Clancy Exploration

ANNUAL REPORT 2014

ACN 105 578 756

CORPORATE DIRECTORY

DIRECTORS

Dr. Michael Etheridge
Non-Executive Chairman

Mr. Gordon Barnes
Managing Director

Dr. James Macdonald
Non-Executive Director (Technical)

Ms. Natalie Forsyth-Stock
Executive Director (Financial)

COMPANY SECRETARY

Mr. Rowan Caren

CHIEF FINANCIAL OFFICER

Ms. Natalie Forsyth-Stock

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CLY

INDEX

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

On behalf of the board, I would like to present to you the 2014 Annual Report for Clancy Exploration Limited ("Clancy").

As you will be aware, the Company has changed its balance date from 31 December to 30 June in order to match its financial and tax year ends and thereby minimise duplication. As a result of this change, this is the second annual report you will have received in the last six months but henceforth this will revert to an annual basis at this time of year.

Six months ago, when I last reported to you, we were hopeful that our two year search for a more advanced project with existing mineralised drill intersections was nearing completion. Such a "flagship" project is seen by the board as a catalyst to raise the capital required to advance its business and deliver value to shareholders. Earlier this year shareholders approved the acquisition of 100% of ABM Resources Limited's exploration tenement interests in the North Arunta Project Region in the Northern Territory. However, in a deteriorating market, we were not able to obtain funding to support the acquisition and therefore the Board has been compelled to abandon these particular plans.

The inability to raise the required funding was frustrating in that our broker advisors had been confident throughout the process that funding would be available. Ultimately it transpired that funding of the scale needed (approximately $4 million) is not currently available for projects such as the North Arunta package.

During the year, the Company continued to manage exploration on properties in NSW where joint venture partners are farming in. These joint ventures have ensured that funding continues to be available for each of these projects, while allowing Clancy to drive exploration towards testing the best possible targets.

Mitsubishi Materials Corporation of Japan (MMC) has continued to fund exploration at Cundumbul, and Genaren. To the end of June 2014 MMC had contributed approximately A$1.96 million to the exploration effort. MMC is to spend a total of $3 million over three years to earn an interest.

Kaizen Discovery Inc has continued to fund exploration at the Fairholme project. Kaizen has earned a 49% interest in the property by spending an initial $1,000,000 which included completing an IP survey over a 74km^2 area using HPX's proprietary Typhoon system. Kaizen is to spend an additional $4 million over two years to earn a further 16%.

We trust that as investors and shareholders you will continue to support Clancy over the coming year during which we look forward to delivering on our strategy. The Company has the necessary ingredients of a cohesive, technically adept board and management, sufficient funding and a compact capital structure which will allow it to acquire a quality project.

I would like to take this opportunity to thank Gordon Barnes, the staff in Orange and my fellow directors for their efforts over the past year.

Yours sincerely,

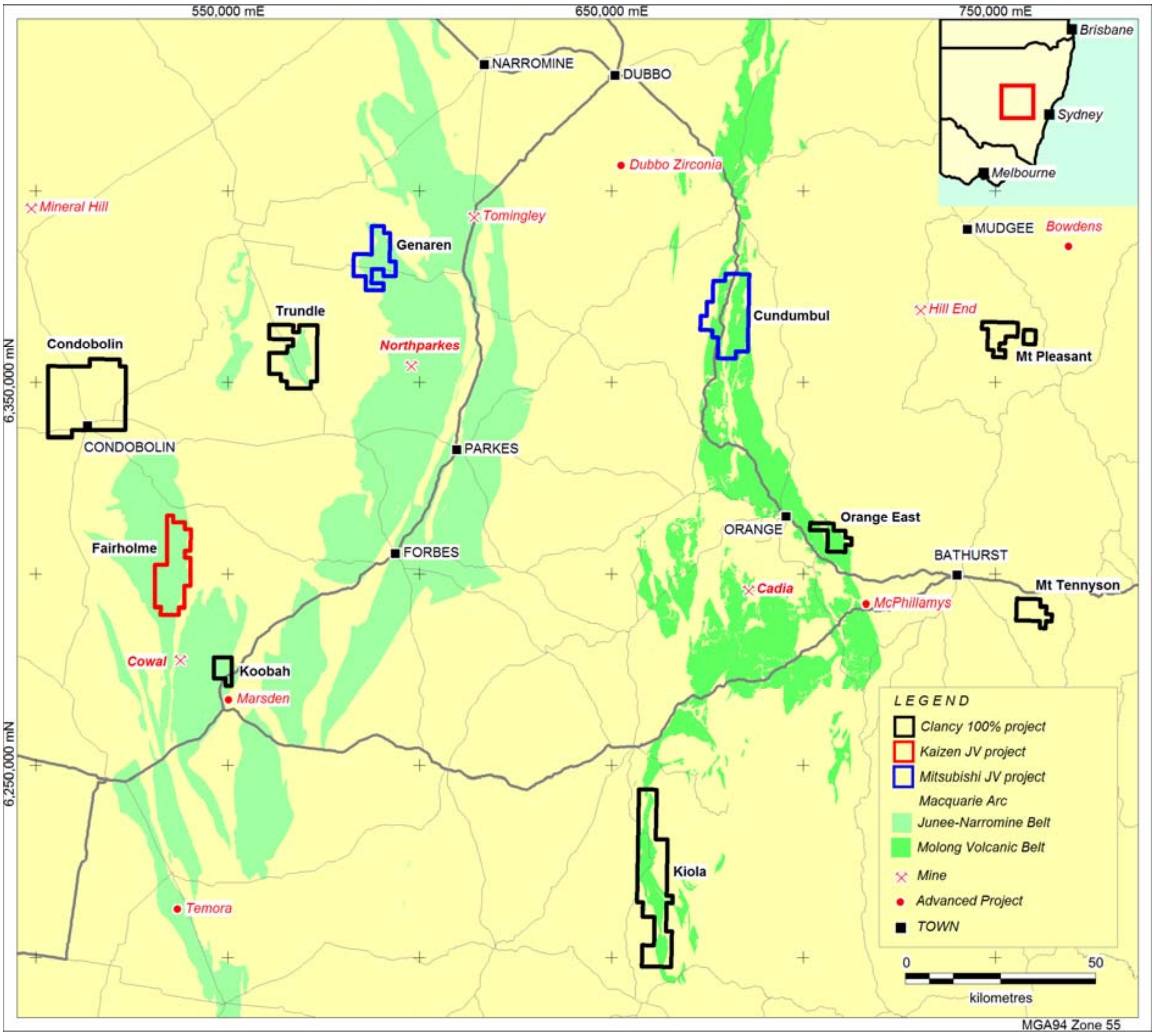
Dr. Mike Etheridge
Chairman

OPERATIONS REPORT

This operations report covers the six months from January to June 2014. The operations report for the previous period is contained in the 2013 annual report which was provided to shareholders on 2 April 2014.

New South Wales Projects

Clancy's tenement portfolio in NSW consists of 10 exploration projects covering 1,563km^2 in the Lachlan Fold Belt, which hosts several large porphyry copper-gold deposits in the Macquarie Arc, 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 projects outside of the Macquarie Arc that are prospective for gold, base metals and molybdenum.



Location of Clancy projects in central NSW.

The Clancy portfolio in NSW consists of 7 wholly owned projects and 3 joint venture projects all of which are managed by Clancy. A total of 2,878m of drilling was completed on the NSW project portfolio in the six months to 30 June 2014.

OPERATIONS REPORT

Condobolin EL7399

(Clancy 100%)

Condobolin EL7399 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.

Significant findings to date have:

- confirmed the presence of a low sulphidation epithermal system;
- demonstrated that the mineralised system is polymetallic with significant drill intercepts in gold, silver, lead, zinc and copper across multiple prospects (see below);
- determined that the alteration and geochemical footprint of the system is 3km x 3km;
- identified that the system coincides with a ~20km diameter gravity anomaly which may be associated with a deep intrusive unit at the intersection of major regional faults; and
- shown that the host of the mineralisation is a volcanic sandstone which may be equivalent to the well mineralised Mineral Hill Volcanics further to the north.

Significant drill results at Condobolin include:

- Meritilga – where a high-grade gold lens up to 5m true width remains open up and down dip and visible gold is present adjacent to historic workings:
    - 4m @ 20 g/t Au, 0.26% Cu, 30.2 g/t Ag from 75m[1];
    - 10m @ 5.78 g/t Au & 26.79 g/t Ag from 80m[2]; and
    - 15m @ 2.76 g/t Au & 8.78 g/t Ag from 90m[2].
- Phoenix – where gold and zinc intercepts are open to the south and down dip:
    - 8m @ 3.7 g/t Au from 59m[3]; and
    - 8m @ 3.73 g/t Au from 72m[3].

A review of all work completed to date is underway and further work is planned in 2014-2015.

Fairholme EL6552 and EL6915

(NSW, Clancy 51%; Kaizen Discovery Inc 49%, earning 65% and funding 100%)

Clancy formed a joint venture with High Power Exploration Inc. (HPX) on the Fairholme project in 2013. Under the terms of the Agreement, HPX had the right to earn an initial 49% of the Fairholme project by funding A$1 million in exploration, which has now been completed. HPX transferred its JV interest to a majority owned listed subsidiary Kaizen Discovery Inc. (Kaizen) in late 2013. Kaizen has the right to fund a further A$4 million in exploration over the subsequent two years with the aim of delineating a scoping study to take Kaizen's stake to 65%.

Clancy will manage the project on behalf of the joint venture partners during the first two earn-in phases. Kaizen can increase its stake to 80% or 85% by funding a Prefeasibility Study, depending on the cost of the study.

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 172km^2 of the Fairholme

[1] Detailed drill results are contained in ASX release dated 20 March 2012.
[2] Detailed drill results are contained in ASX release dated 17 June 2013.
[3] Detailed drill results are contained in ASX release dated 23 March 2011.

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).

A 100m line-spaced heli-borne magnetic survey (1,990 line kilometres) covering the entire project area, was completed in the June 2014 quarter. This high-resolution survey will assist with target definition.

In 2013, HPX completed a gradient array Induced Polarisation survey using HPX's proprietary Typhoon system. A number of chargeable anomalies were defined that require higher resolution 3D Induced Polarisation follow-up to provide targets for deeper drilling. A Typhoon 3D Induced Polarisation survey commenced in the June 2014 quarter and was successfully completed in the September 2014 quarter. Data processing and interpretation are currently in progress, however preliminary results are highly encouraging and follow-up diamond drilling of defined targets will commence in the December 2014 quarter. The joint venture partners were awarded a A$198,750 grant for this drilling by the NSW government under the New Frontiers Co-operative Drilling program. The New Frontiers funding encourages private exploration drilling in the search of mineral deposits in areas of NSW not fully explored using the latest technology.

Mitsubishi JV Projects

Clancy entered into a joint venture with Mitsubishi Materials Corporation of Japan (MMC) on three copper-gold projects in NSW in 2012. Under the terms of the agreement, MMC has the right to earn 49% of in three projects (Cundumbul, Genaren and Currumburrama) by funding A$3 million over three years. Clancy is managing the joint venture. Work completed in 2013 and 2014 downgraded the Currumburrama project, which has now been relinquished. The joint venture with MMC has strengthened Clancy's exploration program in NSW by providing the exploration funding in what is otherwise a challenging capital market for junior exploration companies. To the end of June 2014 MMC had contributed approximately A$1.96 million to the exploration effort.

Cundumbul EL6661 and EL7399

(NSW, Clancy 100%; Mitsubishi earning 49% and funding 100%)

The Cundumbul project covers 204.9km^2 of prospective arc units in the Molong Volcanic Belt between Molong and Wellington. There are numerous intrusive complexes at Cundumbul that have anomalous copper and/or gold associated with them.

In the six months to June 2014, a 3D Induced Polarisation survey was completed at the Andrews prospect and RC drilling was completed at the Mehruda and Bakers Swamp prospects (11 holes, 1852m).

The RC holes were designed to test chargeability anomalies generated from 3D Induced Polarisation surveys carried out in 2013. All anomalies were successfully tested, and were proven to contain disseminated pyrite, commonly associated with hydrothermal alteration. The Bakers Swamp prospect was downgraded by the drilling.

