

20 October 2010

Company Announcements Office
ASX Limited
Level 5, 123 Eagle Street
BRISBANE QLD 4000

Annual Financial Report 2010

Cloncurry Metals Limited confirms that its Annual Financial Report for the Year Ended 30 June 2010 has been despatched to all shareholders. A copy of the Annual Financial Report as distributed accompanies this release.

Yours faithfully



Barry J Casson
Company Secretary / Finance Director

Enquiries should be directed to:

Simon Finnis
Managing Director
(07) 3862 6300 or 0418 695 138
simon.finnis@cloncurrymetals.com.au

Barry Casson
Company Secretary/Finance Director
(07) 3268 5540 or 0411 546 360
barry.casson@cloncurrymetals.com.au





A.B.N. 15 122 162 396

ANNUAL FINANCIAL REPORT
30 June 2010

CONTENTS	PAGE
• Chairman's letter	1
• Directors' report (including corporate governance statement and remuneration report)	3
• Statements of financial position	22
• Statements of comprehensive income	23
• Statements of changes in equity	24
• Statements of cash flows	26
• Notes to the financial statements	27
• Directors' declaration	52
• Auditor's report	53
• Lead auditor's independence declaration	55
• ASX additional information	56

12 October 2010

Dear Shareholders

Our year began in frustrating fashion, with the acquisition of Global Resources Corporation (GRC) taking much longer than expected, due to the related party nature of the transaction, and the various approval processes required before we could proceed. It was finally put to shareholders in March this year and, after strong support, was finalised shortly thereafter with the issue of new shares to acquire GRC.

During the acquisition process it was decided that your Company needed a new direction and more focus than was being provided by the largely non executive Board at that time. Mr Simon Finnis rejoined the Company in an executive role earlier this year and has overseen the integration of the GRC assets and personnel into your Company, along with the development of the new strategy, which has three aspects, namely:

1. Capitalising on the extensive exploration potential at El Rodeo,
2. Further rationalisation of our existing tenements in Queensland, concurrently with lodging applications over areas we feel have potential, and
3. The search for a more advanced project to add to our exploration portfolio.

At El Rodeo we immediately drilled the most advanced prospect, La Calera, and were encouraged by the results there. Since that time, we have continued the programme that has been outlined to shareholders; however, in recent months we have been severely hampered by inclement weather, culminating with hurricane Frank in August and severe rain events since that time. That has led to delays in further drilling, and to some elements of the geophysics programme, but has allowed further mapping work which is adding to our knowledge and understanding of the various prospects. We continue to be encouraged by the feedback from our team in Mexico regarding road repairs and site access, and believe that we will be drilling before much longer, at Espiritu Santo.

In Queensland, as has been widely reported, we have lodged many applications for exploration licenses, in areas we believe have good potential for base and precious metals, along with phosphate. Some of these applications are competing and, given our most recent experience, many won't be granted for a number of months, but they certainly will provide further opportunities in the future.

In the past six months we have continued to review many development and mining opportunities, but for various reasons have not consummated a transaction. The competition from peers and majors is high in all regions, but we are of the belief that if we continue to look, and to apply our criteria consistently, then a good project will come our way.

In an attempt to identify further prospective assets, your Company recently contracted a very experienced and internationally focused Geologist to find, assess and recommend projects for our acquisition. Few geographical boundaries have been placed upon him and this has led to a sharp increase in the number and style of projects being assessed. That, in turn, has led to an increased level of confidence regarding that process and we are hopeful of an early and positive outcome to these efforts.



We have watched on with cautious optimism as commodity prices have bounced back strongly from the depths of late 2008. Most recent pricing leads us to have faith in the future of our industry, notwithstanding the irresponsible tax plans that have so dogged us since just before the Federal election. We are consistently asked how these tax proposals affect us, and the answer is simple. As a junior explorer, we survive on our ability to fund our plans, and that funding is often predicated on the upside that a particular strategy may provide the Company and its shareholders. However, as soon as the upside is diminished, or perceived to be diminished (in this case by a new tax), then the plans become less attractive and the capital more difficult to access.

Your Company mitigates the uncertain future tax regime in Australia by continuing its activities in Mexico and reviewing other offshore opportunities.

We thank you once again for your continued support, and look forward to a fruitful and exciting year ahead.

I would also like to thank my fellow directors and our small team of dedicated staff.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Everett', written in a cursive style.

Stephen Everett
Chairman
Cloncurry Metals Limited

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

The directors present their report together with the financial report of Cloncurry Metals Limited ('the Company'), and of the Group, being the Company and its subsidiaries, for the financial year ended 30 June 2010 and the auditor's report thereon.

1. Directors

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

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
<p>Stephen Everett B. Eng (Chem), MAICD Chairman and Non-Executive Director <i>Appointed 6 April 2009</i> Member of the Remuneration Committee</p>	58	Mr. Everett is a chemical engineer who has more than 35 years management experience including production and project management, marketing, corporate restructuring, debt/equity financing, and government relations. Mr. Everett's senior executive positions have included Managing Director and Chief Executive Officer of private and publicly listed companies. He was formerly Chairman of Australian Solomons Gold Limited, JMS Civil and Mining Pty Ltd. and BeMaX Resources NL.
<p>Michael Arnett LLB B.Comm. Independent Non-Executive Director <i>Appointed 22 June 2007</i> Chairman of the Audit Committee Chairman of the Remuneration Committee</p>	48	Mr Arnett has more than 20 years experience in the areas of capital raising, corporate, commercial, banking and finance, mergers and acquisitions and securities predominantly in the mining, oil and gas sector, and currently holds several directorships of listed companies including with Archipelago Resources plc (listed on AIM, London), NRW Holdings Limited, and Nexus Energy Limited. He is also Executive Chairman of New Guinea Energy Limited. Mr Arnett is a consultant, and former Partner and Member of the Board of Natural Resources Business Unit of the international law firm Norton Rose (formerly Deacons).
<p>Barry Casson CA MAICD Finance Director <i>Appointed 12 October 2006</i> Member of the Audit Committee Member of the Remuneration Committee</p>	59	Mr Casson is Finance Director and Company Secretary. Mr Casson is a Chartered Accountant with over 38 years accounting and primarily commerce experience and approximately 25 years in the mining industry as Finance Director, Chief Financial Officer or equivalent. He has had extensive international experience in project financing and corporate transactions and is a Member of the Institute of Company Directors in Australia. He was Chief Financial Officer and Joint Company Secretary for Australian Solomons Gold Limited (TSX: SGA) until 18 December 2009, and is currently a non-executive director of Archipelago Metals Limited, an unlisted public company.
<p>Simon Finnis Masters of Business and Technology Managing Director <i>Appointed 1 March 2010</i> Member of the Audit Committee</p>	44	Mr Finnis has more than 20 years experience in a diverse range of mining operations including open cut, underground and dredge mining operations in gold, copper, and mineral sands. For the past decade, he has been involved in various roles in the development of four projects, the latest being the Pooncarie Mineral Sands Project in western New South Wales and the Gold Ridge Mine on the island of Guadalcanal, Solomon Islands. Formerly Chief Executive Officer of Cloncurry Metals until 1 April 2009 and appointed as Managing Director in March 2010. In between these roles Mr Finnis was the Chief Operating Officer for Australian Solomons Gold Limited.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

2. Company secretary

Barry Casson CA MAICD

Mr Casson is a qualified Chartered Accountant and has held a number of company secretary positions over many years.

3. Directors' meetings

An audit committee and a remuneration committee were established in July 2007. Two meetings were held by the audit committee during the year ended 30 June 2010. The remuneration committee did not meet during the year to 30 June 2010, as there were no relevant matters not otherwise dealt with by the board of directors.

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

Director	Board meetings		Audit committee meetings		Remuneration committee meetings	
	A	B	A	B	A	B
Michael Arnett	10	10	2	2	-	-
Barry Casson	10	10	2	2	-	-
Stephen Everett	7	10	1 ⁽ⁱ⁾	1 ⁽ⁱ⁾	-	-
Simon Finnis	9	10	2	2	-	-

A – Number of meetings attended; includes resolutions passed by circular resolution (5).

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

(i) Mr Everett is not a member of the audit committee and attended by invitation given his role as chairman of the board.

4. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1. Board of directors

Role of the board

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

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

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

From the period 1 July 2009 to 1 March 2010 (the appointment date of Mr Finnis as managing director) there was no chief executive officer per se and the Company was managed by two executives, namely Mr Casson in relation to financial and legal matters and Mr Finnis in relation to operational matters, with support as required from the other board members. On the appointment of Mr Finnis to the full time role of Managing Director, he assumed responsibility and accountability for matters of administration and for the operational and strategic direction of the Company.

Board processes

To assist in the execution of its responsibilities, the board has maintained a remuneration committee and an audit committee. These committees have written mandates and operating procedures, which are reviewed periodically, depending on the circumstances of the Group. The board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

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

The agenda for meetings is prepared in conjunction with the chairperson, managing director and company secretary. Papers are circulated a week prior to each meeting and standing items include an operational and activities report, financial reports, strategic matters, governance and compliance. The directors are regularly involved in discussions with each other on all Group matters, not only at board meetings.

CLONCURRENCY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.1. Board of directors (continued)

Director education

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

The Company maintains a register of the ASX Listing Rules including ASX updates and circulates updates to the board as appropriate.

Independent professional advice and access to company information

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

Composition of the board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors' report on page 3 of this report. The board endeavours to compose the board using the following principles:

- a minimum of four directors, with a broad range of expertise covering technical, legal, commercial and corporate, and both nationally and internationally
- a majority of independent non-executive directors. Due to the re-organisation that occurred in April 2009, the composition of the board has changed whereby this objective is not seemingly being met:
 - Technically not independent is the directorship of Stephen Everett, who holds an indirect interest in approximately 7.9% of the Company. Although less than the legal definition of a substantial shareholder (which is 10%), the generally accepted policy – and policy of the Company - is to limit independence to holding less than a 5% interest in the Company (also refer below to note on the lack of independence of Mr Everett as chairman)
 - Technically not independent is the directorship of Simon Finnis who was, prior to his appointment as a director in April 2009, the chief executive officer of the Company. Good corporate governance policy in this regard requires a minimum of three years between management and directorship positions
 - Technically not independent is the directorship of Barry Casson, who also acts as Company Secretary and provides part time services to fulfil the Company's need of a Finance Director.
 - Mr Arnett is an independent non-executive director

The board will continue to monitor the mix of the board as additional opportunities and activities evolve going forward

- a majority of directors having extensive knowledge of the Company's industries, and who have extensive expertise in significant aspects of financing or risk management of publicly listed companies
- a non-executive independent director as chairperson. This was the case until April 2009 when Dr Ross Fardon resigned and Mr Stephen Everett was appointed to the board and was subsequently appointed chairman by the remaining directors. Mr Everett was not an independent chairperson, due to his shareholding in and position as chairman of the then major shareholder (holding approximately 27%) in the Company, Global Resources Corporation Pty Ltd (GRC). GRC was acquired by the Company in March 2010, and as a result Mr Everett now holds an indirect interest of approximately 7.9% of the Company. Mr Everett is however a non-executive director
- enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities and
- a maximum period of three years service, subject to re-election every three years.

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

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

CLONCURRENCY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.1. Board of directors (continued)

The reason for departure from this general policy of the Company, and the specifics of ASX Corporate Governance Recommendation 2.1, is one of practicality. The board has focussed on the overarching principle of having directors who add value to the business and are not conflicted with the objectives of the Company. Each of the directors remains committed to adding value for all shareholders.

4.2. Nomination committee

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

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

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

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

The remuneration committee charter also provides for an annual review of the performance of the managing director and the senior executives reporting directly to him and the results are discussed at a board meeting.

4.3. Remuneration committee

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

The members of the remuneration committee during the year were:

- Michael Arnett (Chairperson) – Independent Non-Executive
- Stephen Everett – Non-Executive
- Barry Casson – Finance Director

The board policy is that the remuneration committee will comprise a majority of independent non-executive directors. At the present time, Mr Everett and Mr Casson are not fully independent due to their relationship with the former major shareholder GRC. Mr Everett is a director and chairman of the board of GRC, and Mr Casson is the company secretary of GRC. GRC was acquired by the Company in March 2010, resulting in Mr Everett holding an indirect interest of approximately 7.9% of the Company. Notwithstanding these relationships, the board of the Company views the experience of both committee members as adding significant value to the committee and the Company.

