
- TPRC005: **58m @ 0.44g/t Au, 0.17% Cu** from 22m, including
  - 4m @ 1.19g/t Au, 0.41% Cu from 28m
  - 4m @ 1.06g/t Au, 0.36% Cu from 70m
- TPRC009: **52m @ 0.45g/t Au** from 32m, including
  - 6m @ 0.99g/t Au from 52m
  - 2m @ 0.99g/t Au from 64m

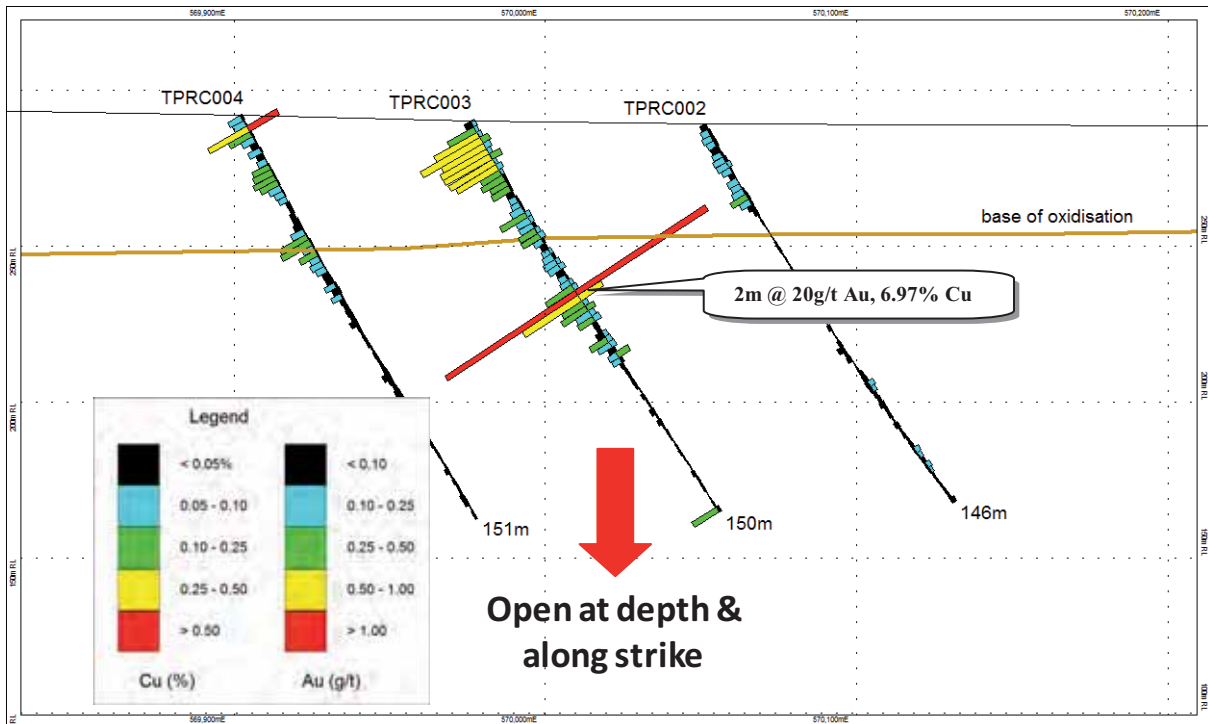


*Trundle Park RC drill hole locations and historical workings on RTP ground magnetic image, showing RC drill section locations.*

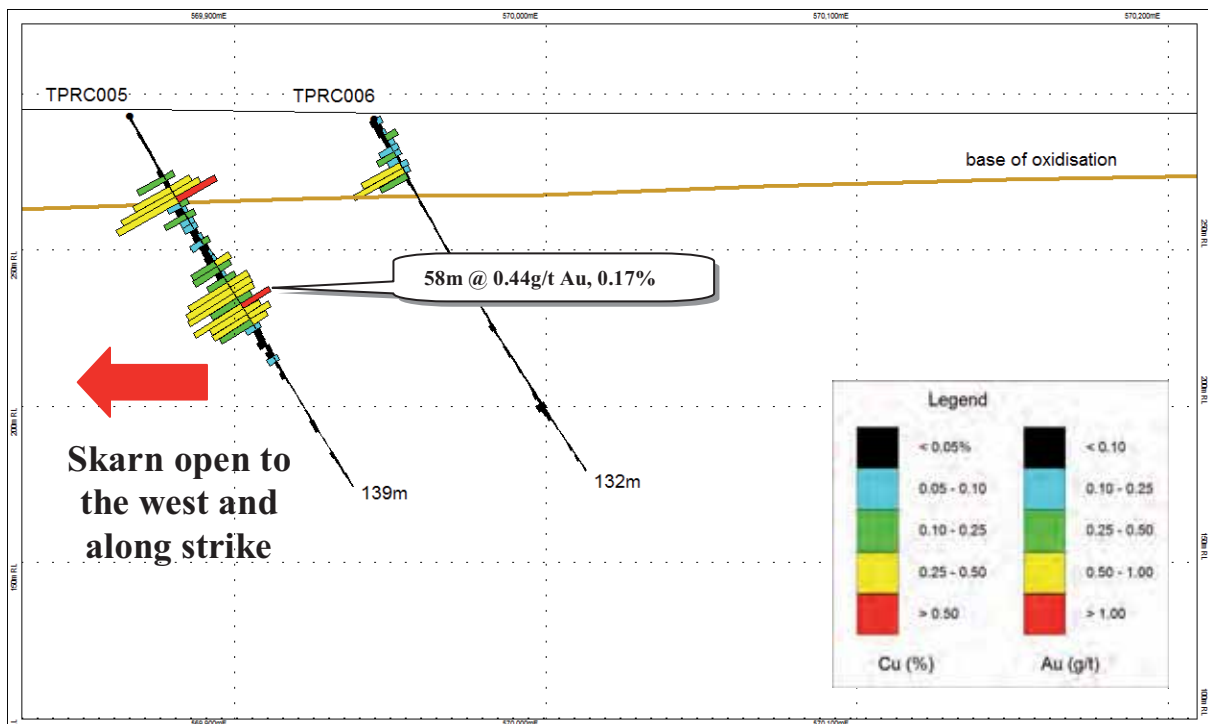
The high grade gold, copper and silver mineralisation in TPRC003 is associated with quartz veining and native copper. The veining is also elevated in arsenic, bismuth, tellurium and antimony, typical of epithermal style mineralisation. The epithermal veining overprints the gold-copper magnetite skarn, which indicates that there are at least two distinct phases of gold-copper mineralisation at Trundle Park. The high grade interval is 75m south of historic workings last operated in the 1930's (production unknown) and is interpreted to be representative of what was mined previously, the implication being that this mineralisation is consistent for at least 75m along strike and is open to the north, south and at depth.

The drilling confirmed the presence of shallow gold and copper skarn mineralisation in the range 0.4g/t to 1g/t Au and 0.2% to 0.4% Cu over drilled widths of 40m to 60m. The potential of the magnetite skarn is highlighted by hole TPRC005, which intersected a broad interval of moderate grade gold-copper mineralisation; 58m @ 0.44g/t Au, 0.17% Cu from 22m, including 4m @ 1.19g/t Au, 0.41% Cu from 28m. The skarn is magnetite-rich, so it forms a prominent magnetic anomaly and the skarn horizon can be traced on ground magnetic imagery over a 2.2km strike length and is poorly drill tested.

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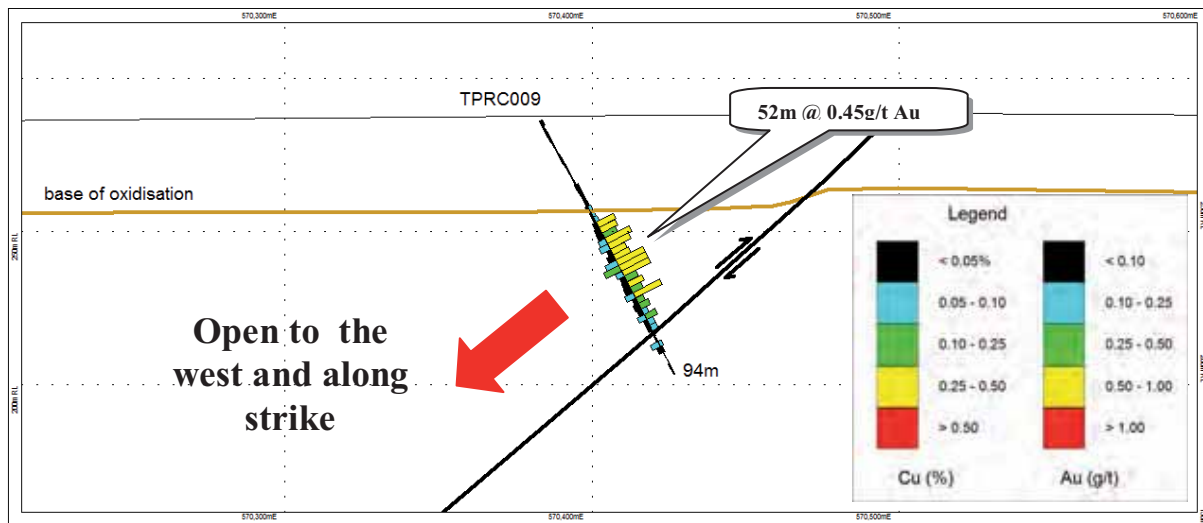


Section 6,352,080N looking north showing gold (right) and copper (left) histograms on drill hole traces.



Section 6,351,980N looking north showing gold (right) and copper (left) histograms on drill hole traces.

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*Section 6,352,330N looking north showing gold (right) and copper (left) histograms on drill hole traces.*

Hole TPRC009 intersected 52m at 0.45g/t Au from 32m, including 6m at 0.99g/t Au from 52m. This intercept is 50m north of the previously reported intersection in CHEP-1 of 25.45m @ 0.71g/t Au from 14.85m. The mineralisation is not skarn related and the trace element geochemistry indicates the gold is epithermal in style and strong sericite and pyrite alteration supports this interpretation. The mineralisation is adjacent to the major north-south striking thrust that bounds the project to the east. The mineralisation is interpreted to be dipping to the west, parallel to the major thrust.

Further drilling is planned for Trundle Park in 2011 to follow up the high-grade epithermal gold-copper mineralisation and also the extensive gold-rich magnetite skarn horizon.

One diamond hole (TERCD001, 517m) was also completed at Mordialloc, testing a 3D IP anomaly. The hole intersected a large body of fracture controlled and disseminated pyrite. The large pyrite halo and the sulphide distribution were accurately predicted by the 3D IP model. Assay results, however, were subdued with only three samples assaying >0.1g/t Au and a peak result of 1m @ 0.77g/t Au from 285m. No significant copper results were returned.

### Orange East

(NSW, Clancy 100%)

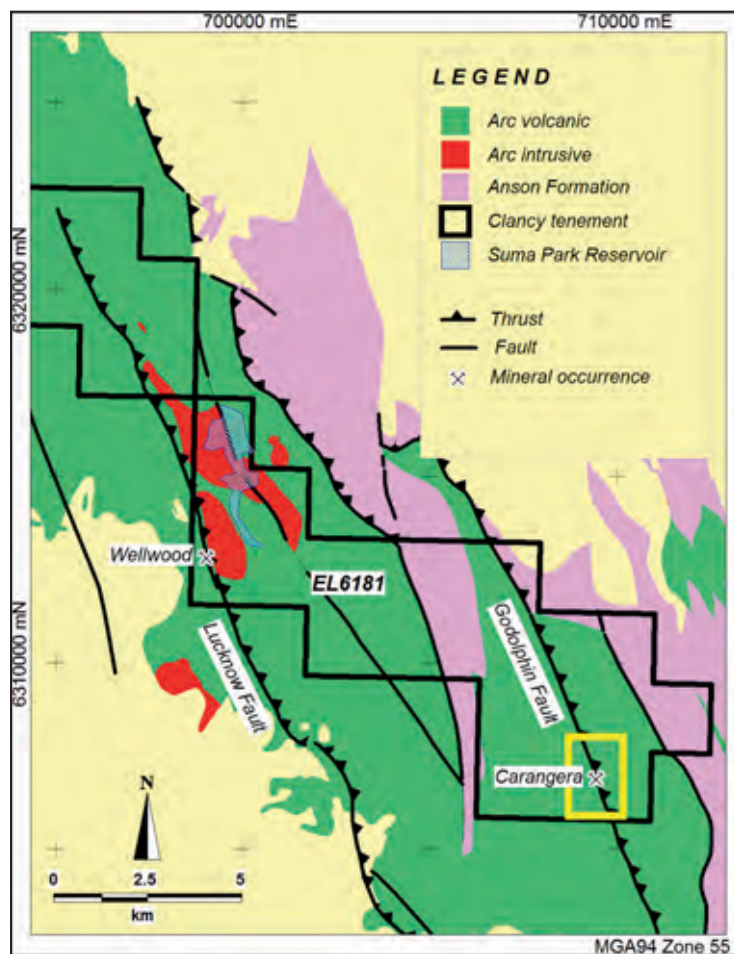
Orange East EL6181 is located east of the city of Orange and contains several target styles including Ordovician porphyry copper-gold and post-Ordovician copper-gold targets. Numerous old workings occur in the area and many are focussed along regional-scale structures, such as the Lucknow and Godolphin faults.

An offset pole-dipole 3D induced polarisation (IP) survey was completed over the Carangera South, Carangera and Pendarves prospects adjacent to the Godolphin Fault in the south of EL6181. The survey covered an area of 2.6km by 800m and was carried out to detect electrically chargeable bodies that may represent unexposed mineralisation. Several significant chargeable bodies were defined near historic workings, the largest of which is 300m by 120m at >23mV/V chargeability, and extends beyond 300m vertical. The IP anomalies at Carangera and Carangera South have coincident quartz-sulphide tension vein arrays with up to 430ppm arsenic, 3% sulphur and 1.19g/t gold in surface rock chip samples. One drill target south of Carangera has 25g/t gold in a rock chip above a subtle 10 mV/V IP anomaly. All of these IP anomalies are east of the Godolphin Fault in rock units interpreted to be part of the Anson Formation, which hosts the McPhillamys gold deposit

OPERATIONS REPORT

15 km to the south. Other similarities to McPhillamys include strong sericite and biotite alteration, arsenic, zinc and copper anomalism and regional potassium highs in radiometric data. McPhillamys currently has a resource of 2.96 million ounces of gold.

Several >23 mV/V chargeability anomalies also occur in the chloritic mafic schists at Pendarves. One is associated with an old shaft and outcropping feldspar porphyry intrusive with rock chip samples that returned up to 19.8% copper and >100g/t silver. A larger adjacent IP anomaly lies in mafic rocks with a coincident magnetic high. At surface, the rocks contain weathered sulphide that may represent the halo of a hitherto undiscovered copper lens at depth.



Orange East EL6181 geology. Work in 2010 was focused in the Byng area shown in the yellow box (enlarged in the following figure).

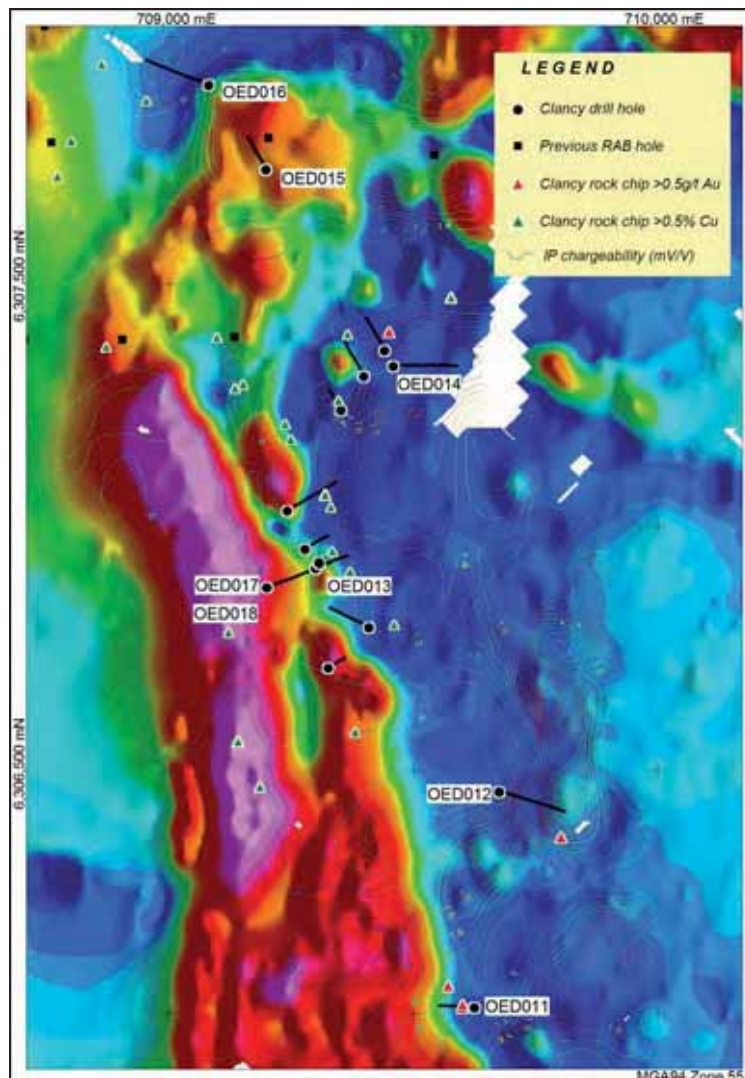
Eight diamond holes (1564m) were drilled to test several of the IP chargeability anomalies. The IP anomalies were confirmed as large sulphide-bearing bodies with strong associated hydrothermal alteration and quartz-veining. The sulphide bodies contain narrow intersections of low to moderate grade gold and copper mineralisation, including (hole number):

- 1m @ 0.67g/t Au from 98m (OED011)
- 1m @ 1.13g/t Au from 113m (OED011)
- 1m @ 1.25% Cu and 0.11g/t Au from 52m (OED013)
- 1m @ 1.11g/t Au from 1m (OED016)
- 1m @ 0.84 g/t Au from 29m (OED016)
- 1m @ 0.55% Cu from 118m (OED016)
- 0.5m @ 1.24% Cu from 96m (OED018)

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- 0.5m @ 1.74% Cu from 121m (OED018)

Three distinct alteration-mineralisation styles have been intersected: (i) massive biotite with pyrrhotite-chalcopyrite veins and disseminations; (ii) quartz-carbonate-fuchsite-sulphide-gold veins; and (iii) quartz-sulphide-gold veining with intense albite alteration. The strong biotite alteration is interpreted to be related to a proximal potassic intrusion, the location of which has yet to be determined. Further work is required to determine whether the biotite alteration could host large bodies of a high grade mineralisation such as that mined in the mid to late 1800's at Carangera. The quartz-carbonate-gold and quartz-sulphide-gold veining were previously unreported from this area. The significance of the diverse alteration styles and their relationship to mineralisation is currently under investigation. A total of 19 samples from the diamond core completed have been submitted for petrographic analysis with results pending. Spectral logging of the drill core is currently in progress.



*Location of Clancy drill holes in the Byng area within EL6181 over an RTP ground magnetic image with IP chargeability contours. Diamond holes are labeled.*

Soil orientation surveys were undertaken at the Carangera copper workings with the Field Portable XRF (FPXRF). FPXRF soil sampling west of Carangera over the Favell zone commenced, however persistent rain halted field work and sampling will resume in the June 2011 quarter.

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**Fairholme**

(NSW, Clancy 100%)

The Fairholme project is located about 12 km NE of Burcher and 12km north of the Cowal gold mine. The project consists of two tenements, EL6552 and EL6915 that cover 287km<sup>2</sup> of the highly prospective Fairholme Igneous Complex. The geophysical characteristics of the Fairholme Igneous Complex are similar to the Cowal Complex to the south, which hosts the Cowal gold mine (Barrick) and the Marsden copper-gold prospect (Newcrest). Processing and modelling of the gravity data collected in 2009 was completed. Interpretation of the data suggests that the two key prospects at Fairholme, Boundary and Dungarvan, may be part of a single system that has been disrupted by post mineral faulting. A review of the down-hole metal trends to determine metal zonation and thus a potential source area is in progress.

**Billabong Creek**

(NSW, Clancy 100%)

Billabong Creek EL6802 is located 20 km west of Gundagai and 45 km ENE of Wagga Wagga. It is located alongside the regionally extensive Gilmore Fault which marks the southern edge of the Macquarie Arc. It shares many similarities to the well mineralized Temora area, which also sits alongside the Gilmore Fault approximately 90km to the northwest. A ground gravity survey completed in 2009 identified a large circular gravity low that could be mapping out a deep intrusive centre beneath variably magnetic arc units. An airborne aeromagnetic and radiometric survey is planned which will provide structural definition over the gravity anomaly. The airborne survey is scheduled for April 2011.

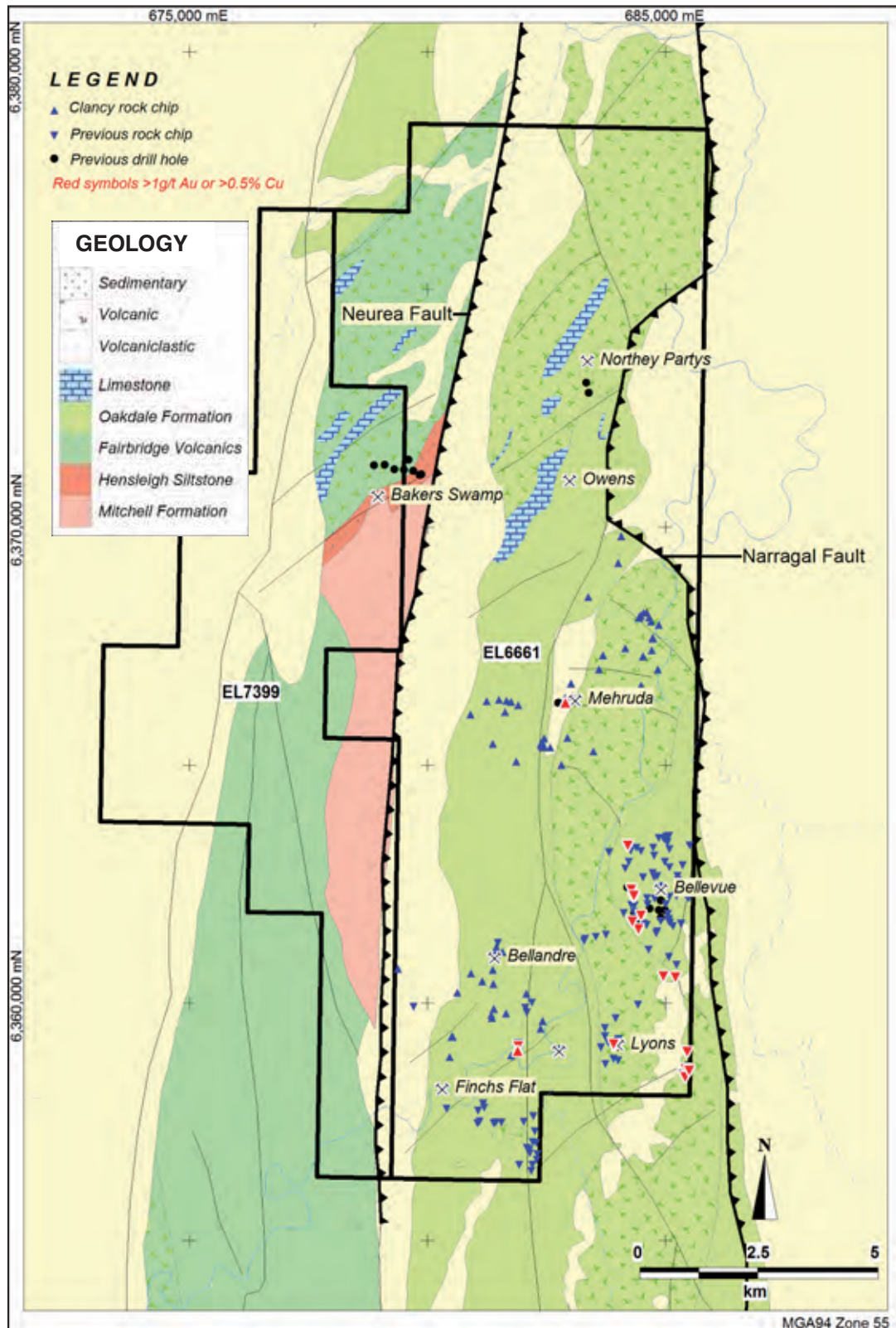
**Cundumbul**

(NSW, Clancy 100%)

The Cundumbul project consists of two exploration licenses (EL6661 and EL7399) that cover 204.9km<sup>2</sup> of prospective arc units in the Molong Volcanic Belt between Molong and Wellington. The Molong Volcanic Belt is host to the giant Cadia porphyry Cu-Au deposits (Newcrest) south of Orange that have a combined endowment of >65Moz Au and 10.6Mt Cu. There are numerous intrusive complexes at Cundumbul that have anomalous copper and/or gold associated with them and chargeable IP anomalies. Geological mapping and rock chip sampling was completed at the Mehruda and Bellandre prospects in 2010.