The Mehruda Mo Anomaly, now referred to as the Mehruda Mo Prospect, is of greatest interest. In hole CNRC003, andesitic (intermediate) volcanics, lithic volcaniclastic sediments and tuffs were intersected with occasional feldspar porphyry and diorite intrusives. Pervasive silica alteration persisted throughout the hole and became intense between 176-210m. It consisted of texturally-destructive pink, silica-pyrite alteration, surrounded by intense silica-sericite alteration. Molybdenum was anomalous throughout the hole, associated with the alteration, with several significant intercepts including[4]: 3m @ 48ppm Mo from 115m and 27m @ 11ppm Mo from 191m, including 4m @ 33ppm Mo from 192m. Follow up drilling at this prospect was completed in the September 2014 quarter with results expected in the December 2014 quarter.

A 3D Induced Polarisation survey was completed at the Andrews Prospect. A prominent N-S oriented, subvertical structure was mapped by the resistivity component of the survey, through the middle of the area. One dominant chargeability anomaly was defined in the north of the prospect area, with a maximum value of 46mV/V. The anomaly has a horseshoe shape which, when viewed with other datasets, wraps around a subsidiary NE-oriented fault with gold-antimony soil anomalies. Follow up drilling at this prospect was completed in the September 2014 quarter with results expected in the December 2014 quarter.

Genaren EL7927

(NSW, Clancy 100%; Mitsubishi earning 49% and funding 100%)

Genaren is located at the northern end of the Northparkes Igneous Complex 29km north of the Northparkes copper-gold mine. Aircore drilling to test the Wombin Volcanics (host rocks for most of the Northparkes porphyry systems) was curtailed due to wet weather. A total of 18 holes (1026m) were completed at the Cora Lynn target prior to the wet weather.

A large body of coherent Ordovician porphyritic trachyandesite, with strong coincident sericite-hematite alteration, has been defined in the centre of the Cora Lynn target area. The most notable result was from GAAC002 with the intersection of low grade gold at the top of the saprolite layer. The intersection returned 3m @ 0.26 g/t Au from 31m[5]. The anomaly resides in a previously undrilled area and is open to the east. The aircore program will resume in the December 2014 quarter after crops are harvested.

Trundle EL8222

(Clancy 100%)

Trundle consists of one exploration licence EL8222 located 25km west of the Northparkes copper-gold mine. 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. During the year, former exploration licences at Trundle, EL4512 and EL7187, were consolidated into a larger single exploration licence, EL8222 which was granted in January 2014. Work completed to date by Clancy has included 3D IP surveys, diamond drilling and RC drilling. No work was carried out on the Trundle project in the six months to June 2014, however further work is planned for the December 2014 quarter.

Orange East EL6181

(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 focused along regional-scale structures, such as the Lucknow and Godolphin faults. Selective laboratory analysis of auger soil samples show that the Springfield Zn-Cu-Pb-As-Au anomaly continues to the north. The northern portion of the anomaly, as defined by >50 ppm As in soil is 1000m long by 150m wide and the southern portion is 320m long by 150m wide.

[4] Detailed drill results are contained in the March 2014 quarterly activities report dated 23 April 2014.
[5] Detailed drill results are contained in the June 2014 quarterly activities report dated 29 July 2014.

OPERATIONS REPORT

The Favell Zone is also persistently anomalous in copper for >4 km along strike consistent with the occurrence of a quartz-sulfide vein system along this length. No work was carried out on the Orange East project in the six months to June 2014.

Kiola EL8151

(Clancy 100%)

Kiola EL8151 is located in the southern part of the Molong volcanic belt, and was granted in August 2013. Previous exploration at Kiola was undertaken by Minotaur (2008-2009), Goldminco, (2004-2006) and Gateway (2001-2003) and has a geophysical database comprising magnetics, project-wide VTEM, IP surveys and ground EM surveys. Geophysical work suggests that targets at Kiola may not have been effectively tested. No work was carried out on the Kiola project in the six months to June 2014.

Mount Tennyson EL8226

(Clancy 100%)

Mount Tennyson EL8226 was granted in January 2014. It is located about 30 km east of Bathurst, within the Silurian – Devonian rift sequences east of the Molong Volcanic Belt. The project is located in Early Devonian rocks on the margin of the Bathurst Granite, and represents a garnet-quartz-calcite-diopside skarn assemblage. There is a small historical non-JORC compliant molybdenum resource in the prospect with a grade of 0.11% Mo. Mineralisation includes molybdenite and scheelite with accessory powellite. No work was carried out on the Mount Tennyson project in the six months to June 2014.

Mount Pleasant EL8237

(Clancy 100%)

Mount Pleasant EL8237 was granted in February 2014 and is located 25 km south of Mudgee. It is a porphyry style Mo-W target in granite. Mineralisation consists predominantly of pyrite with subordinate molybdenum, scheelite, chalcopyrite and bismuthinite. The mineralisation is in a fracture-controlled stockwork of quartz veins. The prospect has an historical non-JORC compliant resource based on data collected between 1979 and 1983. No work was carried out on the Mount Pleasant project in the six months to June 2014.

Koobah EL8302

(Clancy 100%)

Koobah EL8302 is located in the Cowal Igneous Complex, east of the Cowal gold mine and north of the Marsden copper-gold prospect. The project is prospective for Ordovician porphyry copper-gold systems. The Koobah application was lodged in March 2014 and it was granted in September 2014. No work has been completed to date.

Tasmanian Projects

Clancy has two joint venture projects with Bass Metals Limited (Bass) and one joint venture project 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) and skarn-style tin-tungsten-iron deposits (Mt Lindsay).

OPERATIONS REPORT

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. No fieldwork was completed on the Bass Metals JV's in the six months to June 2014.

TNT Mines JV's

(TNT 75%, Clancy 25%)

Clancy has one joint venture with TNT at Oonah EL63/2004 which is located immediately north of the historic Zeehan lead-zinc-tin field. TNT has identified a magnetic target that is prospective for Renison-style tin mineralisation. No fieldwork was completed on the TNT JV's in the six months to June 2014.

North Arunta Project Northern Territory

(Proposed Acquisition from ABM Resources NL)

In November 2013 Clancy announced[6] that it had entered into an option agreement with ABM Resources NL (ABM) whereby Clancy to acquire 100% of ABM's interests in the North Arunta Project (the Project) in the Northern Territory. Due to the challenging state of the equity markets the required capital raising could not be completed and the transaction will not proceed.

The information in this annual report that relate to Initial Exploration Results 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 2012 edition of the "Australasian Code for Reporting 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.

[6] ASX release dated 29 November 2013

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2014

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 six months to 30 June 2014.

1. Directors

(i) Names, Qualifications and Experience

The names and details of the Company's directors in office at any time during the six months to 30 June 2014 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Dr. Michael Etheridge, FTSE, FAICD, FAIG, FGSA
(Non-Executive Chairman) 67 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 (ASX: ABU) (appointed November 2009) and a non-executive director of DET CRC Ltd, a collaborative research organisation involving the mining industry, universities and government research bodies. Until November 2013, he was deputy chairman of Zeus Resources Ltd (ASX: ZEU). He was previously a director of Ballarat Gold Fields NL prior to its takeover by Lihir Gold Ltd in March 2007 and of Lihir Gold Ltd (from March 2007 to September 2010), prior to its merger with Newcrest Ltd. He was also a director of Consolidated Minerals Ltd prior to its takeover by Palmary Plc (AIM) 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 and became Chairman on 25 July 2011. His relationship with the Company stretches back to 2004 when he was founding non-executive chairman of Geoinformatics Exploration Inc (TSX-V), from which Clancy Exploration Ltd was spun out in 2007. He is currently a member of the audit committee and was a member of the remuneration committee until 30 June 2014, when it was dissolved.

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.

Gordon Barnes, BSc, MSc, MAIG, MSEG, GAICD
(Managing Director) 50 years

Mr. Barnes is an exploration geologist with a background in exploration project management and technical consulting services. He has 26 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 Gold Fields. 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 Gold Fields (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 a MSc in Ore Deposit Geology at the University of Western Australia in 1996. He is a Member of the Australian Institute of Geoscientists, the Society of Economic Geologists and a Graduate of the Australian Institute of Company Directors.

Mr. Barnes was appointed as Managing Director on 1 January 2011. He has not held a directorship in any other listed entity in the past three years.

DIRECTORS' REPORT

1. Directors (continued)

Dr. James Macdonald, BA (Hon), MSc, PhD, PGeo, FSEG, MAICD
(Non-Executive, *(Technical)*) 59 Years
Dr. Macdonald is a geoscientist. During the past four years 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 37 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 director of International Base Metals Ltd. (unlisted) based in Sydney – a position he held until October 2013. 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, until October 2013. He has not held a directorship in any other listed entity in the past three years. He is currently Chairman of the audit committee and was Chairman of the remuneration committee until it was dissolved on 30 June 2014. He was the chairman of the Company until 25 July 2011.

Dr. Macdonald completed a Bachelor of Arts with Honours at Oxford University, majoring in Geology and Mineralogy. 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.

Natalie Forsyth-Stock, B.Bus, M.Bus, GAICD
Executive Director, 48 Years
Ms. Forsyth-Stock is an investment professional with over 20 years' experience in investment banking and private equity investment. She was previously a Director of Allco Equity Partners Management Limited and Gresham Rabo Management Limited (both private equity managers), and the corporate advisory division of Gresham Partners Limited, where she specialised in mergers and acquisitions, fund raisings and valuations.

Ms. Forsyth-Stock has a Bachelor of Business (Accounting) and a Master of Business (Banking and Finance) from the University of Technology, Sydney, a Graduate Diploma in Applied Finance and Investment and is a Graduate of the Australian Institute of Company Directors.

Ms. Forsyth-Stock was appointed to the board on 3 September 2012 and is the Company's Chief Financial Officer. She is also a member of the Audit Committee.

From August 2010 until July 2013, Ms. Forsyth-Stock was a director of Bounty Mining Limited (ASX: BNT).

The Company's Audit Committee consists of three members, two of which are non-executive directors and independent and one executive director (who is not independent).

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

	No. of Shares			
	Held at Beginning of Year	**Acquired During Year**	**Granted as Remuneration**	**Held at 30 June 2014**
G Barnes	2,457,547	-	-	2,457,547
M Etheridge	3,214,863	-	-	3,214,863
J Macdonald	1,307,533	-	-	1,307,533
N Forsyth-Stock	611,352	-	-	611,352
	7, 591,295	-	-	7, 591,295

No options were held during the reporting period.
[1]The Directors' interests in the shares of the Company at reporting date and at the Company's 30 June 2014 financial year end were identical.

DIRECTORS' REPORT

2. Company Secretary

Rowan Caren, B.Com, CA
(Company Secretary) 47 Years

Mr. Caren is a Chartered Accountant with over 25 years commercial experience. He has been directly involved in the minerals exploration industry for over 15 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 with them in Australia and overseas for six years.

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. Mr. Caren was a member of the Remuneration Committee until 30 June 2014, when it was dissolved.

3. Principal Activities

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

4. Review of financial performance

On 5 June 2014, the Company announced that it intended to change its financial year end from 31 December to 30 June. Accordingly, this report presents financials for the 6 month period to 30 June 2014 with comparatives for the 12 month period to 31 December 2013. The Company's financial year end was changed to coincide with the tax year.

The net consolidated loss from continuing operations for the six months to 30 June 2014, after income tax, amounted to $723,234 (full year 2013: $677,702).

During the six months to 30 June 2014, total expenses amounted to $771,568 (2013: $1,982,780).

Unrestricted cash and cash equivalents amounted to $1,295,092 as at 30 June 2014 (31 December 2013: $1,850,769). Under the terms of a joint venture, the Company has an obligation to spend $314,582 (31 December 2013: $134,419) of this cash on a specific joint venture or in the event the joint venture partner does not elect to contribute beyond its minimum contribution this amount will be refunded.

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 six months, the Company continued to explore its gold, copper and base metals projects in New South Wales and Tasmania, 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

In November 2013, the Company announced that it had entered into an agreement with ABM Resources NL (ASX: ABU) whereby the Company had the option to acquire 100% of ABM's interests in the North Arunta Project Region in the Northern Territory. Clancy paid an option fee of $250,000 for the exclusive option to complete due diligence on the projects and subject to various conditions including satisfactory due diligence by both parties and various approvals, the right to acquire the projects. On 3 February 2014, Clancy announced that it had completed the due diligence processes and had exercised its option to acquire 100% of ABM's interests in the North Arunta Project Region in the Northern Territory. The Company paid an option exercise fee of $150,000.