The former chief executive officer, Simon Finnis, who commenced employment in September 2007 and resigned from his position as from 1 April 2009, was invited to remuneration committee meetings during the term of his role, as required, to discuss other executives' performance and remuneration packages but did not attend meetings involving matters pertaining to him. Mr Finnis was subsequently appointed a non-executive director of the Company as from 6 April 2009, and appointed to the role of managing director from 1 March 2010.

The remuneration committee usually meets a minimum of once a year and further meetings will be held as required. However in the year under review there were no meetings held, due to the limited nature of requirements not otherwise dealt with by the board of the Company.

The remuneration committee's charter is available on the Company's website.

4.4. Remuneration report – audited

4.4.1. Principles of compensation – audited

Remuneration is referred to as compensation throughout this report. During the year under review, the Company had one executive director and one key executive. The former chief executive officer, Simon Finnis, who was appointed to that role on 1 September 2007, resigned on 1 April 2009 and was appointed a non-executive director on 6 April 2009. Simon Finnis was subsequently appointed to the full time role of managing director as from 1 March 2010. The exploration & development manager, who was appointed on 1 July 2007, continued in that role during the reporting period. The following principles of compensation have been agreed to by the board and will form the basis of the remuneration committee principles of compensation going forward.

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

CLONCURRENCY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.4. Remuneration report – audited (continued)

4.4.1. Principles of compensation – audited (continued)

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

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

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

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

Fixed compensation

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

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

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives and to keep the Group competitive in the marketplace. The short-term incentive ("STI") is an 'at risk' bonus provided in the form of cash, and is based on agreed key performance indicators ("KPIs") for each position.

The long-term incentive ("LTI") is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan ("ESOP"). In accordance with the terms of the ESOP, share options are granted under a service condition whereby the grantee must be employed by the Group at the time the options vest. If share options are unvested at termination of the grantee's engagement by the Group, the options expire on termination of the grantee's engagement. If share options are vested but unexercised at termination of the grantee's engagement, the options expire 30 days after the termination of the grantee's engagement. Otherwise, share options expire on their expiry date.

Short-term incentive bonus

Each year the remuneration committee will set the KPIs for the key management personnel. The KPIs will generally include measures relating to the Group, and to the individual, and include financial, people, strategy, and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The remuneration committee will recommend the cash incentive to be paid to each individual. These recommendations are reviewed and confirmed by the board. The method of assessment chosen will provide the committee with an objective assessment of the individual's performance.

Long-term incentive

Options are issued under the ESOP (made in accordance with thresholds set in plans that have been initially approved by the board) and it provides for key management personnel to receive varying numbers of options over ordinary shares for no consideration. The actual number of options issued depends on the seniority and responsibility of the executive concerned. The exercise prices and vesting periods of the options are set so as to provide a realistic incentive to each executive and to reflect the executive's contribution to the Group and enhancement of value for all shareholders.

In addition to the options provided to executives, the Company has issued options to certain directors. These entitlements have not been granted as part of a broad scheme to remunerate the board but rather as a specific and largely pre-agreed recognition of the contribution of these directors to the establishment of the Company and its portfolio of projects, and its listing on the Australian Stock Exchange ("ASX") in October 2007. These remaining option entitlements are noted in the table in Section 4.4.3.1.

The Company's policy relating to exercise and vesting dates for options provided to the executives and to certain directors is summarised as follows:

- The exercise prices and vesting terms for options issued to the managing director and the exploration and development manager recognise the highly competitive labour market in Australia within the mining industry. Commercial salary arrangements are currently seen as being only part of the attraction to executives and increasingly executives desire a meaningful incentive in the form of options or shares offered. The Company has recognised this aspect and negotiated with each executive the terms of issue, which include a five year term and varying exercise prices generally expressed in three tranches vesting over the first three years. The Company recognises the modest nature of the premiums to the current share price; however the inherent attraction of these premiums forms a crucial element of the total remuneration package.
- The exercise prices for options issued to other directors have been set at significantly higher levels than those applicable to the executives. As noted above, this acknowledges that the issue of options does not form part of the remuneration base of the relevant directors but instead rewards them in the longer term for the significant efforts already made and yet to be made. Accordingly the premiums have been set at a more realistic hurdle rate relative to price expectations based on successful exploitation of the projects. The five year term and three tranche vesting date approach is consistent with the options terms for executives.

CLONCURRENCY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.4. Remuneration report – audited (continued)

4.4.1. Principles of compensation – audited (continued)

Service contracts

The Company has entered into service contracts with both the managing director and exploration and development manager. There are no service contracts with any other director or with the company secretary.

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

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

The managing director was appointed to his current role on 1 March 2010 following service as chief executive officer of the Company from 1 September 2007 to 1 April 2009, and as a member of the board of directors from 6 April 2009 onwards.

Mr Simon Finnis is retained as managing director pursuant to a consultancy contract between Finnis 1 Pty Ltd, Simon Finnis and the Company which provides for the services of Simon Finnis on a full time basis. The major terms of the contract include:

- an initial term of three years commencing 1 March 2010.
- an annual fee of \$305,000 payable monthly in arrears.
- termination upon three months notice, except in the event of a change of control where an additional six months notice is required.
- rights to a short term incentive of up to 20% of the annual fee, subject to agreed KPIs which are reviewed annually.
- a long term incentive of 1,500,000 options, each vesting immediately and having a five year expiry date from the date of issue, and exercisable as follows:
 - 500,000 options exercisable at 10 cents per share
 - 500,000 options exercisable at 12.5 cents per share
 - 500,000 options exercisable at 15 cents per share

The employment contract for the exploration and development manager, Mr Glenn Beere, is structured as a non exclusive consulting agreement for 144 working days per year. No termination payment is provided for in this contract and there are no provisions for annual leave or long service leave entitlements.

Non-executive directors

Total compensation for all non-executive directors was set by the board on 22 June 2007 at \$147,000. The levels of fees set were based on a review involving reference to fees paid to other non-executive directors of comparable companies at the time. There has been no change to these levels since 2007. Directors' base fees are presently set at \$35,000 per annum for the chairperson and \$28,000 per annum for each non-executive director. These fees are paid quarterly in arrears.

Following a reorganisation of the board of directors on 6 April 2009, it was agreed to retain the former directors of Messrs Fardon, Thorpe and Bunting for a period of 12 months to assist in the ongoing activities of the Company and to retain intellectual property developed since listing in October 2007. These arrangements ended in April 2010.

The chairperson, finance director and non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities including membership of a committee(s). Additional services provided outside of board duties attract a separate daily rate agreed by the remuneration committee.

There is no board retirement scheme and there is currently no intention to establish such a scheme.

4.4.2. Directors' and executive officers' remuneration – audited

Details of the nature and amount of each major element of remuneration of each director of the Company and the named Company and Group executives for the year ended 30 June 2010 are:

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.4. Remuneration report – audited (continued)

4.4.2. Directors' and executive officers' remuneration – audited (continued)

		Short-term				Post-employment	Other long term	Termination benefits	Share-based payments	Total \$	S300A(1)(e)(i) proportion of remuneration performance related %	S300A(1)(e)(i) Value of options as proportion of remuneration %
		Salary & fees	STI cash bonus \$	Non-monetary benefits	Total	Superannuation benefits			Options (iii)			
Directors												
<i>Non-executive directors</i>												
Mr S Everett	2010	35,000	-	-	35,000	-	-	-	-	35,000	-	-
Mr M Arnett	2010	28,000	-	-	28,000	-	-	-	-	28,000	-	-
<i>Executive directors</i>												
Mr S Finnis	2010	120,307	-	-	120,307	-	-	-	94,000	214,307	-	43.9%
Mr B Casson	2010	28,000	-	-	28,000	-	-	-	2,795	30,795	-	9.1%
Executives												
Mr G Beere	2010	158,466	-	-	158,466	-	-	-	4,447	162,913	-	2.7%
Mr F Bunting ⁽ⁱ⁾	2010	10,500	-	-	10,500	-	-	-	9,315	19,815	-	47.0%
Dr M Miranda ⁽ⁱⁱ⁾	2010	45,806	-	-	45,806	-	-	-	-	45,806	-	-

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.4. Remuneration report – audited (continued)

4.4.2. Directors' and executive officers' remuneration – audited (continued)

		Short-term				Post-employment	Other long term	Termination benefits	Share-based payments	S300A(1)(e)(i) proportion of remuneration performance related %	S300A(1)(e)(i) Value of options as proportion of remuneration %	
		Salary & fees	STI cash bonus \$	Non-monetary benefits	Total	Superannuation benefits			Options (iii)			Total \$
Directors												
<i>Non-executive directors</i>												
Mr S Everett	2009	8,750	-	-	8,750	-	-	-	-	8,750	-	-
Mr M Arnett	2009	28,000	-	-	28,000	-	-	-	-	28,000	-	-
Dr R Fardon ^(iv)	2009	35,000	-	-	35,000	-	-	-	11,114	46,114	-	24.1%
Mr R Thorpe ^(iv)	2009	24,500	-	-	24,500	-	-	-	-	24,500	-	-
<i>Executive directors</i>												
Mr S Finnis	2009	245,723	10,000	-	255,723	-	-	-	38,307	294,030	3.4%	13.0%
Mr B Casson	2009	28,000	-	-	28,000	-	-	-	7,535	35,535	-	21.2%
Mr F Bunting ^(iv)	2009	24,500	-	-	24,500	-	-	-	25,116	49,616	-	50.6%
Executives												
Mr G Beere	2009	198,000	10,000	-	208,000	-	-	-	16,307	224,307	4.5%	7.3%

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.4. Remuneration report – audited (continued)

4.4.2. Directors' and executive officers' remuneration – audited (continued)

Notes in relation to the table of directors' and executive officers' remuneration - audited

- (i) Mr Bunting resigned as a director of the Company on 6 April 2009. However, he continued to provide valuable ongoing input. Mr Bunting was also a shareholder and director of Global Resources Corporation Pty Ltd ("GRC") which was acquired by the Company in March 2010. Mr Bunting was, and remains, a director of the Mexican subsidiary of GRC and continues to contribute to the exploration reviews for the El Rodeo Project. Given this continued involvement in the management of the Group Mr Bunting retains the incentive options issued to him in July 2007 (refer to section 4.4.3.4 for further details)
- (ii) Dr Miranda is the exploration manager for Minas GRC S.A. de C.V., a wholly owned subsidiary of GRC and now the Company. Dr Miranda became a member of the senior management team on acquisition of GRC by the Company in March 2010.
- (iii) The fair value of the options issued during the year is calculated at the date of the grant using a Black & Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. Market conditions have been taken into account within the valuation model.
- (iv) Dr Fardon and Messrs Bunting and Thorpe resigned from the board of directors on 6 April 2009. Dr Fardon was retained as a consultant at \$35,000 per annum until 6 April 2010. Messrs Bunting and Thorpe were each retained as a consultant at \$14,000 per annum until 6 April 2010.

Details of performance related remuneration - audited

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on page 7.