At the Mehruda prospect, high chargeability gradient IP anomalies are associated with major NW-trending faults, strong quartz-sericite-pyrite alteration and quartz-carbonate veining. Mapping has identified at least two phases of strong to intense hydrothermal alteration. Early pervasive chlorite-magnetite-silica-epidote ± carbonate alteration is overprinted by quartz-sericite-pyrite and patchy K-feldspar alteration. Secondary copper mineralisation (malachite and azurite) is disseminated throughout the host rocks and also occurs on fracture surfaces.

OPERATIONS REPORT



*Ordovician geology at the Cundubul project showing the location of rock chip samples and previous drill holes.*

Recent rock chip samples from the host sequence returned up to 5.49% copper (see below). Intrusive rocks including rhyodacite/dacite, granodiorite and mafic to intermediate feldspar and quartz-feldspar porphyry are present, and intensely altered intrusive rocks at the Mehruda workings may be monzonite, however petrology is required to confirm this. Historic workings are also

## OPERATIONS REPORT

present at the Bellandre prospect and mapping has identified quartz veins with sericite selvages and numerous quartz blows are present. Abundant quartz mullock is present around the workings and the host sequence has pervasive sericite alteration. Weathered disseminated sulphides are present in the host rocks. Significant rock chip results include:

- CNR0054 (Mehrua): **5.49% Cu**, 31ppm Ag, 0.544% Ba, 340ppm Sb & 287ppm As
- CNR0053 (Mehrua): **1.1% Cu**
- CNR0055 (Mehrua): 0.478% Ba & 644ppm Cu
- CNR0048 (Bellandre): 0.2 g/t Au
- CNR0062 (Bellandre): **1.06 g/t Au**, 650ppm Cu
- CNR0079 (Bellandre): 793ppm Cu, 0.15% Ba, 52ppm Sb

Samples CNR0054 and CNR0053 are argillic altered porphyritic dacite with disseminated malachite and azurite. Samples CNR0055 and CNR0048 are jasper with quartz veins containing weathered sulphide. Sample CNR0062 is a quartz vein with malachite from mullock at the 'Mulligin Reef' historic gold workings. A sample by a previous explorer from the same site in 1999 returned 3.5g/t Au. Sample CNR0079 is a weathered volcanoclastic sandstone/conglomerate with silica alteration and quartz veining. Despite the obvious signs of surface mineralisation only 24 drill holes have been drilled in the entire project area (>200km<sup>2</sup>), and most of that is at two prospects: Bellevue and Bakers Swamp. Further work is planned, including the commissioning of a high-resolution helimagnetic survey.

### Roseholme

(NSW, Clancy 100%)

Roseholme (EL6822) is located at the northern end of the Northparkes Igneous Complex 29km NNW of Rio Tinto's Northparkes copper-gold mine. The project was formerly a JV Option Project with Gold Fields, which has now been returned to Clancy. Five aircore holes were attempted by Gold Fields during the JV Option period to test basement targets, however only one hole successfully reached basement due to the unconsolidated boulder conglomerate cover sequence, which makes drilling problematic. No significant results were returned from the successful hole. An airborne magnetic and radiometric survey was commissioned by Clancy, and was in progress at the time of writing. The survey will assist with resolving key structures and potential intrusive complexes to define future drill targets. Alternative drilling techniques will be investigated for this project and drilling is planned for 2011.

### Currumburrama

(NSW, Clancy 100%)

Currumburrama (EL6784) is located 40km east of West Wyalong and covers a large basement magnetic complex that is inferred to be Ordovician arc based on magnetic and gravity data. The project was formerly a JV Option Project with Gold Fields, which has now been returned to Clancy. During the JV Option period, Gold Fields drilled 13 aircore holes for 1,561m (7 holes and 777m in 2010). Low-level, anomalous (>500ppm) copper and zinc results were returned but no definitive porphyry-style alteration or mineralisation was defined.

A subsequent review of the data by Clancy showed that the aircore drilling identified a composite spectral, geochemical and geophysical anomaly over approximately 2km<sup>2</sup>. The anomaly is defined by elevated Cu and Zn with zonation patterns in Sb, Bi, Cs, Li, Te and Tl in basement aircore assays and supported by spectral zonation defined by Terraspec logging of aircore chips. The geochemical/spectral anomaly is coincident with: (i) a magnetic low at a structural intersection that may be mapping magnetite destructive alteration; (ii) a gravity low that may represent a basement intrusive complex; and (iii) a paeleotopographic low defined by aircore refusal depth. Based on the

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outcome of the review, an airborne magnetic and radiometric survey was commissioned, which was in progress at the time of writing. The survey will assist target definition and further drilling is planned for 2011.

**Moonagee**

(NSW, Clancy 100%)

Moonagee (EL7198) is located approximately 20km NNW of Nyngan in western NSW. The Macquarie Arc is interpreted to extend at depth beneath transported Quaternary cover and the Cretaceous to Jurassic sediments of the Great Australian Basin north of Nyngan. Several arc fragments are interpreted from magnetic and gravity imagery north of the basin boundary, with Moonagee situated on a basement magnetic complex approximately 11km long and 5km wide. The project was formerly a JV Option Project with Gold Fields, which has now been returned to Clancy. Gold Fields reviewed the previous exploration in the area but did not carry out any fieldwork on the project. Work completed by Clancy since the JV Option period included reprocessing regional geophysical imagery and a re-interpretation of the regional setting. A new exploration strategy for the tenement has been devised and will be implemented in 2011.

**Myall JV**

(NSW, Gold Fields 51%, Clancy 49%, Gold Fields earning 80%)

Myall (EL6913) is located 25km southwest of Narromine at the northern end of the June-Narromine Volcanic Belt of the Macquarie Arc. Myall covers most of the Narromine Igneous Complex which is prospective for Ordovician porphyry copper-gold deposits. Work completed in 2010 included diamond drilling at a number of prospects and regional aircore drilling. A total of 11,889m of drilling was completed at the Myall JV project in the year to 31 December 2010.

Nine diamond holes for a total of 3,239m (inclusive of aircore precollars) were completed at the Myall JV in 2010. A substantial diamond drilling program was undertaken at the Kingswood prospect where drilling tested the western margin of a granodiorite porphyry dyke where significant porphyry-style quartz veining, native copper and hydrothermal alteration associated with anomalous copper and molybdenum geochemistry was defined by aircore drilling. However, only low-grade copper mineralisation was intersected and the drilling has effectively tested the western expression of the Kingswood porphyry system.

Infill and regional aircore drilling continued in 2010 and remains in progress at the time of writing. The aim is to complete 500 x 500m drill coverage across the entire tenement area. A total of 76 aircore holes for 8,649m were completed in the year to 31 December 2010. A number of aircore holes have intersected attributes consistent with porphyry-style systems and one hole intersected alteration related to potential orogenic gold style mineralisation. The regional aircore program will continue into 2011 and further details will be provided when results are finalised.

**Cowal East JV**

(NSW, Gold Fields 82%, Clancy 18%)

The Cowal East project consists of two tenements, Koobah EL6553 and Wyrra EL6554, located in the Cowal Igneous Complex, east of the Cowal gold mine and north and south of the Marsden copper-gold prospect. In the year to 31 December 2010 a total of 8,285m of drilling was completed on the Wyrra tenement. Diamond drilling was completed at the Eurowie and Timberscombe prospects (7 holes for 2,960m) and infill and regional aircore drilling was also completed (47 holes for 5,325m).

## OPERATIONS REPORT

At Eurowie, three diamond holes followed up significant intercepts reported previously in hole WYACD006: 57m @ 0.13% Cu from 170m; 27m @ 0.27% Cu & 0.15g/t Au from 362m, including 14m @ 0.44% Cu & 0.25g/t Au from 374m. The follow up holes tested the along strike and down dip extensions of the copper-gold mineralisation. Encouraging alteration and zones of magnetite-pyrite veins ± quartz-chalcopyrite were defined, however, only narrow intervals of low-grade copper-gold mineralisation were intersected.

Aircore drilling, including some holes with diamond tails returned several encouraging basement copper and gold anomalies, including one interval of 6m @ 0.54 g/t Au from 100m (WYAC211) southeast of Eurowie that remains to be followed up.

### Wellington North JV

(NSW, Gold Fields 82%, Clancy 18%)

Wellington North consists of five exploration licences (EL6178, EL6328, EL6662, EL7200 and EL7440) and covers approximately 30km of strike length of the Molong Volcanic Belt immediately north of Wellington. An infill and extension ground gravity survey was completed and follow-up mapping and rock chip sampling on targets defined by the geophysical surveys undertaken. Several significant results have been received from the rock chip sampling:

- GWR00028: **11.95g/t Au, 2.2% Cu**, 34.2ppm Ag, 0.3% Zn & 0.2% Pb
- GWR00015: 1.25g/t Au & 1.3% Cu
- GWR00016: 1.53g/t Au & 0.6% Cu
- GWR00017: 1.36g/t Au & 1.4% Cu

Sample GWR00028 is a silicified sulphide breccia and samples GWR00015-017 are three mullock samples from historic workings. Field Portable Xray Fluorescence (FPXRF) soil surveys were conducted at the Boda and Girraween prospects.

A significant +600ppm copper anomaly at the Boda prospect was followed up with an RC/diamond hole (BGRCD001, 396.1m). The hole intersected chalcopyrite and bornite mineralisation in a potassic altered basalt and andesite. The style of alteration and mineralisation and the lack of a causative intrusion suggests that the core of a porphyry system could be nearby. Further work is planned. Significant intercepts from BGRCD001 include:

- 4m @ 0.12% Cu & 0.02g/t Au from 48m
- 7m @ 0.40% Cu & 0.83 g/t Au from 248m; incl.
  - 1m @ 1.4% Cu & 4.03g/t Au from 248m
- 8m @ 0.17% Cu & 0.45 g/t Au from 264m; incl.
  - 2m @ 0.40% Cu & 0.74g/t Au from 264m
- 35m @ 0.10% Cu, 55ppm Mo & 0.07g/t Au from 311m

Preparations are underway for a 3D IP survey over the Girraween target which is scheduled to commence in mid January 2011. The IP survey aims to locate chargeable pyrite halos to porphyry systems in the area.

### Tasmanian Projects

Clancy has two joint venture projects with Bass Metals Limited (Bass) and two joint venture projects with TNT Mines Pty Ltd (TNT). Bass and TNT manage the respective joint ventures which are located in the Mount Read Volcanic Belt in northwest Tasmania. This area is host to a wide variety of mineral deposits styles, including Renison Bell (tin and silver), Mt Lyell (copper and gold) and the VHMS deposits Rosebery, Hellyer, Que River and Hercules (zinc, silver, lead, copper and gold). More recent discoveries include intrusive-related skarn-style nickel deposits (Avebury)

## OPERATIONS REPORT

and skarn-style tin-tungsten-iron deposits (Mt Lindsay). Most of the base metals deposits are hosted by Cambrian rocks of the Mount Read Volcanic Belt. At least two periods of mineralisation are represented in this belt by the Cambrian VHMS deposits (e.g. Rosebery, Hellyer) and the Devonian intrusive related systems (e.g. Renison Bell, Avebury, Mt Bischoff).

### **Bass Metals JV's**

(Bass 75%, Clancy 25%)

Clancy has two joint ventures with Bass: Lake Margaret EL28/2009 located 5km north of the Mt Lyell copper mine and 10km south of the Henty gold mine; and Sock Creek EL20/2010 located 7.5km southwest of the Hellyer mine. Both tenements cover prospective stratigraphy for base metal and gold deposits within the Mount Read Volcanic Belt. Bass recently commenced diamond drilling on the Lake Margaret JV and results are expected in the June 2011 quarter.

### **TNT Mines JV's**

(TNT 75%, Clancy 25%)

Clancy has two joint ventures with TNT: Waratah EL64/2004 located in northwest Tasmania and surrounds the Mt Bischoff tin mine; and Oonah EL63/2004 which is located immediately north of the historic Zeehan lead-zinc-tin field. Both projects are prospective for tin and silver-lead mineralisation. The joint venture agreements with TNT were signed in early 2011 and work will commence in the June 2011 quarter.

## **Western Australian Project**

### **Yalgoo**

(Clancy 100%)

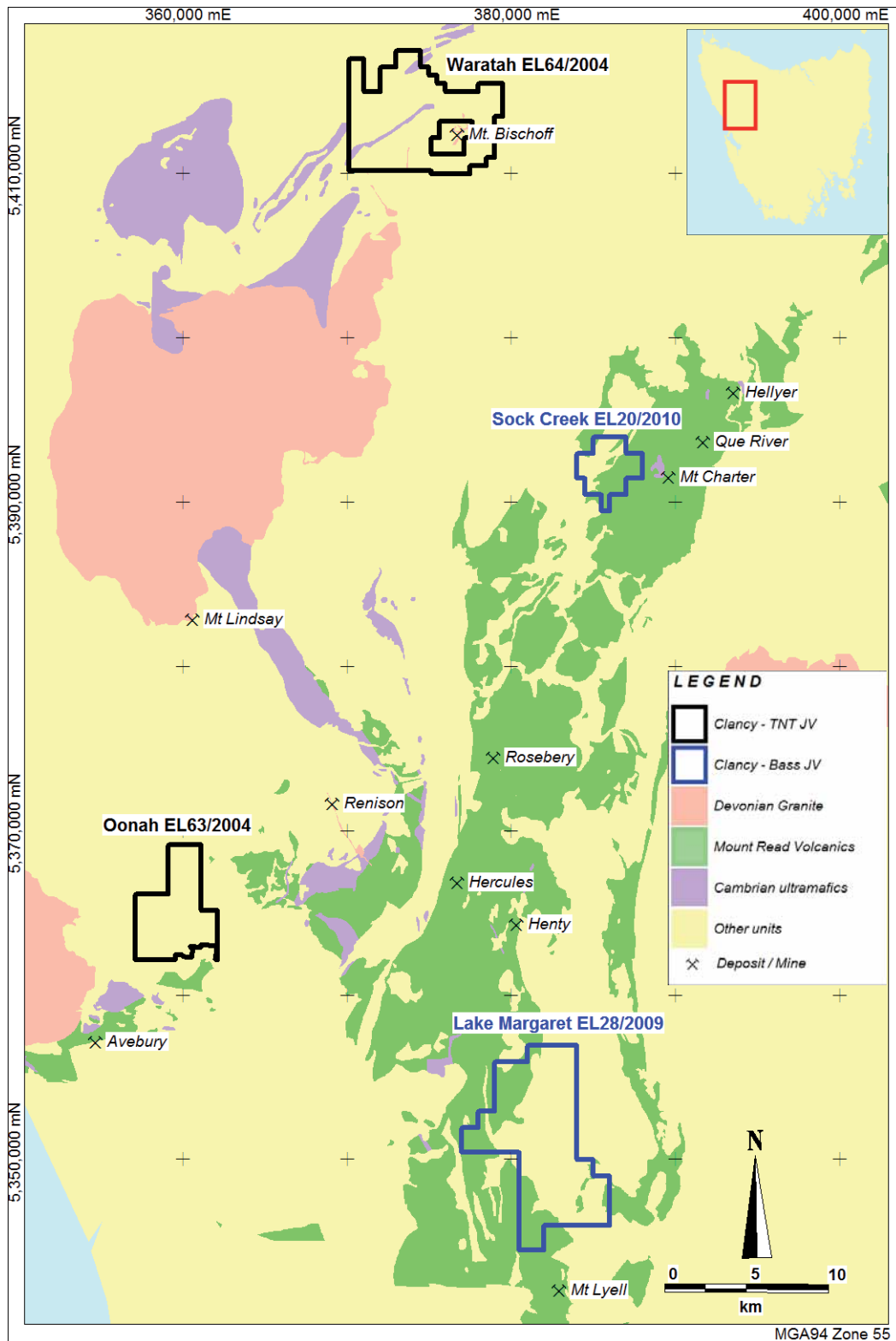
Yalgoo E59/1302 is adjacent to the Golden Grove zinc-copper-gold-silver-lead mine which is located in the Yalgoo-Singleton greenstone belt in the Murchison Province of WA. The exploration targets in the Yalgoo project are discrete aeromagnetic anomalies that have similar scale and tenor to the magnetic anomaly at Gossan Hill, one of the deposits at Golden Grove. Despite the magnetic anomalies being located in granite-gneiss terrain, well outside of the prospective Golden Grove stratigraphy, they remain unexplained. If the granite-gneiss is sheet like, the magnetic anomalies could represent a Gossan Hill-style target beneath the granite-gneiss sheet. Alternatively, the magnetic anomalies could be due to Proterozoic dolerite.

A ground magnetic survey was completed over two discrete aeromagnetic anomalies for a total of 69.6 line km of ground magnetic data. Magnetic inversion models for the ground magnetic data suggest that the anomalies represent sub-vertical magnetic sources that are within 50m of surface and extend to depth. The geometry of the inversion models is consistent with a plug-like source, however this can only be tested with drilling due to the lack of outcrop. A drilling proposal to follow up the ground magnetic anomalies is in progress.

A full list of tenements held by Clancy Exploration Limited is provided on page 81.

The information in this document that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Gordon Barnes who is a Member of the Australian Institute of Geoscientists. Mr Barnes is a full-time employee of Clancy Exploration Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Gordon Barnes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

OPERATIONS REPORT



Mount Read Volcanic Belt simplified geology and major deposits showing the location of Clancy JV projects. Note – the perimeter around Mt Bischoff is excluded from the Waratah project. Inset – the location within Tasmania.

**DIRECTORS' REPORT**

The Board of Directors has pleasure in presenting its report on the consolidated entity consisting of Clancy Exploration Limited and the entity it controlled at the end of, or during, the year ended 31 December 2010.

**1. Directors**

**(i) Names, Qualifications and Experience**

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

**Dr James Macdonald, BA (Hon), MSc, PhD, PGeo, FSEG**  
**(Non-Executive Chairman) 56 Years**

Dr Macdonald is a geoscientist. During the past 16 months he has operated a New Zealand-based consultancy business which for the previous five years was Brisbane-based, providing professional geoscientific services to exploration and mining companies, mainly in Australia, Asia and Southern Africa. Dr Macdonald has over 30 years experience in the global exploration and mining industries. He was Chief Geologist for AGIP Resources focused on exploration in Canada and Europe in the late 1980's. Dr Macdonald managed Andean gold exploration for Homestake Mining Company from 1994 to 1998. In 1998, Dr Macdonald joined Billiton International Metals as Chief Geoscientist, based in the Netherlands. Following the merger with BHP in 2001, he relocated to Brisbane, Australia, in a similar capacity as Global Geoscience Leader. In 2008, Dr Macdonald became a non-executive Chairman of International Base Metals Ltd. (unlisted). He was a director of Mantle Diamonds Limited based in London from June 2006 to November 2009. In 2009, he became a non-executive Chairman of Craton Mining and Exploration Ltd, based in Windhoek, Namibia. He has not held a directorship in any other listed entity in the past three years. He is currently a member of the audit committee and Chairman of the remuneration committee.

Dr Macdonald completed a Bachelor of Arts with Honours at Oxford University, majoring in Geology. He subsequently completed an MSc and a PhD in Economic Geology at the University of Toronto. He is a Member of the Association of Professional Engineers and Geoscientists of British Columbia, a Fellow of the Society of Economic Geologists and a Member of the Australian Institute of Company Directors.

**Gordon Barnes, BSc, MSc, MAIG, MSEG**  
**(Managing Director and Exploration Manager) 46 years**

Mr Barnes is an exploration geologist with a background in exploration project management and technical consulting services. He has 22 years of practical experience, ranging from active field based projects through to multi-commodity project generation initiatives in Australia, Asia, North and South America. He worked as an Exploration Geologist with Freeport-McMoRan Copper & Gold Inc at the Karonie gold project in the Eastern Goldfields. Following Freeport's merger with the Normandy-Poseidon Group in 1989, Mr Barnes became a Project then Senior Geologist with Normandy Exploration, working on projects in the Murchison (Au), Southern Cross (Au, Ni), Eastern Goldfields (Au), Pilbara (Au, Cu) and Kimberley (Ni, Co, Zn) regions of Western Australia.

Mr Barnes started consulting to the industry in 1996 and co-founded the Insight Geoscience Group the following year. Insight Geoscience participated in several client-sponsored project generative initiatives in Asia (Au, Cu), Australia (Zn, Cu, Pb) and North America (Zn). He has also worked on a variety of advanced database projects for multi-national clients.

Mr Barnes joined Clancy's original parent company, Geoinformatics Exploration Inc., in April 2004 to manage the Australian exploration projects and transferred to Clancy in 2007 with overall responsibility for the management of Clancy's exploration projects.

Mr Barnes graduated from Royal Melbourne Institute of Technology with a Bachelor of Science in Applied Geology in 1987 and completed an MSc in Ore Deposit Geology at the University of Western Australia in 1996. He is a Member of the Australian Institute of Geoscientists and the Society of Economic Geologists.

Mr Barnes was appointed as Managing Director, a position he holds in conjunction with the Exploration Manager role, on 1 January 2011.