Clancy shareholder approval for the transaction was granted at the AGM on 7th May 2014. The key remaining condition required Clancy to complete a capital raising of not less than $2.5 million by 2 August 2014. Subsequent to the end of the year, Clancy announced that the transaction was unlikely to proceed as discussed below.

DIRECTORS' REPORT

9. Significant Events After Balance Date

On 29 July 2014, Clancy announced that it was unlikely that the capital raising would be completed before the deadline of 2 August 2014 due to the challenging state of the equity markets and therefore it was unlikely that the acquisition of the North Arunta projects would proceed on the current terms. Consistent with the agreement with ABM, the option exercise fee of $150,000 was refunded on 15 August 2014. The option fee of $250,000 was not however refundable.

10. Indemnity for Group Officers and Auditors

To the extent permitted by law, the Company indemnifies every person who is or has been:

- an Officer against any liability to any person (other than the Company or a related entity) incurred while acting in that capacity and in good faith; and
- an Officer or auditor of the Company, against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

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 Section 300A of the Corporations Act 2001 and its Regulations. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Act. This remuneration report forms a part of the Directors' Report.

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.

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 align interests of directors, executives and shareholders.

In previous years shares were issued to directors, employees and consultants pursuant to the Company's Employee Share Option and Loan Plan ("Plan"). No shares were issued in the six months to 30 June 2014. The Board believes that shares are an effective remuneration tool which preserves the cash reserves of the Company whilst providing valuable remuneration. The Plan was approved by shareholders in May 2011 and allows the Board to make offers of Shares ("Plan Shares") in order to provide an incentive to deliver growth and value for the benefit of all shareholders.

A participant in the Plan must not sell, transfer, assign, mortgage, charge or otherwise encumber a Share issued under the Plan until the later of the following (to the extent applicable):

- the repayment in full of any loan advanced by the Company to the participant contemporaneously with the issue of Shares under the Plan;
- the expiry of any service continuity period specified by the Company at the time of issue of the Shares; and
- the satisfaction of any performance criteria specified by the Company at the time of issue of the Shares.

If an eligible employee ceases to be an eligible employee of the Company during the period of restriction the Company may buy-back the Plan Shares the subject of the restriction at a price equal to the issue price or the market price at the Board's discretion.

Loans have been advanced to the directors, executives and employees to pay the cash consideration for the Plan Shares. During the term of any such loan, dividends paid in respect of the Plan Shares in relation to which the Company made the loan will be retained by the Company as interest paid by the borrower on the loan. The borrower must repay the loan to the Company on the earlier of 5 years from the date of allotment of the Plan Shares to which the loan relates, or the date the borrower ceases to be employed by the Company. In such an event, the borrower is required to make available to the Company their Plan Shares to settle the loan. This will result in the Company meeting the loss on the loan so that the loan is effectively linked to the value of the Shares.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

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.
- All executives receive a base salary (which is based on factors such as length of service and experience).
- The Managing Director may also receive a cash bonus if certain Key Performance Indicators are met.
- In prior years, executives have received options to acquire ordinary shares.
- In the current year, one executive director was granted Shares pursuant to the Company's Employee Share Option and Loan Plan. An allocation of shares was made based on factors such as length of service and experience.
- 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 is expensed over the appropriate vesting period. Options and shares issued under the Employee Share Plan 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 have been granted options in previous years. Shares were issued to non-executive directors in prior years pursuant to the Company's Employee Share Option and Loan Plan ("Plan") as set out above under "Remuneration Policy". The Board believes that shares are an effective remuneration tool which preserves the cash reserves of the Company whilst providing valuable remuneration. Loans have been advanced to the non-executive directors to pay the cash consideration for the Plan Shares.

Remuneration Sub-Committee

Up to 30 June 2014, the Board had established a sub-committee to consider remuneration of the Board and key management personnel. During its existence, the Remuneration Sub-Committee had the ability to independent professional advice to formulate remuneration policy recommendations which were then submitted to the Board for approval. The Remuneration Sub-Committee did not meet in the six months to 30 June 2014. During the six months the Remuneration Sub-Committee comprised the Chairman of the Board, Dr Mike Etheridge, the independent non-executive Director, Dr James Macdonald and the Company Secretary, Mr Rowan Caren. The Remuneration Sub-Committee was dissolved on 30 June 2014 because the decision was made that issues relating to remuneration of the Board and key management personnel, could effectively be dealt with at board level.

Company performance, shareholder wealth and director and executive remuneration

Shares are issued 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 ordinary shares pursuant to the Company's Employee Share Option and Loan Plan. The recipients of Plan Shares are responsible for growing the Company and increasing shareholder value. If they achieve this goal the value of the Plan Shares granted to them will also increase. Therefore the Plan Shares 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.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 31 December 2013 and the six months to 30 June 2014:

Consolidated Entity:

	30 June 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Revenue	$48,334	$1,305,078	$977,069	$595,420	$81,643	$394,086
Net loss before tax	($723,234)	($677,702)	($1,931,371)	($2,325,365)	($3,119,802)	($3,201,171)
Net loss after tax	($723,234)	($677,702)	($1,931,371)	($2,325,265)	($2,743,959)	($3,201,171)
Share price at end of year[1]	1 cent	2 cents	3 cents	5 cents	9 cents	15 cents
Basic loss per share	(0.4 cents)	(0.3 cents)	(1.1 cents)	(1.7 cents)	(3.0 cents)	(5.4 cents)
Diluted loss per share	(0.4 cents)	(0.3 cents)	(1.1 cents)	(1.7 cents)	(3.0 cents)	(5.4 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 six months ended 30 June 2014

Key Management Person & Position	Short-term Benefits			Long-term Benefits	Post-employment Benefits	Long term incentive	Total
	Salary or Fees $	Consulting fees $	Non-monetary benefits $	Long service leave[3] $	Superannuation $	Share Based Payments $	$
G Barnes[1] *Managing Director*	119,734	-	9,233	2,270	11,013	-	142,250
M Etheridge *Non-Executive Chairman*	30,000	-	-	-	2,775	-	32,775
J Macdonald *Non-Executive Director*	18,006	-	-	-	-	-	18,006
N Forsyth-Stock[2] *Chief Financial Officer and executive director*	16,514	48,388	-	-	1,527	726	67,155
	184,254	48,388	9,233	2,270	15,315	726	260,186

11. Remuneration Report – Audited (continued)

Remuneration for the year ended 31 December 2013

Key Management Person & Position	Short-term Benefits			Long-term Benefits	Post-employment Benefits	Long term incentive	Total
	Salary or Fees $	Consulting fees $	Non-monetary benefits $	Long service leave[2] $	Superannuation $	Share Based Payments $	$
G Barnes[1] *Managing Director*	240,000	-	18,466	4,578	21,900	17,564	302,508
M Etheridge *Non-Executive Chairman*	60,000	-	-	-	5,475	8,895	74,370
J Macdonald *Non-Executive Director*	36,000	-	-	-	-	5,930	41,930
N Forsyth-Stock *Chief Financial Officer and executive director*	33,027	89,250	-	-	3,014	3,655	128,946
	369,027	89,250	18,466	4,578	30,479	36,044	547,754

[1] G Barnes may receive a cash bonus which is performance related at the Board's discretion.
[2] Long-service leave disclosed as remuneration for 2014 and 2013 is presented on an accruals basis and has not been paid out.
During the financial year, the following share-based payment arrangements granted as compensation were in existence:

Plan Shares

Granted in 2014

Nil

Granted in 2013

Holder	Granted No.	Grant Date	Issue Price cents	Fair Value of Share Based Payments (Total) $	Fair Value of Share Based Payments Expensed in 2014 $	Fair Value of Share Based Payments Expensed in 2013 $
Directors	264,343	16 August 2013	.093	1,471	726	551
Total				1,471	726	551

ASX listing Rule 10.14 approval for the issue of the Plan Shares in 2013 was obtained on 24 May 2013. Details of the Plan are disclosed in Remuneration Policy of this Remuneration Report. The continuity service period in relation to these shares is twelve months from the date of allotment. There were no performance criteria specified by the Company at the time of allotment.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

Options Granted as Part of Remuneration for the year ended 30 June 2014

No options were issued to directors as part of their remuneration during the course of the year ended 30 June 2014. No options were exercised, or forfeited during the year. There were no options on issue as at 30 June 2014.

The following options were on issue during the year ended 31 December 2013.

		Held at 1 January 2013	Granted as Remuneration	Options Exercised	Expired	Held at 30 June 2014
Director						
G Barnes	Incentive	1,000,000	-	-	1,000,000	-
	Listed	345,771	-	-	345,771	-
M Etheridge	Listed	259,424	-	-	259,424	-
J Macdonald	Incentive	400,000	-	-	400,000	-
	Listed	142,628	-	-	142,628	-
N Forsyth-Stock		-	-	-	-	-
		2,147,823	-	-	2,147,823	-

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 – 30 June 2014

	Held at 1 January 2014	Granted as Remuneration	On Exercise of Options	Acquired	Net Change	Held at 31 December 2013
Director						
G Barnes	2,457,547	-	-	-	-	2,457,547
M Etheridge	3,214,863	-	-	-	-	3,214,863
J Macdonald	1,307,533	-	-	-	-	1,307,533
N Forsyth-Stock	611,352	-	-	-	-	611,352
	7,591,295	-	-	-	-	7,591,295

(ii) SHARES – 31 DECEMBER 2013

	Held at 1 January 2013	Granted as Remuneration	On Exercise of Options	Acquired	Net Change	Held at 31 December 2013
Director						
G Barnes	2,457,547	-	-	-	-	2,457,547
M Etheridge	2,511,877	-	-	702,986	702,986	3,214,863
J Macdonald	1,099,199	-	-	208,334	208,334	1,307,533
N Forsyth-Stock	347,009	264,343	-	-	264,343	611,352
				-	-	
	6,415,632	264,343	-	911,320	1,175,663	7,591,295

Details of share-based payments in existence during the six months to 30 June 2014 are disclosed in this Directors' Report and Notes 18, 26 and 27 to the Annual Financial Statements.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

Contracts with Directors and Key Management Personnel

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

Contract Duration	Rolling contract
Notice Period for Termination and Termination Payments	Mr Barnes' remuneration is subject to an annual review undertaken by the remuneration committee. Mr Barnes may receive a discretionary performance-based cash bonus of up to 25% of his gross salary if in the opinion of the Board certain Key Performance Indicator measures are met. Mr Barnes may terminate his employment by providing 3 months' notice in writing. The Company may terminate Mr Barnes' employment, for reasons other than serious misconduct, by providing 3 months' notice or providing payment in lieu of this notice period. The Company may immediately terminate Mr Barnes' employment for reasons of serious misconduct.

12. Auditor Independence and Non-Audit Services

During the half year, Ernst and Young, the Group's auditor, performed certain services in addition to its statutory audit duties. The total non-audit services provided by the external auditor amounted to $8,636 (full year 2013: $50,469).

The Board of Directors is satisfied that the provision of non-audit services by the external auditor did not compromise the auditor independence requirements of the act due to the following reasons:

1) all material non-audit services have been 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;
2) none of the services undermines the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing and auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing economic risks and rewards.

13. Auditors' Independence Declaration

The auditors' independence declaration for the reporting period ended 30 June 2014 has been received and can be found on page 20.

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 Company's Annual Report.

15. Share Options

At the date of this report nil options to acquire ordinary shares in Clancy Exploration Limited were on issue.

Share-based payments and options issued to directors, consultants and eligible employees, are disclosed in this Directors' Report and Notes 18, 26 and 27 to the Annual Financial Statement.

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.

DIRECTORS' REPORT

16. Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the six months to 30 June 2014 and the number of meetings attended by each director was 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
G Barnes	6	6	-	-	-	-
M Etheridge	6	6	-	-	2	2
J Macdonald	6	6	-	-	2	2
N Forsyth-Stock	6	6	-	-	2	2

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 and other Company records.