4.4.3. Equity instruments – audited

All options refer to options over ordinary shares of Cloncurry Metals Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

4.4.3.1. Options and rights over equity instruments granted as compensation – audited

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

	Number of options granted during 2010	Number of options granted during 2008	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vested during 2010
Directors							
Mr S Finnis ⁽ⁱ⁾	500,000	-	19 Mar 2010	4.95 cents	10 cents	19 Mar 2015	500,000
	500,000	-	19 Mar 2010	4.95 cents	12.5 cents	19 Mar 2015	500,000
	500,000	-	19 Mar 2010	4.94 cents	15 cents	19 Mar 2015	500,000
	1,500,000						1,500,000
Mr B Casson	-	120,000	30 Jul 2007	8.7 cents	40 cents	09 Oct 2012	-
	-	90,000	30 Jul 2007	7.1 cents	50 cents	09 Oct 2012	90,000
	-	90,000	30 Jul 2007	5.9 cents	60 cents	09 Oct 2012	-
		300,000					90,000
Executives							
Mr G Beere	-	500,000	30 Jul 2007	11.1 cents	28.75 cents	09 Oct 2012	200,000
		500,000					200,000
Mr W F Bunting	-	400,000	30 Jul 2007	8.7 cents	40 cents	09 Oct 2012	-
	-	300,000	30 Jul 2007	7.1 cents	50 cents	09 Oct 2012	300,000
	-	300,000	30 Jul 2007	5.9 cents	60 cents	09 Oct 2012	-
		1,000,000					300,000

- (i) 1,000,000 options granted to Mr Finnis on 30 July 2007 were cancelled unexercised on 19 March 2010. Of these options, 700,000 had vested prior to cancellation. The 1,500,000 options granted during 2010 were granted to Finnis 1 Pty Ltd, an entity controlled by Mr Finnis.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.4. Remuneration report – audited (continued)

4.4.3. Equity instruments – audited (continued)

4.4.3.1. Options and rights over equity instruments granted as compensation – audited (continued)

No options have been granted since the end of the financial year. The options were provided at no cost to the recipient.

Options are granted under a service condition whereby the grantee must be employed by the Group at the time the options vest. If share options are unvested at termination of the grantee's engagement by the Group, the options expire on termination of the grantee's engagement. If share options are vested but unexercised at termination of the grantee's engagement, the options expire 30 days after the termination of the grantee's engagement. Otherwise, share options expire on their expiry date. The options are exercisable from their vesting date to their expiry date, subject to continuing service.

Further details regarding options issued to directors and executives under the Company's Employee Share Option Plan are in note 20 to the financial statements.

4.4.3.2. Modification of terms of equity-settled share-based payment transactions – audited

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

4.4.3.3. Exercise of options granted as compensation - audited

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

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

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

	Options granted		% vested in year	% forfeited / cancelled in year	Financial years in which grant vests
	Number	Date			
Directors					
Mr S Finnis ⁽ⁱ⁾	400,000	30 July 2007	100%	100%	N/A
	300,000	30 July 2007	100%	100%	N/A
	300,000	30 July 2007	-%	100%	N/A
	500,000	19 March 2010	100%	-%	1 July 2009
	500,000	19 March 2010	100%	-%	1 July 2009
	500,000	19 March 2010	100%	-%	1 July 2009
Mr B Casson	120,000	30 July 2007	100%	-%	1 July 2008
	90,000	30 July 2007	100%	-%	1 July 2009
	90,000	30 July 2007	-%	-%	1 July 2010
Executives					
Mr G Beere	100,000	30 July 2007	100%	-%	1 July 2007
	200,000	30 July 2007	100%	-%	1 July 2008
	200,000	30 July 2007	100%	-%	1 July 2009
Mr W F Bunting	400,000	30 July 2007	100%	-%	1 July 2008
	300,000	30 July 2007	100%	-%	1 July 2009
	300,000	30 July 2007	-%	-%	1 July 2010

(i) The grant of options on 19 March 2010 was to Finnis 1 Pty Ltd, an entity controlled by Mr S Finnis.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.4. Remuneration report – audited (continued)

4.4.3. Equity instruments – audited (continued)

4.4.3.5. Analysis of movements in options – audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by key management persons and the named Company executives and Group executives is detailed below:

	Granted in year ⁽ⁱ⁾	Value of options exercised in year	Lapsed / cancelled in year ⁽ⁱⁱ⁾
	\$	\$	\$
Finnis 1 Pty Ltd	74,219	-	44,181
TOTALS	74,219	-	44,181

- (i) The value of options granted in the year is the fair value of the options calculated at grant date using the Black & Scholes option-pricing model. The total value of options granted is included in the table above. This amount has been allocated to remuneration in the current reporting period as the options granted vested on grant date.
- (ii) The value of options that were cancelled during the year represents the benefit foregone and is calculated at the date the options were cancelled using the Black & Scholes option-pricing model.

4.5. Audit committee

The audit committee has a documented charter, approved by the board. A majority of members must (preferably) be independent directors although in the current circumstances of the Company this is not possible. The chairperson may not be the chairperson of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the audit committee during the year were:

- Michael Arnett, LLB, B.Com. (Chairman) – Independent Non-Executive
- Simon Finnis – Managing Director. Despite his lack of independence, Mr Finnis' contribution as Managing Director is seen as particularly relevant and important to the Group in his contribution to the audit committee.
- Barry Casson, CA MAICD – Finance Director, and Company Secretary

The external auditor is invited to the annual and half-year audit committee meetings.

The audit committee's charter is available on the Company's website.

The responsibilities of the audit committee include:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards, and assessing whether the financial information is consistent with committee members' information and adequate for shareholder needs
- assessing corporate risk assessment processes
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review
- providing advice to the board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001
- assessing the adequacy of the internal control framework and the Company's code of ethical standards
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The audit committee will review the performance of the external auditors on an annual basis and normally meets with them during the year to:

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

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.6. Risk management

Oversight of the risk management system

The board oversees the establishment, implementation, and annual review of the Company's risk management system. Management has established and implemented the risk management system for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Group. The operational and other risk management compliance and controls are assessed each financial year.

Risk profile

The audit committee reports to the board regularly, as appropriate to the Company's circumstances and activities, on the status of risks through integrated risk management programmes aimed at ensuring risks are identified, assessed and appropriately managed. Further details of the Company's risk management policy and internal compliance and control system will be made available on the Company's website.

Risk management and compliance and control

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

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

Policies have been established to ensure:

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

Quality and integrity of personnel

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

Financial reporting

The managing director and finance director have declared in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

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

Environmental regulation

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

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

As part of this process the board is responsible for:

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

To enable it to meet its responsibilities, the board has established a regular internal reporting process. Environmental performance is reported from each site up through management to the board on a regular basis. The managing director will report to the audit committee who then report to the board on the Group's environmental performance. For the year ended 30 June 2010 there were no relevant or outstanding requirements of environmental regulations as the Group had completed exploration activity and associated environmental obligations on its portfolio of projects.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.6. Risk management (continued)

Assessment of effectiveness of risk management

The Group does not employ internal auditors.

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

4.7. Ethical standards

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

Conflict of interest

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

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the Group are set out in note 26 to the financial statements.

Code of conduct

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

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

Trading in Company securities by directors and employees

The key elements of the trading in Company securities by directors and employees under the trading blackout policy are:

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

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

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

4.8. Communication with shareholders

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

In summary, the continuous disclosure policy operates as follows:

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

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

The board encourages full participation of shareholders at the annual general meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

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

5. Principal activities

The principal activities of the Group in the current year have been to explore and evaluate its existing portfolio of exploration projects located in Queensland while continuing to seek new opportunities both locally and elsewhere.

5.1. Mexico

This search led to the acquisition of Global Resources Corporation Pty Ltd ("GRC"), which included an exclusive right to acquire the El Rodeo Project, located in south-west Mexico. The decision to acquire GRC was announced on 22 September, 2009 and concluded, subsequent to a positive shareholder vote, on 19th March 2010. Given the relationship with GRC as the major shareholder of the Company, an independent technical report and an independent expert's report on the fairness and reasonableness of the transaction were provided to all shareholders with the notice of general meeting. Accompanying the independent expert's report was a separate independent valuation report.

The details of the transaction were as follows:

The Company issued a total of 39,188,574 Cloncurry shares to the GRC shareholders as the purchase price for the acquisition of all the GRC shares. This included a total of 15,603,360 shares as an effective replacement for the 15,603,360 shares already held by the GRC group. The shares held by GRC, now a subsidiary of the Company, are classified as treasury stock and must be disposed of or cancelled within a 12 month period from acquisition.

Since the date of acquisition (19 March 2010), the financial results of GRC have been consolidated with those of the Company.

An agreed exploration programme at El Rodeo commenced prior to the formal date of acquisition, with a small drill programme completed at La Calera in early March 2010, the results of which were released by the Company on 22 April, 2010. Additionally, geophysical programmes have commenced that will assist in the targeting of further drilling at the primary prospects that make up El Rodeo, namely:

- Cacanicuas – A large Copper/Molybdenum porphyry.
- La Calera – A gold dominant skarn.
- La Ferrosa – A gold dominant skarn.
- Real de Espiritu Santo – An ex-producing silver mine.

In addition, considerable effort will be put into geochemical sampling and geological mapping to identify other mineral targets.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

5. Principal activities (continued)

5.2. Queensland

The Company holds a significant number of mineral exploration tenements in Queensland with the potential for major deposits. Granted tenements are predominantly in the region south of Cloncurry and in the Burdekin area south of Townsville. The Company's recent exploration strategy is to assess open ground across Queensland for prospective gold, base metal, and phosphate deposits. This programme identified large tracts of open ground over which the Company has recently lodged tenement applications.

Project areas (containing granted tenements and tenement applications) and target types are:

- South Cloncurry - Iron Oxide Cu-Au, Broken Hill type (BHT) Ag-Pb-Zn, and phosphate.
- Dobbyn – Structurally controlled Oxide Cu.
- Burdekin - Epithermal Au-Ag.
- Monto- Epithermal Au-Ag, and Porphyry and skarn Cu-Au.
- Clermont - Porphyry Cu- Au-Mo and epithermal Au-Ag.
- Charters Towers - Intrusive and breccia related Au.
- Georgetown - Intrusive and breccia related Au.

The description below explains the geological philosophy for the tenement holdings.

South Cloncurry project area

The Mt Isa block is a geological terrain with a world class endowment of base metals in a variety of settings. Exploration in the South Cloncurry project area is focused on searching the southern part of the Mt Isa block for large Pb-Zn-Ag Broken Hill type ("BHT") deposits, large iron oxide associated Cu-Au deposits ("IOCG"), and high grade phosphate deposits.

Many of the areas that the Company holds, particularly in the search for IOCG and BHT deposits, are in the under-explored southern area, where younger sedimentary cover conceals the host Proterozoic basement. The Company's first and only drill hole into the Kennedy Highway BHT target intersected what is thought to be the outer part of a significant BHT alteration system.

Tenements 100km south of Mt Isa have been applied for to search for high grade Cambrian phosphate rock deposits on the edge of Proterozoic outcrop. These tenements contain the Cambrian stratigraphy that hosts major phosphate deposits at Ardmore and Phosphate Hill, located about 15km and 85km to the east respectively.

Dobbyn project area

The Dobbyn project comprises several EPM applications north of Cloncurry. The tenements cover the same stratigraphic sequences and extensions to sets of structures that host stratiform and vein related Cu mineralisation at the nearby Mt Watson, Mt Oxide, and Gunpowder Cu mines, and exploration will be directed at discovering oxide and sulphide Cu deposits in fault related veins and breccias.

Burdekin project area

The Burdekin project encompasses Permian volcanic stratigraphy in the lower parts of the Bowen Basin that is known to host a significant Au-Ag-Cu deposit at Conquest Mining Ltd's Mt Carlton Project, about 10km south of the project area. Exploration on the Burdekin project area is focused on searching for epithermal Au-Ag deposits and breccia hosted Au deposits. Exploration work completed by the Group has provided further evidence for both styles of mineralisation.

Monto project area

The Monto project comprises two separate tenement holdings.

Exploration on the Theodore tenement will focus on epithermal Au-Ag mineralisation. The tenement contains the same lower Permian Volcanic stratigraphy that hosts the Cracow Epithermal Au-Ag deposits 60km to the south, and the volcanic sequence is equivalent to that which hosts the Silver Hill Au-Ag-Cu deposit in the Bowen Basin.

The Diglum tenement contains a sequence of Devonian- Carboniferous volcanic and sedimentary rocks that have been intruded by a Permo- Triassic granodiorite. Targets for exploration include porphyry style Cu-Au-Mo mineralisation on the periphery of the granodiorite, and skarn Cu-Au mineralisation in distal magnetic anomalies.

Clermont project area

Exploration in the Clermont project area is for porphyry related Cu-Au-Mo, and epithermal Au-Ag mineralisation. The project area encompasses the contact between the Early Paleozoic Anakie Metamorphics in the east and Cycle 1 volcanics and sediments of the mid- Paleozoic Drummond Basin to the west. Many of the known epithermal gold deposits to the north are located close to this contact (e.g. Belyando, Twin Hills, and Yandan) as does a Porphyry Mo deposit recently discovered by Zamia Metals Ltd at the Anthony Prospect.