**Mr Mark Stewart, BJourn, LLB, HDip Co. Law, HDip Tax Law**  
**(Former Managing Director) 52 Years**

Mr Stewart holds a Bachelor of Journalism majoring in Journalism and Law from Rhodes University and a Bachelor of Laws from the University of Cape Town. He also holds post-graduate diplomas in both Company Law and Tax from the University of Witwatersrand.

Mr Stewart resigned as a director of the Company and its controlled entity on 31 December 2010.

**Mark Lester, B.Com, CA**  
**(Non-Executive Director, (Financial)) 57 Years**

Mr Lester is a Chartered Accountant in public practice. He is currently a partner in a Chartered Accounting practice based in Subiaco, Western Australia. He is also a Registered Auditor and a director of a Registered Tax Agent and is involved in advising a wide range of clients including public companies, large private groups, not for profit organisations and trustee

**CLANCY EXPLORATION LIMITED**  
**ABN: 65 105 578 756**  
**AND CONTROLLED ENTITY**

**DIRECTORS' REPORT**

entities. Previously, Mr Lester was company secretary of Melbourne-based biotech company Meditech Research Limited for six years until its acquisition by Alchemia Limited. During that period of time Mr Lester acted as chief financial officer and was responsible for all ASIC and ASX compliance matters. Following his graduation, he joined a major international accounting firm where he worked for six years. In 1982, Mr Lester left public accounting to work in commerce gaining experience in the financial services and manufacturing sectors. In 1988 he returned to public practice. He has not held a directorship in any other listed entity in the past three years. He is currently a member of the audit and remuneration committees.

Mr Lester graduated from the University of Western Australia with a Bachelor of Commerce.

**Dr Michael Etheridge, FTSE, FAICD, FAIG, FGSA**  
**(Non-Executive Director, (Technical)) 64 Years**

Dr Etheridge is a geologist who has had a varied career in universities, a government research organisation and in industry. He is currently non-executive chairman of ABM Resources Ltd and Zeus Uranium Ltd, and a non-executive director of DET CRC Ltd, a collaborative research organisation involving the mining industry, universities and government research bodies. He was previously a director of Lihir Gold Ltd, prior to its merger with Newcrest Ltd, Consolidated Minerals Ltd, prior to its takeover by Palmay Plc, and Ariana Resources Plc (AIM). In 1989, Dr Etheridge switched from public sector research to industry and co-founded the geoscience consultancy business Etheridge Henley Williams (EHW). EHW grew to over 30 staff on three continents before it merged with the SRK Consulting group to become SRK's Australasian business in 1997. In 2004 Dr Etheridge left SRK Australasia, where he was chairman, to pursue a career as a professional company director in the resources and related R&D sectors.

Dr Etheridge was appointed as a director of the Company on 11 March 2011. His relationship with the Company stretches back to 2004 when he was founding non-executive chairman of Geoinformatics Exploration Inc, from which Clancy Exploration Ltd was spun out in 2007.

Dr Etheridge is a Fellow of the Australian Academy of Technological Sciences and Engineering, the Australian Institute of Company Directors, the Society of Economic Geologists and the Australian Institute of Geoscientists.

**(ii) Interests in the Shares and Options of the Company**

	No. of Shares				No. of Unlisted Options				
	Held at Beginning of Year	Acquired During Year	Disposed During Year	Held at End of Year <sup>3</sup>	Held at Beginning of Year	Granted During Year (Expiring 31 December 2013)	Granted During Year (Expiring 30 September 2013)	Lapsed During Year	Held at End of Year <sup>3</sup>
G Barnes <sup>2</sup>	158,270	177,757		336,027	1,100,000	-	500,000	-600,000	1,000,000
M Stewart <sup>1</sup>	715,542	288,515		1,004,057	1,000,000	1,000,000	-	-1,000,000	1,000,000
J Macdonald	427,884	142,628		570,512	250,000	400,000	-	-250,000	400,000
M Lester	100,962	33,655		134,617	200,000	250,000	-	-200,000	250,000
M Etheridge <sup>2</sup>	264,423	86,475	-5,000	345,898	-	-	-	-	-
	1,667,081	729,030	-5,000	2,391,111	2,550,000	1,650,000	500,000	-2,050,000	2,650,000

No. of Listed Options		
	Acquired During Year	Held at End of Year <sup>3</sup>
G Barnes <sup>2</sup>	177,757	177,757
M Stewart <sup>1</sup>	238,515	238,515
J Macdonald	142,628	142,628
M Lester	33,655	33,655
M Etheridge <sup>2</sup>	86,475	86,475
	679,030	679,030

**DIRECTORS' REPORT**

The ordinary shares acquired by the directors during the year were primarily from participation in a renounceable rights issue. Mr Stewart additionally acquired 50,000 ordinary shares over the course of the year from on-market trades.

The listed options acquired by the directors during the year were from the renounceable rights issue, under a prospectus issued 21 July 2010, whereby participating shareholders received 1 free attaching option for every new share subscribed. These options were listed on the ASX on 5 August 2010 and expire on 31 July 2013 with an exercise price of 15 cents.

<sup>1</sup> Mr Stewart resigned as a director of the Company and its controlled entity on 31 December 2010.

<sup>2</sup> Mr Barnes was appointed as a director of the Company on 1 January 2011 and Dr Etheridge on 11 March 2011.

<sup>3</sup> The Directors' interests in the shares and options of the Company at reporting date and at the Company's 31 December 2010 financial year end were identical.

**2. Company Secretary**

**Rowan Caren, B.Com, CA**  
**(Company Secretary)**

**44 Years**

Mr Caren is a Chartered Accountant with over 17 years commercial experience. He has been directly involved in the minerals exploration industry for 13 years. In 2004 he created a specialist company secretarial and advisory consultancy, Dabinett Corporate. He has provided financial and corporate services to several listed and unlisted companies involved in the resources sector. He qualified with PricewaterhouseCoopers and worked for them in Australia and overseas for six years. He is currently a member of the audit committee and the remuneration committee.

Mr Caren graduated with a Bachelor of Commerce (Accounting) from the University of Western Australia and is a member of the Institute of Chartered Accountants in Australia.

**3. Principal Activities**

The principal activities during the year of the entities within the consolidated entity were mineral exploration and development.

**4. Operating Results for the Year**

The net consolidated loss from continuing operations for the year, after income tax, amounted to \$2,743,959 (2009: \$3,201,171).

**5. Dividends**

No dividend has been declared or paid by the company since the end of the previous financial year and the directors do not at present recommend a dividend.

**6. Review of Operations**

During the year, the company continued to explore its gold, copper and base metals projects in New South Wales, Tasmania and Western Australia, directly and through joint venture partners.

**7. Likely Developments and Expected Results**

Other than as referred to in this report, further information as to likely developments in the operations of the Company and likely results of those operations in future financial years would, in the opinion of the directors, be speculative.

**8. Significant Changes in the State of Affairs**

On 28 January 2010, pursuant to approval by shareholders at a general meeting on 22 January 2010, the Company granted 1,650,000 unlisted options to directors with an expiry date of 31 December 2013. They were valued at \$112,200 according to the Binomial Tree method with an exercise price of 19.5 cents when the market trading price was 16 cents, a volatility factor of 87.3% and a risk free rate of 4.59%. They vested fully upon grant on 28 January 2010 and were valued and fully expensed on that date.

On 30 April 2010 3,100,000 unlisted options lapsed. They had previously been granted to staff members, directors and consultants.

On 4 May 2010 1,100,000 unlisted options were granted to staff members, with an expiry date of 31 December 2013. They were valued at \$71,940 according to the Binomial Tree method with an exercise price of 18.5 cents when the market trading price was 16 cents, a volatility factor of 85.4% and a risk free rate of 5%. They vested fully upon grant on 4 May 2010 and were valued and fully expensed on that date.

**DIRECTORS' REPORT**

On 30 July 2010 300,000 unlisted options were forfeited subsequent to the voluntary resignation of an employee. These options were to have expired on 10 August 2013.

Pursuant to a 1 for 3 renounceable rights issue, the Company issued 27,378,362 new ordinary shares on 13 August 2010 at a subscription price of 8 cents per share. These shares were listed on the ASX on 16 August 2010. The offering raised \$2,190,269 before costs of \$241,482. Additionally, under the terms of the rights issue, participating shareholders received one free attaching option for every new share subscribed, exercisable at 15 cents per option on or before 31 July 2013. Accordingly 27,378,362 new options were issued.

On 6 October 2010 the Company signed a Heads of Agreement ("Agreement") with Minemakers TTT Pty Ltd ("Minemakers") a wholly owned subsidiary of Minemakers Ltd. Under this Agreement, Minemakers will enter into a Joint Venture with the Company acquiring a 75% interest in each of 2 Tasmanian tenements, EL63/2004 and EL64/2004, for \$20,000 per tenement on agreed terms. These tenements were held in the name of the Company's wholly owned subsidiary Geoinformatics Exploration Tasmania Pty Ltd. The Agreement was subject to Mineral Resources Tasmania agreeing to extend the licences until the August 2011 anniversary of each tenement.

**9. Significant Events After Balance Date**

On 1 January 2011, Mr G Barnes was appointed as managing director of the Company whilst retaining the position of exploration manager, and on 11 March 2011 Dr M Etheridge was appointed a director of the Company.

On 3 February 2011, Mineral Resources Tasmania granted an extension of the term for licences EL63/2004 and EL64/2004 to 7 August 2011 and 9 August 2011 respectively, thus fulfilling the conditions precedent for the 6 October 2010 Heads of Agreement with Minemakers TTT Pty Ltd ("Minemakers").

On 25 February 2011, the Company executed a Joint Venture Agreement ("Agreement"), with Minemakers TTT Pty Ltd ("Minemakers"). Under this Agreement, Minemakers acquired at 75% interest in each of 2 Tasmanian tenements, EL63/2004 and EL64/2004, for \$20,000 per tenement.

Except for the above events, no other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in subsequent financial years.

**10. Review of Financial Condition**

At 31 December 2010 the consolidated entity had cash reserves of \$1,660,368 (2009: \$1,907,948) after paying suppliers and employees \$3,018,090 (2009: \$3,540,814), of which \$2,146,744 (2009: \$2,691,206) was expended on direct exploration activities. A further \$91,834 (2009: \$12,821) was spent on capital expenditure. The consolidated entity raised \$3,090,269 from a rights issue and a private placement, of which \$301,005 was applied to the costs of the share issues (2009: Raised \$1,976,777 from a rights issue, a private placement and a share purchase plan, of which \$128,891 was applied to the costs of the share issues). A further \$81,613 (2009: \$66,002) in interest was received. There were no sales of investments in 2010 (2009: 231,089 proceeds from the sale of investments). A net amount of \$7,768 in unearned income was refunded to a joint venture partner (2009: \$183,386). There were no loans to an associated entity (2009: \$5,010) nor balances owing at 31 December 2009 and hence there were no repayments of loans (2009: \$5,456 repaid). The Company paid an amount of \$212 on behalf of its controlled entity (2009: \$212).

**11. Remuneration Report – Audited**

This report details the nature and amount of remuneration for each director of Clancy Exploration Limited and the Group, and for the executives receiving the highest remuneration in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the three executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term "executive" encompasses the Managing Director, senior executives and the secretary of the Parent and the Group.

**Remuneration Policy**

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

## **DIRECTORS' REPORT**

Options to acquire ordinary shares have been granted to all current directors and certain key management personnel in 2010. The Board believes that options are an effective remuneration tool which preserve the cash reserves of the company whilst providing valuable remuneration. The options granted in 2007 expired on 30 April 2010. The options, granted in 2009 with an expiry date of 10 August 2013 are not transferable and are to be forfeited if either the grantee voluntarily terminates his employment and does not exercise the options within thirty days of resignation or the company terminates his employment for reasons of serious misconduct. The options, granted in 2010 with an expiry date of 30 September 2013 may only be transferred with the Board's consent and are to be cancelled if either the grantee voluntarily terminates his employment and does not exercise the options within thirty days of resignation or the company terminates his employment for reasons of serious misconduct. The options, granted in 2010 with an expiry date of 31 December 2013 are not transferable and they may be cancelled at the Board's discretion if either the grantee voluntarily terminates his employment and does not exercise the options within thirty days of resignation or the company terminates his employment for reasons of serious misconduct.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience) and options granted to acquire ordinary shares.
- The board reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Binomial Tree methodology.

### **Non-Executive Directors**

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Currently there is a maximum aggregate sum of \$200,000 per annum, which is to be divided between the Non-Executive Directors in the proportions agreed between them or, failing agreement, equally. Directors are encouraged to hold shares in the company and are granted options.

### **Remuneration Sub-Committee**

The Board has established a sub-committee to consider remuneration of the Board and key management personnel. The Remuneration Sub-Committee seeks independent professional advice to formulate remuneration policy recommendations which are then submitted to the Board for approval. The Remuneration Sub-Committee met once in the 2010 year. The Remuneration Sub-Committee is comprised of the Chairman, Dr James Macdonald, independent non-executive director, Mr Mark Lester and the Company Secretary.

### **Company performance, shareholder wealth and director and executive remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The achievement of this aim has been through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

Executive and non-executive directors, other key management personnel and other senior employees have been granted options over ordinary shares. Options granted in 2009 and 2010, vested upon grant. The recipients of options are responsible for growing the Company and increasing shareholder value. If they achieve this goal the value of the options granted to them will also increase. Therefore the options provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

There is no policy in place which limits exposure to risk in relation to those securities in the Company which constitute an element of directors' remuneration and which are linked to satisfaction of Company performance conditions.

**CLANCY EXPLORATION LIMITED**  
**ABN: 65 105 578 756**  
**AND CONTROLLED ENTITY**

**DIRECTORS' REPORT**

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the four years to 31 December 2010:

Consolidated Entity:

	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Revenue	\$81,643	\$394,086	\$954,456	\$337,804
Net loss before tax	(\$3,119,802)	(\$3,201,171)	(\$2,116,053)	(\$857,653)
Net loss after tax	(\$2,743,959)	(\$3,201,171)	(\$2,133,441)	(\$840,265)
Share price at end of year <sup>1</sup>	9 cents	15 cents	6 cents	20 cents
Basic loss per share	(3.0 cents)	(5.4 cents)	(4.5 cents)	(2.6 cents)
Diluted loss per share	(3.0 cents)	(5.4 cents)	(4.5 cents)	(2.6 cents)

Note 1: The Company was listed on the ASX on 11 July 2007.

Note 2: No dividends have been declared or paid since the Company was listed.

**Key Management Personnel Remuneration Policy**

The remuneration structure for key management personnel, as determined by the Board, is based on a number of factors, including length of service, particular experience of the individual concerned and their role within the organisation. The contracts of service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

**Key Management Personnel Remuneration:**

**Remuneration for the year ended 31 December 2010**

Key Management Person & Position	Short-term Benefits		Long-term Benefits	Share-based Payments <sup>2</sup>	Post-employment Benefits	Termination Payment <sup>1</sup>	Total
	Salary or Fees \$	Consulting fees \$	Long service leave \$	Options \$	Superannuation \$	Cash \$	
<b>M Stewart</b> <i>Managing Director</i>	214,420	-	24,449	68,000	38,173	110,210	455,252
<b>J Macdonald</b> <i>Non-Executive Chairman</i>	40,000	-	-	27,200	-	-	67,200
<b>M Lester</b> <i>Non-Executive Director</i>	24,000	-	-	17,000	2,160	-	43,160
<b>R Caren</b> <i>Company Secretary</i>	-	68,272	-	-	-	-	68,272
<b>G Barnes</b> <i>Exploration Manager</i>	160,500	-	-	32,700	14,445	-	207,645
<b>G Doig</b> <i>Chief Financial Officer</i>	-	105,822	-	-	-	-	105,822
	438,920	174,094	24,449	144,900	54,778	110,210	947,351

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**DIRECTORS' REPORT**

M Stewart resigned as managing director on 31 December 2010. G Barnes was appointed as managing director on 1 January 2011 whilst retaining the position of exploration manager.

<sup>1</sup>The Company has, under an employment contract, an obligation to make a termination payment to M Stewart. ASX Listing Rules require that the Company's shareholders approve payment of termination benefits to directors in excess of 5% of equity interests, as set out in the latest set of accounts given to the ASX. At balance date the Company had paid \$56,431 out of a \$110,210 termination entitlement, leaving a balance of \$53,779. Shareholder approval will be sought at the 2011 AGM to allow payment of any outstanding amount.

**Remuneration for the year ended 31 December 2009**

Key Management Person & Position	Short-term Benefits		Share-based Payments <sup>2</sup>	Post-employment Benefits	Total
	Salary \$	Consulting fees \$	Options \$	Superannuation \$	\$
<b>M Stewart</b> <i>Managing Director</i>	214,000	-	22,155	19,260	255,415
<b>J Macdonald</b> <i>Non-Executive Chairman</i>	13,222	-	6,514	29,188	48,924
<b>M Lester</b> <i>Non-Executive Director</i>	12,000	-	5,211	14,160	31,371
<b>N Archibald</b> <i>Non-Executive Director</i>	1,419	-	5,207	128	6,754
<b>R Caren</b> <i>Company Secretary</i>	-	68,247	12,659	-	80,906
<b>G Barnes</b> <i>Exploration Manager</i>	160,500	-	38,084	14,445	213,029
<b>G Doig</b> <i>Chief Financial Officer</i>	-	173,099	12,659	-	185,758
	401,141	241,346	102,489	77,181	822,157

<sup>2</sup>There is no performance-related component to remuneration. The nature of the options granted to KMP's serve to align the interests of the KMP's with the interests of shareholders.

D Holden, J Kannelitsas and R Moore were directors of the Company for periods of between 5 and 9 months in the financial year ended 31 December 2009. They received no remuneration.

**CLANCY EXPLORATION LIMITED**  
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**DIRECTORS' REPORT**

During the financial year, the following share-based payment arrangements were in existence:

Holder	Option Series	Granted No.	Grant Date	Vesting Date	Expiry Date	Fair Value per Option at Grant Date \$	Exercise Price \$
Directors	Incentive	1,150,000	23 April 2007	11 July 2009	30 April 2010	0.0996	0.2
	PS 1	250,000	23 April 2007	11 July 2009	30 April 2010	0.0775	0.3
	PS 2	250,000	23 April 2007	11 July 2009	30 April 2010	0.0624	0.4
Employees & Consultants	Incentive	650,000	23 April 2007	11 July 2009	30 April 2010	0.0964	0.2
	PS 1	250,000	23 April 2007	11 July 2009	30 April 2010	0.0737	0.3
	PS 2	250,000	23 April 2007	11 July 2009	30 April 2010	0.0584	0.4
Employees	Incentive	100,000	2 November 2007	11 July 2009	30 April 2010	0.1287	0.2
	PS 1	100,000	2 November 2007	11 July 2009	30 April 2010	0.0986	0.3
	PS 2	100,000	2 November 2007	11 July 2009	30 April 2010	0.0779	0.4
Employees	Incentive	100,000	13 May 2008	11 July 2009	30 April 2010	0.0275	0.2
Employees	Incentive	100,000	24 July 2008	11 July 2009	30 April 2010	0.04	0.2
Martin Place Securities	Broker	2,000,000	25 June 2007	25 June 2009	10 July 2011	0.0612	0.2
Centaurus Resources Ltd	Centaurus Options	1,250,000	13 March 2009	13 March 2009	30 September 2011	0.065	0.2
Employees & Consultants	Incentive	2,350,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
Western Plains Resources Ltd	Western Plains Resources Options	1,000,000	28 August 2009	28 August 2009	30 September 2011	0.048	0.2
Directors	Incentive	1,650,000	28 January 2010	28 January 2010	31 December 2013	0.068	0.195
Employees	Incentive	<u>1,100,000</u>	4 May 2010	4 May 2010	30 September 2013	0.0654	0.185
Total		12,650,000					

**CLANCY EXPLORATION LIMITED**  
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**AND CONTROLLED ENTITY**

**DIRECTORS' REPORT**

**Options Granted As Part of Remuneration**

Options are issued to directors and executives as part of their remuneration for nil consideration. The options are issued to the directors and executives of Clancy Exploration Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

**Options Granted As Part of Remuneration for the year ended 31 December 2010**

Key Management Personnel	Option Series	Granted No.	Grant Date	Exercise Date	Fair Value per Option at Grant Date	Exercise Price	Value of Options Granted During the Year	Remuneration Consisting of Options for the Year	Value of Options Lapsed During the Year
					\$		\$	%	\$
M Stewart	Incentive	1,000,000	28 January 2010	31 December 2013	0.068	0.195	68,000	14.90%	84,792
J Macdonald	Incentive	400,000	28 January 2010	31 December 2013	0.068	0.195	27,200	40.50%	24,930
M Lester	Incentive	250,000	28 January 2010	31 December 2013	0.068	0.195	17,000	39.40%	19,944
G Barnes	Incentive	500,000	4 May 2010	30 September 2013	0.0654	0.185	32,700	15.80%	48,735
		<b>2,150,000</b>					<b>144,900</b>	<b>18.70%</b>	<b>178,401</b>

All options granted to directors as part of their remuneration during the course of the year ended 31 December 2010 vested immediately. The options granted to G Barnes as an executive during 2010, prior to him becoming a director, also vested immediately. All options granted to executives and directors on 23 April 2007 lapsed on their 30 April 2010 expiry date. No options were exercised, or forfeited during the year.

There were no alterations to the terms and conditions of any options granted as remuneration since their grant date.

Details of share-based payments in existence during 2010, are disclosed in this Directors' Report and Notes 17, 25 and 26 to the Annual Financial Statement.

**Options Granted As Part of Remuneration for the year ended 31 December 2009**

Key Management Personnel	Option Series	Granted No.	Grant Date	Exercise Date	Fair Value per Option at Grant Date	Exercise Price	Value of Options Granted During the Year	Remuneration Consisting of Options for the Year
					\$	\$	\$	%
R Caren	Incentive	200,000	12 August 2009	10 August 2013	0.0507	0.175	10,140	12.9%
G Barnes	Incentive	500,000	12 August 2009	10 August 2013	0.0507	0.175	25,350	12.7%
G Doig	Incentive	200,000	12 August 2009	10 August 2013	0.0507	0.175	10,140	5.5%
		<b>900,000</b>					<b>45,630</b>	<b>9.9%</b>

No options were issued to directors as part of their remuneration during the course of the year ended 31 December 2009. All options granted to executives on 12 August 2009 vested immediately and none were exercised, lapsed or forfeited during the balance of the year.

All options granted in 2007 vested on 11 July 2009 with none exercised, lapsed or forfeited during the year.

There were no alterations to the terms and conditions of any options granted as remuneration since their grant date.