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

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 Orange, NSW dated this 11 September 2014

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Auditor's Independence Declaration to the Directors of Clancy Exploration Limited

In relation to our audit of the financial report of Clancy Exploration Limited for the six months ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ryan Fisk
Partner
Sydney
12 September 2014

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS YEAR ENDED 30 June 2014

		Consolidated	
	Notes	6 months ended 30 June 2014 $	12 months ended 31 December 2013 $
Income			
Other income	4	48,334	1,305,078
Total Income		48,334	1,305,078
Employee benefits expense	5(a)	(486,398)	(1,064,054)
Consulting and outsourced services expense		(233,723)	(354,243)
Self-funded exploration expenditure		(124,109)	(499,853)
Net recovery from joint venture partners	5 (b)	150,108	488,507
Travel expense		(23,223)	(34,097)
Share based payment expense	27(a)	(726)	(58,699)
Computer related costs		(413)	(1,592)
Occupancy costs		(4,301)	(8,908)
Insurance expense		(12,647)	(27,297)
Marketing expense		(913)	(5,857)
Depreciation, amortisation and impairment expense	5(c)	(14,170)	(41,199)
Revaluation of financial instrument	30	-	(95,783)
Loss on sale of financial instrument	30	-	(247,850)
Other expenses		(21,053)	(31,855)
Total expenses		(771,568)	(1,982,780)
Loss from continuing operations before income tax benefit		(723,234)	(677,702)
Income tax benefit	6	-	-
Loss from continuing operations after tax for the period		(723,234)	(677,702)
Other comprehensive income:			
Other comprehensive Income		-	-
Other comprehensive income/(loss) net of tax			-
Total comprehensive loss attributable to owners of the parent		(723,234)	(677,702)
Basic and diluted loss per share (cents per share)	7	(0.4 cents)	(0.3 cents)

The accompanying notes form part of these financial statements on pages 25 to 60.

STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS YEAR ENDED 30 June 2014

		Consolidated	
		2014	**2013**
	Notes	**$**	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	8	1,295,092	1,850,769
Restricted cash asset	8	300,000	300,000
Trade and other receivables	9	88,965	229,160
Total Current Assets		1,684,057	2,379,929
Non-Current Assets			
Plant and equipment	11	53,694	64,737
Intangible assets	12	2,715	3,742
Exploration asset	13	400,000	250,000
Total Non-Current Assets		456,409	318,479
TOTAL ASSETS		2,140,466	2,698,408
LIABILITIES			
Current Liabilities			
Trade and other payables	14	228,230	271,206
Provisions	15	103,221	108,322
Unearned revenue	16	32,821	16,483
Exploration expenditure reimbursed in advance	16	314,582	134,419
Total Current Liabilities		678,854	530,430
Non-Current Liabilities			
Provisions	15	28,017	15,780
Total Non-Current Liabilities		28,017	15,780
TOTAL LIABILITIES		706,871	546,210
NET ASSETS		1,433,595	2,152,198
EQUITY			
Contributed equity	17	14,457,200	14,457,200
Reserves	18	1,665,604	1,660,974
Accumulated losses		(14,689,209)	(13,965,976)
TOTAL EQUITY		1,433,595	2,152,198

The accompanying notes set out on pages 25 to 60 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS YEAR ENDED 30 June 2014

CONSOLIDATED	Notes	Ordinary Shares $	Share based payment Reserve $	(Accumulated Losses) $	Total Equity $
At 1 January 2014		**14,457,200**	**1,660,974**	**(13,965,976)**	**2,152,198**
Total comprehensive income for the period, net of tax		-	-	(723,234)	(723,234)
Transaction costs on share issues	17	-	-	-	-
Issue of share capital	17	-	-	-	-
Share based payment - employee, directors and consultants shares	17	-	4,631	-	4,631
At 30 June 2014		14,457,200	1,665,605	(14,689,210)	1,433,595
At 1 January 2013		**13,958,929**	**1,660,974**	**(13,288,274)**	**2,331,629**
Total comprehensive income for the period, net of tax		-	-	(677,702)	(677,702)
Transaction costs on share issues	17	(3,200)	-	-	(3,200)
Issue of share capital	17	500,000	-	-	500,000
Share based payment - employee, directors and consultants shares	17	1,471	-	-	1,471
At 31 December 2013		14,457,200	1,660,974	(13,965,976)	2,152,198

The accompanying notes set out on pages 25 to 60 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2014

	Notes	Consolidated 6 months ended 30 June 2014 $	Consolidated 12 months ended 31 December 2013 $
CASH FLOWS USED IN OPERATING ACTIVITIES			
Reimbursement of exploration expenditure		700,280	1,568,192
Management fee received		139,598	64,312
Payments to suppliers and employees		(1,268,778)	(3,905,045)
Receipts of research and development rebate		-	408,084
Interest received		20,928	69,854
NET CASH FLOWS USED IN OPERATING ACTIVITIES	19	(407,972)	(1,794,603)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of plant and equipment		(2,100)	(2,589)
Purchase of intangible assets		-	(6,444)
Prepayment on acquisition of tenements	13	(150,000)	(250,000)
Proceeds on sale of tenements	4	-	1,000,000
Proceeds from sale of financial assets	30	-	567,849
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(152,100)	1,308,816
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		4,631	500,000
Costs of share issue		-	(3,200)
Loans to related entity - payments made		(236)	(230)
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,395	496,570
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(555,677)	10,783
Cash and cash equivalents at beginning of period		1,850,769	1,839,986
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8	1,295,092	1,850,769

The accompanying notes set out on pages 25 to 60 form part of these financial statements.

NOTES TO ACCOUNTS

1. CORPORATE INFORMATION

The financial statements of Clancy Exploration Limited (the Company or the Group) for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 11 September 2014. Clancy Exploration Limited is a for profit entity.

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.

On 5 June 2014, the Company announced that it intended to change its financial year end from 31 December to 30 June. The Company's financial year end was changed to coincide with the tax year. This report presents financials for the 6 month period to 30 June 2014 with comparatives for the 12 month period to 31 December 2013. Accordingly, in the Statement of Comprehensive Income the 6 months ended 30 June 2014 is not directly comparable with the 12 months ended 31 December 2013.

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.

(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.

Going Concern

The consolidated entity has incurred a net loss after income tax of $723,234 (2013: loss of $677,702 for the 12 month period) and experienced net cash outflows from operations of $407,972 (2013: $1,794,603 for the 12 month period) and net cash outflows from investing activities of $152,100 (net income of 2013: $1,308,816 for the 12 month period) for the six months ended 30 June 2014. As at 30 June 2014, the consolidated entity had cash and cash equivalents of $1,295,092.

The ability of the company and the consolidated entity to continue as going concerns is principally dependent upon;

- joint venture partners continuing to expend funds and pay management fees on the Company's projects;
- reduction of planned expenditures; and/or
- raising additional capital to fund exploration and provide additional working capital.

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

The directors have prepared a cash flow forecast for the period ending 30 September 2015 which indicates that the current cash resources may not meet expected cash outgoings without additional capital. The directors anticipate that these requirements will be met through a combination of some or all of the following:

- Joint venture partners continuing to expend funds and pay management fees on the Company's projects;
- Reduction of planned expenditure; and/or
- Further capital raisings.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The directors are satisfied that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the company and the consolidated entity be unable to achieve the initiatives referred to above, there is a material uncertainty whether the company and the consolidated entity will be able to continue as going concerns and, therefore, whether they will realise their assets and discharge their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(b) Statement of Compliance

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

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

(c) New accounting standards and interpretations

(A) Changes in accounting policy and disclosure

From 1 January 2014 the Group has adopted all standards and interpretations, mandatory for annual reporting periods beginning 1 January 2014. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

AASB 119- Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

Consequential amendments were also made to other standards via AASB 2011-10.

It is anticipated that this standard will have nil impact on the Company since it does not have a defined benefits plan.

AASB 2012-5 - Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:

- Repeat application of AASB 1 is permitted (AASB 1)
- Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

This standard has minimal impact on the financial statements.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2012-9 - Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039

AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.

This standard has minimal impact on the financial statements.

AASB 2012-2- Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-2 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This standard has nil impact on the Company since it does not offset financial assets and financial liabilities.

AASB 1053 - Application of Tiers of Australian Accounting Standards

This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards
- Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.
The following entities apply Tier 1 requirements in preparing general purpose financial statements:

- For-profit entities in the private sector that have public accountability (as defined in this standard)
- The Australian Government and State, Territory and Local governments

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

- For-profit private sector entities that do not have public accountability
- All not-for-profit private sector entities
- Public sector entities other than the Australian Government and State, Territory and Local governments.

Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.

This standard has nil impact on the Company.

AASB 124 -Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements
This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) Accounting Standards issued but not yet effective

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 30 June 2014. None of the standards issued and not yet effective are expected to have a significant impact to the financial statements unless specifically stated below. Those that are relevant to the Group are outlined below:

AASB 2012-3- Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

It is anticipated that this standard will have nil impact on the Company since it does not offset financial assets and financial liabilities.

AASB 2013-3 - Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

It is anticipated that this standard will have nil impact on the Company.

AASB 9 Financial Instruments

On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
   - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
   - The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

The revised standard is not expected to have a significant impact on the classification and measurement of financial assets or financial liabilities.

AASB 2013-4- Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]

AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

The revised standard is not expected to have a significant impact on the Company.

Interpretation 21- Levies

This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.

AASB 2013-5 - Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]

These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.

These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.

The revised standard is not expected to have a significant impact on the Company.

AASB 1031- Materiality

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.

AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.

AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.

The revised standard is not expected to have a significant impact on the Company.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2013-9 - Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

The Standard contains three main parts and makes amendments to a number Standards and Interpretations.

Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.

Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.

Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

The revised standard is not expected to have a significant impact on the Company.

AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle - Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle

Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:

- AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.
- AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

The revised standard is not expected to have a significant impact on the Company.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(e) Investment in joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

When the Group undertakes its activities under joint operations, it recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

The Group can elect to contribute to ongoing exploration costs in proportion to its interests or dilute (a farm-out arrangement). If contributions are made during the reporting period, they are accounted for as exploration expenditure. Once the joint arrangement partner had earned its interest, the Company recovers expenditure equivalent to the other joint arrangement partner's interest.

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements. Any cash consideration received directly from the farmee is credited against costs previously incurred in relation to the whole interest.

When the Group, acting as an operator, receives reimbursement of direct costs recharged to the joint operation, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint operation and therefore have no effect on profit or loss.

In many cases, the Group also incurs certain general overhead expenses in carrying out activities on behalf of the joint operation. As these costs can often not be specifically identified, joint operation agreements allow the operator to recover the general overhead expenses incurred by charging an overhead fee that is based on a fixed percentage of the total costs incurred for the year, often in the form of a management fee. Although the purpose of this recharge is very similar to the reimbursement of direct costs, the Group is not acting as an agent in this case. Therefore, the general overhead expenses and the overhead fee are recognised in profit or loss as an expense and income, respectively.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combinations

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.

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 recognised 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 recognised 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. 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.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

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.

Restricted cash represents the cash funds held in term deposit for exploration licenses for a period longer than 3 months but shorter than 12 months.

(j) Trade and other receivables

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

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 derecognises the asset if it has transferred control of the assets.

(i) Loans and receivables
Loans and receivables including loan notes 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 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
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.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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) Intangibles and Impairment of non-financial assets other than that of goodwill

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.

(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.

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 were impaired 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.

(m) Plant and Equipment

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.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 11.

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.

(n) Trade and other payables

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.

(o) Provisions and employee benefits

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.

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

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. For annual leave, 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.

(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. 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.

(p) Share-based payment transactions

(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, rights over shares (equity-settled transactions) and shares issued pursuant to the Company's Employee Share and Loan Plan ("Plan"). The consolidated entity has also issued ordinary shares and unlisted options as consideration to vendors for the acquisition of exploration licences and drilling services.

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 and shares issued under the Plan 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 and shares issued under the Plan is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity 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) or shares issued under the Plan.

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 and shares issued under the Plan;

(ii) the current best estimate of the number of options and shares issued under the Plan 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 ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(q) Issued Capital

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.

(r) 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”).

(s) Income tax and other taxes

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:

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Earnings per share

Basic earnings per share is calculated as 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 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.

(u) Exploration Expenditure

Exploration and evaluation costs are accumulated and accounted for separately on an area of interest basis. An area of interest is represented by an exploration project, which may include multiple tenements within a single geographic region.

For each area of interest, the company makes an election regarding its treatment of exploration and evaluation expenditure and whether it will be charged to the income statement as incurred, under the expense category "exploration expenditure," or capitalised as an exploration and evaluation asset.