Charters Towers project area

The Charters Towers project area is centred on the historic gold mine at Hadleigh Castle some 35km east of Charters Towers. The Charters Towers block contains a diverse range of Early and Late Paleozoic intrusive and extrusive sequences and is host to several multi-million ounce gold deposits in a variety of settings. Exploration will be directed at searching for large Au deposits in mesothermal granite hosted veins and sub-volcanic breccias similar to Charters Towers and Mt Leyshon / Mt Wright respectively.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

5. Principal activities (continued)

5.2. Queensland (continued)

Georgetown project area

The Georgetown project comprises two groups of tenements in the Gilberton- Mt Hogan and Croydon areas.

The Gilberton –Mt Hogan group of tenements cover parts of historical goldfields mined as recently as 15 years ago, containing a diverse range of Proterozoic and Early Paleozoic metasediments and granitoids occurring along- and adjacent to a major NE oriented fault. The tenements are prospective not only for mesothermal vein related Au deposits, but also sub-volcanic breccias, and epithermal Au-Ag mineralisation similar to those occurring along the same major NE oriented structure at Kidston to the northeast and Woolgar to the southwest respectively.

The Croydon group of tenements covers parts of the historical Croydon goldfield that has recorded production of >1 million ozs Au. Mineralisation occurs in plutonic (mesothermal) quartz veins and as historical gold production has been sourced from workings mostly less than 100m deep, the Company believes there is potential for significant gold deposits below this level.

Perisher Joint Venture

This arrangement was consummated when Pegmont was still an active asset for the Company with the strategy of finding further lead/zinc style deposits, for which there are several prospects. In 2009 it was decided to concentrate efforts on the Wallaby prospect, which is a gold prospect.

In the past 12 months, the Group carried out a geochemical survey over Wallaby and drilled 750m of RC holes with the best results being 3m @ 0.82 g/t Au from 7m in WBRC01, and 3m @ 0.95 g/t Au from 49m in WBRC03.

More recently three deeper holes were drilled to test targets at the Wallaby and Crooked Creek prospects. Drilling at Wallaby was to test a combined conductive (EM) and magnetic body that underlies outcropping IOCG alteration, while Crooked Creek was to test an IOCG target manifesting as a prominent buried magnetic anomaly along strike of anomalous Cu- Au +/- As-Pb-Zn geochemistry.

Assay results from Wallaby returned weakly anomalous Cu geochem with some thin intersections of anomalous gold in the upper alteration zone (best intersection: 2m @ 0.69g/t Au from 148m).

At Crooked Creek the upper part of the hole returned anomalous Cu geochem (15m @ 350ppm Cu from 48m) but no economic grades. The amphibolite encountered is highly magnetic between 60 and 160m depth, an in part contains an open stockwork of veins containing IOCG alteration assemblages of biotite –magnetite and a later vein set hornblende- actinolite- magnetite-K feldspar with minor pyrite and chalcopyrite. Only weakly anomalous Cu geochem was returned from this zone.

The Company is reviewing its participation in the Perisher Joint Venture.

5.3. Objectives

Since the acquisition of GRC, the Company has concentrated on the El Rodeo project, and is building good knowledge based on a thorough mapping and geochemical programme. The next 12 months will see a prioritisation of the prospects within El Rodeo as the understanding of these increases.

In Australia, the tenement rationalisation has continued, with voluntary relinquishment of some tenements occurring, and many applications for new areas to explore have been lodged with the relevant authorities.

The Company continues its search for a more advanced project to add to its exploration properties, and has identified many opportunities, mainly in Mexico. However, at this stage none of these discussions have advanced to the point where disclosure is warranted, or appropriate.

6. Operating and financial review

Overview of the group

Largely as a result of the global financial crisis, the Company reviewed its operating strategy and that culminated in the decision to acquire GRC, and after strong support from shareholders, the transaction was concluded on 19th March 2010. The details of the transaction is contained earlier in this report and given the exploration potential of the asset, and the well established team of national personnel in place, provided an excellent entry into Mexico. Mexico has a very mature mining industry and is a highly attractive jurisdiction in which to do business.

The nature of the transaction resulted in the Company issuing a total of 39,188,574 Cloncurry shares to the GRC shareholders as the purchase price for the acquisition of all the GRC shares. This included a total of 15,603,360 shares as an effective replacement for the 15,603,360 shares already held by the GRC group. The shares held by GRC, now a subsidiary of the Company, are classified as treasury stock and must be disposed of or cancelled within a 12 month period from acquisition.

Shareholder returns

The nature of the Company's business is evolving from the high risk, high reward strategy previously followed. No dividend is expected during the next twelve months and the directors can give no assurance as to the payment of future dividends or the level of franking of such dividends. The payment of fully franked dividends will depend upon the availability of sufficient distributable profits, the Company's franking credit position, working capital requirements, future capital expenditure requirements, general business and financial conditions and any other factors the directors may consider relevant.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

6. Operating and financial review (continued)

Investments for future performance

The Group's main focus is the development and evaluation of its portfolio of mining projects and a continuing search for other opportunities in Australia and elsewhere. The Group is applying its financial resources and expertise towards this purpose.

Review of financial condition

The Company raised net proceeds of \$9.5m from the successful completion of its Initial Public offering in October 2007. By 30 June 2010 the Company had invested more than \$5m in exploration and evaluation and a further \$0.2m in the acquisition of plant and equipment.

As at balance date the Group has approximately \$1.3 million in cash resources to support its operations. These funds are invested in bank deposits with a range of terms that aim to optimise interest income while ensuring the Group has sufficient liquidity to meet its financial obligations.

To date the Group has operated within budget and generally in accordance with the indicative use of funds set out in the Prospectus, although less has been spent to balance date on drilling because of the change in activities due to the change in market conditions caused by the global finance crisis. Since early 2009 the Company has been seeking to establish new project interests both within Australia and increasingly overseas. This change led to the acquisition of GRC, completed in March 2010, and the current focus on the El Rodeo Project in Mexico.

The Group continues to actively seek additional project interests, and again appears to be more likely to add to overseas interests than to interests in Australia, due to the nature and cost of opportunities becoming available. The Group will continue to monitor the cash required to meet future obligations, and the availability of additional equity in the Australian market at the appropriate time. The ongoing operation of the Group is dependent upon the Group raising additional funding from shareholders or other parties prior to 30 June 2011. There is no assurance however that, in the current economic conditions, the Group will be able to raise additional funds on reasonable terms.

Significant changes in the state of affairs

The Group has reviewed its portfolio of tenements in Queensland during the year and selectively reduced the area of its tenements. This had the effect of reducing ongoing expenditure commitments without materially affecting the prospectivity of the areas concerned, although, as noted above, the change in market conditions has also required a change in focus on the type of projects that are attractive.

As stated earlier, the Group is assessing the farming out of some areas and considering a number of new opportunities in both Australia and overseas.

7. Dividends

No dividends have been paid or declared during or since the end of the financial year (2009: nil).

8. Events subsequent to reporting date

The Group has engaged Tae Resources Pty Ltd to provide specialised exploration services for a period of six months commencing 1 July 2010. Tae Resources Pty Ltd will be responsible for the design and implementation of the Group's world-wide gold, silver and base-metal programmes. The terms of the agreement with Tae Resources Pty Ltd commit the Group to a minimum payment of \$84,000 and a maximum payment of \$120,000 for services rendered over the period of the engagement.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. Likely developments

The Group will continue to focus on the exploration and evaluation of its portfolio of mining projects and will continue its search for further opportunities. Given the nature of its activities being exploration focused, no further information can be provided as to likely developments for the Group as such developments will depend on exploration success at various of its project interests, and the nature of any new acquisitions going forward.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

10. Directors' interests

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

	Direct Interest in ordinary shares	Indirect interest in ordinary shares	Options over ordinary shares
Mr S Everett ⁽ⁱ⁾ , Non-executive Chairman	1	7,708,803	Nil
Mr S Finnis ⁽ⁱⁱ⁾ , Managing Director	4,501	875,000	1,500,000
Mr M Arnett ⁽ⁱⁱⁱ⁾ , Independent Non-Executive Director	8,000	112,000	Nil
Mr B Casson ^(iv) , Finance Director	1	370,010	300,000

- (i) Mr Everett has an indirect interest in shares held by Ms N Everett (12,000 shares) and by Prima Group Holdings Pty Ltd as trustee for the Prima Group Holdings Superannuation Fund (7,696,803 shares).
- (ii) Mr Finnis has an indirect interest in shares held by Mrs H Finnis (40,000 shares), Finnis 1 Pty Ltd (335,000 shares) and Finnis Superannuation Fund (500,000 shares).
- (iii) Mr Arnett has an indirect interest in shares held by The Carmich Family Trust (8,000 shares) and by Mayburys Pty Ltd (104,000 shares).
- (iv) Mr Casson has an indirect interest in shares held by Mrs E Casson (20,000 shares), Silverfox Retirement Pty Ltd (350,000 shares) and Fylbin Pty Ltd (10 shares). Of the shares held by Silverfox Retirement Pty Ltd, 50,000 were acquired subsequent to the end of the financial year.

11. Share options

Options granted to directors and officers of the Company

During the financial year, the Company granted 1,500,000 options for no consideration over unissued shares in the Company to Finnis 1 Pty Ltd, an entity controlled by Mr S Finnis, as part of Mr Finnis' remuneration as managing director. In prior financial years, a further 800,000 options had been granted for no consideration to directors and executives of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Directors			
Mr S Finnis	500,000	\$0.10	19 Mar 2015
	500,000	\$0.125	19 Mar 2015
	500,000	\$0.15	19 Mar 2015
Mr B Casson	120,000	\$0.40	09 Oct 2012
	90,000	\$0.50	09 Oct 2012
	90,000	\$0.60	09 Oct 2012
Executives			
Mr G Beere	500,000	\$0.2875	09 Oct 2012

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

Unissued shares under options

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

Expiry date	Exercise price	Number of shares
09 Oct 2012	\$0.2875	500,000
09 Oct 2012	\$0.40	520,000
09 Oct 2012	\$0.50	390,000
09 Oct 2012	\$0.60	390,000
19 Mar 2015	\$0.10	500,000
19 Mar 2015	\$0.125	500,000
19 Mar 2015	\$0.15	500,000
		<u>3,300,000</u>

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

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

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Report

12. Indemnification and insurance of officers and auditors

Indemnification

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

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

Insurance premiums

The Company has arranged director and officers liability insurance, for past, present or future directors, secretaries, executive officers or employees. The insurance cover relates to:

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

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

13. Non-audit services

During the year ended 30 June 2010, KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided, which was the preparation of income tax returns, and is satisfied that the provision of those non-audit services by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

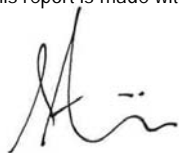
- the non-audit services were reviewed by the board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants,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

Information on audit fees paid or payable to KPMG for the period ended 30 June 2010 is disclosed in Note 29 to the financial statements.

14. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 55 and forms part of the directors' report for financial year ended 30 June 2010.