**Contracts with Directors and Key Management Personnel**

**DIRECTORS' REPORT**

**Mark Stewart.**

The key provisions of the contract with Mark Stewart (former Managing Director) were as follows:

<b>Contract Duration</b>	Rolling contract
<b>Notice Period for Termination and Termination Payments</b>	<p>Mr Stewart's remuneration was subject to an annual review undertaken by the remuneration committee.</p> <p>Mr Stewart could terminate employment by providing 3 months notice in writing.</p> <p>The Company could terminate Mr Stewart's employment, for reasons other than serious misconduct, by providing 6 months notice or providing payment in lieu of this notice period.</p> <p>The Company could immediately terminate Mr Stewart's employment for reasons of serious misconduct.</p> <p>This contract was terminated on 23 December 2010 by mutual agreement.</p>

**Gordon Barnes**

The key provisions of the contract with Gordon Barnes (Managing Director and Exploration Manager) are as follows:

<b>Contract Duration</b>	Rolling contract
<b>Notice Period for Termination and Termination Payments</b>	<p>Mr Barnes' remuneration is subject to an annual review undertaken by the remuneration committee.</p> <p>Mr Barnes may terminate employment by providing 3 months notice in writing.</p> <p>The Company may terminate Mr Barnes' employment, for reasons other than serious misconduct, by providing 6 months notice or providing payment in lieu of this notice period.</p> <p>The Company may immediately terminate Mr Barnes' employment for reasons of serious misconduct.</p>

**12. Auditor Independence and Non-Audit Services**

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

- all material non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APS 110 Code of Ethics for Professional issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**13. Auditors' Independence Declaration**

The auditors' independence declaration for the year ended 31 December 2010 has been received and can be found on page 11 of the Directors' Report.

**14. Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to the principles of corporate governance. The company's corporate governance statement will be included in the annual report immediately after Shareholders' Information.

**DIRECTORS' REPORT**

**15. Share Options**

At the date of this report 36,428,362 options to acquire ordinary shares in Clancy Exploration Limited were on issue, as follows:

Number	Expiry Date	Exercise Price	Description
2,000,000	10 July 2011	20 cents	Brokers Options <sup>1</sup>
1,250,000	30 September 2011	20 cents	Centaurus Options
2,050,000	10 August 2013	17.5 cents	Incentive Options <sup>1</sup>
1,000,000	30 September 2011	20 cents	Western Plains Resources Options
1,650,000	31 December 2013	19.5 cents	Director Options <sup>1</sup>
1,100,000	30 September 2013	18.5 cents	Employee Incentive Options
27,378,362	31 July 2013	15 cents	Listed Options

<sup>1</sup>These options are non-transferable.

No options were exercised during the year or in the period up to the date of this report. Details of share-based payments and options issued to directors, consultants and eligible employees, are disclosed in this Directors' Report and Notes 17, 25 and 26 to the Annual Financial Statement. 300,000 Incentive Options were cancelled during the year following resignation of the grantee, in accordance with the terms of the Incentive Options.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate, with the exception of the abovementioned Listed (Free Attaching) Options in the event the Company makes a bonus issue of ordinary shares.

**16. Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Director	Directors' Meetings Eligible to Attend	Directors' Meetings Attended	Remuneration Committee Meetings Eligible to Attend	Remuneration Committee Meetings Attended	Audit Committee Meetings Eligible to Attend	Audit Committee Meetings Attended
M Stewart	7	7	-	-	-	-
J Macdonald	7	7	1	1	2	2
M Lester	7	7	1	1	2	2

In accordance with the rotational requirements of the Constitution, Dr Macdonald retires as a director at the Annual General Meeting and being eligible, offers himself for re-election. As casual appointments to the Board during the year, Mr Barnes and Dr Etheridge retire as directors at the Annual General Meeting and being eligible, offer themselves for re-election.

**17. Insurance and Indemnity of Officers**

The Company has in respect of any person who is or has been a director or officer of the Company paid a premium in respect of a contract insuring all directors and officers against a liability. The Company maintains insurance policies for the benefit of the relevant director or officer for the term of their appointment and for a period of seven years after retirement or resignation.

The Company has entered into a Deed of Indemnity, Access and Insurance with each of its Directors and the Company Secretary. Under the Deeds of Indemnity, Access and Insurance the Company will indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Deeds of Indemnity, Access and Insurance also provide for the right to access Board papers.

**18. Risk Management**

The Company takes a proactive approach to risk management including monitoring actual performance against budgets and forecast and monitoring investment performance. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the consolidated entity's objectives and activities are aligned with the risks and opportunities identified by the Board.

**19. Environmental Regulations and Performance**

**DIRECTORS' REPORT**

The company is required to carry out the exploration and evaluation of its mining tenements in accordance with various State Government Acts and Regulations.

In regard to environmental considerations, the Company is required to obtain approval from various State regulatory authorities before any exploration requiring ground disturbance, such as line clearing, drilling programs and costeaning is carried out. It is normally a condition of such regulatory approval that any area of ground disturbed during the company's activities is rehabilitated in accordance with various guidelines.

There have been no significant breaches of these guidelines.

This report is made in accordance with a resolution of the directors.



**G.J. Barnes**  
Managing Director

Signed at Perth, WA dated this 31<sup>st</sup> day of March 2011



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The Board of Directors  
Clancy Exploration Limited  
Suite 4, 6 Richardson Street  
West Perth WA 6005

31 March 2011

Dear Board Members

**Clancy Exploration Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Clancy Exploration Limited.

As lead audit partner for the audit of the financial statements of Clancy Exploration Limited for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

**Neil Smith**  
Partner  
Chartered Accountant

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**CLANCY EXPLORATION LIMITED**  
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**AND CONTROLLED ENTITY**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Continuing operations</b>					
Rendering of services		30	224,733	30	224,733
Net gain on disposal of available-for-sale investments	4(a)	-	103,351	-	103,351
Other revenue	4(b)	81,613	66,002	81,613	66,002
		81,643	394,086	81,643	394,086
Employee benefits expense	5(a)	(1,295,598)	(1,169,660)	(1,295,598)	(1,169,660)
Consulting and outsourced services expense		(359,428)	(460,308)	(359,428)	(460,308)
Exploration expenditure	5(d)	(1,072,431)	(1,382,811)	(1,072,431)	(1,382,811)
Computer related costs		(14,457)	(20,783)	(14,457)	(20,783)
Travel expense		(30,942)	(32,606)	(30,942)	(32,606)
Equipment insurance and hire expense		(20,030)	(14,723)	(20,030)	(14,723)
Depreciation, amortisation and impairment expense	5(b)	(49,891)	(54,884)	(49,891)	(54,884)
Finance costs	5(c)	(553)	(116)	(553)	(116)
Net joint venture reimbursed exploration expenditure & joint venture contributions	5(d)	(250,712)	(349,877)	(250,712)	(349,877)
Other expenses		(107,403)	(109,489)	(107,191)	(109,277)
Total expenses		(3,201,445)	(3,595,257)	(3,201,233)	(3,595,045)
<b>Loss before income tax benefit</b>		(3,119,802)	(3,201,171)	(3,119,590)	(3,200,959)
<b>Income tax benefit</b>	6	375,843	-	375,843	-
<b>Loss attributable to owners of parent after tax for the year</b>		(2,743,959)	(3,201,171)	(2,743,747)	(3,200,959)
<b>Other comprehensive income:</b>					
Net fair value gain/(loss) on revaluation of available-for-sale investment		(562)	562	(562)	562
<b>Other comprehensive income/(loss) net of tax</b>		(562)	562	(562)	562
<b>Total comprehensive loss attributable to owners of the parent</b>		(2,744,521)	(3,200,609)	(2,744,309)	(3,200,397)
Basic loss per share (cents per share)	7	(3.0 cents)	(5.4 cents)		
Diluted loss per share (cents per share)	7	(3.0 cents)	(5.4 cents)		

The accompanying notes form part of these financial statements.

**CLANCY EXPLORATION LIMITED**  
**ABN: 65 105 578 756**  
**AND CONTROLLED ENTITY**

**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	8	1,660,368	1,907,948	1,660,368	1,907,948
Trade and other receivables	9	493,043	124,980	495,222	126,947
Available-for-sale investments	10	-	1,125	-	1,125
<b>Total Current Assets</b>		<b>2,153,411</b>	<b>2,034,053</b>	<b>2,155,590</b>	<b>2,036,020</b>
<b>Non-Current Assets</b>					
Other financial assets	11	-	-	1	1
Plant and equipment	12	130,375	86,677	130,375	86,677
Intangible assets	13	5,969	7,724	5,969	7,724
<b>Total Non-Current Assets</b>		<b>136,344</b>	<b>94,401</b>	<b>136,345</b>	<b>94,402</b>
<b>TOTAL ASSETS</b>		<b>2,289,755</b>	<b>2,128,454</b>	<b>2,291,935</b>	<b>2,130,422</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	14	298,474	349,507	298,474	349,507
Provisions	15	32,470	45,368	32,470	45,368
<b>Total Current Liabilities</b>		<b>330,944</b>	<b>394,875</b>	<b>330,944</b>	<b>394,875</b>
<b>Non-Current Liabilities</b>					
Provisions	15	-	3,651	-	3,651
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>3,651</b>	<b>-</b>	<b>3,651</b>
<b>TOTAL LIABILITIES</b>		<b>330,944</b>	<b>398,526</b>	<b>330,944</b>	<b>398,526</b>
<b>NET ASSETS</b>		<b>1,958,811</b>	<b>1,729,928</b>	<b>1,960,991</b>	<b>1,731,896</b>
<b>EQUITY</b>					
Contributed equity	16	10,166,442	7,377,178	10,626,441	7,837,177
Reserves	17	824,008	640,430	824,008	640,430
Accumulated losses		(9,031,639)	(6,287,680)	(9,489,458)	(6,745,711)
<b>TOTAL EQUITY</b>		<b>1,958,811</b>	<b>1,729,928</b>	<b>1,960,991</b>	<b>1,731,896</b>

The accompanying notes form part of these financial statements.

**CLANCY EXPLORATION LIMITED**  
**ABN: 65 105 578 756**  
**AND CONTROLLED ENTITY**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

<b>CONSOLIDATED</b>	<b>Notes</b>	<b>Ordinary shares</b>	<b>Options reserve</b>	<b>Asset revaluation reserve</b>	<b>Retained earnings</b>	<b>Total Equity</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 January 2010</b>		7,377,178	639,868	562	(6,287,680)	1,729,928
Total comprehensive income for the period, net of tax		-	-	(562)	(2,743,959)	(2,744,521)
Issue of share capital		2,789,264	-	-	-	2,789,264
Share-based payments - employee options		-	184,140	-	-	184,140
<b>At 31 December 2010</b>		<b>10,166,442</b>	<b>824,008</b>	<b>-</b>	<b>(9,031,639)</b>	<b>1,958,811</b>
<b>At 1 January 2009</b>		4,722,292	318,272	-	(3,086,509)	1,954,055
Total comprehensive income for the period, net of tax		-	-	562	(3,201,171)	(3,200,609)
Issue of share capital		2,654,886	-	-	-	2,654,886
Share-based payments - employee options		-	192,646	-	-	192,646
Share-based payments - vendors of tenements		-	128,950	-	-	128,950
<b>At 31 December 2009</b>		<b>7,377,178</b>	<b>639,868</b>	<b>562</b>	<b>(6,287,680)</b>	<b>1,729,928</b>
<b>PARENT</b>		<b>Ordinary shares</b>	<b>Options reserve</b>	<b>Asset revaluation reserve</b>	<b>Retained earnings</b>	<b>Total Equity</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 January 2010</b>		7,837,177	639,868	562	(6,745,711)	1,731,896
Total comprehensive income for the period, net of tax		-	-	(562)	(2,743,747)	(2,744,309)
Issue of share capital		2,789,264	-	-	-	2,789,264
Share-based payments - employee options		-	184,140	-	-	184,140
<b>At 31 December 2010</b>		<b>10,626,441</b>	<b>824,008</b>	<b>-</b>	<b>(9,489,458)</b>	<b>1,960,991</b>
<b>At 1 January 2009</b>		5,182,291	318,272	-	(3,544,752)	1,955,811
Total comprehensive income for the period, net of tax		-	-	562	(3,200,959)	(3,200,397)
Issue of share capital		2,654,886	-	-	-	2,654,886
Share-based payments - employee options		-	192,646	-	-	192,646
Share-based payments - vendors of tenements		-	128,950	-	-	128,950
<b>At 31 December 2009</b>		<b>7,837,177</b>	<b>639,868</b>	<b>562</b>	<b>(6,745,711)</b>	<b>1,731,896</b>

The accompanying notes form part of these financial statements.

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts/(refunds of unearned income) from customers		(7,768)	(183,386)	(7,768)	(183,386)
Payments to suppliers and employees		(3,018,090)	(3,540,814)	(3,018,090)	(3,540,814)
Interest received		81,613	66,002	81,613	66,002
Interest paid		(553)	(116)	(553)	(116)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	18	<b>(2,944,798)</b>	<b>(3,658,314)</b>	<b>(2,944,798)</b>	<b>(3,658,314)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of plant and equipment		(85,151)	(12,346)	(85,151)	(12,346)
Purchase of intangible assets		(6,683)	(475)	(6,683)	(475)
Proceeds from sale of available-for-sale investment		-	231,089	-	231,089
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(91,834)</b>	<b>218,268</b>	<b>(91,834)</b>	<b>218,268</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from share issue		3,090,269	1,976,777	3,090,269	1,976,777
Costs of share issue		(301,005)	(128,891)	(301,005)	(128,891)
Loans to related entity - payments made		(212)	(5,222)	(212)	(5,222)
Loans to related entity - repayments received		-	5,456	-	5,456
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,789,052</b>	<b>1,848,120</b>	<b>2,789,052</b>	<b>1,848,120</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(247,580)</b>	<b>(1,591,926)</b>	<b>(247,580)</b>	<b>(1,591,926)</b>
Cash and cash equivalents at beginning of period		1,907,948	3,499,874	1,907,948	3,499,874
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	8	<b>1,660,368</b>	<b>1,907,948</b>	<b>1,660,368</b>	<b>1,907,948</b>

The accompanying notes form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

**1. CORPORATE INFORMATION**

The financial statements of Clancy Exploration Limited (the Company) for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 31 March 2011.

Clancy Exploration Limited (the parent) is a company limited by shares, incorporated in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for Clancy Exploration Limited as an individual entity and the consolidated entity consisting of Clancy Exploration Limited and its controlled entity.

Table of Contents	
a) Basis of preparation	m) Impairment of non-financial assets other than goodwill – Note 13
b) Going concern	n) Plant and Equipment – Note 12
c) Compliance with IFRS	o) Trade and other payables – Note 14
d) New accounting standards and interpretations	p) Provisions and employee benefits – Note 15
e) Basis of consolidation	q) Share-based payment transactions – Note 26
f) Business combinations	r) Contributed equity – Note 16
g) Segment reporting – Note 20	s) Revenue recognition
h) Foreign currency translation	t) Income tax and other taxes – Note 6
i) Cash and cash equivalents – Note 8	u) Earnings per share – Note 7
j) Trade and other receivables – Note 9	v) Exploration Expenditure
k) Investments and other financial assets – Notes 10 and 11	w) Financial Liabilities and Equity Instruments Issued – Notes 14, 16 and 17
l) Interest in a jointly controlled operation – Note 19	

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. These financial statements have also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

These financial statements are presented in Australian dollars.

**(b) Going concern**

As at 31 December 2010, the consolidated entity and parent entity had net current assets of \$1,822,467 (2009: \$1,639,178) and \$1,824,646 (2009: \$1,641,145) and had incurred losses of \$2,743,959 (2009: \$3,201,171) and \$2,743,747 (2009: \$3,200,959) and experienced net cash outflows from operating activities of \$2,944,798 (2009: \$3,658,314) and \$2,944,798 (2009: \$3,658,314) respectively for the year then ended.

Based on minimum committed cashflows for a period of 12 months from the date of this report, it is expected that cash on hand will be significantly reduced and further cash resources will be required to be raised before October 2011. At the date of this report, activities to raise this funding are at a preliminary stage.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the consolidated entity and the parent entity to continue as going concerns.

The ability of the consolidated entity and the parent entity to continue as going concerns is principally dependent upon the ability of the consolidated entity and the parent entity to secure funds by raising capital from equity markets.

Based on the cash flow forecast and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the consolidated entity and parent entity's history of raising capital to date, the directors are confident of the ability to raise additional funds as and when they are required. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Should the consolidated entity and parent entity be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity and parent entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

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The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the consolidated entity and parent entity be unable to continue as going concerns.

**(c) Compliance with IFRS**

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

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

**(A) Changes in accounting policy and disclosure**

From 1 January 2010 the Group has adopted the following standards and interpretations, mandatory for annual reporting periods beginning 1 January 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- (i) *AASB 3 (Revised) Business Combinations; and*
- (ii) *AASB 127 (Revised) Consolidated and Separate Financial Statements;*

The following Amending Standards have also been adopted from 1 January 2010 with no effect on the financial statements:

- (i) *AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 (Revised) and AASB 127 (Revised);*
- (ii) *AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;;*
- (iii) *AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items;*
- (iv) *AASB Int. 17 and AASB 2008-13 Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] and consequential amendments to other Australian Accounting Standards;*
- (v) *AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project to AASB 2, AASB 138 and AASB Interpretations 9 & 16;*
- (vi) *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139;*
- (vii) *AASB 2009-7 Amendments to Australian Accounting Standards AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17;*
- (viii) *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2;*
- (ix) *AASB Int. 18 Transfers of Assets from Customers*

The following Australian Accounting Standards and Interpretations that have recently been issued but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 December 2010. Those that are relevant to the Group are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
AASB 9	Financial Instruments.	Simplifies the classifications of financial assets into two categories: <ul style="list-style-type: none"> <li>• Those carried at amortised cost; and</li> <li>• Those carried at fair value.</li> </ul> Simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately. Removes the tainting rules associated with held-to-maturity assets. Investments in equity instruments that are not	1 January 2013. (Early adoption permitted for financial periods ended on or after 31 December 2009).	Adoption of AASB 9 is likely to result in changes in the way in which the Group classifies financial assets. The Group has been unable to assess (as at authorisation of these financial statements) the financial impact of this change on the Group's financial statements in the period of initial application.	1 January 2013.

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Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
		held for trade can be designated at fair value through other comprehensive income, with only dividends being recognised in profit and loss. Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value.			
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of Rights Issues.	Clarifies that rights, options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments.	1 February 2010.	Adoption of the AASB 2009-10 is not expected to have any impact on the Group's financial statements	1 January 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].	This standard gives effect to the consequential changes arising from the issuance of AASB 9: Financial Instruments.	1 January 2013. (Early adoption permitted for financial periods ended on or after 31 December 2009) provided AASB 9 is applied and disclosure in made of this fact	Refer to AASB 9 above	1 January 2013.
Revised AASB 124	Related Party Disclosures (December 2009)	Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party, including: (a) now identifies a subsidiary and an associate with same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of	1 January 2011	Adoption of Revised AASB 124 is not expected to have any impact on the Group's financial statements	1 January 2011

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Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
		each other; and now identifies that, whenever a person or entity with joint control over a second entity and joint control or significant influence over a third party, the second and third parties are related parties; and a partial exemption is also provided from the disclosure requirements of government related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.			
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].	AASB 2009-12 makes amendments to a number of Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect Changes made to the text of IFRSs by the IASB.	1 January 2011	Adoption of Revised AASB 2009-12 is not expected to have any impact on the Group's financial statements particularly given that the Group is involved in mineral exploration activities and does not have government customers	1 January 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB1].	This Standard makes amendments to Australian Accounting Standard AASB 1: First-time Adoption of Australian Accounting Standards. These amendments arise from the issuance of AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments. The amendment allows adopters to apply the transitional provisions in Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments 19 [AASB 1].	1 July 2010	Adoption of Revised AASB 124 is not expected to have any impact on the Group's financial statements	1 January 2011
AASB Int. 19	Extinguishing Financial Liabilities with	Requires the extinguishment of a financial liability by the	1 July 2010	Refer to AASB 2009-13 above	1 January 2011

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Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
	Equity Instruments.	issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instrument issued) with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of a convertible debt) or to common control transactions.			
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14].	Makes amendments to Interpretation 14 AASB 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset.	1 January 2011	Adoption of Revised AASB 2009-14 will not have any impact on the Group's financial statements as the Group does not have any Defined Benefit Assets	1 January 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	In respect of its applicability to government entities, adoption of AASB 2009-12 is not expected to have any impact on the Group's financial statements as it is not involved in government. In relation to various editorial changes to accounting standards and interpretations, the Group has been unable to assess (as at authorisation of these financial statements) the financial impact of this change on the Group's financial statements in the period of initial application.	1 January 2011

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Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
AASB 2010-1	Amendments to Australian Accounting – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters	First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	1 July 2010	Adoption of Revised AASB 2009-14 will not have any impact on the Group's financial statements as the Group is not a first time adopter of Australian Accounting Standards	1 January 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</p> <p>(b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing for general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian</p>	1 July 2013	AASB 1053 will not have any impact on the Group's financial statements as the Group, being listed on the ASX, is classified as a reporting entity and accordingly this standard will not apply to it.	1 January 2014

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Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
		Government and State, Territory and Local Governments			
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	Refer to AASB 1053 above	1 January 2014
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB139]	Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	Adoption of AASB 2010-3 will not have any impact on the Group's financial statements as the Group comprises a wholly owned subsidiary and thus is not faced with NCI issues. Further the Group has not been and is not involved in, any business combinations or a disposal of any portion of its holding in its subsidiary.	1 January 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13}	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial	1 January 2011	Adoption of AASB 2010-4 is likely to result in changes in the way in which the Group discloses financial instruments, other comprehensive income for each component of equity and significant events and transactions. The Group is not	1 January 2011

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Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
		statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.		involved in the issue of award credits.  The Group has been unable to assess (as at authorisation of these financial statements) the financial impact of these changes on the Group's financial statements in the period of initial application.	
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	Adoption of AASB 2010-5 is not expected to have any impact on the Group's financial statements	1 January 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	Adoption of Revised AASB 2010-6 is not expected to have any impact on the Group's financial statements as no assets have been or are being transferred.	1 January 2012
AASB 2010-7	Amendments to IFRS 9: Fair Value Option for Financial Liabilities	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: (a) The change attributable to	1 January 2013	Adoption of this pending standard is likely to result in changes in the way in which the Group discloses financial liabilities.  The Group has been unable to assess (as at authorisation of these financial statements) the financial impact	1 January 2013

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Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
		<p>changes in credit risk are presented in other comprehensive income (OCI)</p> <p>(b) The remaining change is presented in profit or loss</p> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>		of these changes on the Group's financial statements in the period of initial application.	
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	<p>Amends AASB 112 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.</p> <p>As a result of the amendments, Interpretation 112 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into AASB 112 the remaining guidance previously contained in Interpretation 112, which is accordingly withdrawn</p>	1 January 2012	Adoption of Revised AASB 2010-8 is not expected to have any impact on the Group's financial statements as the Group does not have any investment properties.	1 January 2012

\*designates the beginning of the applicable annual reporting period unless otherwise stated

**(e) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Clancy Exploration Limited and its subsidiary (as outlined in Note 23) as at 31 December each year (the Group).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Clancy Exploration Limited are accounted for at cost in the separate financial statements of the parent entity.

**NOTES TO THE FINANCIAL STATEMENTS**

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (see Note 2 (f)).

**(f) Business combinations**

*Prior to 1 July 2009*

The purchase method of accounting was used to account for all business combinations regardless of whether equity instruments or other assets were acquired. Cost was measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments were issued in a business combination, the fair value of the instruments was their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments were recognised directly in equity.