An exploration and evaluation can only be recognised in relation to an area of interest if the following conditions are satisfied:

a) the rights to tenure of the area of interest are current; and
b) at least one of the following conditions is also met:
   (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
   (ii) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration and evaluation expenditures are recorded as an exploration asset at cost less impairment charges. All capitalised exploration and evaluation expenditure are monitored for indicators of impairment. Where an impairment indicator is identified, an assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

At 30 June 2014, the Group elected to capitalise the acquisition costs associated with the acquisition of the North Arunta tenements. Consistent with prior periods, for all other tenements, the Company has elected to expense the exploration and evaluation costs.

Exploration expenditure in relation to the joint operations managed by the consolidated entity is funded by the jointly controlled operation partner. The consolidated entity makes a cash call for expenditure at the beginning of each quarter for these joint operations on the basis of forecast expenditure. The consolidated entity recognises exploration expenditure reimbursed in advance at year end in the event that cash has been received in advance of expenditure. Exploration expenditure in respect of these joint operations classified in the statement of comprehensive income within the income or expense category "Net joint venture reimbursed expenses".

(v) Financial Liabilities and Equity Instruments Issued by the Consolidated Entity

(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.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities
Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' 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 recognised 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.

(i) Subsequent Event

The consolidated entity assesses at each reporting date whether subsequent events represent an adjusting or non-adjusting event in accordance with AASB110 : Events after the Balance Sheet Date.

4. OTHER INCOME

		Consolidated	
		6 months 2014 $	**12 months 2013 $**
(a) Sale of interest in tenements			
Sale of interest in tenements	(i)	-	1,000,000
		-	1,000,000
(b) Other revenue			
Interest revenue		20,910	69,853
Management Fees		27,424	235,225
		48,334	305,078
TOTAL OTHER Income		48,334	1,305,078

(i) In 2013, the Company entered into a Joint Venture Termination, Subscription and Royalty Agreement with Gold Fields Australia Pty Ltd, under which the Company sold its joint venture interests in six copper-gold projects in NSW. Clancy received a total of $1 million from the sale consideration and $0.5 million for the associated placement of shares to a related body corporate of Gold Fields.

NOTES TO ACCOUNTS

5. OTHER INCOME

	Consolidated	
	6 months 2014 $	12 months 2013 $
(a) Employee benefits expense includes:		
Directors' fees	64,513	129,026
Salaries	364,655	778,737
Workers' compensation costs	8,461	25,157
Annual leave provision	1,171	15,639
Long service leave provision	5,964	21,687
Post-employment benefits expense	37,500	80,340
Other employee benefits expense	4,134	13,468
	486,398	1,064,054
(b) Net recovery from joint venture partners		
Joint Venture Exploration Expenditure	370,010	1,844,178
Less joint venture funding	(520,118)	(2,332,685)
	(150,108)	(488,507)

(i) The Company recovers a range of expenses classified elsewhere in the Statement of Comprehensive Income from its joint venture partners, in addition to exploration expenditure. Such expenses includes a portion of salaries and other exploration related overheads including depreciation, occupancy costs and insurance.

(c) Depreciation, amortisation and impairment expense included in statement of comprehensive income		
Depreciation of plant & equipment	13,143	37,054
Amortisation of software and leasehold improvements	1,027	3,923
Impairment of plant & equipment	-	222
	14,170	41,199

NOTES TO ACCOUNTS

6. INCOME TAX

	Consolidated 2014 $	Consolidated 2013 $
(a) Income tax expense		
The major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax charge/(benefit)	-	-
Adjustments in respect of current income tax of previous years	-	
		-
Deferred income tax	-	
Relating to origination and reversal of temporary differences	-	-
Income tax expense/(benefit) reported in statement of comprehensive income	-	-
(b) Amounts charged or credited directly to equity		
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	-	-

(c) Numerical reconciliation of accounting profit to tax expense

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:

	2014 $	2013 $
Accounting loss before income tax	(723,235)	(677,702)
At the consolidated entity's statutory income tax rate of 30% (2012: 30%)	(216,970)	(203,311)
Non-deductible entertainment/penalties	-	562
Other non-allowable items	-	263
Share based payments	753	18,690
Fringe benefits tax	321	296
Increase in unrecognised deferred tax assets	215,896	227,693
Disposal of tenements	-	(44,193)
Income tax benefit	-	-

	2014 $	2013 $
(d) Current tax assets and liabilities		
Current tax liability	-	-

(e) Recognised deferred tax assets and liabilities

The Group has not recognised any deferred tax assets or liabilities during the year (2013: 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 $12,658,409 (2013: $12,031,141) 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 (2013: $111,962) which are available indefinitely for offset against future taxable capital gains subject to continuing to meet the relevant statutory tests.

NOTES TO ACCOUNTS

6. INCOME TAX (continued)

(g) Unrecognised temporary differences

As at 30 June 2014, 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 $317,810 (2013: $170,563). None of these unrecognised temporary differences relate to investments in subsidiaries, associates or joint ventures.

(h) Tax consolidation

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.

		Consolidated	
(a)	**Earnings used in calculating earnings per share**	**2014**	**2013**
		$	**$**
	For basic and diluted earnings per share:		
	Loss from continuing operations after tax for the year	(723,234)	(677,702)
(b)	**Weighted average number of shares**	**2014**	**2013**
		No. of shares	**No. of shares**
	Weighted average number of ordinary shares for basic and diluted earnings per share	206,254,392	204,288,877
(c)	**Earnings per share**	**2014**	**2013**
	Basic loss per share	(0.4 cents)	(0.3 cents)

NOTES TO ACCOUNTS

8. CASH AND CASH EQUIVALENTS

	Notes	Consolidated 2014 $	Consolidated 2013 $
Cash at bank		1,045,092	1,600,769
Short term bank deposits		250,000	250,000
		1,295,092	1,850,769

In addition, as at 30 June 2014 the Company has $300,000 in restricted cash (2013: $300,000) which is included as a current asset in the Statement of Financial Position, held at Westpac Banking Corporation which has been provided as set-off security in respect of a $250,000 bank guarantee facility provided in turn for exploration licence security purposes and a $50,000 corporate credit card facility.

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)

	Consolidated 2014 $	Consolidated 2013 $
Sundry debtors	30	4,866
Accrued income	2,910	98,764
GST input tax refundable	30,265	75,424
Prepayments	55,760	50,106
	88,965	229,160

(a) Fair value and credit risk

Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value. GST input tax refundable is receivable from the Commonwealth of Australia and is therefore viewed as having low credit risk. Accrued income is receivable from Westpac Banking Corporation and the National Australia Bank and is therefore viewed as having low credit risk.

10. FINANCIAL ASSETS

At 31 December 2013, the Company held 2,125,000 options in Genesis Resources Limited. The options had an exercise price of 10 cents and expired on 4 May 2014. The options were valued as 31 December 2013 using the Black-Scholes Option Model, based on the share price of 9 cents and minimal volatility. Accordingly, at 31 December 2013, no value was attributed to the options. As at 30 June 2014, the options had expired.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
Level 2- Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
Level 3- Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisations (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 June 2014 the financial instruments held at 31 December 2013 had expired. For all other financial instruments, the carrying value approximates the fair value.

NOTES TO ACCOUNTS

11. PLANT AND EQUIPMENT

	Consolidated 2014 $	Consolidated 2013 $
Year ended 31 December		
Computer Equipment		
At 1 January, net of accumulated depreciation	4,567	5,095
Additions	-	2,589
Depreciation charge for the year	(896)	(3,117)
Impairment		-
Net of accumulated depreciation and impairment	3,671	4,567
Plant and Equipment		
At 1 January, net of accumulated depreciation	12,635	24,043
Additions	2,100	-
Disposals	-	(222)
Depreciation charge for the year	(2,429)	(11,186)
Net of accumulated depreciation and impairment	12,306	12,635
Motor Vehicles		
At 1 January, net of accumulated depreciation	36,345	51,876
Additions	-	-
Disposals	-	-
Depreciation charge for the year	(7,172)	(15,531)
Net of accumulated depreciation	29,173	36,345
Office Furniture		
At 1 January, net of accumulated depreciation	7,733	10,760
Additions	-	-
Depreciation charge for the year	(976)	(3,027)
Net of accumulated depreciation and impairment	6,757	7,733
Leasehold Improvements		
At 1 January, net of accumulated depreciation	3,313	7,420
Additions	-	-
Amortisation charge for the year	(1,643)	(4,107)
Net of accumulated amortisation	1,670	3,313
Library		
At 1 January, net of accumulated depreciation	144	231
Additions	-	-
Disposals	-	-
Depreciation charge for the year	(27)	(87)
Net of accumulated depreciation	117	144
Total Plant and Equipment		
At 1 January, net of accumulated depreciation	64,737	99,425
Additions	2,100	2,589
Disposals	-	(222)
Depreciation charge for the year	(13,143)	(37,055)
Net of accumulated depreciation and impairment	53,694	64,737

NOTES TO ACCOUNTS

11. PLANT AND EQUIPMENT (continued)

	Consolidated 2014 $	Consolidated 2013 $
At 31 December		
Computer equipment at cost	45,391	45,391
Accumulated depreciation and impairment	(41,720)	(40,824)
Net carrying amount	3,671	4,567
Plant and equipment at cost	92,591	90,491
Accumulated depreciation and impairment	(80,285)	(77,856)
Net carrying amount	12,306	12,635
Motor vehicles at cost	163,017	163,017
Accumulated depreciation	(133,844)	(126,672)
Net carrying amount	29,173	36,345
Office furniture at cost	23,693	23,693
Accumulated depreciation and impairment	(16,936)	(15,960)
Net carrying amount	6,757	7,733
Leasehold improvements at cost	19,791	19,791
Accumulated amortisation	(18,121)	(16,478)
Net carrying amount	1,670	3,313
Library at cost	1,515	1,515
Accumulated depreciation and impairment	(1,398)	(1,371)
Net carrying amount	117	144
Total cost	345,998	343,898
Accumulated depreciation, amortisation and impairment	(292,304)	(279,161)
Net carrying amount	53,694	64,737

(i) The useful life of the assets was estimated as follows:

Sundry equipment:	5 to 15 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.

12. INTANGIBLE ASSETS

	Consolidated 2014 $	Consolidated 2013 $
Computer Software		
Year ended 31 December		
At 1 January, net of accumulated amortisation	3,742	1,221
Additions	-	6,444
Amortisation charge for the year	(1,027)	(3,923)
Impairment		-
Net of accumulated amortisation and impairment	2,715	3,742
At 31 December		
Gross book value	51,057	51,057
Accumulated amortisation and impairment	(48,342)	(47,315)
Net carrying amount	2,715	3,742

(i) The useful life of intangible assets was estimated as follows for 2014:

Computer software: 2.5 years

NOTES TO ACCOUNTS

13. EXPLORATION ASSET

On 29 November 2013, the Company announced that it had entered into an agreement with ABM Resources NL (ASX: ABU) whereby the Company has the option to acquire 100% of ABM's interests in the North Arunta Project Region in the Northern Territory. The agreement is subject to due diligence. Clancy paid an option fee of $250,000 for the exclusive option to complete due diligence on the projects and subject to various conditions including satisfactory due diligence by both parties and various approvals, the right to acquire the projects. On 3 February 2014, Clancy announced that it had completed the due diligence processes and had exercised its option to acquire 100% of ABM's interests in the North Arunta Project Region in the Northern Territory. The Company paid an option exercise fee of $150,000.

Clancy shareholder approval for the transaction was granted at the AGM on 7th May 2014. The key remaining condition required Clancy to complete a capital raising of not less than $2.5 million by 2 August 2014. Subsequent to the end of the year, Clancy announced that the transaction was unlikely to proceed due to the inability to raise the required funding given the challenging state of the equity markets. Consistent with the agreement with ABM, the option exercise fee of $150,000 was refunded post balance date, however the option fee of $250,000 was not refundable.

The option fee and the option exercise fee have been capitalised as an Exploration Asset at 30 June 2014, in accordance with AASB6. The option fee will be expensed in the year ended 30 June 2015.