This report is made with a resolution of the directors:



Mr Simon Finnis
Managing Director

Dated this 15th day of September 2010

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2010

	<i>Note</i>	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
Assets				
Cash and cash equivalents	16	1,295,261	1,292,436	3,503,148
Trade and other receivables	15	194,923	56,807	44,716
Prepayments		24,678	24,678	10,072
Total current assets		1,514,862	1,373,921	3,557,936
Other investments	11	-	2,799,033	-
Exploration and evaluation assets	12	3,311,817	11,610	1,342,130
Property, plant and equipment	13	95,882	95,882	143,562
Total non-current assets		3,407,699	2,906,525	1,485,692
Total assets		4,922,561	4,280,446	5,043,628
Liabilities				
Trade and other payables	21	238,616	161,010	145,577
Finance lease liability	19	27,029	27,029	13,918
Total current liabilities		265,645	188,039	159,495
Finance lease liability	19	-	-	27,029
Total non-current liabilities		-	-	27,029
Total liabilities		265,645	188,039	186,524
Net assets		4,656,916	4,092,407	4,857,104
Equity				
Share capital		10,811,848	11,592,016	9,638,964
Reserves		472,279	359,532	251,907
Retained losses		(6,627,211)	(7,859,141)	(5,033,767)
Total equity		4,656,916	4,092,407	4,857,104

The notes on pages 27 to 51 are an integral part of these financial statements.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	<i>Note</i>	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
Net gain / (loss) on sale of plant and equipment		(387)	(387)	1,403
Administrative expenses		(1,030,641)	(1,037,155)	(911,872)
Impairment of exploration and evaluation assets	12	(1,896,926)	(1,896,926)	(3,869,922)
Gain on business combination	7	1,225,416	-	-
Loss from operating activities		(1,702,538)	(2,934,468)	(4,780,391)
Finance income	9	112,008	112,008	277,074
Finance expenses	9	(2,914)	(2,914)	(4,059)
Net finance income		109,094	109,094	273,015
Loss before income tax		(1,593,444)	(2,825,374)	(4,507,376)
Income tax expense	10	-	-	-
Loss for the period		(1,593,444)	(2,825,374)	(4,507,376)
Other comprehensive income				
Foreign currency translation differences for foreign operations		112,747	-	-
Total comprehensive income for the period		(1,480,697)	(2,825,374)	(4,507,376)
		2010	2009	
Earnings per share				
Basic and diluted earnings per share (AUD)	18	(2.4 cents)	(7.7 cents)	

The notes on pages 27 to 51 are an integral part of these financial statements

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2010

Consolidated	<i>Note</i>	Share Capital	Translation Reserve	Equity Compensation Reserve	Retained Earnings	Total Equity
Balance at 1 July 2009		9,638,964	-	251,907	(5,033,767)	4,857,104
<i>Total comprehensive income for the period</i>						
Profit or loss		-	-	-	(1,593,444)	(1,593,444)
<i>Other comprehensive income</i>						
Foreign currency translation differences		-	112,747	-	-	112,747
Total other comprehensive income		-	112,747	-	-	112,747
Total comprehensive income for the period		-	112,747	-	(1,593,444)	(1,480,697)
Transactions with owners directly recorded in equity						
<i>Contributions by and distributions to owners</i>						
Share based payment transactions		-	-	107,625	-	107,625
Issue of ordinary shares		1,953,052	-	-	-	1,953,052
Own shares held	7	(780,168)	-	-	-	(780,168)
Total transactions with owners		1,172,884	-	107,625	-	1,280,509
Balance at 30 June 2010		10,811,848	112,747	359,532	(6,627,211)	4,656,916

The notes on pages 27 to 51 are an integral part of these financial statements.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2010

Company	Share Capital \$	Equity Compensation Reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	9,638,964	153,528	(526,391)	9,266,101
<i>Total comprehensive income for the period</i>				
Profit or loss	-	-	(4,507,376)	(4,507,376)
Total comprehensive income for the period	-	-	(4,507,376)	(4,507,376)
Transactions with owners directly recorded in equity				
<i>Contributions by and distributions to owners</i>				
Share based payment transactions	-	98,379	-	98,379
Total transactions with owners	-	98,379	-	98,379
Balance at 30 June 2009	9,638,964	251,907	(5,033,767)	4,857,104
Balance at 1 July 2009	9,638,964	251,907	(5,033,767)	4,857,104
<i>Total comprehensive income for the period</i>				
Profit or loss	-	-	(2,825,374)	(2,825,374)
Total comprehensive income for the period	-	-	(2,825,374)	(2,825,374)
Transactions with owners directly recorded in equity				
<i>Contributions by and distributions to owners</i>				
Share based payment transactions	-	107,625	-	107,625
Issue of ordinary shares	1,953,052	-	-	1,953,052
Total transactions with owners	1,953,052	107,625	-	2,060,677
Balance at 30 June 2010	11,592,016	359,532	(7,859,141)	4,092,407

The notes on pages 27 to 51 are an integral part of these financial statements.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2010

	<i>Note</i>	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
Cash flows from operating activities				
Cash paid to suppliers and employees		(779,097)	(763,081)	(749,504)
Interest received		113,580	113,580	330,058
Interest paid		-	-	(39)
Net cash used in operating activities	<i>16</i>	(665,517)	(649,501)	(419,485)
Cash flows from investing activities				
Acquisition of property, plant and equipment	<i>13</i>	(5,449)	(5,449)	(18,037)
Proceeds from sale of plant and equipment		1,000	1,000	6,710
Acquisition of subsidiary, net of cash acquired	<i>7</i>	(120,124)	(135,516)	-
Acquisition of exploration & development projects		(1,290,558)	(558,442)	(3,076,370)
Net cash used in investing activities		(1,415,131)	(698,407)	(3,087,697)
Cash flows from financing activities				
Payment of share issue transaction costs		(6,377)	(6,377)	-
Repayment of borrowings		(104,039)	-	-
Loans to subsidiaries	<i>26</i>	-	(839,604)	-
Payment of finance lease liabilities		(16,823)	(16,823)	(16,823)
Net cash used in financing activities		(127,239)	(862,804)	(16,823)
Net decrease in cash and cash equivalents		(2,207,887)	(2,210,712)	(3,524,005)
Cash and cash equivalents at 1 July		3,503,148	3,503,148	7,027,153
Cash and cash equivalents at 30 June	<i>16</i>	1,295,261	1,292,436	3,503,148

The notes on pages 27 to 51 are an integral part of these financial statements

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Cloncurry Metals Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Ground Floor, 60 Kingsford Smith Drive, Albion, Queensland. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in exploration, notably for lead and zinc in the Cloncurry and Bowen regions of Queensland, Australia, and for copper / molybdenum, gold and silver in Michoacan, Mexico.

2. Basis of preparation

a) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 15 September 2010.

b) Basis of measurement and preparation

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the consolidated entity will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The Group currently has no source of operating cash inflows other than interest income and has incurred net cash outflows for the year ended 30 June 2010 of \$2,207,887 (30 June 2009: \$3,524,005). At 30 June 2010, the Group has cash balances of \$1,295,261 (30 June 2009: \$3,503,148) and net working capital (current assets less current liabilities) of \$1,249,217 (30 June 2009: \$3,398,441).

These conditions give rise to a material uncertainty that may cast doubt upon the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent upon the Group raising additional funding from shareholders or other parties prior to 30 June 2011. There is no assurance however that, in the current economic conditions, the Group will be able to raise additional funds on reasonable terms.

In the event that the Group does not obtain additional funding it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

In the longer term the development of economically recoverable mineral deposits found on the Group's existing or future exploration properties depends on the ability of the Group to obtain financing through equity financing, debt financing or other means. If the Group's exploration programmes are ultimately successful, additional funds will be required to develop the Group's properties and to place them into commercial production. The only source of future funds presently available to the Group is the raising of equity capital by the Company. The ability to arrange such funding in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Group. There can be no assurance that the Group will be successful in its efforts to raise additional funding on terms satisfactory to the Group. If adequate funding is not available, the Group may be required to delay, reduce the scope of, or eliminate its current or future exploration activities or relinquish rights to certain of its interests. Failure to obtain additional funding on a timely basis could cause the Group to forfeit its interests in some or all of its properties and reduce or terminate its operations.

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 7 - acquisition of subsidiary
- note 12 - impairment of exploration and evaluation assets
- note 20 - measurement of share-based payments

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies

Except as described in note 3(o), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

a) Basis of consolidation

(i) Business combinations

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

The Group has applied the acquisition method to the business combination disclosed in Note 7.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring the gain on a purchase

The Group measures the gain on a purchase as the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed less the fair value of the consideration transferred, all measured at the acquisition date.

Consideration transferred includes the fair values of assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity instruments issued by the Group.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

The Group's non-derivative financial assets are comprised of loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial liabilities are comprised of trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and prior period are as follows:

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

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

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

e) Exploration and evaluation assets

Exploration and evaluation costs are capitalised as exploration and evaluation assets on an area of interest basis. Such costs comprise net direct costs and an appropriate portion of related overhead expenditure, but do not include general overheads or administrative expenditure not having a specific connection with a particular area of interest. Costs incurred before the Group has obtained the legal right to explore an area of interest are recognised in profit or loss.

An exploration and evaluation asset is only recognised if the right to the area of interest is current and either:

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

Accumulated costs in respect of areas of interest are recognised in profit or loss when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development. The aggregated cost is first tested for impairment and then reclassified from exploration and evaluation assets to mining property and development assets within property, plant and equipment. The costs of a productive area are amortised over the life of the area of interest to which such costs relate on the production output basis.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount of the asset exceeds the recoverable amount. Such indicators of impairment include the following:

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

For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units consistent with exploration activity. The cash generating units are not larger than the areas of interest.

f) Leased assets

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

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

g) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

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

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

g) Impairment (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

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

h) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market vesting conditions at the vesting date.

i) Lease payments

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

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

j) Finance income and finance costs

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

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

k) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity, or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

k) Income tax (continued)

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

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

l) Goods and services tax

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

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

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

m) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

n) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about the resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

o) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)* which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statements of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statements of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

p) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the Group adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments, AI 8 *Scope of AASB 2* and AI 11 *AASB 2 – Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

p) New standards and interpretations not yet adopted (continued)

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the effect of the interpretation.

4. Determination of fair values

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

Exploration and evaluation assets

The fair value of the option to acquire the El Rodeo Mineral Project in the state of Michoacan, Mexico (the "Option"), which has been recognised as a result of a business combination (refer note 7), is based on a valuation of the Option prepared for the Company's shareholders by an independent expert.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of the employee share option plan is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the options (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

Overview

The Company and the Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

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

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board does not have a risk management committee and the board as a whole is responsible for developing risk management policies.

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

At 30 June 2010, the Group is yet to generate operating revenue. Therefore, no formal policy for the analysis of creditworthiness is currently in place.

The Group's exposure to credit risk is limited to accrued interest on its term deposits and GST and Value Added Tax recoverable on payments made to suppliers. The Group mitigates credit risk on cash and term deposits by dealing with regulated banks in Australia and Mexico.

The Company's exposure to credit risk arises primarily from receivables due from a subsidiary company. These amounts are considered to be recoverable against the future earnings of the subsidiary.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

5. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Cash flow is monitored on an ongoing basis. Management reports comparing actual cash flows to budget are circulated to the board on a monthly basis.

Market risk

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

Interest rate risk

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

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Capital management

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

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

6. Operating segments

The Group has two reportable segments, as described below, which correspond to the Group's geographical areas of interest. For each of the geographical areas of interest, the Group's managing director reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Australian exploration projects.*
This segment encompasses the Group's exploration and project evaluation activities in the Cloncurry and Bowen regions of Queensland, Australia.
- *Mexican exploration projects.*
This segment encompasses the Group's exploration and project evaluation activities at the El Rodeo project in Michoacan, Mexico.