Where a business combination occurred that involved Group entities under common control, both before and after the business combination, the requirements of the previous AASB 3 *Business Combinations* (prior to its revision) did not apply and thus the combination was been accounted for according to the pooling of interest method based on the carrying value of the net assets. Furthermore, no goodwill or fair value treatment was required, given that this transaction was outside the scope of the previous AASB 3. This treatment was also supported by the fact that Group entities, all being related parties, could not transact in an arm's length transaction and therefore determine the fair value of the company acquired.

Except for non-current assets or disposal groups classified as held for sale (which were measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at the fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired was recognised as goodwill. If the cost of acquisition was less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference was recognised as the gain in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration was deferred, the amounts payable in the future were discounted to their present value as at the date of exchange. The discount rate used was the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

*Subsequent to 1 July 2009*

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

**(f) Business combinations (Cont'd)**

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

**(g) Segment Reporting**

Management has assessed that the company's reportable business segments under the quantitative criteria set out in AASB 8 *Segment Reporting* and has determined that no additional operating segments disclosures are required.

AASB 8 requires the 'management approach' to the identification, measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance.

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This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments.

In its adoption of the 'management approach' to segment reporting, the company has identified that it continues to operate as a gold, copper and base metals explorer and developer, in a single reportable business segment, under one segment manager, in one geographical location being Australia, consistent with the prior year. The information disclosed in the financial statements is the same information utilised internally by the chief operating decision maker. Accordingly no additional quantitative or qualitative disclosures are required.

**(h) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Clancy Exploration Limited's functional and presentation currency.

*(ii) Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**(i) Cash and cash equivalents – Note 8**

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of not more than 3 months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. The consolidated entity does not have any bank overdraft facilities.

**(j) Trade and other receivables – Note 9**

Trade receivables are generally paid on 30 day settlement terms and are recognised and carried at original invoice amount less an allowance for impairment. Trade receivables are non-interest bearing.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision would be recognised when legal notice has been sent and a reply not received within 30 days.

**(k) Investments and other financial assets – Note 10 and 11**

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

*Recognition and Derecognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognizes the asset if it has transferred control of the assets.

*(i) Loans and receivables – Note 9*

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at the transaction price minus principal repayments and minus any allowance for impairment or uncollectability. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. Loans and receivables are included with

**NOTES TO THE FINANCIAL STATEMENTS**

receivables in current assets in the statement of financial position, except for those with maturities greater than 12 months after balance date, which are classified as non-current. Loans and receivables with maturities greater than 12 months are carried at amortised cost using the effective interest rate method.

*(ii) Available-for-sale securities – Note 10*

Available-for-sale investments are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale or are not classified as any of the following categories: financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

*(iii) Financial assets carried at cost – Note 11*

Investments are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

**(l) Interest in a jointly controlled operation – Note 19**

The consolidated entity has interests in three overall joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity.

In the case of two joint ventures and one project under a third joint venture, joint venture partners are sole funding exploration expenditure until the completion of certain programs, studies or milestones. Accordingly the consolidated entity is incurring nor accounting for such exploration expenditure. In the case of all other projects under the third joint venture, the consolidated entity can elect to contribute to ongoing exploration costs in proportion to its interests or dilute. Some contributions were made during the course of 2010 and were accounted for as exploration expenditure. In previous years, all exploration expenditure in relation to a jointly controlled operation where the consolidated entity was the manager were recovered from the other joint venture partner in its entirety for as long as the other joint venture partner was earning its interest. Once the joint venture partner had earned its interest, the Company recovered expenditure equivalent to the other joint venture partner's interest.

**(m) Intangibles and Impairment of non-financial assets other than that of goodwill – Note 13**

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

The consolidated entity does not have any intangible assets with indefinite lives.

*(i) Impairment*

Intangible assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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The consolidated entity conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment when events or changes in circumstances indicate that the impairment may have reversed.

*(ii) Derecognition and disposal*

Any gain or loss arising on derecognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

**(n) Plant and Equipment – Note 12**

Plant and equipment is stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line and diminishing value methods to allocate the cost of the specific assets over their estimated useful lives. The expected useful lives are detailed in Note 12.

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

*(i) Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The directors have determined that items of plant and equipment do not generate independent cash inflows and that the business of the consolidated entity is, in its entirety, a cash-generating unit. The recoverable amount of plant and equipment is thus determined to be its fair value less costs to sell.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income as an expense.

*(ii) Derecognition and disposal*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is consolidated entity policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

**(o) Trade and other payables – Note 14**

Trade payables and other payables are carried at the transaction price minus principal repayments. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**(p) Provisions and employee benefits – Note 15**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

*Employee leave benefits*

**(i) Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled with 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the current provision for the employee benefits. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**(ii) Long Service Leave**

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(q) Share-based payment transactions – Note 26**

*(i) Equity settled transactions:*

The consolidated entity provides benefits to its directors, employees and consultants in the form of share-based payments, whereby directors and employees render services in exchange for options to acquire shares or rights over shares (equity-settled transactions). The consolidated entity has also issued ordinary shares and unlisted options as consideration to vendors for the acquisition of exploration licences.

The cost of these equity-settled transactions is measured by reference to the fair value to the Company of the equity instruments at the date at which they were granted in the case of options for directors, employees and consultants; and the closing share price on, or just before, either the date of entering into, or executing, an exploration licence purchase agreement in the case of options and shares issued to tenement vendors as consideration for the settlement price. The fair value of the unlisted options is determined using a binominal tree model, taking into account the terms and conditions upon which the options were granted, or were expected to be granted in the case of the Centaurus Resources options, further details of which are given in Note 26.

The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity, on a straight-line basis, over the period in which the vesting and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant directors and employees become fully entitled to the options (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income reflects:

- (i) the grant date fair value of the options;
- (ii) the current best estimate of the number of options that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of vesting conditions being met, based on best available information at balance date; and
- (iii) the extent to which the vesting period has expired.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**(r) Contributed Equity – Note 16**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(s) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Rendering of Services**

Where the work performed in relation to a joint venture or other contract outcome can be reliably measured:

- right to receive compensation for the services provided and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours performed to date as a percentage of total estimated labour hours in relation to a joint venture or for each contract. Where it is probable that a loss will arise in relation to a joint venture or from a contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the contract outcome cannot be reliably measured:

- revenue is recognised only to the extent that the costs that have been incurred are recoverable.

Unearned income is recognised in respect of progress billings and advances on exploration contracts in progress, received in advance, or not represented by work done or reimbursable expenditure incurred, under joint venture arrangements. Such income is recognised and brought to account over time as it is earned.

**(ii) Interest revenue**

Revenue is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised costs of a financial asset and allocating the interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of Goods and Services Tax (“GST”).

**(t) Income tax and other taxes – Note 6**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period’s taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset/liability in a transaction that is not a business combination and that, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

*Tax consolidation legislation*

Clancy Exploration Limited and its wholly-owned Australian controlled entity formed a tax consolidated group on 1 July 2008. However, they continue to account for their own current and deferred tax amounts. The consolidated entity has applied the stand alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

In addition to its own current and deferred tax amounts, Clancy Exploration Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have not entered into a tax funding agreement and as no current tax assets or liabilities or deferred tax assets are recognised in relation to tax losses or unused tax credits, no contributions or distributions are required to be made under AASB Int 1052 Tax Consolidation Accounting.

*Other taxes*

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

**(u) Earnings per share – Note 7**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

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

**(v) Exploration Expenditure**

Exploration expenditure incurred by the consolidated entity in relation to its own sole-funded projects together with any optional quarterly contributions to exploration expenditure, made to the manager of one the jointly controlled operations,

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are recognised in profit or loss as incurred and are classified in the statement of comprehensive income under the expense category "Exploration expenditure".

Exploration expenditure incurred by the consolidated entity, on those joint venture projects it managed, was almost completely recovered from joint venture partners and as such was recognised in profit or loss as incurred. It is classified in the statement of comprehensive income within the income or expense category "Net joint venture reimbursed expenses".

**(w) Financial Liabilities and Equity Instruments Issued by the Consolidated Entity – Notes 14, 16 and 17**

- (i) **Classification as debt or equity**  
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.
- (ii) **Equity instruments**  
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.
- (iii) **Financial liabilities**  
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.
- (iv) **Other financial liabilities**  
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financially liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the consolidated entity continually employs judgement in the application of its accounting policies.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions. Those which may materially affect the carrying amounts of assets and liabilities reported in future periods are discussed below:

**(a) Significant accounting judgements**

*(i) Classification of and valuation of investments*

The consolidated entity has decided to classify investments in listed securities as 'available-for-sale' investments. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income. The fair value of listed shares and options has been determined by reference to published price quotation in an active market.

*(ii) Impairment of non-financial assets including intangible computer software*

The consolidated entity assesses impairment on all assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. These include technology and economic environments. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate a number of key estimates and assumptions.

**(b) Significant accounting estimates and assumptions**

*(i) Share-based payment transactions*

The consolidated entity measures the cost of equity settled transactions with directors, employees, consultants and vendors of tenements by reference to the fair value of the equity instruments at the date at which they are granted in the case of options for directors, employees and consultants; and the closing share price on, or just before, either the date of entering into, or executing, an exploration licence purchase agreement in the case of options and shares issued to tenement vendors as consideration for the settlement price. In the case of options, fair value is determined using a Binomial Tree model, in accordance with the assumptions detailed in Note 26. The accounting estimates and assumptions relating to equity settled

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share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

*(ii) Estimation of useful lives of assets*

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and software developers' support and maintenance program (operating computer software and intangible computer software). Adjustments to useful lives are made when considered necessary. Depreciation and amortisation charges as well as estimated useful lives are included in Notes 12 and 13.

**4. OTHER REVENUE**

	Notes	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>(a) Net gain on disposal of available-for-sale investments</b>					
Net gain on disposal of available-for-sale investments being gross proceeds less net book value		-	103,351	-	103,351
		-	103,351	-	103,351
<b>(b) Other revenue</b>					
Interest revenue		81,612	66,002	81,612	66,002
		81,612	66,002	81,612	66,002

**5. EXPENSES**

**(a) Employee benefits expense includes:**

Directors' fees	64,000	38,642	64,000	38,642
Salaries	899,992	814,601	899,992	814,601
Share-based payments expense	184,140	161,014	184,140	161,014
Workers' compensation costs	13,090	14,547	13,090	14,547
Annual leave provision	(1,469)	17,442	(1,469)	17,442
Long service leave provision	26,853	-	26,853	-
Post employment benefits expense	92,116	104,772	92,116	104,772
Other employee benefits expense	16,876	18,642	16,876	18,642
	1,295,598	1,169,660	1,295,598	1,169,660

**(b) Depreciation, amortisation and impairment expense included in statement of comprehensive income**

Depreciation of plant & equipment	37,328	33,309	37,328	33,309
Amortisation of software and leasehold improvements	8,808	14,158	8,808	14,158
Impairment of plant & equipment	3,755	7,417	3,755	7,417
	49,891	54,884	49,891	54,884

**(c) Finance costs**

Interest expense – other	553	116	553	116
	553	116	553	116

**(d) Exploration Expenditure**

Gross direct exploration expenditure				
- Self funded projects including depreciation	1,091,920	1,397,392	1,091,920	1,397,392
- Joint venture projects including depreciation	-	1,113,024	-	1,113,024

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- Contributions & management fees paid to joint venture partner	250,712	449,591	250,712	449,591
Total gross exploration expenditure	1,342,632	2,960,007	1,342,632	2,960,007
Less: Expenditure reimbursed by joint venture partner	-	(1,207,830)	-	(1,207,830)
Less: Depreciation classified separately in statement of comprehensive income	(19,489)	(19,489)	(19,489)	(19,489)
Net disclosure in statement of comprehensive income	1,323,143	1,732,688	1,323,143	1,732,688

**6. INCOME TAX**

	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>(a) Income tax expense</b>					
The major components of income tax expense are:					
<b>Statement of comprehensive income</b>					
<i>Current income tax</i>					
Current income tax charge/(benefit)		(375,843)	-	(375,843)	-
Adjustments in respect of current income tax of previous years		-	-	-	-
<i>Deferred income tax</i>					
Relating to origination and reversal of temporary differences		-	-	-	-
Income tax expense reported in statement of comprehensive income		(375,843)	-	(375,843)	-
<b>(b) Amounts charged or credited directly to equity</b>					
Deferred income tax related to items charged or credited directly to equity					
Unrealised loss on available-for-sale financial assets		-	-	-	-
Income tax benefit reported in equity		-	-	-	-
<b>(c) Numerical reconciliation of accounting profit to tax expense</b>					
A reconciliation between tax expense and the accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:					
Accounting loss before income tax		(3,119,802)	(3,201,171)	(3,119,590)	(3,200,959)
At the consolidated entity's statutory income tax rate of 30% (2009: 30%)		(935,941)	(960,351)	(935,877)	(960,288)
Non-deductible entertainment/penalties		1,739	910	1,739	910
Other non-allowable items		1,685	-	1,685	-
Share based payments		55,242	57,794	55,242	57,794
Impairment of fixed assets		1,126	2,225	1,126	2,225
Allowable deductions		(169)	(137)	(169)	(137)
Adjustments in respect of current income tax of previous years		1,330	-	1,330	-
Adjustments in respect of deferred tax asset relating to capital raising costs expensed in previous years		(971)	-	(971)	-
Research and development uplift concession		(75,168)	-	(75,168)	-
Increase in unrecognised deferred tax assets		665,586	938,226	665,522	938,163
Unrecognised deferred tax asset relating to capital raising costs charged to equity		(90,302)	(38,667)	(90,302)	(38,667)
Income tax benefit arising from R&D tax rebate		(375,843)	-	(375,843)	-
<b>(d) Current tax assets and liabilities</b>					
Current tax liability		-	-	-	-
<b>(e) Recognised deferred tax assets and liabilities</b>					

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The Group has not recognised any deferred tax assets or liabilities during the year (2009: Nil)

**(f) Tax losses**

The group has Australian revenue tax losses for which no deferred tax asset is recognised on the statement of financial position of \$7,830,105 (2009: \$5,751,318) which are available indefinitely for offset against future taxable income subject to continuing to meet the relevant statutory tests.

The group has Australian capital tax losses for which no deferred tax asset is recognised on the statement of financial position of \$111,962 (2009: \$108,991) which are available indefinitely for offset against future taxable capital gains subject to continuing to meet the relevant statutory tests.

**(g) Unrecognised temporary differences**

As at 31 December 2010, the group has other temporary differences (excluding tax differences relating to tax losses) for which no deferred tax asset is recognised in the statement of financial position of \$619,257 (2009: \$482,398). None of these unrecognised temporary differences relate to investments in subsidiaries, associates or joint ventures.

**6. INCOME TAX (Cont'd)**

**(h) Tax consolidation**

*(i) Members of the tax consolidated group and the tax sharing agreement*

Clancy Exploration Limited and its 100% owned Australian resident subsidiary were both subsidiaries in a tax-consolidated group with Geoinformatics Exploration Australia Pty Ltd as the head entity until 2 July 2007. A new tax-consolidated group was formed on 1 July 2008 with Clancy Exploration Limited as Head Entity. Members of the new tax-consolidated group have not yet entered into a tax sharing agreement.

**7. EARNINGS PER SHARE**

The following reflects the income used in the basic and diluted earnings per share computations.

**(a) Earnings used in calculating earnings per share**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
For basic and diluted earnings per share:		
Loss from continuing operations after tax for the year		(3,201,171)
	(2,743,396)	

**(b) Weighted average number of shares**

	<b>2010</b>	<b>2009</b>
	<b>No. of</b>	<b>No. of</b>
	<b>shares</b>	<b>shares</b>
Weighted average number of ordinary shares for basic and diluted earnings per share		59,250,429
	90,796,543	

**(c) Earnings per share**

Basic loss per share (cents)	(3.0)	(5.4)
Diluted loss per share (cents)	(3.0)	(5.4)

(i) Diluted earnings per share are calculated after classifying all options on issue remaining unconverted at 31 December 2010 as potential ordinary shares. As at 31 December 2010, the Company has on issue 36,728,362 options over unissued capital and has incurred a net loss. As the notional exercise prices of these options is greater than the current market price of the shares, they have not been included in the calculations of the diluted earnings per share as they are anti-dilutive for all periods presented.

(ii) Other than as noted in Note 24, there have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

**8. CASH AND CASH EQUIVALENTS**

		<b>Consolidated</b>		<b>Parent</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Note</b>	\$	\$	\$	\$
Cash at bank		10,482	18,512	10,482	18,512
Short term bank deposits	(ii)	1,649,886	1,889,436	1,649,886	1,889,436
		1,660,368	1,907,948	1,660,368	1,907,948

**Reconciliation to Statement of cash flows**

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December:

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Cash at bank	10,482	18,512	10,482	18,512
Short term bank deposits	1,649,886	1,889,436	1,649,886	1,889,436
	1,660,368	1,907,948	1,660,368	1,907,948

- (i) Cash at bank is non-interest bearing
- (ii) Term Deposits to the value of \$178,000 (2009: \$100,000) have been provided as set-off security to National Australia Bank Limited in respect of a \$178,000 (2009: \$100,000) bank guarantee facility provided in turn for exploration licence security purposes

**Financing facilities available**

Other than the aforementioned bank guarantee facility, at balance date, the Company did not have any financing facilities available

**9. TRADE AND OTHER RECEIVABLES (Current)**

	Notes	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
Trade receivables (a)	(i) & (iv)	-	1,686	-	1,686
Sundry debtors	(ii)	279	1	279	1
Accrued income	(iii)	7,767	-	7,767	-
GST input tax refundable		47,503	43,116	47,397	43,010
Income tax R&D benefits receivable		375,843	-	375,843	-
Deposits/Bonds		11,915	20,873	11,915	20,873
Prepayments		49,736	50,118	49,736	50,118
Related party receivables: (b)					
Trade receivables		-	9,186	-	9,186
Amount receivable from controlled entity		-	-	2,285	2,073
		493,043	124,980	495,222	126,947

**(a) Allowance for impairment loss**

- (i) Trade receivables are non-interest bearing and are generally paid on 30 day settlement terms. A provision for impairment loss would be recognised when legal notice has been sent and reply not received in 30 days. No debtors were outside terms at 31 December 2010 (31 December 2009 - one debtor was outside terms) and no allowance for impairment losses have been made (2009: \$Nil)

At 31 December, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	Past due but not impaired: > 90 days
2010 Consolidated	-	-	-
Parent	-	-	-
2009 Consolidated	1,686	78	1,608
Parent	1,686	78	1,608

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

- (ii) Sundry debtors are non-interest bearing and represent receivables with various maturities.
- (iii) Accrued income comprises interest receivable on various term deposits and which is only receivable on maturity dates which fall after reporting date.
- (iv) Included in trade receivables at 31 December 2009 is an amount of \$78 which was owed by an associated entity Geoinformatics Exploration Australia Pty Ltd.
- (v) The income tax R&D benefits receivable is a cash rebate receivable from the Australian Taxation Office in respect of research and development expenditure incurred in the 2010 tax year.

**(b) Related party receivables**

For terms and conditions of related party receivables refer to Note 23

**(c) Fair value and credit risk**

Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value.

Given the nature of the receivables as detailed above, the consolidated entity's exposure to credit risk is not considered to be material. The Group's maximum exposure to credit risk is the carrying value of trade and other receivables.

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Collateral is not held as security. Nor is it the consolidated entity's policy to transfer (on-sell) receivables to special purpose entities.

10. AVAILABLE-FOR-SALE INVESTMENTS (Current)		Consolidated		Parent	
	Notes	2010 \$	2009 \$	2010 \$	2009 \$
<b>Investments comprise:</b>					
Shares - in listed corporation - at fair value		-	-	-	-
Options - in listed corporation - at fair value		-	1,125	-	1,125
		-	1,125	-	1,125

The available-for-sale investment at 31 December 2009 comprised Australian investments in listed options and therefore had no fixed maturity date or coupon rate. These listed options expired on 30 April 2010. During 2009 there were no impairments to investments and the ordinary shares were disposed of at a net gain of \$103,351.

**(a) Listed shares and options**

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

11. OTHER FINANCIAL ASSETS (Non-Current)	Notes	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
Shares in controlled entities - net carrying amount	23	-	-	1	1
<i>Shares in controlled entities</i>					
Cost (Gross carrying amount)		-	-	460,000	460,000
Accumulated impairment losses		-	-	(459,999)	(459,999)
Net carrying amount		-	-	1	1
Reconciliation of carrying amount					
Beginning of financial year		-	-	1	1
Acquisition of subsidiary at cost		-	-	-	-
Impairment of investment in subsidiary		-	-	-	-
Net carrying amount		-	-	1	1

During 2007 the parent entity recognised an impairment loss of \$459,999 relating to its investment in its wholly owned subsidiary Geoinformatics Tasmania Pty Ltd ("GET"). This loss was based on an assessment of the value-in-use and fair value less costs to sell. As the assets of GET comprise of interests in exploration licences, the expenditure for which has been expensed as incurred in accordance with the Group's accounting policy on exploration expenditure, the company has determined that neither the value-in-use nor the fair value less costs to sell can be reliably estimated.