14. TRADE AND OTHER PAYABLES (Current)

	Notes	Consolidated 2014 $	Consolidated 2013 $
Trade payables	(i) - (ii)	152,097	140,918
Accrued expenses		38,067	89,906
GST Payable		38,066	40,382
		228,230	271,206

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.

15. PROVISIONS

	Consolidated 2014 $	Consolidated 2013 $
CURRENT		
Employee entitlements - accumulated annual leave		
Balance as at 1 January	63,910	48,270
Additions during the period	1,171	18,185
Utilised during the period	-	(2,545)
Transferred to non-current	(7,652)	
Balance as at end of period	57,429	63,910
Employee entitlements - accumulated long service leave		
Balance as at 1 January	44,412	-
Transferred from non-current	-	44,412
Additions	1,380	-
Balance as at end of period	45,792	44,412
Total Current	103,221	108,322

NOTES TO ACCOUNTS

15. PROVISIONS (Continued)

	Consolidated 2014 $	Consolidated 2013 $
NON CURRENT		
Employee entitlements - accumulated annual leave		
Balance as at 1 January	-	-
Transferred from current	7,652	-
Balance as at end of period	7,652	-
Employee entitlements - accumulated long service leave		
Balance as at 1 January	15,780	38,506
Additions during the period	4,585	21,686
Transferred to current	-	(44,412)
Balance as at end of period	20,365	15,780
Total Current	28,017	15,780

16. UNEARNED REVENUE AND EXPLORATION UNDERSPEND

		Consolidated 2014 $	Consolidated 2013 $
Unearned revenue	(i)	32,821	16,483
Exploration expenditure reimbursed in advance	(ii)	314,582	134,419
		347,403	150,902

(i) As at 30 June 2014, the Company had unearned revenue in respect of its management fees derived from its joint ventures with Mitsubishi Metals Corporation ("MMC") and Kaizen Discovery Inc. ("Kaizen").

(ii) As at 30 June 2014, the Company had made a cash call for expenditure which under its joint venture agreements with MMC and Kaizen will either be spent on exploration in respect of the joint ventures or in the event that MMC and/or Kaizen does not elect to contribute beyond its minimum contribution (see note 20), will be refunded to MMC and/or Kaizen.

NOTES TO ACCOUNTS

17. ISSUED CAPITAL

		Consolidated 2014 $	Consolidated 2013 $
Ordinary shares	(a)	14,457,200	14,457,200

(a) Ordinary shares

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

			Consolidated 2014 Number of shares	2014 $	Consolidated 2013 Number of shares	2013 $
Movement in ordinary shares on issue						
Beginning of financial year			206,254,392	14,457,200	191,704,335	13,958,929
Add						
	Shares issued pursuant to Employee Share Scheme	(i)	-	-	264,343	1,471
	Shares issued pursuant to placement	(ii)	-	-	14,285,714	500,000
Less:	Transaction costs on share issues	(iii)	-	-	-	(3,200)
	As at 31 December		206,254,392	14,457,200	206,254,392	14,457,200

(i) On August 2013 264,343 shares were issued to employees and directors of the Company pursuant to the Employee Share Scheme. The shares were valued in accordance with the requirements of AABS 2 Share based payments. Refer to Note 27.

(ii) On 13 February 2013, the Company entered into a Joint Venture Termination, Subscription and Royalty Agreement with Gold Fields Australasia Pty Ltd ("Gold Fields"). As part of this agreement, Gold Fields subscribed for 14,285,714 shares at 3.5 cents per share.

(iii) The transaction costs represent the cost of issuing shares pursuant to points (i) – (ii) above.

(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 appropriate returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures an appropriate cost of capital available for 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 the six months to 30 June 2014 and no dividends are expected to be paid in 2014/2015.

The consolidated entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and actual expenditures against budget on a monthly basis.

NOTES TO ACCOUNTS

18. RESERVES

	Consolidated 2014 $	Consolidated 2013 $
Share-based payment reserve	1,665,605	1,660,974
	1,665,605	1,660,974

(a) Movement in reserves

	2014	2013
Share-based reserve		
Balance at beginning of the financial year	1,660,974	1,660,974
Arising on share-based payments	4,631	-
Balance at end of financial year	1,665,605	1,660,974

(b) Nature and purpose of reserves

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 drilling services and tenements. It also includes an apportionment for the value of free attaching options from proceeds of a rights issue.

19. STATEMENT OF CASH FLOWS RECONCILIATION

(a) Reconciliation of the net profit/(loss) after tax to net cash flows from operations

	Consolidated 2014 $	Consolidated 2013 $
Loss from ordinary activities after income tax	(723,234)	(677,702)
Adjustments for:		
Depreciation	13,143	37,054
Amortisation of intangible assets	1,027	3,923
Loss on disposal of property, plant and equipment	-	222
Non-cash net expenses paid on behalf of controlled entity via loan account	236	230
Equity settled share based payments	726	58,699
Realised loss on financial asset	-	247,850
Unrealised loss on financial asset	-	95,783
Proceeds sale of tenements	-	(1,000,000)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	145,849	275,831
Decrease /(increase) in prepayments and bonds	(6,380)	13,229
Increase/(decrease) in trade and other payables	(42,975)	(49,147)
Increase/(decrease) in provisions	203,636	(800,575)
Net cash flow used in operating activities	(407,972)	(1,794,903)

(b) Bank guarantee facility

	2014	2013
Bank guarantee facility	300,000	300,000
Amount utilised	(180,000)	(160,000)
	120,000	140,000

The bank guarantee facility has been provided by a financial institution for exploration licence security and corporate credit card purposes. Term deposits of $300,000 (2013: $300,000) have been provided as set-off security for these facilities.

NOTES TO ACCOUNTS

20. INTEREST IN JOINTLY CONTROLLED OPERATIONS

As at 30 June 2014, the Group had the following significant interests in joint ventures:

(a) Bass Metals Limited unincorporated joint venture

(i) Bass Metals Limited ("Bass") and Clancy Exploration Limited have a 75% and 25% interest respectively in two Tasmanian exploration licences ("tenements"), the Lake Margaret licence and the Sock Creek licence in the Mt Read Volcanic Belt in Western Tasmania.

(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) Bass has agreed to sole fund the joint venture until the completion of a pre-feasibility study on any one of the tenements. Thereafter expenditure is in proportion to joint venture interests. At the time of any 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.

(v) The Company has no capital commitments or contingent liabilities in respect of this joint venture.

(vi) Under the provisions of the joint venture agreement, the Company may become entitled to performance shares.

(b) Gold Fields Australasia Pty Ltd unincorporated joint venture

(i) Prior to February 2013, Clancy had an interest in 6 tenements in the eastern Lachlan Fold Belt in New South Wales in joint venture with Gold Fields Australasia Pty Ltd. The interest in these joint ventures was disposed of during the year as part of the Joint Venture Termination, Subscription and Royalty Agreement. During the year, the Company entered into a Joint Venture Termination, Subscription and Royalty agreement with Gold Fields Australia Pty Ltd, under which the Company sold its joint venture interests in six copper-gold projects in NSW. Accordingly, after February 2013, Clancy no longer had an interest in these tenements.

(ii) Clancy received a total of A$1.5 million from a combination of the sale consideration and a placement of shares to a related body corporate of Gold Fields. The sale consideration was A$1 million in cash which was paid immediately upon settlement. The equity component of A$500,000 was received immediately upon settlement of the placement which was done at 3.5c per share. Clancy retains rights to its 2.5% Net Smelter Return (NSR) royalties on the six projects (in addition to Wellington North), subject to Gold Fields having the right at any time to purchase the NSR's for A$20 million each. Both parties' pre-emptive rights and the Gold Fields back-in right on the Gobondery project was terminated as part of the agreement.

NOTES TO ACCOUNTS

20. INTEREST IN JOINTLY CONTROLLED OPERATIONS (Continued)

(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 is manager of the joint venture and has funded a work program on each tenement.

(iii) On 15 February 2012 a decision was taken by both MTTT and the Company to relinquish the Waratah licence.

(iv) MTTT is currently earning-in on the Oonah licence. The Company has elected to fund its 25% share of future expenditure on this tenement once this earn-in has been completed.

(v) There are no joint venture assets or liabilities.

(vi) In respect of its joint venture agreement with Minemakers TTT Pty Ltd (“MTTT”), the Company has elected to fund its 25% share of future expenditure on the Oonah tenement once MTTT’s earn-in has been completed. A drilling program has yet to be finalised but is not expected to exceed $250,000 of which the Company’s share would be $62,500. The Oonah tenement has an annual expenditure commitment of $137,900 and has been renewed to 7 August 2013. The Company has no other capital commitments or contingent liabilities in respect of this joint venture.

(d) Mitsubishi Metals Corporation unincorporated joint venture

(i) In 2012, the Company entered into a joint venture with Mitsubishi Metals Corporation of Japan (“MMC”) whereby MMC could earn 49% of the Cundumbul, Currumburrama and Genaren projects by funding $3 million expenditure over three years with a minimum commitment of $500,000 in the first year.

(ii) The Company is managing the project on behalf of the joint venture..

(iii) As at 30 June 2014, the Company was entitled to a 100% interest in each of the projects (2013: 100%).

(e) Kaizen Discovery Inc. unincorporated joint venture

(i) On 20 May 2013, the Company entered into a new joint venture with the signing of a Farm In and Joint Venture Agreement with High Power Exploration Inc (HPX) on the Fairholme copper gold project in New South Wales.

(ii) Under the terms of the Agreement HPX has the right to earn an initial 49% of the Fairholme project by funding A$1 million in exploration over one year with a minimum spending commitment of A$500,000. HPX then will have the right to fund a further A$4 million in exploration over the subsequent two years with the aim of delineating a scoping study to take HPX’s stake to 65 %. HPX can increase its stake to 80% in phases or 85% by funding a Prefeasibility Study (depending on the cost of the study).

(iii) In December 2013, HPX transferred its interest in the joint venture to Kaizen Discovery Inc.

(iv) The Company is managing the project on behalf of the joint venture.

(v) As at 30 June 2014, the Company was entitled to a 51% interest in the projects.

21. 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.

NOTES TO ACCOUNTS

22. COMMITMENTS

	Consolidated 2014 $	Consolidated 2013 $
Estimated commitments for which no provisions were included in the financial statements are as follows:		
(a) Exploration Expenditure Commitments:		
(i) Under 12 (2013:12) NSW Government and 2 (2013:2) Tasmanian Government exploration licenses		
Payable		
- not later than one year	260,789	525,104
- later than one year and not later than five years	400,285	260,005
	661,074	785,109

The expenditure commitments as at 30 June 2014 include $244,663 (2013:$ 412,435) commitments that will be met by either of the Company's joint venture partners - Mitsubishi Metals Corporation ("MMC") or Kaizen Discovery Inc. as a result of the minimum expenditure commitment under the joint venture agreements with those parties.

There is a combined 2% net smelter royalty payable to third parties in relation to both the exploration licences comprising the Trundle project. The exploration licences that make up the Trundle project are 100% owned by the Company. The royalty is only payable in the event that a mine is ultimately constructed. The value of such payable is zero at the time of this report, as there are no reserves or resources proven or probable under those exploration licenses as of the date of this report.

During 2014 and subsequent to the end of the financial year, 1 NSW licence was applied for by the Company. Of the 14 licences held by the Company, 1 is pending renewal.

The Company and its subsidiary Geoinformatics Exploration Tasmania Pty Ltd had, at 30 June 2014, a 25% interest in four (31 December 2013: four) Tasmanian licences, two of which are covered by a mining exploration alliance agreement with Bass Metals Ltd ("Bass"), entered into on 10 May 2005, while a further two are covered by a joint venture agreement entered into on 25 February 2011 with Minemakers TTT Pty Ltd ("MTTT"). 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.

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 20 for details of Jointly Controlled Operations.

(b) Operating Lease Commitments

In October 2012 the consolidated entity extended the lease for office and core shed premises in Orange, NSW for 24 months. On 31 May 2014 it entered into a 60 month operating lease for a photocopier-printer. Its operating lease commitments are as follows:

	Consolidated 2014 $	Consolidated 2013 $
Payable		
- not later than one year	12,046	79,076
- later than one year and not later than five years	23,837	1,991
	35,883	81,067

NOTES TO ACCOUNTS

23. 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.