Comparative segment information has been presented in conformity with the requirement of AASB 8 *Operating Segments*.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

6. Operating segments (continued)

	Australia		Mexico		Total	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
Segment profit or loss						
Reportable segment loss before income tax	(1,896,926)	(3,869,922)	-	-	(1,896,926)	(3,869,922)
Net reportable segment assets						
Reportable segment assets	5,766,848	5,212,052	3,300,207	-	9,067,055	5,212,052
Impairment of segment assets	(5,766,848)	(3,869,922)	-	-	(5,766,848)	(3,869,922)
Net reportable segment assets	-	1,342,130	3,300,207	-	3,300,207	1,342,130

	2010	2009
	\$	\$
Reconciliations of reportable segment profit or loss and assets		
Profit or loss		
Total loss for reportable segments	(1,896,926)	(3,869,922)
Gain on business combination	1,225,416	-
Unallocated amounts: other corporate expenses	(921,934)	(637,454)
Consolidated loss before income tax	(1,593,444)	(4,507,376)
Assets		
Total assets for reportable segments	3,300,207	1,342,130
Unallocated exploration and evaluation assets	11,610	-
Other assets	1,610,744	3,701,498
Consolidated total assets	4,922,561	5,043,628

7. Acquisition of subsidiary

Business combination

On 19 March 2010 the Company obtained control of Global Resources Corporation Pty Ltd ("GRC") by acquiring 100% of the issued capital and voting rights of GRC. GRC is an Australian company which, through its wholly owned Mexican subsidiary, Minas GRC S.A. de C.V. ("Minas GRC") has an exclusive 6 year option to purchase a 100% interest in the El Rodeo mineral project (the "Project") located in the state of Michoacan, Mexico. Minas GRC has the right to explore the Project during the option period. The Project (a large porphyry copper-molybdenum system which had not been mapped in detail before 2007) is host to seven main mineralised targets. Given the numerous targets, the Company is confident of realising potential from planned exploration activities.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	Note	\$
Equity instruments (39,188,574 ordinary shares)	11	1,959,429
		<u>1,959,429</u>

The fair value of the ordinary shares issued is the listed price of \$0.05 per share for the Company's shares at 19 March 2010. The equity instruments issued include 4,470,938 ordinary shares that remain subject to an escrow agreement for a period of 12 months.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

7. Acquisition of subsidiary (continued)

Identifiable assets acquired and liabilities assumed	Note	\$
Option to acquire the El Rodeo mineral project ⁽ⁱ⁾	12	2,990,000
Investments ⁽ⁱⁱ⁾		780,168
Trade and other receivables		102,074
Cash and cash equivalents		15,392
Trade and other payables		(64,094)
Loans and borrowings		(638,695)
Total net identifiable assets		<u>3,184,845</u>

- (i) The option was valued at 34,132,420 Mexican Pesos (A\$2,990,000) at the date of acquisition on the basis of a valuation prepared for the Company's shareholders by an independent expert.
- (ii) At the date of acquisition, GRC held 15,603,360 shares in the Company and was the Company's largest shareholder. The shares held by GRC have been classified as treasury stock and must be either disposed of or cancelled by the Company within a period of 12 months from the acquisition date.

Gain on purchase

A gain was recognised in profit or loss as a result of the acquisition as follows:

	\$
Value of identifiable net assets	3,184,845
Less total consideration transferred	(1,959,429)
Gain on acquisition of the GRC group	<u>1,225,416</u>

The gain on acquisition of the GRC group is primarily attributable to the recognition of the option to acquire the El Rodeo mineral project at a fair value which was in excess of its carrying value.

Transactions separate from the acquisition

The Group incurred acquisition costs of \$135,516 relating to external legal fees and due diligence costs. These legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

8. Personnel expenses

	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
Wages and salaries	279,039	279,039	-
Other associated personnel expenses	6,740	6,740	-
Contributions to defined contribution plans	3,119	3,119	-
Equity-settled share-based payment transactions	107,625	107,625	98,379
Total personnel expenses	<u>396,523</u>	<u>396,523</u>	<u>98,379</u>

9. Finance income and expenses

Finance income

Interest income on bank deposits	112,008	112,008	277,074
	<u>112,008</u>	<u>112,008</u>	<u>277,074</u>

Finance expense

Interest expense on finance lease	(2,905)	(2,905)	(4,020)
Bank interest	(9)	(9)	(39)
	<u>(2,914)</u>	<u>(2,914)</u>	<u>(4,059)</u>
Net finance income	<u>109,094</u>	<u>109,094</u>	<u>273,015</u>

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
10. Income tax expense			
Numerical reconciliation between tax expense and pre-tax accounting loss			
Loss for the period	(1,593,444)	(2,825,374)	(4,507,376)
Income tax using the Company's domestic tax rate of 30% (2009: 30%)	(478,033)	(847,612)	(1,352,213)
Non-assessable gain on business combination	(367,625)	-	-
Non-deductible expenses	88,477	73,783	30,551
Change in unrecognised temporary differences	338,072	396,241	(1,258)
Current year losses for which no deferred tax asset was recognised	419,109	377,588	1,015,757
De-recognition of previously recognised losses	-	-	306,006
Under provided in prior year	-	-	1,157
Total income tax expense	-	-	-

11. Other investments

Non-current investments

Investment in subsidiaries	-	2,799,033	-
Total non-current investments	-	2,799,033	-

The Company's total investment in subsidiaries comprises the cost of acquisition of subsidiaries of \$1,959,429 (refer note 7) together with a loan advanced to a subsidiary of \$839,604, the repayment of which is neither planned nor likely in the foreseeable future.

12. Exploration and evaluation assets

Opening balance	1,342,130	1,342,130	2,379,282
Option to acquire the El Rodeo mineral project	2,990,000	-	-
Other acquisitions	762,611	566,406	2,832,770
Effect of foreign exchange rate movements	114,002	-	-
Impairment	(1,896,926)	(1,896,926)	(3,869,922)
Balance at 30 June	3,311,817	11,610	1,342,130

The principal activities of the Group in the current year have been the exploration and evaluation of its existing portfolio of projects located in Queensland, Australia, and preliminary exploratory activity undertaken at the El Rodeo mineral project.

Option to acquire the El Rodeo mineral project

The option to acquire the El Rodeo mineral project (the "Project") is held by Minas GRC, a company incorporated in Mexico. The option was acquired by the Group on 19 March 2010 in a business combination and was valued at 34,132,420 Mexican Pesos (A\$2,990,000) at the date of acquisition (refer note 7).

The option is for a six year period which commenced on 15 September 2007. The exercise price of the option is US\$3 million plus applicable taxes. Exercise of the option also commits the Group to payment of an on-going Net Smelter Royalty ("NSR") once the Project is in commercial production. The NSR applies to all economic mineral production from the Project.

From the commencement date of 15 September 2007, the terms of the option agreement commit the Group to a series of staged payments which are deemed to be advance payments of the NSR. At 30 June 2010, US\$175,000 in advance payments of NSR had been made and the following advance payments of NSR are payable at future dates:

- US\$75,000 plus applicable value added tax payable on 15 September 2010
- US\$100,000 plus applicable value added tax payable on all subsequent anniversaries of the commencement date for the remaining period of the option agreement.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

12. Exploration and evaluation assets (continued)

Option to acquire the El Rodeo mineral project (continued)

Once commercial production has commenced, the NSR is required to be calculated and paid on a quarterly basis with the calculation to take into account all advance payments of the NSR. At the election of Minas GRC, the NSR may be calculated as either a fixed rate NSR or a variable rate NSR. Minas GRC must confirm its election at the time of exercising the option.

- (i) Under the fixed rate method, Minas GRC will pay a fixed rate of 3% subject to the right of Minas GRC to buy 1% of the NSR for US\$5,000,000. Exercise of this right will reduce the NSR to a fixed rate of 2%
- (ii) Under the variable rate method, the applicable NSR rate is as follows:
- 2.0% where the price of copper is less than US\$2.00/lb
 - 2.5% where the price of copper is between US\$2.00 and US\$3.00/lb
 - 3.0% where the price of copper is greater than US\$3.00/lb and less than US\$4.00/lb
 - 4% where the price of copper is equal to or greater than US\$4.00/lb
- The trigger values of US\$2.00, US\$3.00 and US\$4.00 are adjustable for inflation using the US Consumer Price Index from the date of commencement of the option agreement.

The option agreement may be terminated by Minas GRC by giving 30 days written notice.

Impairment loss

The recoverability of the carrying amounts of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. Consistent with the policy adopted in the previous financial year, the Group has treated as fully impaired all expenditure incurred in relation to tenements at Toolebuc, Kennedy Highway, Springvale and Boullia in the South Cloncurry project area and all expenditure incurred in relation to tenements in the Burdekin project area. All expenditure incurred in relation to the Fusion JV and all exploration overhead incurred in Queensland and capitalised during the financial year has also been fully impaired.

13. Property, plant and equipment

Consolidated and Company	Plant and equipment \$	Office furniture and equipment \$	Leased motor vehicles \$	Total \$
Cost				
Balance at 1 July 2008	36,073	106,733	61,161	203,967
Additions	14,019	4,018	-	18,037
Disposals	(6,108)	-	-	(6,108)
Balance at 30 June 2009	43,984	110,751	61,161	215,896
Balance at 1 July 2009	43,984	110,751	61,161	215,896
Additions	-	5,449	-	5,449
Disposals	-	(2,629)	-	(2,629)
Balance at 30 June 2010	43,984	113,571	61,161	218,716
Depreciation and impairment losses				
Balance at 1 July 2008	3,966	10,860	6,619	21,445
Depreciation for the year	9,207	29,245	13,238	51,690
Disposals	(801)	-	-	(801)
Balance at 30 June 2009	12,372	40,105	19,857	72,334
Balance at 1 July 2009	12,372	40,105	19,857	72,334
Depreciation for the year	9,043	29,461	13,238	51,742
Disposals	-	(1,242)	-	(1,242)
Balance at 30 June 2010	21,415	68,324	33,095	122,834

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

13. Property, plant and equipment (continued)

Consolidated and Company	Plant and equipment \$	Office furniture and equipment \$	Leased motor vehicles \$	Total \$
Carrying amounts				
At 1 July 2008	32,107	95,873	54,542	182,522
At 30 June 2009	31,612	70,646	41,304	143,562
At 1 July 2009	31,612	70,646	41,304	143,562
At 30 June 2010	22,569	45,247	28,066	95,882

14. Tax assets and liabilities

Unrecognised deferred tax assets

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

	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
Deductible temporary differences	12,097	10,521	12,950
Tax losses acquired in a business combination	423,545	-	-
Tax losses carried forward	2,236,238	2,194,717	1,817,129
Tax losses and temporary differences brought to account to reduce the provision for deferred income tax	(10,822)	(10,822)	(410,263)
Total unrecognised deferred tax assets	2,661,058	2,194,416	1,419,816

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

Provision for deferred income tax

The provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:

Exploration and evaluation assets	3,483	3,483	402,639
Fixed assets	5,052	5,052	7,441
Finance leases	311	311	107
Prepayments and accrued income	1,976	1,976	76
Deferred tax asset attributable to tax losses and temporary differences brought to account to reduce the provision for deferred income tax	(10,822)	(10,822)	(410,263)
Total provision for deferred income tax	-	-	-

15. Trade and other receivables

Current

Accrued interest income	5,086	5,086	6,666
Net GST receivable	63,252	50,521	11,785
Net VAT receivable	102,471	-	-
Receivables due from related parties	2,700	-	5,291
Other receivables	21,414	1,200	20,974
Total current trade and other receivables	194,923	56,807	44,716

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
16. Cash and cash equivalents			
Cash and bank balances	34,907	32,082	120,377
Term deposits	1,260,354	1,260,354	3,382,771
Total cash and cash equivalents	<u>1,295,261</u>	<u>1,292,436</u>	<u>3,503,148</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

Reconciliation of cash flows from operating activities

Cash flows from operating activities	<i>Note</i>			
Loss for the period		(1,593,444)	(2,825,374)	(4,507,376)
<i>Adjustments for:</i>				
(Gain) / loss on sale of plant and equipment		387	387	(1,403)
Depreciation		43,778	43,778	51,690
Gain on acquisition of the GRC group	7	(1,225,416)	-	-
Subsidiary acquisition costs	7	135,516	135,516	-
Interest expense on finance lease	9	2,905	2,905	4,020
Equity-settled share-based payment transactions	8	107,625	107,625	98,379
Impairment of exploration and evaluation assets	12	1,896,926	1,896,926	3,869,922
<i>Operating loss before changes in working capital and provisions</i>		<u>(631,723)</u>	<u>(638,237)</u>	<u>(484,768)</u>
Change in trade and other receivables, net of trade and other receivables acquired in a business combination	7	(48,133)	(12,091)	100,423
Change in prepayments		(14,606)	(14,606)	12,290
Change in trade and other payables, net of trade and other payables acquired in a business combination	7	28,945	15,433	(40,193)
Change in employee benefits		-	-	(7,237)
Net cash used in operating activities		<u>(665,517)</u>	<u>(649,501)</u>	<u>(419,485)</u>

17. Capital and reserves

	2010 No. of shares	2009 No. of shares
Share capital		
On issue at 1 July	58,340,050	58,340,050
Issued in a business combination	39,188,574	-
On issue at 30 June – fully paid	<u>97,528,624</u>	<u>58,340,050</u>

Issuance of ordinary shares

39,188,574 (2009: nil) ordinary shares were issued as the result of a business combination (refer note 7).