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12. PLANT AND EQUIPMENT	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Year ended 31 December</b>					
Computer Equipment					
At 1 January, net of accumulated depreciation		16,178	16,613	16,178	16,613
Additions		3,685	12,346	3,685	12,346
Disposals		(58)	-	(58)	-
Depreciation charge for the year		(9,040)	(9,320)	(9,040)	(9,320)
Impairment		(4,092)	(3,461)	(4,092)	(3,461)
Net of accumulated depreciation and impairment		6,673	16,178	6,673	16,178
Plant and Equipment					
At 1 January, net of accumulated depreciation		1,324	7,755	1,324	7,755
Additions		56,160	-	56,160	-
Depreciation charge for the year		(5,360)	(4,056)	(5,360)	(4,056)
Impairment		(454)	(2,375)	(454)	(2,375)
Net of accumulated depreciation and impairment		51,670	1,324	51,670	1,324
Motor Vehicles					
At 1 January, net of accumulated depreciation		69,095	88,584	69,095	88,584
Depreciation charge for the year		(19,489)	(19,489)	(19,489)	(19,489)
Net of accumulated depreciation		49,606	69,095	49,606	69,095
Office Furniture					
At 1 January, net of accumulated depreciation		80	569	80	569
Additions		17,440	-	17,440	-
Depreciation charge for the year		(2,693)	(213)	(2,693)	(213)
Reversal of impairment/(Impairment)		275	(276)	275	(276)
Net of accumulated depreciation and impairment		15,102	80	15,102	80
Leasehold Improvements					
Additions		7,866	-	7,866	-
Amortisation charge for the year		(542)	-	(542)	-
Net of accumulated amortisation		7,324	-	7,324	-
Library					
At 1 January, net of accumulated depreciation		-	617	-	617
Depreciation charge for the year		(144)	(231)	(144)	(231)
Reversal of impairment/(Impairment)		144	(386)	144	(386)
Net of accumulated depreciation and impairment		-	-	-	-
Total Plant and Equipment					
At 1 January, net of accumulated depreciation, amortisation and impairment		86,677	114,138	86,677	114,138
Additions		85,151	12,346	85,151	12,346
Disposals		(58)	-	(58)	-
Depreciation and amortisation charges for the year		(37,268)	(33,309)	(37,268)	(33,309)
Impairment		(4,127)	(6,498)	(4,127)	(6,498)
Net of accumulated depreciation, amortisation and impairment		130,375	86,677	130,375	86,677

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12. PLANT AND EQUIPMENT (Cont'd)	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>At 31 December</b>					
Computer equipment at cost		41,597	38,694	41,597	38,694
Accumulated depreciation and impairment		(34,924)	(22,516)	(34,924)	(22,516)
Net carrying amount		6,673	16,178	6,673	16,178
Plant and equipment at cost		66,778	10,618	66,778	10,618
Accumulated depreciation and impairment		(15,108)	(9,294)	(15,108)	(9,294)
Net carrying amount		51,670	1,324	51,670	1,324
Motor vehicles at cost		111,709	111,709	111,709	111,709
Accumulated depreciation		(62,103)	(42,614)	(62,103)	(42,614)
Net carrying amount		49,606	69,095	49,606	69,095
Office furniture at cost		18,140	700	18,140	700
Accumulated depreciation and impairment		(3,038)	(620)	(3,038)	(620)
Net carrying amount		15,102	80	15,102	80
Leasehold improvements at cost		7,866	-	7,866	-
Accumulated amortisation		(542)	-	(542)	-
Net carrying amount		7,324	-	7,324	-
Library at cost		759	759	759	759
Accumulated depreciation and impairment		(759)	(759)	(759)	(759)
Net carrying amount		-	-	-	-
Total cost		246,849	162,480	246,849	162,480
Accumulated depreciation, amortisation and impairment		(116,474)	(75,803)	(116,474)	(75,803)
Net carrying amount		130,375	86,677	130,375	86,677

- (i) The useful life of the assets was estimated as follows for 2010:
- |                         |  |
|-------------------------|--|
| Sundry equipment:       | 4 to 7 years                                       |
| Computer equipment:     | 4 years  |
| Motor vehicles          | 5 to 8 years                                       |
| Furniture and Fittings: | 5 to 15 years                                      |
| Library:                | 7 years  |
| Leasehold improvements: | Over the remainder of the lease term up to 2 years |
- (ii) No assets have been pledged as security for borrowings.

13. INTANGIBLE ASSETS	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Computer Software</b>					
<b>Year ended 31 December</b>					
At 1 January, net of accumulated amortisation		7,724	22,327	7,724	22,327
Additions		6,683	474	6,683	474
Amortisation charge for the year		(8,809)	(14,157)	(8,809)	(14,157)
Reversal of impairment/(Impairment)		371	(920)	371	(920)
Net of accumulated amortisation and impairment		5,969	7,724	5,969	7,724
<b>At 31 December</b>					
Cost (gross carrying amount)		42,216	35,533	42,216	35,533
Accumulated amortisation and impairment		(36,247)	(27,809)	(36,247)	(27,809)
Net carrying amount		5,969	7,724	5,969	7,724

- (i) The useful life of intangible assets was estimated as follows for 2010:
- |                    |           |
|--------------------|-----------|
| Computer software: | 2.5 years |
|--------------------|-----------|

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14. TRADE AND OTHER PAYABLES (Current)	Notes	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
Trade payables	(ii) - (iv)	205,283	278,810	205,283	278,810
Accrued expenses		93,191	69,260	93,191	69,260
GST payable		-	1,437	-	1,437
		<u>298,474</u>	<u>349,507</u>	<u>298,474</u>	<u>349,507</u>

**Terms and conditions:**

- (i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
- (ii) Trade payables are non-interest bearing and are normally settled on 30 day terms.
- (iii) Included in trade payables at 31 December 2010 is the balance of a termination entitlement of \$53,779 payable to former director M Stewart, under an employment contract. ASX Listing Rules require that the Company's shareholders approve payment of termination benefits to directors in excess of 5% of equity interests, as set out in the latest set of accounts given to the ASX. At balance date the Company had paid \$56,431 out of a total \$110,210 termination entitlement leaving the abovementioned balance.
- (iv) Included in trade payables at 31 December 2009 is an amount of \$196 payable to associate Geoinformatics Exploration Australia Pty Ltd.

15. PROVISIONS	Notes	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>CURRENT</b>					
Employee entitlements - accumulated annual leave	9, 25e	32,470	45,368	32,470	45,368
		<u>32,470</u>	<u>45,368</u>	<u>32,470</u>	<u>45,368</u>
<b>NON-CURRENT</b>					
Employee entitlements - accumulated annual leave	9, 25e	-	3,651	-	3,651
		<u>-</u>	<u>3,651</u>	<u>-</u>	<u>3,651</u>
<b>16. CONTRIBUTED EQUITY</b>					
Ordinary shares	(a)	10,166,442	7,337,178	10,626,441	7,837,177

**(a) Ordinary shares**

Issued and fully paid  
Fully paid ordinary shares carry one vote per share and carry the right to dividends.

***Movement in ordinary shares on issue***

	Notes	Consolidated 2010		Consolidated 2009	
		Number of shares	\$	Number of shares	\$
Consolidated Entity					
Beginning of financial year		75,212,008	7,377,178	47,805,506	4,722,292
Add:					
Shares issued pursuant to a private placement	(i)	6,923,077	900,000		
Shares issued during the year pursuant to a rights issue	(ii)	27,378,362	2,190,269		
Shares issued for acquisition of tenements from Centaurus Resources Ltd	(iii)			3,333,333	300,000
Shares issued during the year pursuant to a rights issue	(iv)			12,784,709	1,022,777
Shares issued for acquisition of tenements from Western Plains Resources Ltd	(v)			2,200,000	297,000
Shares issued for acquisition of tenements from Calibre Mining Corp	(vi)			1,750,000	210,000
Shares issued during the year pursuant to a private placement	(vii)			4,300,000	559,000
Share issued during the year pursuant to a share purchase plan	(viii)			3,038,460	395,000

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Less: Transaction costs on share issue	(ix)	-	(301,005)	-	(128,891)
End of financial year		109,513,447	10,166,442	75,212,008	7,377,178

**16. CONTRIBUTED EQUITY (Cont'd)**

**(a) Ordinary shares (Cont'd)**

*Movement in ordinary shares on issue (Cont'd)*

		Parent 2010		Parent 2009	
		Number of shares	\$	Number of shares	\$
Parent Entity					
Beginning of financial year		75,212,008	7,837,177	47,805,506	5,182,291
Add: Shares issued pursuant to a private placement	(i)	6,923,077	900,000		
Shares issued during the year pursuant to a rights issue	(ii)	27,378,362	2,190,269		
Shares issued for acquisition of tenements from Centaurus Resources Ltd	(iii)			3,333,333	300,000
Shares issued during the year pursuant to a rights issue	(iv)			12,784,709	1,022,777
Shares issued for acquisition of tenements from Western Plains Resources Ltd	(v)			2,200,000	297,000
Shares issued for acquisition of tenements from Calibre Mining Corp	(vi)			1,750,000	210,000
Shares issued during the year pursuant to a private placement	(vii)			4,300,000	559,000
Share issued during the year pursuant to a share purchase plan	(viii)			3,038,460	395,000
Less: Transaction costs on share issue	(ix)	-	(301,005)	-	(128,891)
End of financial year		109,513,447	10,626,441	75,212,008	7,837,177

- (i) On 7 April 2010 6,923,077 ordinary shares were issued at a price of 13 cents per share to Austock Corporate Finance on behalf of sophisticated investors.
- (ii) Pursuant to a 1 for 3 renounceable rights issue, under the prospectus issued 21 July 2010, 27,378,362 ordinary shares were issued on 13 August 2010 at a subscription price of 8 cents per share. These shares were listed on the ASX on 5 August 2010. The Company's shares traded on the ASX "ex rights", and rights traded per se, from 13 July 2010 to 29 July 2010.
- (iii) On 13 March 2009 3,333,333 ordinary shares were granted to Centaurus Resources Ltd at a price of 9 cents per share, as part of a settlement price for the acquisition of tenements.
- (iv) Pursuant to a non-renounceable pro-rata offer to shareholders of a 1 for 4 rights issue under the prospectus issued 6 May 2009, 12,784,709 ordinary shares were issued on 12 June 2009 at 8 cents per share.
- (v) On 27 August 2009 2,200,000 ordinary shares were granted to Western Plains Resources Ltd at a price of 13.5 cents per share, as part of a settlement price for the acquisition of tenements. These shares were subject to a voluntary escrow of 12 months from 25 August 2009.
- (vi) On 27 August 2009 1,750,000 ordinary shares were granted to Calibre Mining (Australia) Pty Ltd at a price of 12 cents per share, as part of a settlement price for the acquisition of tenements. These shares were subject to a voluntary escrow of 12 months from 28 August 2009.
- (vii) Pursuant to an agreement with Minc Stockbroking dated 25 November 2009 4,300,000 ordinary shares were issued on 3 December 2009, at a price of 13 cents per share, to Minc Wealth Management Pty Ltd on behalf of sophisticated investors.
- (viii) Pursuant to an offer to shareholders to participate in a share purchase plan issued 25 November 2009 3,038,460 ordinary shares were issued on 24 December 2009 at a price of 13 cents per share.
- (ix) The transaction costs represent the cost of issuing shares pursuant to the prospectus as per points (i), (ii), (iv), (vii) and (viii) above.
- (x) On 8 May 2007, 4,600,000 shares were issued to GEA as consideration for the acquisition of the entire issued share capital of Geoinformatics Exploration Tasmania Pty Ltd ("GET"). The transaction has been accounted for at fair value of \$460,000 by the parent entity. At the time of this acquisition both the parent entity and GET were under the common control of GEA and the combination was accounted for using the pooling of interests method. On consolidation, the difference of \$459,999 between the consideration paid of \$460,000 and the net assets acquired of \$1

**(b) Capital Risk Management**

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets. The entity does not have a defined share buy-back plan. No dividends were paid in 2010 and no dividends are

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expected to be paid in 2011. There is no current intention to incur debt funding on behalf of the company as on-going exploration expenditure will be funded via equity or joint ventures with other companies such as those currently in place with Gold Fields Australasia Pty Ltd, Bass Metals Ltd and Minemakers TTT Pty Ltd. The consolidated entity is not subject to any externally imposed capital requirements. Management reviews management accounts on a bi-monthly basis and actual expenditures against budget on a quarterly basis.

**17. RESERVES**

	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Available-for-sale investments revaluation reserve		-	562	-	562
Options reserve		824,008	639,868	824,008	639,868
		<u>824,008</u>	<u>640,430</u>	<u>824,008</u>	<u>640,430</u>

*(a) Movement in reserves*

(i) Available-for-sale investments revaluation reserve

Balance at beginning of the financial year	562	-	562	-
Net unrealised gain/(loss) on available-for-sale investment before tax	(562)	562	(562)	562
Balance at the end of the financial year	<u>-</u>	<u>562</u>	<u>-</u>	<u>562</u>

(ii) Options reserve

Balance at beginning of the financial year	639,868	318,272	639,868	318,272
On 4 May 2010 1,100,000 options were granted to staff members, with an expiry date of 31 December 2013. They have been valued at \$71,940 according to the binomial tree method with an exercise price of 18.5 cents when the market trading price was 16 cents, a volatility factor of 85.4% and a risk free rate of 5%. They vested fully upon grant on 4 May 2010 and were valued and fully expensed on that date.	71,940	-	71,940	-
On 28 January 2010, pursuant to approval by shareholders at a general meeting on 22 January 2010, the Company granted 1,650,000 options to directors with an expiry date of 31 December 2013. They were valued at \$112,200 according to the binomial tree method with an exercise price of 19.5 cents when the market trading price was 16 cents, a volatility factor of 87.3% and a risk free rate of 4.59%. They vested fully upon grant on 28 January 2010 and were valued and fully expensed on that date.	112,200	-	112,200	-
On 28 August 2009 1,000,000 options were granted to Western Plains Resources Ltd, as part of a settlement price for the acquisition of tenements, vesting on grant date and with an expiry date of 30 September 2011. They are subject to a voluntary escrow of 12 months from 25 August 2009. They have been valued at \$47,700 according to the binomial tree method with an exercise price of 20 cents when the market trading price was 13.5 cents, a volatility factor of 80% and a risk free rate of 4.41%. They were fully expensed upon being granted.	-	47,700	-	47,700
On 12 August 2009 2,350,000 unlisted options were granted to staff and consultants, with an expiry date of 10 August 2013. They were valued at \$119,145 according to the binomial tree method with an exercise price of 17.5 cents when the market trading price was 14 cents, a volatility factor of 80% and a risk free rate of 4.59%. They vested fully upon acceptance on 13 August 2009 and were valued and fully expensed on that date.	-	119,145	-	119,145
On 13 March 2009 1,250,000 unlisted options were granted to Centaurus Resources Ltd as part of a settlement price for the acquisition of tenements, vesting on grant date and with an expiry date of 30 September	-	81,250	-	81,250

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2011. They were originally valued in July 2008, at the time of negotiations, at \$81,250 according to the binomial tree method with an exercise price of 20 cents when the market trading price was 15 cents, a volatility factor of 70% and a risk free rate of 7.25%. They were subject to a voluntary escrow of 12 months from 8 March 2009. They were fully expensed upon being granted.

On 24 July 2008 100,000 options were granted to a staff member, subject to an escrow from grant date to 11 July 2009 and an expiry date of 30 April 2010. They have been valued at \$4,000 according to the binomial tree method with an exercise price of 20 cents when the market trading price was 16 cents, a volatility factor of 65% and a risk free rate of 6.87%. They are being expensed proportionately over their 0.96 year vesting period.

-                    2,176                    -                    2,176

On 13 May 2008 100,000 options were granted to a staff member, subject to an escrow from grant date to 11 July 2009 and an expiry date of 30 April 2010. They have been valued at \$2,750 according to the binomial tree method with an exercise price of 20 cents when the market trading price was 13 cents, a volatility factor of 65% and a risk free rate of 6.87%. They were expensed proportionately over their vesting period.

-                    1,242                    -                    1,242

**17. RESERVES (Cont'd)**

		<b>Consolidated</b>		<b>Parent</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Notes</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>(a) Movement in reserves (Cont'd)</i>				
<i>(ii) Share-based payment reserve (Cont'd)</i>				
On 23 April 2007 2,600,000 options and on 2 November 2007 300,000 options, were granted to directors, staff and consultants, subject to a 2 year escrow from the 11 July 2007 date of listing and an expiry date of 30 April 2010. They have been valued according to the binomial tree method and were expensed proportionately over their 2 year vesting period, commencing 11 July 2007.	-	70,083	-	70,083
Balance at the end of the financial year	824,008	639,868	824,008	639,868

*(b) Nature and purpose of reserves*

The available-for-sale investments revaluation reserve records increments and decrements in fair value to the extent that they offset one another.

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The share-based payments reserve records the value of share options issued to the Company's directors, employees, consultants and brokers as well as the vendors of tenements.

Option details	Notes	Exercise price	On issue at 1 January 2010	Issued	Lapsed	Forfeited	On issue at 31 December 2010
Options expiring on 30 April 2010		\$0.20	2,100,000	-	(2,100,000)	-	-
Options expiring on 30 April 2010		\$0.30	500,000	-	(500,000)	-	-
Options expiring on 30 April 2010		\$0.40	500,000	-	(500,000)	-	-
Options expiring on 10 July 2011		\$0.20	2,000,000	-	-	-	2,000,000
Options expiring on 30 September 2011		\$0.20	2,250,000	-	-	-	2,250,000
Options expiring on 10 August 2013		\$0.175	2,350,000	-	-	(300,000)	2,050,000
Options expiring on 31 December 2013	(i)	\$0.195	-	1,650,000	-	-	1,650,000
Options expiring on 30 September 2013	(ii)	\$0.185	-	1,100,000	-	-	1,100,000
Options expiring on 31 July 2013	(iii)	\$0.15	-	27,378,362	-	-	27,378,362
			9,700,000	30,128,362	(3,100,000)	(300,000)	36,428,362

(i) On 28 January 2010, the Company issued 1,650,000 options to directors

(ii) On 4 May 2010, the Company issued 1,100,000 options to employees

(iii) Pursuant to a 1 for 3 renounceable rights issue, under the prospectus issued 21 July 2010, participating shareholders received 1 free attaching option for every new share subscribed. Accordingly 27,378,362 new options were issued. These options were listed on the ASX on 5 August 2010 and expire on 31 July 2013 with an exercise price of 15 cents

**18. STATEMENT OF CASH FLOWS RECONCILIATION**

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>(a) Reconciliation of the net profit/(loss) after tax to net cash flows from operations</b>				
Loss from ordinary activities after income tax	(2,743,959)	(3,201,171)	(2,743,747)	(3,200,959)
<i>Adjustments for:</i>				
Depreciation	37,328	33,309	37,328	33,309
Amortisation of intangible assets	8,809	14,158	8,809	14,158
Impairment of fixed assets	3,755	7,417	3,755	7,417
Reversal of Impairment of non-current investments	(2,409)	-	(2,409)	-
Net gain on disposal of available-for-sale investment	-	(103,351)	-	(103,351)
Investment written off	2,971	-	2,971	-
Share options expensed	184,140	192,645	184,140	192,645
Non-cash purchase of tenements	-	935,950	-	935,950
Non-cash net expenses paid on behalf of controlled entity via loan account	212	212	-	-
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in trade and other receivables	(386,535)	72,778	(386,535)	72,778
(Increase)/decrease in prepayments and bonds	(10,416)	5,760	(10,416)	5,760
(Decrease)/increase in trade and other payables	(31,331)	(1,633,463)	(31,331)	(1,633,463)
(Decrease)/increase in provisions	(7,363)	17,442	(7,363)	17,442
Net cash flow from/(used in) operating activities	(2,944,798)	(3,658,314)	(2,944,798)	(3,658,314)

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**(b) Non-cash financing and investing activities**

Settlement of tenement acquisitions with shares and options	-	935,950	-	935,950
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**(c) Bank guarantee facility**

Bank guarantee facility	178,000	100,000	178,000	100,000
Amount utilised	(178,000)	(80,000)	(178,000)	(80,000)
	-	20,000	-	20,000

The bank guarantee facility has been provided by National Australia Bank Limited for exploration licence security purposes. Term Deposits of \$178,000 (2009: \$100,000) have been provided as set-off security for this facility

**19. INTEREST IN JOINTLY CONTROLLED OPERATIONS**

**(a) Bass Metals Limited unincorporated joint venture**

- (i) Bass Metals Limited ("Bass") and Clancy Exploration Limited have a 75% and 25% interest respectively in 1 Tasmanian exploration licence ("tenement"), the Lake Margaret licence and 1 licence under application, the Sock Creek licence in the Mt Read Volcanic Belt in Western Tasmania. Bass Metals will sole fund exploration until completion of a pre-feasibility study. All previous licences were relinquished except for 2 which were transferred in their entirety to the Company pending sale on 25 February 2011 of a 75% interest in each licence under a joint venture agreement with Minemakers TTT Pty Ltd.
- (ii) Joint venture property initially consists of these tenements and all mining information in the possession or control of either party relating to these tenements. It is owned by the parties as tenants in common in proportion to their respective interests. Exploration costs are currently incurred by Bass and there are no joint venture assets or liabilities.
- (iii) Bass as the party holding the majority interest is the manager of the joint venture and all joint venture activities.
- (iv) A management committee has been established with representatives voting in accordance with their joint venture interests.
- (v) Bass, as manager, has duties to maintain the tenements in good standing, comply with approved programs and budgets and incur expenditure.
- (vi) Expenditure is in proportion to joint venture interests. However, Bass has agreed to sole fund the joint venture until the completion of a pre-feasibility study on any one of the tenements. At the time of any withdrawal by Bass the tenements must be in good standing and expenditure commitments met. As at the date of this report, Bass had not withdrawn from the joint venture.
- (vii) The Company has no capital commitments or contingent liabilities in respect of this joint venture.
- (viii) The cost of security deposits in relation to the joint venture tenements has been funded by Bass.
- (ix) Under the provisions of the joint venture agreement, the Company may become entitled to performance shares. These performance share provisions terminate 10 years after the commencement date of the Mount Read Volcanic Belt Intervention Project notice which was agreed as being 20 October 2005, so termination is effectively 20 October 2015. Also the Area of Mutual Interest ("AMI") provisions of the joint venture agreement state that they expire on the last to occur of 5 years after the date of the agreement (ie 10 May 2010) or termination of the last of the joint ventures then in existence under the agreement. In other words the AMI will continue for as long as the joint venture on the Lake Margaret or Sock Creek exploration licences or any others taken up by Bass in the meantime continues to exist.

**(b) Gold Fields Australasia Pty Ltd unincorporated joint venture**

- (i) Under the Joint Venture projects managed by Gold Fields Australasia Pty Ltd ("GFA"), Clancy Exploration Limited has a 17.62 to 20% interest in 12 tenements in the eastern Lachlan Fold Belt in New South Wales plus one under application. These tenements are divided over 7 project areas and are governed by 7 Joint Ventures and a Heads of Agreement – East Lachlan Alliance Second Restructure agreement ("Agreement") with GFA. This Agreement supercedes the previous East Lachlan Alliance Restructure agreement and grants GFA the right to manage the 7 Joint Venture projects in the Lachlan Fold Belt.
- (ii) GFA has earned an 81.62% interest in the Cowal East Joint Venture and an 82.38% interest in the Wellington North Joint Venture. GFA has earned a 51% interest in the Myall Joint Venture and has the right to earn an 80% interest by expenditure of another \$7.5m.
- (iii) GFA has earned an 80% interest in 4 Joint Venture projects that were former JV Option projects: Parkes CLY, Parkes CUR (collectively the Parkes JV projects), Moorefield and Jemalong. Clancy's 20% interest in each of these projects is carried until \$1m has been spent on each project. After GFA has spent \$1m on a project Clancy can either fund \$200,000 to retain its 20% share or dilute to in proportion to GFA expenditure to a 10% share at which point Clancy's interest converts to a royalty of 2.5% Net Smelter Return.
- (iv) GFA may terminate the Joint Ventures on 60 days notice provided it has incurred expenditure according to certain formulae set out in the joint venture agreements.

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- (v) The cost of security deposits in relation to the Joint Venture tenements in the Lachlan Fold Belt has been funded by GFA.
- (vi) GFA has a right of pre-emption over 4 Clancy projects comprising 6 tenements.
- (vii) The Company has no capital commitments or contingent liabilities in respect of this joint venture.
- (viii) At 31 December 2010, the Company owed GFA \$1,841 (31 December 2009: \$107,587) in respect of contributions it had elected to fund.
- (ix) For the year ended 31 December 2010, the Company made contributions to GFA of \$250,712 (Year ended 31 December 2009: \$449,591 whilst also receiving \$1,207,830 in contributions from GFA prior to handing over management to them on 1 April 2009).
- (c) Minemakers TTT Pty Ltd unincorporated joint venture**
- (i) Minemakers TTT Pty Ltd ("MTTT") and Clancy Exploration Limited have, following the execution of a joint venture agreement ("agreement") on 25 February 2011, a 75% and 25% interest respectively in each of 2 Tasmanian exploration licences ("tenements") in the Mt Read Volcanic Belt in Western Tasmania.
- (ii) MTTT will pay Clancy \$20,000 per tenement for accumulated data and will acquire a 75% interest in each tenement as a result. MTTT is manager of the joint venture and will fund a work program on each tenement by 25 July 2011
- (iii) At the Review Date Clancy can either:
- Sell its 25% interest both tenements for \$100,000 per tenement (\$200,000 total); or
  - Elect to fund its pro rata share of future expenditure on both tenements; or
  - Sell its 25% share of one tenement for \$100,000 and fund its pro rata share of future expenditure on the other.
- (iv) There are no joint venture assets or liabilities.
- (v) The cost of security deposits in relation to the joint venture tenements has been funded by Clancy.
- (vi) The Company has no capital commitments or contingent liabilities in respect of this joint venture.