24. 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:

	Nature of investment	*Country of incorporation*	*% Equity interest*		*Investment $*	
Name			*2014*	*2013*	*2014*	*2013*
Geoinformatics Exploration Tasmania Pty Ltd	Ordinary shares	Australia	100	100	1	1
					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. The transactions have all been undertaken on an arms' length basis.

	Consolidated	
	2014	**2013**
	$	**$**
Purchase of goods and services		
Director's fees billed by C2Skye Management Ltd, a company controlled by a director J. Macdonald	18,006	36,000
Directors travel expenses billed by C2Skye Management Ltd	4,394	6,647
Directors travel expenses billed by Tectonex Geoconsultants Pty Ltd, a company controlled by the chairman M. Etheridge	5,450	6,569
Accounting and financial consultancy services paid to Forsyth & Associates Pty Ltd, a company associated with director and chief financial officer, N. Forsyth-Stock	48,388	89,250
Directors travel and other expenses paid to Forsyth & Associates Pty Ltd, a company associated with director and chief financial officer, N. Forsyth-Stock	697	656

NOTES TO ACCOUNTS

24. RELATED PARTY DISCLOSURES (Continued)

	Consolidated 2014 $	2013 $
Amounts paid on trade and other payables		
Amounts paid to C2Skye Management Ltd for director's fees and travel expense reimbursements	22,400	42,646
Amounts paid to Tectonex Geoconsultants Pty Ltd for travel expense reimbursements	5,450	6,569
Accounting and financial consultancy services and expenses paid to Forsyth & Associates Pty Ltd, a company associated with director and chief financial officer, N. Forsyth-Stock	49,085	89,906
Superannuation guarantee contributions paid		
Amounts paid to Tectonex Geoconsultants Pty Ltd as trustee for Etheridge Superannuation Fund, a trustee company controlled by the chairman M. Etheridge who is also a beneficiary of the superannuation fund	2,275	5,475
Amounts paid to Far Range Pty Ltd as trustee for Far Range Superannuation Fund a trustee company controlled by a director G. Barnes who is also a beneficiary of the superannuation fund	11,013	21,900
Amounts paid to Matrix Superannuation Master Trust, a superannuation fund in which director and chief financial officer, N. Forsyth-Stock is a beneficiary	1,527	3,014

25. SUBSEQUENT EVENTS

On 29 July 2014, Clancy announced that it was unlikely that the capital raising would be completed before the deadline of 2 August 2014 due to the challenging state of the equity markets and therefore it was unlikely that the acquisition of the North Arunta projects would proceed on the current terms. Consistent with the agreement with ABM, the option exercise fee of $150,000 was refunded on 15 August 2014. The option fee of $250,000 was not however recoverable and will therefore be expensed in the year ending 30 June 2015.

NOTES TO ACCOUNTS

26. DIRECTORS AND KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

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

G Barnes	Director, additionally Managing Director
M Etheridge	Chairman (Non-Executive)
J Macdonald	Director (Non-Executive - Technical)
N Forsyth-Stock	Director (Executive – Financial), also Chief Financial Officer

(b) Compensation for Key Management Personnel

	Consolidated	
	2014	2013
	$	$
Short-term employee benefits	184,254	369,026
Short-term consulting fees	48,388	89,250
Post-employment benefits	15,315	30,389
Other long-term benefits	2,270	4,578
Share-based payments	726	36,045
Non-monetary benefits	9,233	18,466
Total Compensation	260,186	547,754

27. SHARE-BASED PAYMENT EXPENSE

(a) Recognised share-based payments expenses

The expense recognised for the expensing of employee and consultant services received is shown in the table below:

	Consolidated	
	2014	2013
	$	$
Expense recognised for employee and consultant services received		
Expense arising from equity-settled share-based payment transactions – employees and consultants (i)	-	25,758
Expense arising from equity-settled share-based payment transactions – directors (ii)	726	32,941
	726	58,699

(i) In 2013, 264,343 shares respectively were issued under the Company's Employee Share Option and Loan Plan ("the Plan") with a fair value of $1,471. These amounts were/are to be expensed over a 12 month period from the date of issue, consistent with the continuity service period under the Plan. See Note 17.

(b) Weighted average remaining contractual life

All options had expired at 30 June 2014 and 31 December 2013.

(c) Range of exercise price

All options had expired at 30 June 2014 and 31 December 2013.

(d) Weighted average fair value

NOTES TO ACCOUNTS

27. SHARE-BASED PAYMENT EXPENSE (continued)

The weighted average fair value of the directors and employees options granted during the year was $nil (2013: $nil). The weighted average fair value of drilling service provider options granted during the year was $nil (2013: $nil).

(e) Weighted average share price

The weighted average price per share during the year was $0.01 (2013: $0.01).

28. AUDITORS' REMUNERATION

The auditor of Clancy Exploration Limited is Ernst & Young.

	Consolidated	
	2014	2013
	$	$
Amounts received or due and receivable for:		
- an audit or review of the financial statements of the entity and its controlled entity – Ernst & Young	22,744	44,789
- other services in relation to the entity and its controlled entity - tax compliance services - Ernst & Young	8,636	50,469
	31,380	95,258

NOTES TO ACCOUNTS

29. INFORMATION RELATING TO CLANCY EXPLORATION LIMITED ('the Parent Entity")

	2014	2013
	$	$
ASSETS		
Current Assets	1,837,194	2,382,831
Non-current Assets	306,408	318,479
TOTAL ASSETS	2,143,602	2,701,310
LIABILITIES		
Current Liabilities	686,506	520,456
Non-current Liabilities	20,365	25,755
TOTAL LIABILITIES	706,871	546,211
NET ASSETS	1,436,731	2,155,099
EQUITY		
Issued capital	14,917,200	14,917,200
Reserves	1,665,605	1,660,974
Accumulated losses	(15,146,074)	(14,423,075)
TOTAL EQUITY	1,436,731	2,155,099
Loss of the parent entity	(722,999)	(677,472)
Total comprehensive loss of the parent entity	(722,999)	(677,472)

Contingent liabilities of the parent entity: Nil

Commitments for the acquisition of property, plant and equipment by the parent entity: Nil

Reserves included in the parent entity:

	Consolidated	
	2014	2013
	$	$
Share-based payment reserve	1,665,605	1,660,974
	1,665,605	1,660,974

NOTES TO ACCOUNTS

30. 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 main risk arising from the consolidated entity's financial instruments is cash flow interest rate risk. Other minor risks are either summarised below or disclosed at Note 9 in the case of credit risk and Note 17 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

In the 12 months ended 31 December 2013, the Company incurred a loss of $247,850 on the sale of financial instruments. This was a result of the sale of shares held in Genesis Resources Limited. The shares were sold on 20 December 2013, for net proceeds of $567,850. In addition, the Company incurred a loss of $95,783 on the revaluation of financial instruments. This was a result of a revaluation of options held in Genesis Resources Limited. At 31 December 2013, the Company held 2,125,000 options in Genesis Resources Limited. The options had an exercise price of 10 cents and expired on 4 May 2014. The options were valued as 31 December 2013 using the binomial option pricing model, based on the share price of 9 cents and minimal volatility. Accordingly, at 31 December 2013, no value was attributed to the options.

(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 consolidated entity's exposure to interest rate risk and the effect on profit before tax if interest rates at that date had been 20% (2013: 20%) higher or lower with all other variables held constant as a sensitivity analysis.

Year	Increase/Decrease basis points	Effect on Profit Before Tax $
2014	+48	7,496
	-48	-7,496
2013	+48	10,183
	-48	(10,183)

A sensitivity of 20% (2013: 20%) has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 20% (2013: 20%) sensitivity would move short term interest rates at 30 June 2014 from around 2.4% representing a 48 basis points shift either down to 1.92% or up to 2.88% (2013: from around 2.4% representing a 48 basis points shift either down to 1.92% or up to 2.88%). This could represent one or two adjustments upwards in the context of an easing of monetary stimulus by the Reserve Bank of Australia in response to stronger domestic conditions and an improving international economy.

NOTES TO ACCOUNTS

30. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

(a) Liquidity risk

The consolidated entity manages liquidity risk by maintaining sufficient cash reserves 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:

	Consolidated	
	2014 $	2013 $
Payable		
- less than 6 months	228,230	271,206
- 6 to 12 months	-	-
- 1 to 5 years	-	-
- later than 5 years	-	-
Total	228,230	271,206

(b) 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.

(c) 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 therefore not exposed to material foreign currency risk.

(d) Carrying values of financial instruments not recognised at fair value

Due to their short term nature, the carrying value of financial assets and financial liabilities, not recognised at fair value, recorded in the financial statements approximates their respective fair values, determined in accordance with accounting policies disclosed in Note 2 of the financial statements.

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 30 June 2014 and of their performance for the six months 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 30 June 2014.

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

Orange, NSW

Dated this 11 September 2014

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Independent auditor's report to the members of Clancy Exploration Limited

Report on the financial report

We have audited the accompanying financial report of Clancy Exploration Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial report which describes the principal conditions relating to the possibility of additional funding being required by the consolidated entity. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 consolidated entity's financial position as at 30 June 2014 and of its performance for the six months ended on that date; and

    ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2014. 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 six months ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
12 September 2014

ASX ADDITIONAL INFORMATION

Shareholder Information as at 10 October 2014

A. TOTAL EQUITY SECURITIES

	Total on Issue
Ordinary Shares (CLY)	206,254,392

A total of 5,615,710 shares are subject to voluntary restrictions.

B. DISTRIBUTION OF EQUITY SECURITIES

	Shares
1-1,000	68
1,001-5,000	27
5,001-1,0000	65
10,001-100,000	307
100,001 and over	197
Total Shareholders	664

	Shares
Marketable Parcel	$500
Price of security shares used in calculation of marketable parcel (10 Oct 2014)	$0.015
No of securities in a marketable parcel	33,333
No of unmarketable parcels	303

C. TOP 20 SHAREHOLDERS

		No. of shares	% of Total
1	Motte & Bailey Pty Ltd <Bailey Super Fund A/c>	18,500,000	8.97%
2	St Ives Gold Mining Co Pty Ltd	17,764,783	8.61%
3	HSBC Custody Nominees Aust. Ltd	13,980,887	6.78%
4	Wallis-Mance Pty Ltd <Wallis-Mance Family A/c>	13,232,785	6.42%
5	Daniel Paul Wise <Ark Investment A/c>	6,740,354	3.27%
6	Flue Holdings Pty Ltd	5,442,692	2.64%
7	Tranquilo Investment Ltd	4,599,279	2.23%
8	Centaurus Resources Pty Ltd	4,444,444	2.15%
9	Citicorp Nominees Pty Ltd	4,089,687	1.98%
10	National Nominees Ltd	4,000,000	1.94%
11	Kobia Holdings Pty Ltd	3,807,333	1.85%
12	Australian Mineral & Waterwell	3,691,539	1.79%
13	Damian Delaney	3,000,000	1.45%
14	Tattersfield Securities Ltd	2,838,040	1.38%
15	A&M Brien <A&M Brien S/F A/C>	2,454,463	1.19%
16	Tectonex Geoconsultants Pty Limited <Etheridge S/Fund A/C>	2,421,833	1.17%
17	Wythenshawe Pty ltd	2,050,346	0.99%
18	Hammerhead Holdings Pty Ltd <HHH S/Fund A/c>	2,050,159	0.99%
19	A & R Getz<Super Fund A/C>	1,827, 665	0.89%
20	L&S Jackson <Jackson S/Fund A/c>	1,750,000	0.85%
		118,626,289	57.54%

ASX ADDITIONAL INFORMATION

D. 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 10 October 2014;

Gold Fields Limited	17,764,783	8.61%
Evolution Master Fund Limited SPC, Segregated Portfolio M and Evolution Capital Management LLC	13,377,251	6.49%
Wallis-Mance Pty Limited	13,232,785	6.42%

E. SHARES ISSUED PURSUANT TO EMPLOYEE SHARE AND LOAN PLAN (THE PLAN")

	2014[1]	Last 5 years
Total Shares issued pursuant to the Plan and on issue as at start of period	5,615,710	-
Number of Shares issued to eligible employees and consultants pursuant to the Plan	-	3,053,681
Number of Shares issued to Directors pursuant to the Plan	-	3,151,945
Total Shares issued pursuant to the Plan	-	6,205,626
Less Shares Bought Back following resignation of an eligible employee	-	(294,958)
Less Shares sold on market following resignation of an eligible employee	-	(294,958)
Total Shares issued pursuant to the Plan and on issue as at 31 December 2013	5,615,710	5,615,710

All shares issued to Directors under the Plan were approved pursuant to ASX Listing Rule 10.14 obtained at general meetings of the Company held on 29 May 2011 and 24 May 2013.