The Company has also issued share options (refer note 20).

Ordinary shares

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

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

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

17. Capital and reserves (continued)

Equity compensation reserve

The equity compensation reserve represents the fair value of the options granted as determined using the Black-Scholes option pricing model and taking into account the terms and conditions on which the options were granted.

Treasury shares

The total number of shares on issue at 30 June 2010 includes 15,603,360 shares that are held by a subsidiary company.

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of \$1,593,444 (2009: \$4,507,376) and a weighted average number of ordinary shares of 65,060,220 (2009: 58,340,050).

	2010	2009
	\$	\$
Loss for the period	1,593,444	4,507,376

	<i>Note</i>	2010	2009
		No. of shares	No. of shares
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	17	58,340,050	58,340,050
Effect of shares issued in relation to a business combination	7	11,166,059	-
Effect of own shares held		(4,445,889)	-
Weighted average number of ordinary shares at 30 June		65,060,220	58,340,050

Diluted earnings per share

There were 3,300,000 options (2009: 3,250,000 options) outstanding at balance date with exercise prices ranging from 10 cents to 60 cents. These options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

19. Finance lease liability

This note provides information about the contractual terms of the Company's and the Group's interest-bearing finance lease liability, which is measured at amortised cost. For more information about the Company's and the Group's exposure to interest rate and liquidity risk refer to note 22.

	Consolidated	Company	Company
	2010	2010	2009
	\$	\$	\$
Current liabilities			
Finance lease liability	27,029	27,029	13,918
Non-current liabilities			
Finance lease liability	-	-	27,029

Term and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Consolidated and Company	Currency	Nominal interest rate	Year of maturity	30 June 2010		30 June 2009	
				Face value	Carrying amount	Face value	Carrying amount
				\$	\$	\$	\$
Finance lease liabilities	AUD	8.38	2011	27,029	27,029	40,947	40,947

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

19. Finance lease liability (continued)

Finance lease liabilities

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

Consolidated and Company	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2010	2010	2010	2009	2009	2009
	\$	\$	\$	\$	\$	\$
Less than one year	28,417	1,388	27,029	16,823	2,905	13,918
Between one and five years	-	-	-	28,417	1,388	27,029
	28,417	1,388	27,029	45,240	4,293	40,947

20. Equity-based compensation.

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

On 30 July 2007 the Company granted options over ordinary shares to key management personnel. These options have vesting periods of nil to three years from 9 October 2007; the date the Company listed on the Australian Securities Exchange.

On 19 March 2010 the Company granted a further 1,500,000 options to a director related entity. These options vested immediately. Prior to the grant of these options, 1,000,000 options that had granted to the director in his capacity as chief executive officer on 30 July 2007 were cancelled.

All options were granted at no cost to the recipients. The vesting of the options is not performance based.

All options expire on the earlier of their expiry date or termination of the individual's employment or position as an officer of the Company. The details of the share options at grant date are set out below.

Grant date	Number of instruments	Exercise price	Vesting date	Expiry date	Fair value per option
Option grant to key management on 30 July 2007 ⁽ⁱ⁾	400,000	\$0.25	09 Oct 2008	09 Oct 2012	\$0.12
Option grant to key management on 30 July 2007 ⁽ⁱⁱ⁾	500,000	\$0.2875	09 Oct 2009	09 Oct 2012	\$0.11
Option grant to key management on 30 July 2007 ⁽ⁱ⁾	300,000	\$0.325	09 Oct 2010	09 Oct 2012	\$0.10
Option grant to key management on 30 July 2007	100,000	\$0.2875	09 Oct 2007	09 Oct 2012	\$0.12
Option grant to key management on 30 July 2007	200,000	\$0.2875	09 Oct 2008	09 Oct 2012	\$0.11
Option grant to key management on 30 July 2007 ⁽ⁱⁱⁱ⁾	670,000	\$0.40	09 Oct 2008	09 Oct 2012	\$0.09
Option grant to key management on 30 July 2007 ⁽ⁱⁱⁱ⁾	540,000	\$0.50	09 Oct 2009	09 Oct 2012	\$0.07
Option grant to key management on 30 July 2007 ⁽ⁱⁱⁱ⁾	540,000	\$0.60	09 Oct 2010	09 Oct 2012	\$0.06
Option grant to director related entity on 19 March 2010	500,000	\$0.10	19 Mar 2010	19 Mar 2015	\$0.05
Option grant to director related entity on 19 March 2010	500,000	\$0.125	19 Mar 2010	19 Mar 2015	\$0.05
Option grant to director related entity on 19 March 2010	500,000	\$0.15	19 Mar 2010	19 Mar 2015	\$0.05

(i) These instruments were cancelled on 19 March 2010.

(ii) 300,000 of these instruments were cancelled on 19 March 2010.

(iii) 150,000 of each of these grants of instruments lapsed on 6 April 2010.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

20. Equity-based compensation (continued)

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

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2010	2010	2009	2009
Outstanding at 1 July	\$0.398	3,250,000	\$0.398	3,250,000
Granted during the period	\$0.125	1,500,000	-	-
Cancelled during the period	\$0.284	(1,000,000)	-	-
Lapsed during the period	\$0.50	(450,000)	-	-
Outstanding at 30 June	\$0.293	3,300,000	\$0.398	3,250,000
Exercisable at 30 June	\$0.223	2,910,000	\$0.332	1,370,000

The options outstanding at 30 June 2010 have exercise prices in the range \$0.10 to \$0.60 and a weighted average contractual life of 3.39 years.

No share options were exercised during the 2010 financial year (2009: no options exercised).

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

	2010	2009
Fair value at grant date (weighted average of fair values)	\$0.0495	-
Share price at grant date	\$0.05	-
Exercise price	\$0.10 - \$0.15	-
Expected volatility (weighted average volatility)	239.76%	-
Option life (expected weighted average life)	5 years	-
Expected dividends	-	-
Risk-free interest rate (based on government bonds)	4%	-

Share options granted to key management personnel are granted under a service condition whereby the grantee must be employed by the Group at the time the options vest. If share options are unvested at termination of the grantee's engagement, the options expire on termination of the grantee's engagement. If share options are vested but unexercised at termination of the grantee's engagement, the options expire 30 days after the termination of the grantee's engagement. Otherwise, share options expire on their expiry date.

	Consolidated	Company	Company
	2010	2010	2009
	\$	\$	\$
Employee expenses			
Share options granted in 2008 – equity settled	33,406	33,406	98,379
Share options granted in 2010 – equity settled	74,219	74,219	-
	107,625	107,625	98,379

21. Trade and other payables

Current

Trade payables	47,071	28,938	62,051
Payables due to related parties	153,342	98,016	16,619
Non-trade payables and accrued expenses	38,203	34,056	66,907
Total current trade and other payables	238,616	161,010	145,577

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments

Credit risk

Exposure to credit risk

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

	2010
	\$
Trade and other receivables	194,923
Cash and cash equivalents	1,295,261
	1,490,184

The Company's maximum exposure to credit risk at the reporting date was \$1,292,436 (2009: \$3,503,148) for cash and cash equivalents and \$56,807 (2009: \$44,716) for receivables totalling \$1,349,243 (2009: \$3,547,864)

The Group's maximum exposure to credit risk for trade receivables and other receivables at the reporting date by geographic region was:

	2010
	\$
Australia	79,993
Mexico	114,930
Total trade and other receivables	194,923

All of the Company's exposure to credit risk for trade receivables and other receivables at the reporting date was in Australia.

Impairment losses

The ageing of the Group's trade receivables and other receivables at the reporting date was:

	Gross 2010 \$	Impairment 2010 \$
Not past due	194,923	-
Total trade and other receivables	194,923	-

The Group's trade and other receivables balance is primarily GST paid by Group entities on purchases in Australia and value added tax ("VAT") paid by a subsidiary company on purchases in Mexico. The accumulated VAT is recoverable by the subsidiary from the Mexican government on lodgement of a VAT claim. These claims have no fixed time frame for lodgement and are prepared and lodged periodically by the subsidiary company.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables.

None of the Company's receivables are past due and no allowance for impairment losses has been recognised. (2009: nil)

Liquidity risk

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

	Carrying amount \$	Contractual cash flows \$	6 months or less \$	6-12 months \$	1-2 years \$	2-5 years \$
Consolidated - 30 June 2010						
Finance lease liabilities	(27,029)	(28,416)	(28,416)	-	-	-
Trade and other payables	(238,616)	(238,616)	(215,086)	(23,530)	-	-
	(265,645)	(267,032)	(243,502)	(23,530)	-	-

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments (continued)

Liquidity risk (continued)

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Company - 30 June 2010						
Finance lease liabilities	(27,029)	(28,416)	(28,416)	-	-	-
Trade and other payables	(161,010)	(161,010)	(137,480)	(23,530)	-	-
	(188,039)	(189,426)	(165,896)	(23,530)	-	-

Company - 30 June 2009

Finance lease liabilities	40,947	(45,240)	(8,411)	(8,411)	(28,417)	-
Trade and other payables	145,577	(145,577)	(145,577)	-	-	-
	186,524	(190,817)	(153,988)	(8,411)	(28,417)	-

Interest rate risk

Profile

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

	Consolidated Carrying amount		Company Carrying amount	
	2010	2010	2010	2009
	\$	\$	\$	\$
Fixed rate instruments				
Financial liabilities	27,029	27,029	40,947	
Variable rate instruments				
Financial assets	1,295,261	1,292,436	3,503,148	

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$
Consolidated - 30 June 2010				
Variable rate instruments	12,953	(12,953)	-	-
Company - 30 June 2010				
Variable rate instruments	12,924	(12,924)	-	-
Company - 30 June 2009				
Variable rate instruments	35,031	(35,031)	-	-

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

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

	30 June 2010	
	Carrying amount	Fair value
	\$	\$
Consolidated		
Trade and other receivables	194,923	194,923
Cash and cash equivalents	1,295,261	1,295,261
Trade and other payables	(238,616)	(238,616)
Finance lease liability	(27,029)	(27,029)
	1,224,539	1,224,539

	30 June 2010		30 June 2009	
	Carrying amount	Carrying amount	Carrying amount	Fair value
	Company			
Trade and other receivables	56,807	56,807	44,716	44,716
Cash and cash equivalents	1,292,436	1,292,436	3,503,148	3,503,148
Trade and other payables	(161,010)	(161,010)	(145,577)	(145,577)
Finance lease liability	(27,029)	(27,029)	(40,947)	(40,947)
	(1,161,204)	(1,161,204)	3,361,340	3,361,340

23. Contingencies

Contingent liabilities considered remote

The Company has placed a bank guarantee of \$39,955 with its landlord, Anie Pty Ltd, relating to the Company's lease of the corporate head office. The guarantee expires on 28 February 2011; the date of expiration of the lease of the corporate head office (refer note 25).

24. Capital and other commitments

Mining tenements

As a condition of retaining the right to explore its Australian tenements, the Group is required to pay rental and incur minimum levels of expenditure with respect to these tenements. In addition, the Group is required to make advance payments of net smelter royalties in connection with the El Rodeo mineral project (refer note 12). Expenditure commitments are as follows:

	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
Less than one year	1,457,140	1,345,374	1,190,000
Between one and five years	2,926,179	2,644,258	2,140,205
	4,383,319	3,989,632	3,330,205

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
Less than one year	52,345	52,345	58,361
Between one and five years	-	-	24,392
	52,345	52,345	82,753

From 1 July 2009 until 7 February 2010, the Company sub-leased its corporate head office from a related party, Australian Solomons Gold Limited. On February 8 2010, Australian Solomons Gold Limited assigned the lease of the Company's corporate head office jointly to the Company and New Guinea Energy Limited, a related party of the Company (refer note 26). The Company is responsible for 50% of the lease commitments over the remaining life of the lease. The lease expires on 28 February 2011 with an option to renew the lease after that date.

The Company also leases office space in Townsville, Queensland. This lease has no fixed duration and can be terminated at any time by giving three months notice in writing.