**20. SEGMENT INFORMATION**

The consolidated entity operates predominantly in one reportable business segment, managed by one segment manager and in one geographical location. The operations of the consolidated entity consist of gold, copper and base metals exploration, within Australia.

The information disclosed in the financial statements is the same information utilised in internal reporting by the chief operating decision maker. Accordingly no additional quantitative or qualitative disclosures are required.

**21. COMMITMENTS**

	<b>2010</b>	<b>Consolidated 2009</b>	<b>2010</b>	<b>Parent 2009</b>
	\$	\$	\$	\$
Estimated commitments for which no provisions were included in the financial statements are as follows:				
<b>(a) Exploration Expenditure Commitments:</b>				
(i) Under 26 (2009:29) NSW Government, 1 (2009:1) Western Australian Government and 3 Tasmanian Government (2009:2) exploration licences Payable				
- not later than one year	349,706	458,622	349,706	458,622
- later than one year and not later than five years	180,997	301,492	180,997	301,492
	530,703	760,114	530,703	760,114

The expenditure commitments relating to 12 of the 26 NSW Government exploration licences ("licences"), have been assumed by the Company's joint venture partner Gold Fields Australasia Pty Ltd ("GFA") (refer note 19) which manages all joint venture projects. Accordingly, these expenditure commitments have been excluded in determining the Company's overall commitments at 31 December 2010. The Company can opt to pay an 18.38% contribution on 2, and another 17.62% contribution on 5, of these 12 licences to GFA or alternatively dilute its interests in its joint venture projects according to a prescribed formula. At the date of this report, management had not made a decision as to whether to make a contribution for the March 2011 and subsequent quarters, or not. Accordingly, no contributions have been included with the above expenditure commitments.

There is a combined 2% net smelter royalty payable to third parties in relation to both the exploration licences comprising the Trundle project. It is not possible to ascertain the value of such commitments at the time of this report.

During 2010 and subsequent to the end of the financial year, a further 2 NSW licences were applied for by the Company, 5 licences managed by GFA were consolidated into 2 licences, while one licence formerly managed by GFA was transferred to the Company. Of the 14 licences held by the Company, 4 are pending renewal.

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**21. COMMITMENTS (Cont'd)**

The Company and its subsidiary Geoinformatics Exploration Tasmania Pty Ltd had, at 31 December 2010, a 25% interest in 3 (31 December 2009:4) Tasmanian licences 1 of which is covered by a mining exploration alliance agreement with Bass Metals Ltd ("Bass"), entered into on 10 May 2005, while a further 2 are covered initially by a heads of agreement entered into on 6 October 2010 with Minemakers TTT Pty Ltd ("MTTT") and which was formalised in a joint venture agreement was signed 25 February 2011. Under these various agreements, responsibility for all remaining commitments to exploration expenditure, in regard to these licences, has been undertaken by Bass and MTTT, who are also managers of this joint venture under this agreement.

Of the 4 Tasmanian licences held at 31 December 2009, 2 were transferred back to the Company during the year pending sale to MTTT and 2 were relinquished by Bass. The Lake Margaret licence applied for in 2009 was granted on 1 March 2010. Bass made application during the year to Mineral Resources Tasmania for a further licence while the Company applied for an extension to its 2 licences. On 3 February 2011 the extension of these licences was granted to 7 August 2011 and 9 August 2011 respectively, thus fulfilling the conditions precedent for their sale to MTTT.

Included in overall commitments calculations are estimates of the Company's expected commitments in respect of its sole-funded exploration licences.

All the exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Company or its joint venture partners have the option to relinquish and lose these licences or their contractual commitments at any stage, at the cost of its cumulative expenditures up to the point of relinquishment.

Refer to Note 19 for details of Jointly Controlled Operations.

**(b) Operating Lease Commitments**

The consolidated entity had a 6 month operating lease on office premises which expired 7 March 2011 and which was renewed until 31 March 2011 with rent payable monthly in advance. In October 2010 it entered into a 24 month lease for office and core shed premises in Orange, NSW. During the year it also entered into a 48 month operating lease for a photocopier-printer. Its operating lease commitments are as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Payable				
- not later than one year	86,280	50,288	86,280	50,288
- later than one year and not later than five years	60,335	-	60,335	-
	146,615	50,288	146,615	50,288
	146,615	50,288	146,615	50,288

As part of the restructuring of its operations, the position of managing director and exploration manager were combined and moved to the Company's operations offices in Orange, NSW. This necessitated the relocation of the exploration manager with the Company making a contractual commitment to bear his relocation expenses of \$8,812

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**22. CONTINGENT LIABILITIES**

In accordance with normal industry practice the consolidated entity has entered into joint venture operations and farm-in agreements with other parties for the purpose of exploring and developing its mineral interests. If a party to a joint venture defaults and does not contribute its share of joint venture obligations, then the other joint venture partners are liable to meet those obligations. In this event the interest in the tenements held by the defaulting party may be redistributed to the remaining joint venture partners. A contingent liability exists in respect of contributions due to be paid by farm-in partners of the economic entity to some of its joint ventures. However, no material losses are anticipated in respect of any of these contingencies as expenditure commitments, if not recovered from joint venture partners, can be terminated through exploration licence relinquishment at any stage.

**23. RELATED PARTY DISCLOSURES**

**(a) Ultimate parent**

The ultimate Australian parent entity and the ultimate parent of the consolidated entity is Clancy Exploration Limited.

**(b) Subsidiaries**

The subsidiary of Clancy Exploration Limited is listed in the following table:

Name	Nature of Investment	Country of Incorporation	% Equity interest		Investment \$	
			2010	2009	2010	2009
Geoinformatics Exploration Tasmania Pty Ltd	Ordinary shares	Australia	100	100	1	1

**(c) Transactions with related parties**

The following table provides the total amount of transactions (GST inclusive where GST applies) entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to Note 14):

	Notes	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Sales of goods and services</b>					
Sales of services and reimbursable expenses to entity with significant influence over the Group		33	47,654	33	47,654
Expenses paid on behalf of controlled entity		212	212	212	212
Expenses paid on behalf of entity with significant influence over the Group		-	5,010	-	5,010
<b>Purchase of goods and services</b>					
Purchase of services from entity with significant influence over the Group		-	708	-	708
Purchase/(refund) of equipment from entity with significant influence over the Group		(387)	6,324	(387)	6,324
<b>Amounts received settling trade and other receivables</b>					
Entity with significant influence over the Group		111	48,728	111	48,728
<b>Amounts paid/(refunded) on trade and other payables</b>					
Entity with significant influence over the Group		(191)	6,836	(191)	6,836

- (i) Related party trade receivables and trade payables are non-interest bearing and are paid on 30 day settlement terms.
- (ii) All related party transactions were with an associated entity Geoinformatics Exploration Australia Pty Ltd ("Geoinformatics") and were in the normal course of trade. Geoinformatics' parent entity Kiska Metals Corporation of Canada had significant influence over the Group by way of a 31.4% shareholding in the Company up until 12 November 2010 when it disposed of its interest.

**24. EVENTS AFTER BALANCE DATE**

On 3 February 2011, Mineral Resources Tasmania granted an extension of the term for licences EL63/2004 and EL64/2004 to 7 August 2011 and 9 August 2011 respectively, thus fulfilling the conditions precedent for the 6 October 2010 Heads of Agreement with Minemakers TTT Pty Ltd.

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On 25 February 2011, the Company executed a Joint Venture Agreement (“Agreement”), previously the intent of the 6 October 2010 Heads of Agreement, with Minemakers TTT Pty Ltd (“Minemakers”) a wholly owned subsidiary of Minemakers Ltd. Under this Agreement, Minemakers acquired at 75% interest in each of 2 Tasmanian tenements, EL63/2004 and EL64/2004, for \$20,000 per tenement.

Except for the above events, no other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in subsequent financial years.

**25. DIRECTORS AND KEY MANAGEMENT PERSONNEL**

**(a) Details of Key Management Personnel**

The names of the company’s directors and executives in office at any time during the financial year are as follows. Directors were in office for the entire period unless otherwise stated.

**(i) Directors**

M Stewart <sup>^*</sup>	Director, additionally Managing Director
J Macdonald <sup>^</sup>	Chairman (Non-Executive)
M Lester	Director (Non-Executive – Financial)

<sup>^</sup> = Also directors of controlled entity Geoinformatics Exploration Tasmania Pty Ltd.

\* = M Stewart resigned 31 December 2010.

**(ii) Executives**

R Caren*	Company Secretary
G Doig	Chief Financial Officer
G Barnes	Exploration Manager

\* = Also company secretary of controlled entity Geoinformatics Exploration Tasmania Pty Ltd

**(b) Compensation for Key Management Personnel**

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Short-term employee benefits	438,920	401,141	438,920	401,141
Short-term consulting fees	174,094	241,346	174,094	241,346
Post-employment benefits	54,778	77,181	54,778	77,181
Other long-term benefits	24,449	-	24,449	-
Termination benefits <sup>1</sup>	110,210	-	110,210	-
Share-based payments	144,900	102,489	144,900	102,489
<b>Total Compensation</b>	<u>947,351</u>	<u>822,157</u>	<u>947,351</u>	<u>822,157</u>

<sup>1</sup>The Company has, under an employment contract, an obligation to make a termination payment to M Stewart. ASX Listing Rules require that the Company’s shareholders approve payment of termination benefits to directors in excess of 5% of equity interests, as set out in the latest set of accounts given to the ASX. At balance date the Company had paid \$56,431 out of a \$110,210 termination entitlement, leaving a balance of \$53,779. Shareholder approval will be sought at the 2011 AGM to allow payment of any outstanding amount.

Clancy Exploration Limited has applied the option under Corporations Amendments Regulation 2006 to transfer KMP remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors’ report. These transferred disclosures have been audited.

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**25. DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**

**(c) Option holdings of Key Management Personnel (Consolidated)**

**(i) OPTIONS – 31 DECEMBER 2010**

		Held at 1 January 2010	Granted as Remuneration	Rights Issue Participant	Options Exercised	Expired/ Forfeited	Held at 31 December 2010	Exercisable/ Vested at 31 December 2010
<b>Director</b>								
M Stewart	Incentive	500,000	1,000,000	-	-	(500,000)	1,000,000	1,000,000
	PS 1	250,000	-	-	-	(250,000)	-	-
	PS 2	250,000	-	-	-	(250,000)	-	-
	Listed	-	-	238,515	-	-	238,515	238,515
J Macdonald	Incentive	250,000	400,000	-	-	(250,000)	400,000	400,000
	Listed	-	-	142,628	-	-	142,628	142,628
N Archibald	Incentive	200,000	-	-	-	(200,000)	-	-
M Lester	Incentive	200,000	250,000	-	-	(200,000)	250,000	250,000
	Listed	-	-	33,655	-	-	33,655	33,655
<b>Executives</b>								
R Caren	Incentive	300,000	-	-	-	(100,000)	200,000	200,000
	Listed	-	-	21,154	-	-	21,154	21,154
G Barnes	Incentive	800,000	500,000	-	-	(300,000)	1,000,000	1,000,000
	PS 1	150,000	-	-	-	(150,000)	-	-
	PS 2	150,000	-	-	-	(150,000)	-	-
	Listed	-	-	177,757	-	-	177,757	177,757
G Doig	Incentive	300,000	-	-	-	(100,000)	200,000	200,000
	Listed	-	-	30,418	-	-	30,418	30,418
		<b>3,350,000</b>	<b>2,150,000</b>	<b>644,127</b>	<b>-</b>	<b>(2,450,000)</b>	<b>3,694,127</b>	<b>3,694,127</b>

Refer to Note 17 for a description of the share options' terms and conditions.

**OPTIONS – 31 DECEMBER 2009**

		Held at 1 January 2009	Granted as Remuneration	Rights Issue Participant	Options Exercised	Expired/ Forfeited	Held at 31 December 2009	Exercisable/ Vested at 31 December 2009
<b>Director</b>								
M Stewart	Incentive	500,000	-	-	-	-	500,000	500,000
	PS 1	250,000	-	-	-	-	250,000	250,000
	PS 2	250,000	-	-	-	-	250,000	250,000
J Macdonald	Incentive	250,000	-	-	-	-	250,000	250,000
N Archibald	Incentive	200,000	-	-	-	-	200,000	200,000
M Lester	Incentive	200,000	-	-	-	-	200,000	200,000
J Kanellitsas	-	-	-	-	-	-	-	-
R Moore	-	-	-	-	-	-	-	-
<b>Executives</b>								
R Caren	Incentive	100,000	200,000	-	-	-	300,000	300,000
G Barnes	Incentive	300,000	500,000	-	-	-	800,000	800,000
	PS 1	150,000	-	-	-	-	150,000	150,000
	PS 2	150,000	-	-	-	-	150,000	150,000
G Doig	Incentive	100,000	200,000	-	-	-	300,000	300,000
		<b>2,450,000</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,350,000</b>	<b>3,350,000</b>

Refer to Note 17 for a description of the share options' terms and conditions.

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**25. DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**

**(d) Shareholdings of Key Management Personnel (Consolidated)**

The movement during the reporting period in the number of ordinary shares of Clancy Exploration Limited held directly, indirectly or beneficially, by each specified director and each specified executive, including their personally related entities is as follows:

**(i) SHARES – 31 DECEMBER 2010**

	Held at 1 January 2010	Granted as Remuneration	On Exercise of Options	Acquired	Net Change	Held at 31 December 2010
<b>Director</b>						
M Stewart	715,542	-	-	288,515	288,515	1,004,057
J Macdonald	427,884	-	-	142,628	142,628	570,512
M Lester	100,962	-	-	33,655	33,655	134,617
<b>Executives</b>						
R Caren	63,462	-	-	24,154	21,154	84,616
G Barnes	158,270	-	-	177,757	177,757	336,027
G Doig	31,250	-	-	6,250	6,250	37,500
	1,497,370	-	-	669,959	669,959	2,161,079

**SHARES – 31 DECEMBER 2009**

	Held at 1 January 2009	Granted as Remuneration	On Exercise of Options	Acquired	Net Change	Held at 31 December 2009
<b>Director</b>						
M Stewart	431,000	-	-	284,542	284,542	715,542
J Macdonald	250,000	-	-	177,884	177,884	427,884
N Archibald	25,000	-	-	6,250	6,250	31,250
M Lester	50,000	-	-	50,962	50,962	100,962
D Holden	15,000	-	-	3,750	3,750	18,750
J Kanellitsas	-	-	-	-	-	-
R Moore	-	-	-	-	-	-
<b>Executives</b>						
R Caren	20,000	-	-	43,462	43,462	63,462
G Barnes	110,000	-	-	48,270	48,270	158,270
G Doig	25,000	-	-	6,250	6,250	31,250
	926,000	-	-	621,370	621,370	1,547,370

Refer to Notes 16 and 17 for the types of share-based payment plans.

The ordinary shares acquired by directors and executives during the year were from on-market trades as well as participation in a rights issue (Refer to note 16 above). The ordinary shares acquired by the directors and executives during 2009 were from on-market trades as well as participation in a rights issue and a share purchase plan.

**(e) Amount Receivable From of Key Management Personnel**

In 2007 M Stewart took leave in excess of his normal entitlement. This receivable was repaid on 31 December 2010 by way of set-off against long-service leave paid out to him on termination (31 December 2009: \$9,186 where this amount had been transferred from Provision for Annual Leave to a separate receivable account). It was interest-free.

**(f) Transaction with Related Entity**

During the year minor tax advisory services were provided by Maxim Hall Chadwick, an accounting practice in which Mr Lester has an interest. The cost of these services was \$2,430 (2009: \$900)

Mr Stewart or his nominee, as a client of underwriter Patersons Securities Limited, sub-underwrote for a fee of \$650, on same terms and conditions as other sub-underwriters, 625,000 shares (\$50,000) in the Company's 13 August 2010 renounceable rights issue. This arrangement covered the possible event that a shortfall arose in take up by shareholders of some or all those securities. Under that arrangement no sub-underwriter would acquire voting power in the company of more than 20%. The rights issue closed over-subscribed.

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During the 2009, prior to his resignation, N Archibald had his post-employment benefits of \$128 - superannuation guarantee contributions paid to Geocrust Pty Ltd ("Geocrust"). Geocrust was effectively controlled by N Archibald and had a significant shareholding in Kiska Metals Corporation ("KSK") (formerly Geoinformatics Exploration Inc) of Vancouver, Canada, a TSX-V listed company which disposed of its 31.4 % (2009: held 37.9%) interest in the issued shares of Clancy on 12 November 2010.

**26. SHARE-BASED PAYMENTS**

**(a) Recognised share-based payments expenses**

The expense recognised for employee and consultant services received during the year and the expensing of the settlement price for the acquisition of tenements is shown in the table below:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Expense arising from equity-settled share-based payment transactions – employees	71,940	161,014	71,940	161,014
Expense arising from equity-settled share-based payment transactions – directors	112,200	-	112,200	-
Expense arising from equity-settled share-based payment transactions –consultants	-	31,632	-	31,632
Expense arising from equity-settled share based payment - settlement price for the acquisition of tenements	-	935,950	-	935,950
	<u>184,140</u>	<u>1,128,596</u>	<u>184,140</u>	<u>1,128,596</u>

**(b) Options granted**

**During the year ended 31 December 2010**

Employee Option Scheme– During the year the Company issued options to employees and directors as detailed in the table below:

<b>Holder</b>	<b>Option Series</b>	<b>Granted No.</b>	<b>Grant Date</b>	<b>Vesting Date</b>	<b>Expiry Date</b>	<b>Fair Value per Option at Grant Date</b>	<b>Exercise Price</b>
						<b>\$</b>	<b>\$</b>
M Stewart	Incentive	1,000,000	28 January 2010	28 January 2010	31 December 2013	0.068	0.195
J Macdonald	Incentive	400,000	28 January 2010	28 January 2010	31 December 2013	0.068	0.195
M Lester	Incentive	250,000	28 January 2010	28 January 2010	31 December 2013	0.068	0.195
G Barnes	Incentive	500,000	4 May 2010	4 May 2010	30 September 2013	0.0654	0.185
D Ward	Incentive	350,000	4 May 2010	4 May 2010	30 September 2013	0.0654	0.185
K Vassallo	Incentive	250,000	4 May 2010	4 May 2010	30 September 2013	0.0654	0.185
<b>Total</b>		<u>2,750,000</u>					

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**During the year ended 31 December 2009**

Employee Option Scheme– During the year the Company issued options to employees and consultants, and vendors of tenements as detailed in the table below:

Centaurus Resources Ltd	Centaurus Options	1,250,000	13 March 2009	13 March 2009	30 September 2011	0.065	0.200
Western Plains Resources Ltd	Western Plains Resources Options	1,000,000	28 August 2009	28 August 2009	30 September 2011	0.048	0.200
G Barnes	Incentive	500,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
D Ward	Incentive	350,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
J Vassallo	Incentive	700,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
M Madisoo	Incentive	300,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
J Anderson	Incentive	50,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
R Caren	Incentive	200,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
G Doig	Incentive	200,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
T Ziere	Incentive	50,000	12 August 2009	12 August 2009	10 August 2013	0.0507	0.175
Total		4,600,000					

**26. SHARE-BASED PAYMENTS (Cont'd)**

Unlisted options granted during the course of 2010 have been valued using the Binomial Tree option valuation methodology, by the Company, based upon the following assumptions:

- (i) Directors options:
1. All options expire 31 December 2013;
  2. The market trading price of the shares as at 28 January 2010 was 16 cents;
  3. A continuously compounding risk free rate (Australian Government Bonds) of 4.59%;
  4. A volatility factor of 87.3%;
  5. Expected option life of 1.96 years, assuming a mid-way exercise during the period from issue date (which is date of vesting) to expiry date, of 3.93 years;
  6. No expected dividend yield; and
  7. No discounts have been applied as there are no escrows that apply to the options.
- (ii) Employees options:
1. Options expire 30 September 2013;
  2. The market trading price of the shares as at 4 May 2010 was 16 cents (2009: 12 August 2009 was 14 cents);
  3. A continuously compounding risk free rate (Australian Government Bonds) of 5% (2009: 4.59%);
  4. A volatility factor of 85.4% (2009: 80%);
  5. Expected option life of 1.71 years assuming a mid-way exercise during the period from issue date (which is date of vesting) to expiry date, of 3.41 years (2009: 2 years assuming a mid-way exercise during the period from issue date (which is date of vesting) to expiry date, of 4 years);
  6. No expected dividend yield; and
  7. No discount has been applied as there are no escrows that apply to the options.

**(c) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is 1.8 years (31 December 2009: 1.7 years).

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**(d) Range of exercise price**

The range of exercise prices for directors, employees and consultants options outstanding at the end of the year was \$0.175 to \$0.195 (2009: \$0.175 to \$0.40). The range of exercise prices for brokers' options outstanding at the end of the year was \$0.20 (2009: \$0.20).

The range of exercise prices for tenement vendors' options outstanding at the end of the year was \$0.20 (2009: \$Nil). As the range of exercise is wide, refer to section (b) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

**(e) Weighted average fair value**

The weighted average fair value of the directors and employees options granted during the year was \$0.067 (2009: \$0.051). There were weighted average tenement vendor options granted during the year was \$0.06 (2009: \$0.06).

**(f) Weighted average share price**

The weighted average price per share during the year was \$0.09 (2009: \$0.14).

**27. AUDITORS' REMUNERATION**

The auditor of Clancy Exploration Limited is Deloitte Touche Tohmatsu ("Deloitte")

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable for:				
- an audit or review of the financial statements of the entity and its controlled entity - Deloitte	24,835	-	24,835	-
- an audit or review of the financial statements of the entity and its controlled entity - PKF	2,272	28,310	2,272	28,310
- other services in relation to the entity and its controlled entity				
* tax compliance services - PKF	(380)		(380)	
		24,173		24,173
	26,727		26,727	
		52,483		52,483

**28. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES**

The consolidated entity's principal financial instruments comprise cash, short-term deposits and available-for-sale investments.

The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the consolidated entity's policy that no trading in financial instruments shall be undertaken.

The various categories of the consolidated and parent entity's financial instruments and their carrying amounts coincide with the tables below which set out financial instrument exposure to interest rate risk. Accordingly financial instruments are not separately categorised elsewhere.