5,615,710 shares issued under the Plan are subject to voluntary restrictions.

[1] Period from 1 January to 30 June 2014. Period from 1 July to 31 December 2013 was included in 2013 annual report.

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.

LIST OF MINERAL TENEMENTS

Clancy tenement listing

(As at 30 September 2014)

State	Project	Lease No	Status	JV Project	Manager	Clancy interest	Area (km2)	Note
NSW	Condobolin	EL7748	Renewed	No	Clancy	100%	362.8	
NSW	Genaren	EL7927	Renewed	Yes	Clancy	100%	193.6	Mitsubishi Materials Corp earning 49%
NSW	Cundumbul	EL6661	Renewed	Yes	Clancy	100%	141.4	Mitsubishi Materials Corp earning 49%
NSW	Cundumbul	EL7399	Renewed	Yes	Clancy	100%	63.5	Mitsubishi Materials Corp earning 49%
NSW	Fairholme	EL6552	Renewal Pending	Yes	Clancy	51%	54.5	Kaizen Discovery Inc earning 65%
NSW	Fairholme	EL6915	Renewed	Yes	Clancy	51%	117.5	Kaizen Discovery Inc earning 65%
NSW	Kiola	EL8151	Granted	No	Clancy	100%	284.2	
NSW	Orange East	EL6181	Renewed	No	Clancy	100%	40.2	
NSW	Trundle	EL8222	Granted	No	Clancy	100%	167.2	
NSW	Mount Tennyson	EL8226	Granted	No	Clancy	100%	45.8	
NSW	Mount Pleasant	EL8237	Granted	No	Clancy	100%	63.5	
NSW	Koobah	EL8302	Granted	No	Clancy	100%	28.6	
NT	Reynolds Range	EL30297	Application	No	Clancy	100%	639.7	
NT	Lander River	EL30422	Application	No	Clancy	100%	326.8	
NT	Barrow Creek	EL30445	Application	No	Clancy	100%	735.7	
TAS	Lake Margaret	EL28/2009	Granted	Yes	Bass Metals	25%	59.0	Clancy interest carried to Prefeasibility study
TAS	Sock Creek	EL20/2010	Granted	Yes	Bass Metals	25%	11.0	Clancy interest carried to Prefeasibility study
TAS	Oonah	EL63/2004	Renewed	Yes	TNT Mines	25%	24.0	Clancy contributing

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the six months ended 30 June 2014, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated. The Corporate Governance Statement is dated 30 September 2014.

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The ASX Corporate Governance Council ("the Council") issued the second edition of the Corporate Governance Principles and Recommendations with 2010 Amendments in June 2010.

To illustrate where the Company has addressed each of the Council's revised recommendations, the following summary cross-references to each revised recommendation. Details of all of the revised recommendations can be found on the ASX Corporate Governance Council's website.

Introduction

Clancy Exploration has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.clancyexploration.com :

- Board Code of Conduct;
- Code of Conduct
- Securities Trading Policy;
- Continuous Disclosure Strategy;
- Shareholder Communication Policy
- Risk Management Policy;
- Board Charter;
- Definition of an Independent Director
- Audit Committee Charter;
- Board Selection and Appointment Procedure; and
- Diversity Policy.

Explanations for Departures from Best Practice Recommendations

During the financial year the Company has complied with the majority of the Eight Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the Council and as detailed below:

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Council Principle 1: ***Companies should establish and disclose the respective roles and responsibilities of board and management.***
Council Recommendation 1.1: *Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*
The Company complies with this recommendation. The board has set out the responsibilities of the Board in the Board Charter which can be accessed on the company website. 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.
Council Recommendation 1.2: *Disclose the process for evaluating the performance of senior executives.*
The Remuneration sub-committee of the Board was dissolved on 30 June 2014. The Board will in future meet 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.
Council Recommendation 1.3: *Companies should provide the information indicated in the Guide to reporting on Principle 1*
The Company complies with this recommendation. The executive evaluation process was undertaken by the Managing Director in March 2014. The Managing Director evaluation process was undertaken by the Chairman in March 2014.

CORPORATE GOVERNANCE STATEMENT

The Remuneration Committee did not meet during the period and was dissolved on 30 June 2014.

2. STRUCTURE THE BOARD TO ADD VALUE

Council Principle 2: ***Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties***
Council Recommendation 2.1: *A majority of the Board should be independent directors.*
A definition of director independence can be accessed at www.clancyexploration.com. During the period, the Board of Clancy Exploration had two independent directors, Dr Etheridge and Dr Macdonald and two non-independent directors, Mr Barnes and Ms Forsyth Stock. Therefore the Board currently has the same number of independent directors as non-independent directors; however the Chairman, who is independent, has the casting vote. The Company complies with Recommendation 2.1.
Council Recommendation 2.2: *The chair should be an independent director.*
The Company's Chairman, Dr Mike Etheridge, is considered by the Board to be independent.
Council Recommendation 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 exercised by the same individual.
Council Recommendation 2.4: *The Board should establish a nomination committee*.
The board does not comply with this recommendation. 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 www.clancyexploration.com
Council Recommendation 2.5: *Disclose the process for evaluating the performance of the board, its committees and individual directors.*
The Company complies with this recommendation. 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 directors.
Council Recommendation 2.6: *Companies should provide the information indicated in the Guide to reporting on Principle 2.*
The Company complies with this recommendation and provides the following disclosures. The skills, experience and expertise relevant to the position held by each director are disclosed in the Directors Report. The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members. The period of office held by each director as at 30 September 2014 is as follows; Mr Barnes 3 years, 10 months Dr Macdonald 7 years, 10 months Ms Forsyth Stock 2 years, 2 month Dr Etheridge 3 years, 8 months The evaluation process was undertaken in accordance with this process in March 2014.

CORPORATE GOVERNANCE STATEMENT

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Council Principle 3:

Companies should actively promote ethical and responsible decision-making.

Council Recommendation 3.1:

Establish a code of conduct and disclose the code or a summary of the code as to:
- *the practices necessary to maintain confidence in the Company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company complies with this recommendation.

The Company has adopted a Code of Conduct for Directors which can be accessed on the website.

Council Recommendation 3.2:

Companies should establish a policy concerning diversity, and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them

The Company partly complies with this recommendation.
The Company recognises the benefits arising from employee and board diversity, including accessing different perspectives and ideas and benefitting from a greater pool of talent.
The Board has adopted a Diversity Policy, a copy of which is available on the Company's website. The Company has a policy not to discriminate on the basis of gender, age, religion etc.
Factors such as gender, race, age or disability are irrelevant and are not taken into account when making employment decisions. In all cases, the person most suited to the position is selected based on their skills and qualifications without bias or prejudice.
Consistent with the Company's policy of non-discrimination, the Board has chosen not to set specific measurable targets for gender diversity.

Council Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity.

Consistent with the Company's policy of non-discrimination, the Board has chosen not to report, specific measurable targets for gender diversity.

Council Recommendation 3.4:

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The Company complies with this recommendation and provides the following disclosure;

No. of female board members as at 30 September 2014	1 (25%)
No. of female employees as at 30 September 2014	2 (33%)
No. of female employees in senior positions as at 30 September 2014	1 (33%)
No. of female contractors as at 30 September 2014	1 (50%)
No. of female contractors in senior positions as at 30 September 2014	1 (50%)

Council Recommendation 3.5:

Provide the information indicated in the Guide to reporting on Principle 3.

The Company complies with this recommendation.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Council Principle 4:

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting

Council Recommendation 4.1:

CORPORATE GOVERNANCE STATEMENT

The Board should establish an audit committee.
An audit committee has been established. The Company complies with this Recommendation.
Council Recommendation 4.2: *The audit committee should be structured so that it:* • *consists only of non-executive directors;* • *consists of a majority of independent directors;* • *is chaired by an independent chair, who is not chair of the board;* • *has at least three members.*
The Audit Committee has three members, consisting of two independent directors, Dr Macdonald and Dr Etheridge and one non-independent director, Ms Forsyth Stock. The Audit Committee is chaired by Dr Macdonald, who is an independent director and is not the Chairman of the Board
Council Recommendation 4.3 *The audit committee should have a formal charter.*
The audit committee has a charter.
Council Recommendation 4.4: *Provide the information indicated in the Guide to reporting on Principle 4.*
The Company complies with this recommendation, except that one member of the Audit Committee is an Executive Director, and provides the following disclosure. The audit committee met twice during the period. All members of the Committee attended the meetings. The Board has only two independent directors and therefore is not currently able to satisfy the requirement for at least three members all of whom are to be non-executive. The Board does not believe that the appointment of an additional independent director is justified simply to satisfy the minimum requirements for sub-committees. The external auditor, Ernst & Young, has a rotation policy such that partners must rotate off a client after five successive years, for at least two years. Ernst & Young became the Company's auditor during 2012.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Council Principle 5: ***Companies should promote timely and balanced disclosure of all material matters concerning the Company***
Council Recommendation 5.1: *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.*
The Company complies with this recommendation. The Company has adopted a Continuous Disclosure Policy which is available on its website.
Council Recommendation 5.2: *Provide the information indicated in the Guide to reporting on Principle 5.*
The Company complies with this recommendation.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Council Principle 6:

CORPORATE GOVERNANCE STATEMENT

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights
Council Recommendation 6.1: *Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.*
The Company complies with this recommendation. The Company has adopted a Shareholder Communication Strategy which is available on its website.
Council Recommendation 6.2: *Provide the information indicated in the Guide to reporting on Principle 6.*
The Company complies with this recommendation.

7. RECOGNISE AND MANAGE RISK

Council Principle 7: ***Companies should establish a sound system of risk oversight and management and internal control***
Council Recommendation 7.1: *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*
The Company complies with this recommendation. The Company has a Risk Management Policy which is available on the website.
Council Recommendation 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 during the period.
Council Recommendation 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.*
Company complies with this recommendation. The Board receives assurance from the Chief Executive Officer and the Chief Financial Officer in the form of a declaration, prior to approving the financial statements.
Council Recommendation 7.4: *Provide the information indicated in the Guide to reporting on Principle 7.*
The Company complies with this recommendation and provides the following disclosure; The board has received assurance from the Chief Executive Officer and the Chief Financial Officer 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.

CORPORATE GOVERNANCE STATEMENT

8. REMUNERATE FAIRLY AND RESPONSIBLY

Council Principle 8:

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Council Recommendation 8.1

The Board should establish a remuneration committee.

The company had a Remuneration Committee until 30 June 2014, when it was dissolved. It is no longer a company policy to have a remuneration committee, given the size and scale of Clancy Exploration Limited. The role of a remuneration committee will now be carried out by the full Board. Therefore the Company complied with this recommendation during the period but no longer complies with the recommendation.

Council Recommendation 8.2

The remuneration committee should be structured so that it;

- *Consists of a majority of independent directors;*
- *Is chaired by an independent chair*
- *Has at least three members*

The Company complied with this recommendation during the period but no longer complies with the recommendation as the Remuneration Committee was dissolved on 30 June 2014.

The Remuneration Committee had three members consisting of the independent directors, Dr Macdonald and Dr Etheridge and the Company Secretary, Mr Caren. The Remuneration Committee did not meet during the reporting period. The Remuneration Committee was chaired by Dr Macdonald.

Council Recommendation 8.3

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company complies with this recommendation.

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of;

(i) fixed components that reflect the person's responsibilities, duties and personal performance; and

(ii) share based payments in the form of options or shares as an incentive.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.
The aggregate amount payable to the Company's Non-Executive Directors in respect of non-executive director fees must not exceed the maximum annual amount approved by the Company's shareholders, which is currently set at $200,000 per annum.
As part of their remuneration packages, non-executive directors of the company were (in 2012 and 2013) granted 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.

Council Recommendation 8.4:

Provide the information indicated in the Guide to reporting on Principle 8.

The Company complies with this recommendation and provides the following disclosures;

- The Company currently has no schemes for retirement benefits, other than superannuation for directors.
- The Company does not have any unvested entitlements under any equity-based remuneration schemes.

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