The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are either summarised below or disclosed at Note 9 in the case of credit risk and Note 16 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

**(a) Cash Flow Interest Rate Risk**

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

The following tables set out the carrying amount by maturity of the parent entity and consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included

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is the effect on profit and equity after tax if interest rates at that date had been 30% (2009: 50%) higher or lower with all other variables held constant as a sensitivity analysis.

**Consolidated Entity**

	Notes	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity 2010				Interest Rate Risk Sensitivity 2009			
								-30%		+30%		-50%		+50%	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
		2010	2009	2010	2009	2010	2009	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
<b>Financial Assets:</b>															
Cash at bank	8	-	-	10,482	18,512	10,482	18,512	-	-	-	-	-	-	-	
Short-term deposits	8	1,649,886	1,889,436	-	-	1,649,886	1,889,436	(24,436)	(24,436)	24,436	24,436	(35,419)	(35,419)	35,419	
Trade and other receivables	9	-	-	493,043	124,980	493,043	124,980	-	-	-	-	-	-	-	
Available-for-sale investments	10	-	-	-	1,125	-	1,125	-	-	-	-	-	-	-	
<b>Total</b>		<b>1,649,886</b>	<b>1,889,436</b>	<b>503,525</b>	<b>144,617</b>	<b>2,153,411</b>	<b>2,034,053</b>	<b>(24,436)</b>	<b>(24,436)</b>	<b>24,436</b>	<b>24,436</b>	<b>(35,419)</b>	<b>(35,419)</b>	<b>35,419</b>	
Weighted average interest rate		4.6%	3.49%												
<b>Financial Liabilities:</b>															
Trade and other payables	14	-	-	298,474	349,507	298,474	349,507	-	-	-	-	-	-	-	
<b>Total</b>		<b>-</b>	<b>-</b>	<b>298,474</b>	<b>349,507</b>	<b>298,474</b>	<b>349,507</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Weighted average interest rate		-	-												
<b>Net financial assets (liabilities)</b>		<b>1,649,886</b>	<b>1,889,436</b>	<b>205,051</b>	<b>(204,890)</b>	<b>1,854,937</b>	<b>1,684,546</b>	<b>(24,436)</b>	<b>(24,436)</b>	<b>24,436</b>	<b>24,436</b>	<b>(35,419)</b>	<b>(35,419)</b>	<b>35,419</b>	

**28. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**Parent Entity**

	Notes	Floating Interest Rate <sup>1</sup>		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity 2010				Interest Rate Risk Sensitivity 2009			
								-30%		+30%		-50%		+50%	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
		2010	2009	2010	2009	2010	2009	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
<b>Financial Assets:</b>															
Cash at bank	8	-	-	10,482	18,512	10,482	18,512	-	-	-	-	-	-	-	
Short-term deposits	8	1,649,886	1,889,436	-	-	1,649,886	1,889,436	(24,436)	(24,436)	24,436	24,436	(35,419)	(35,419)	35,419	
Trade and other receivables	9	-	-	495,221	126,947	495,222	126,947	-	-	-	-	-	-	-	
Available-for-sale investments	10	-	-	-	1,125	-	1,125	-	-	-	-	-	-	-	
<b>Total</b>		<b>1,649,886</b>	<b>1,889,436</b>	<b>505,703</b>	<b>146,583</b>	<b>2,155,590</b>	<b>2,036,020</b>	<b>(24,436)</b>	<b>(24,436)</b>	<b>24,436</b>	<b>24,436</b>	<b>(35,419)</b>	<b>(35,419)</b>	<b>35,419</b>	
Weighted average interest rate		4.6%	3.49%												
<b>Financial Liabilities:</b>															
Trade and other payables	14	-	-	298,474	349,507	298,474	349,507	-	-	-	-	-	-	-	
<b>Total</b>		<b>-</b>	<b>-</b>	<b>298,474</b>	<b>349,507</b>	<b>298,474</b>	<b>349,507</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Weighted average interest rate		-	-												
<b>Net financial assets (liabilities)</b>		<b>1,889,436</b>	<b>3,478,073</b>	<b>207,230</b>	<b>(202,923)</b>	<b>1,857,116</b>	<b>1,686,513</b>	<b>(24,436)</b>	<b>(24,436)</b>	<b>24,436</b>	<b>24,436</b>	<b>(35,419)</b>	<b>(35,419)</b>	<b>35,419</b>	

A sensitivity of 30% (2009: 50%) has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 30% (2009: 50%) sensitivity would move short term interest rates at 31 December 2010 from around 4.94% representing a 148.1 basis points shift either down to 1.86% or up to 6.42% (2009: from around 3.75% representing a 187.5 basis points shift either down to 3.46% or up to 5.63%). This would represent five to six adjustments either up (2009: four to five increases) which is reasonably possible given conduct of monetary policy by the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period and in the context of continued global economic expansion and growing Australian national income. However interest rates could move down, in the context of:

- a potential economic downturn triggered by rising oil prices as a consequence of current unrest in the Middle East;
- ongoing sovereign debt and budget deficit crises in Europe and related monetary policies adopted by the European and other central banks to stimulate growth; and
- short-term impacts of the Japanese tsunami and nuclear crisis.

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Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted, resulting in a decrease or increase in overall income.

<sup>1</sup> = Term deposits with a maturity of not more than 3 months have been included with short term deposits with floating interest rates.

**(b) Price risk**

The consolidated entity is not exposed to equity securities price risk at balance date (2009: had exposure arising from investments held and classified on the statement of financial position as available-for-sale. The investments were traded on the ASX).

The following table sets out the carrying amount of the consolidated and parent entity's exposure to equity securities price risk on available for sale investments. Also included is the effect on profit and equity after tax if these prices at that date had been higher or lower by the percentage indicated with all other variables held constant as a sensitivity analysis:

Notes	Carrying Amount		Price Risk Sensitivity 2010				Price Risk Sensitivity 2009				
			-0%		+0%		-65%		+65%		
	\$	\$	\$		\$		\$		\$		
	2010	2009	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	
Financial Assets: Available-for-sale investments	10	-	1,125	-	-	-	-	-	-	-	732

As the consolidated entity had no exposure to equity securities at 31 December 2010 no sensitivity was applicable (2009: 65% was selected as this was considered reasonable given trending and volatilities of both Australian and international stock markets at that time and more specifically in relation to the narrow portfolio of investments then held).

**28. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**(c) Liquidity risk**

The consolidated entity manages liquidity risk by maintaining sufficient cash reserves (2009: and marketable securities), and through the continuous monitoring of budgeted and actual cash flows. Further, the consolidated entity only invests surplus cash with major financial institutions.

Contracted maturities of payables year ended 31 December:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Payable				
- less than 6 months	298,474	349,507	298,474	349,507
- 6 to 12 months	-	-	-	-
- 1 to 5 years	-	-	-	-
- later than 5 years	-	-	-	-
<b>Total</b>	<b>298,474</b>	<b>349,507</b>	<b>298,474</b>	<b>349,507</b>

**(d) Commodity Price Risk**

The consolidated entity is exposed to commodity price risk. This risk arises from its activities directed at exploration and development of mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The consolidated entity does not hedge its exposures.

**(e) Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity's foreign transactions are immaterial and it is not exposed to foreign currency risk.

**(f) Fair values**

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments, when held. The consolidated entity has no financial assets where carrying amount exceeds net fair values at balance date.

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**DIRECTORS' DECLARATION**

The directors of Clancy Exploration Limited declare that:

1. In the opinion of the directors:
  - (a) the attached financial statements and the notes thereto of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2010 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards;
  - (b) the attached financial statements and the notes thereto of the company and of the consolidated entity are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; 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. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 31 December 2010.

Signed in accordance with a resolution of directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Board



**G. J. BARNES**  
Managing Director

Perth, WA

Dated this 31st day of March 2011



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## Independent Auditor's Report to the Directors of Clancy Exploration Limited

### Report on the Financial Report

We have audited the accompanying financial report of Clancy Exploration Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 12 to 54.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2c, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ASX ADDITIONAL INFORMATION

**Deloitte**

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Clancy Exploration Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

- (a) the financial report of Clancy Exploration Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2c.

*Material Uncertainty Regarding Going Concern*

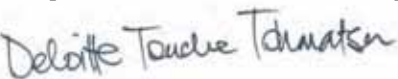
Without qualifying our opinion, we draw attention to Note 2 b in the financial report which indicates that the consolidated entity and parent entity incurred a net loss of \$2,743,959 and \$2,743,747 respectively during the year ended 31 December 2010 and experienced total cash outflows from operating activities of \$2,944,798 and \$2,944,798 respectively. These conditions, along with other matters as set forth in Note 2 b, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity and parent entity to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the Remuneration Report**

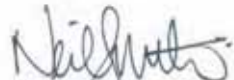
We have audited the Remuneration Report included in pages 4 to 8 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Clancy Exploration Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



**Neil Smith**  
Partner  
Chartered Accountants  
Perth, 31 March 2011

**CLANCY EXPLORATION LIMITED**  
**ABN: 65 105 578 756**  
**AND CONTROLLED ENTITY**

**ASX ADDITIONAL INFORMATION**

**Shareholder Information as at 21 March 2011**

**A. TOTAL EQUITY SECURITIES**

	Total on Issue	Restricted or Voluntary Escrow	Restriction Expiry Date
<b>SHARES (CLY)</b>	109,513,447	-	-
<b>LISTED OPTIONS (CLYO)</b>	27,378,362	-	-
<b>UNLISTED OPTIONS</b>			
- Broker Options	2,000,000	-	-
- 2011 Options	2,250,000	-	-
- Officer Options	2,050,000	-	-
- Director Options	1,650,000	-	-
- Employee Incentive Options	1,100,000	-	-
<b>TOTAL UNLISTED OPTIONS</b>	9,050,000		

**B. DISTRIBUTION OF EQUITY SECURITIES**

	Shares	Listed	Incentive	Broker	2011	Officer	Director
1-1,000	56	4		-	-	-	-
1,001-5,000	39	33		-	-	-	-
5,001-1,0000	79	24		-	-	-	-
10,001-100,000	376	76	-	-	-	2	-
100,001 and over	155	40	3	1	2	5	3
Total Shareholders/Optionholders	704	177	3	1	2	7	3

	Shares	Listed Options
Marketable Parcel	\$500	\$500
Price of security shares used in calculation of marketable parcel (21 March 2011)	\$0.086	\$0.039
No of securities in a marketable parcel	5,814	12,821
No of unmarketable parcels	105	71

**C. TOP 20 SHAREHOLDERS**

	No. of shares	% of Total
1 Sandhurst Trustees <LMA a/c>	14,245,207	13.01
2 HSBC Custody Nominees (Australia) Limited	4,735,028	4.32
3 Centaurus Resources Limited	4,444,444	4.06
4 JP Morgan Nominees Australia Limited	4,088,012	3.73
5 St Ives Gold Mining Company Pty Limited	3,479,069	3.18
6 Mr Arnold Getz & Mrs Ruth Getz	3,306,719	3.02
7 Alcardo Investments Limited <Styled 102501 A/C>	3,223,977	2.94
8 JP Morgan Nominees Australia Limited	2,435,466	2.22
9 Tattersfield Securities Limited	2,400,000	2.19
10 Western Plains Resources Limited	2,200,000	2.01
11 Wythenshawe Pty Limited	2,050,346	1.87
12 Two Tops Pty Limited	2,000,000	1.83
13 Mr Arnold Getz & Mrs Ruth Getz <Super Fund A/C>	1,977,665	1.81
14 143 Pty Limited <J F Pearce Family a/c>	1,875,000	1.71
15 Mr Antonius Joseph Smit	1,700,000	1.55
16 Mark Stewart <Mark Stewart Family a/c>	1,004,057	0.92
17 Damplin Investments Pty Limited	1,000,000	0.91
18 Jeremy Nominees Pty Limited	1,000,000	0.91
19 Mr Robert MacFadyen Pty Limited <MacFadyen S/F a/c>	1,000,000	0.91
20 Wallis-Mance Pty Limited <Wallis-Mance Family a/c>	1,000,000	0.91
	59,164,990	54.03

**CLANCY EXPLORATION LIMITED**  
**ABN: 65 105 578 756**  
**AND CONTROLLED ENTITY**

**ASX ADDITIONAL INFORMATION**

<b>D. TOP 20 LISTED OPTION HOLDERS</b>		<b>No. of options</b>	<b>% of Total</b>
1	Tattersfield Securities Limited	5,400,000	19.72
2	Mr Matthew David Burford	1,755,000	6.41
3	Damplin Investments Pty Ltd	1,416,667	5.17
4	Mr Robert MacFadyen Pty Ltd <MacFadyen Super Fund A/c>	1,336,667	4.88
5	Alcardo Investments Limited <Styled 102501 A/c>	1,196,154	4.37
6	Centaurus Resources Pty Ltd	1,111,111	4.06
7	Mr Gregory Clyde Campbell & Mrs Diane Sue Campbell <GC & DS Campbell Super Fund A/c>	1,000,000	3.65
8	Mr John Darroch & Mrs Gloria Darroch & Mr Richard Darroch & Ms Helen Darroch <JN Darroch Private Super Fund A/c>	916,667	3.35
9	Mr Simon Robert Evans	814,000	2.97
10	Mr Franco Lombardi	800,000	2.92
11	Mr Raymond Alfred Jackson <Rayjen Super Fund A/c>	700,000	2.56
12	Cambourne Capital Pty Limited	625,000	2.28
13	Mr John Robyn Adamson & Ms Fay Jynette Ngataua <Adamson Ngataua Super Fund A/c>	500,000	1.83
14	Robert MacFadyen Pty Ltd	500,000	1.83
15	Technica Pty Ltd	500,000	1.83
16	Mr Bin Liu	460,000	1.68
17	Providence Gold and Minerals Pty Ltd <Super Fund A/c>	450,000	1.64
18	Dr Rosemary Elizabeth Anne Green	400,128	1.46
19	Martin Place Securities Staff Superannuation Fund Pty Ltd <MPSSF Investment A/c>	326,500	1.19
20	Martin Place Securities Staff Superannuation Fund Pty Ltd <MPSSF No 2 A/c>	315,000	1.15
		20,522,894	74.96

**E. SUBSTANTIAL SHAREHOLDERS**

The Company's Register of Substantial Shareholders, prepared in accordance with Chapter 6C of the Corporations Act 2011, recorded the following information as at 21 March 2011;

- |  |                        |
|--|------------------------|
| <ul style="list-style-type: none"> <li>▪ Minc Wealth Management (held via Sandhurst Trustees &lt;LMA A/c&gt;.</li> </ul> | 12,844,113<br>(11.73%) |
|--|------------------------|

**F VOTING RIGHTS ATTACHING TO EQUITY SECURITIES**

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each Share held by the Shareholder. In the case of an equality of votes, the chairperson has a casting vote.

Options to acquire ordinary shares do not carry any voting rights.

**CLANCY EXPLORATION LIMITED**  
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**LIST OF MINERAL TENEMENTS**

<b>State</b>	<b>Project</b>	<b>Lease No</b>	<b>Manager</b>	<b>Clancy interest</b>
NSW	Billabong Creek	EL6802	Clancy	100%
NSW	Condobolin	EL6939	Clancy	100%
NSW	Condobolin <sup>1</sup>	ELA4103	Clancy	100%
NSW	Cundumbul	EL6661	Clancy	100%
NSW	Cundumbul	EL7399	Clancy	100%
NSW	Currumburrama	EL6784	Clancy	100%
NSW	East Parkes <sup>1</sup>	ELA4018	Clancy	100%
NSW	Fairholme	EL6552	Clancy	100%
NSW	Fairholme	EL6915	Clancy	100%
NSW	Gobondery	EL6534	Clancy	100%
NSW	Moonagee	EL7198	Clancy	100%
NSW	Nadbuck	EL6732	Clancy	100%
NSW	Orange East	EL6181	Clancy	100%
NSW	Roseholme	EL6822	Clancy	100%
NSW	Trundle	EL4512	Clancy	100%
NSW	Trundle	EL7187	Clancy	100%
NSW	Cowal East	EL6553	Gold Fields	18.38%
NSW	Cowal East	EL6554	Gold Fields	18.38%
NSW	Jemalong	EL6937	Gold Fields	20%
NSW	Moorefield	EL7675	Gold Fields	20%
NSW	Myall	EL6913	Gold Fields	49%
NSW	Parkes CLY	EL7677	Gold Fields	20%
NSW	Parkes CUR	EL7676	Gold Fields	20%
NSW	Wellington North	EL6178	Gold Fields	17.62%
NSW	Wellington North	EL6328	Gold Fields	17.62%
NSW	Wellington North	EL6662	Gold Fields	17.62%
NSW	Wellington North	EL7200	Gold Fields	17.62%
NSW	Wellington North	EL7440	Gold Fields	17.62%
TAS	Lake Margaret	EL28/2009	Bass Metals	25%
TAS	Sock Creek	ERA795	Bass Metals	25%
TAS	Oonah	EL63/2004	TNT Mines	25%
TAS	Waratah	EL64/2004	TNT Mines	25%
WA	Yalgoo	E59/1302	Clancy	100%

<sup>1</sup> Under application at reporting date.

**CLANCY EXPLORATION LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT**

The directors of Clancy Exploration Limited believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the company's main corporate governance practices is set out below. The Company has adopted the 2<sup>nd</sup> Edition of the "Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council" issued by the ASX Corporate Governance Council in August 2007.

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a> . Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	Not applicable
1.2	Disclose the process for evaluating the performance of senior executives.	The Remuneration sub-committee of the Board meets annually to review the performance of executives. The senior executives' performance is assessed against the performance of the company as a whole by each of the directors individually and collectively.	Not applicable
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	A performance evaluation of the senior executive was completed during the reporting period.	Not applicable
2.1	A majority of the Board should be independent directors.	A definition of director independence can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a> . Currently Clancy Exploration Limited has three independent directors, Dr James Macdonald, Dr Mike Etheridge and Mr Mark Lester and one non-independent director, Mr Gordon Barnes, the Managing Director. At all times during the reporting period it had a majority of independent directors.	Not applicable
2.2	The chair should be an independent director.	The chairman, Dr James Macdonald, is independent.	Not applicable
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	The roles of chairman and chief executive officer are not performed by the same individual. The Chairman is Dr James Macdonald and the Managing Director is Mr Gordon Barnes.	Not applicable
2.4	The board should establish a nomination committee	The board does not have a nomination committee.	It is not a company policy to have a nomination committee, given the size and scale of Clancy Exploration Limited. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a>
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	The performance evaluation of board members occurs by way of a formal review of each director by that director and by each fellow director followed by a meeting between the Chairman and the relevant director or, in the case of the Chairman's own evaluation, by the Chairman and the non-executive director(s).	Not applicable
2.6	Provide the information indicated in the Guide to reporting on Principle 2	The skills, experience and expertise relevant to the position held by each director is disclosed in the Directors' Report which forms part of this Annual Report.	The period of office held by each director as at 31 March 2011 is as follows; Gordon Barnes 3 months

**CLANCY EXPLORATION LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT**

		<p>The names of the independent directors are disclosed above.</p> <p>The directors are entitled to take independent professional advice at the expense of the company, subject to first obtaining the Chairman's approval.</p> <p>The period of office held by each director is not disclosed in the Directors' Report which forms part of this Annual Report but is disclosed in the next column.</p> <p>A performance evaluation of all directors was completed in April 2010.</p>	<p>Dr James Macdonald 4 years, 3 months</p> <p>Mr. Mark Lester 4 years, 1 month</p> <p>Dr Mike Etheridge 1 month</p>
3.1	<p>Establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> <li>▪ the practices necessary to maintain confidence in the Company's integrity;</li> <li>▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</li> <li>▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	<p>The Company has adopted a Board Code of Conduct and a Company Code of Conduct, both of which can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a>.</p>	Not applicable
3.2	<p>Establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.</p>	<p>The Company has adopted a Trading Policy which can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a></p>	Not applicable
3.3	<p>Provide the information indicated in the Guide to reporting on Principle 3.</p>	<p>The information has been disclosed in the Annual Report.</p>	Not applicable
4.1	<p>The board should establish an audit committee.</p>	<p>The company has an Audit Committee which was established on 20 March 2007.</p>	Not applicable
4.2	<p>The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>▪ consists only of non-executive directors;</li> <li>▪ consists of a majority of independent directors;</li> <li>▪ is chaired by an independent chair, who is not chair of the board;</li> <li>▪ has at least three members.</li> </ul>	<p>The Audit Committee has three members, consisting of the independent directors, Dr Macdonald and Mr Lester, and the Company Secretary.</p> <p>The Audit Committee is chaired by Mr Lester, who is an independent director and is not the Chairman of the Board.</p>	Not applicable
4.3	<p>The audit committee should have a formal charter.</p>	<p>The formal charter of the Audit Committee was adopted on 20 March 2007. The Audit committee charter can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a></p>	Not applicable
4.4	<p>Provide the information indicated in the Guide to reporting on Principle 4</p>	<p>The names of the members of the Audit Committee are disclosed above.</p> <p>The qualifications of the members of the Audit Committee are disclosed in the Directors' Report which forms part of this Annual Report.</p> <p>The audit committee met twice during the year.</p> <p>The external auditor, Deloitte Touche Tohmatsu, has a rotation policy such that partners must rotate off a client after five successive years, for at least two years.</p>	Not applicable
5.1	<p>Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.</p>	<p>The Company has adopted a Disclosure Policy which can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a></p>	Not applicable
5.2	<p>Provide the information indicated in the Guide to reporting on Principle 5.</p>	<p>The information has been disclosed in the Annual Report.</p>	Not applicable
6.1	<p>Design a communications policy for promoting effective communication with</p>	<p>The Company has adopted a Shareholder Communications Policy which can be accessed at</p>	Not applicable

**CLANCY EXPLORATION LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT**

	shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	<a href="http://www.clancyexploration.com">www.clancyexploration.com</a>	
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report.	Not applicable
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company has adopted a Risk Management Policy which can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a> This policy outlines the material risks faced by the Company as identified by the Board. Given the size and scale of Clancy Exploration Limited it does not have a Risk sub-committee or Internal Audit function.	Not applicable
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Chief Executive Officer and the Chief Financial Officer are adequate given the size and nature of the company's activities. The Board confirms that management reported to it as to the effectiveness of the Company's management of its material business risks in August 2010.	Not applicable
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance from the chief executive officer (Managing Director) and the chief financial officer in the form of a declaration, prior to approving financial statements.	Not applicable
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	Not applicable
8.1	The board should establish a remuneration committee.	The formal charter of the Remuneration Committee was adopted on 20 March 2007. The Remuneration Committee has three members, consisting of the independent directors, Dr Macdonald and Mr Lester, and the Company Secretary. There was one meeting of the Remuneration Committee during the reporting period which was attended by all members of the Remuneration Committee. The Remuneration Committee is chaired by Dr Macdonald. The Remuneration committee charter can be accessed at <a href="http://www.clancyexploration.com">www.clancyexploration.com</a>	Not applicable
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	As part of their remuneration packages, non-executive directors of the company were (in 2010) granted options to acquire shares in the company. For a company of the size and cash resources of Clancy Exploration this is a useful tool for attracting and retaining quality directors without diminishing the company's cash resources.
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	Not applicable



## Clancy Exploration Limited

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