26. Related parties

Key management personnel remuneration

The key management personnel remuneration is as follows:

Short-term employee benefits	426,079	380,273	612,473
Share-based payments	110,557	110,557	98,379
Total key management personnel remuneration	536,636	490,830	710,852

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Transaction	Note	Transaction value year ended 30 June		Company 2009
			Consolidated 2010	Company 2010	
Former directors					
Dr R. Fardon	Retainer	(i)	26,250	26,250	8,750
Dr R. Fardon	Technical services		-	-	6,000
Mr W F Bunting	Retainer	(i)	10,500	10,500	3,500
Mr R Thorpe	Retainer	(i)	10,500	10,500	3,500

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

26. Related parties (continued)

Key management personnel and director transactions (continued)

	Transaction	Note	Transaction value year ended 30 June		Company 2009
			Consolidated 2010	Company 2010	
Other related parties					
Australian Solomons Gold Limited	Rent expense	(ii)	32,147	32,147	38,520
Australian Solomons Gold Limited	Recovery of expenses	(iii)	792	792	-
Bunting Exploration Services P/L	Technical services		-	-	30,000
Cleveland Minerals Pty Ltd	Technical services	(iv)	158,466	158,466	-
EGEX	Technical services	(v)	45,806	-	-
EGEX	Vehicle rental	(v)	16,551	-	-
Finnis 1 Pty Ltd	Accounting services	(vi)	3,752	3,752	-
Finnis 1 Pty Ltd	Consulting services	(vi)	34,000	34,000	-
Finnis 1 Pty Ltd	Director's fees	(vi)	101,667	101,667	-
Fylbin Pty Ltd	Consulting services	(vii)	46,616	46,616	20,500
Fylbin Pty Ltd	Director's fees	(vii)	28,000	28,000	-
Fylbin Pty Ltd	Settlement of loan	(viii)	67,777	67,777	-
Fylbin Pty Ltd	Settlement of fees	(viii)	30,250	30,250	-
New Guinea Energy Limited	Recovery of expenses	(ix)	24,749	24,729	-
Mayburys Pty Ltd	Director's fees	(x)	28,000	28,000	-
Mayburys Pty Ltd	Legal services		-	-	5,000

	Note	Balance receivable / (payable) as at 30 June		Company 2009
		Consolidated 2010	Company 2010	
Key management personnel				
Mr S Everett	(xi)	(26,250)	(26,250)	-
Mr S Everett	(xii)	1,000	-	-
Mr S Finnis	(vi)	(733)	(733)	5,291
Dr M Miranda	(v)	(3,782)	-	-
Former directors				
Mr W F Bunting		-	-	(3,500)
Dr R Fardon		-	-	(8,750)
Mr R Thorpe	(xii)	1,700	-	(3,500)
Other related parties				
Australian Solomons Gold Limited		-	-	(3,472)
Bunting Exploration Services Pty Ltd	(xiii)	(51,544)	-	-
Cleveland Minerals Pty Ltd	(iv)	(22,622)	(22,622)	-
Finnis 1 Pty Ltd	(vi)	(27,958)	(27,958)	-
New Guinea Energy Limited	(ix)	(20,453)	(20,453)	-

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

26. Related parties (continued)

Key management personnel and director transactions (continued)

- (i) Dr Fardon and Messrs Bunting and Thorpe resigned from the board of directors on 6 April 2009. Dr Fardon was retained as a consultant for the period 7 April 2009 to 6 April 2010 at \$35,000 per annum. Messrs Bunting and Thorpe were each retained as a consultant for the period 7 April 2009 to 6 April 2010 at \$14,000 per annum. Mr Bunting's retainer was paid to B.E.S. Canada Inc., an entity which he controls. Mr Bunting is a current member of the senior management of the Group.
- (ii) Until 8 February 2010, the Company subleased its corporate head office space from Australian Solomons Gold Limited, a company of which Mr S Everett was chairman until 24 November 2009 and Mr S Finnis was chief operating officer until 28 February 2010. From 8 February 2010 onwards, the corporate head office has been leased directly from the landlord (refer note 25).
- (iii) The Company recovered office outgoings incurred on behalf of Australian Solomons Gold Limited.
- (iv) Cleveland Minerals Pty Ltd, an entity controlled by Mr G Beere, provided the Company with geological consulting services during the year. At 30 June 2010, \$22,622 was payable to Cleveland Minerals Pty Ltd for consulting fees and expense reimbursements.
- (v) EGEX, an entity controlled by Dr M Miranda, provided the Group with geological consulting services and with two four wheel drive vehicles from the date of acquisition of the GRC group of companies. At 30 June 2010, \$3,782 was payable to Dr Miranda for expenses incurred on behalf of the Group.
- (vi) Finnis 1 Pty Ltd, an entity controlled by Mr S Finnis, provided the Group with the services of an accounts clerk during the year. Mr Finnis provided his services, initially as director and from 1 March 2010 as managing director, through this entity. Mr Finnis also provided consulting services to the Group through this entity during the year. At 30 June 2010, \$27,958 in managing director's fees was payable to Finnis 1 Pty Ltd and \$733 was payable directly to Mr Finnis for expenses incurred on behalf of the Group.
- (vii) Fylbin Pty Ltd, an entity controlled by Mr B Casson, provided the Group with management, accounting and secretarial services during the year. Mr Casson also provided his services as a director of the Company through this entity.
- (viii) Subsequent to the acquisition of the GRC group of companies, the Company repaid a loan of \$65,000 advanced by Fylbin Pty Ltd to GRC together with \$2,777 in loan interest. The Company also settled \$30,250 in outstanding fees owed by GRC to Fylbin Pty Ltd for company secretarial and administrative services which had been provided by Mr B Casson.
- (ix) From 8 February 2010, the Company's corporate head office has been leased jointly with New Guinea Energy Limited, a company of which Mr M Arnett is executive chairman. Rental expense for the corporate office is paid in full by the Company with 50% of the cost subsequently on-charged to New Guinea Energy Limited. The Company has provided a bank guarantee to the landlord (refer note 23). The term deposit which secures the guarantee is registered in the Company's name but was advanced jointly by the Company and New Guinea Energy Limited. The balance owing to New Guinea Energy Limited at 30 June 2010 is the share of the term deposit advanced by New Guinea Energy Limited together with that company's proportional allocation of the interest that has accrued on the term deposit.
- (x) Mr M Arnett provided his services as a director of the Company through Mayburys Pty Ltd, an entity which he controls.
- (xi) At 30 June 2010, \$26,250 in director's fees was payable to Mr S Everett.
- (xii) Cash calls made by GRC on former shareholders Mr S Everett and Mr R Thorpe prior to the acquisition of GRC by the Company remain outstanding at 30 June 2010.
- (xiii) At the date of acquisition of the GRC group, GRC owed \$51,544 in consulting fees to Bunting Exploration Services Pty Ltd, an entity controlled by Mr W F Bunting. These fees remain outstanding at 30 June 2010.

Options and rights over equity instruments

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

	Held at 1 July 2009	Granted as compensation	Other changes ⁽ⁱ⁾	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors						
Mr B Casson	300,000	-	-	300,000	90,000	210,000
Mr S Finnis	1,000,000	1,500,000	(1,000,000)	1,500,000	1,500,000	1,500,000
Executives						
Mr G Beere	500,000	-	-	500,000	200,000	500,000
Mr W F Bunting	1,000,000	-	-	1,000,000	300,000	700,000

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

26. Related parties (continued)

Options and rights over equity instruments (continued)

- (i) Mr S Finnis, a former chief executive officer of the Company, was appointed to the board of directors on 6 April 2009 and appointed managing director on 1 March 2010. On 19 March 2010, 1,000,000 options that had been granted to Mr Finnis on 30 July 2007 were cancelled and 1,500,000 new options were granted to Finnis 1 Pty Ltd, an entity controlled by Mr Finnis. Refer to note 20 for the terms of the new grant of options.

	Held at 1 July 2008	Granted as compensation	Other changes	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors						
Mr B Casson	300,000	-	-	300,000	120,000	120,000
Mr S Finnis	1,000,000	-	-	1,000,000	400,000	400,000
Former directors						
Dr R Fardon	450,000	-	-	450,000	150,000	150,000
Mr W F Bunting	1,000,000	-	-	1,000,000	400,000	400,000
Executives						
Mr G Beere	500,000	-	-	500,000	200,000	300,000

No options were exercised by key management personnel during the financial year.

Movements in shares

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

	Held at 1 July 2009	Purchases / other acquisitions	Sales / other disposals	Held at 30 June 2010
Directors				
Mr S Everett ⁽ⁱ⁾	15,883,371	7,428,793	(15,603,360)	7,708,804
Mr M Arnett	120,000	-	-	120,000
Mr B Casson	320,011	-	-	320,011
Mr S Finnis	879,501	-	-	879,501
Executives				
Mr W F Bunting ⁽ⁱⁱ⁾	-	7,428,792	-	7,428,792

- (i) At 1 July 2009, Mr Everett held a direct interest in one share and an indirect interest in shares held by Mrs N Everett (12,000 shares), Global Resources Corporation Pty Ltd (15,603,360 shares) and Prima Group Holdings Pty Ltd (268,010 shares). On 19 March 2010, the Company issued 39,188,574 new ordinary shares as consideration for the acquisition of Global Resources Corporation Pty Ltd (refer note 7). The total number of shares issued included 7,428,793 shares issued to Prima Group Holdings Pty Ltd of which 4,470,938 are subject to escrow for a period of 12 months from 23 March 2010. The total number of shares issued included the effective replacement of the 15,603,360 held by Global Resources Corporation Pty Ltd in the Company. These shares have been classified as treasury stock (refer note 7).

- (ii) Of the 39,188,574 new ordinary shares issued as consideration for the acquisition of Global Resources Corporation Pty Ltd, 7,428,792 shares were issued to Bunting Exploration Services Pty Ltd, a company controlled by Mr W F Bunting.

	Held at 1 July 2008	Purchases	Sales	Held at 30 June 2009
Directors				
Mr S Everett	15,883,371	-	-	15,883,371
Mr M Arnett	120,000	-	-	120,000
Mr B Casson	320,011	-	-	320,011
Mr S Finnis	879,501	-	-	879,501
Former directors				
Dr R Fardon	90,000	-	-	90,000
Mr R Thorpe	20,000	-	-	20,000

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

26. Related parties (continued)

Other related party transactions

	Balance outstanding as at 30 June	
	Company 2010	2009
	\$	\$
Subsidiaries – loans	839,604	-

Loans are made by the Company to a wholly-owned subsidiary for working capital purposes. Loans outstanding between the Company and this subsidiary have no fixed date of repayment and are non-interest bearing. These loans have been recognised by the Company as an additional investment in subsidiaries (refer note 11).

Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in note 8.

27. Group entities

	Country of incorporation	Ownership interest	
		2010	2009
		%	%
Parent entity			
Cloncurry Metals Limited			
Significant subsidiaries			
Global Resources Corporation Pty Ltd	Australia	100	-
Minas GRC S.A. de C.V.	Mexico	100	-
Sextant Resources Inc.	Canada	100	-
Southern Energy Corporation Pty Ltd	Australia	100	-

28. Subsequent events

Consulting agreement

The Group has engaged Tae Resources Pty Ltd to provide specialised exploration services for a period of six months commencing 1 July 2010. Tae Resources Pty Ltd will be responsible for the design and implementation of the Group's world-wide gold, silver and base-metal programmes. The terms of the agreement with Tae Resources Pty Ltd commit the Group to a minimum payment of \$84,000 and a maximum payment of \$120,000 for services rendered over the period of the engagement.

29. Auditor's remuneration

KPMG Australia

Audit and review of financial reports

Taxation services

	Consolidated 2010	Company 2010	Company 2009
	\$	\$	\$
Audit and review of financial reports	36,000	36,000	35,150
Taxation services	5,453	5,453	4,978
	41,453	41,453	59,000

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors' Declaration

1. In the opinion of the directors of Cloncurry Metals Limited (the "Company"):
 - (a) the financial statements, notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 6 to 51, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the managing director and the finance director for the financial year ended 30 June 2010.
3. The directors draw attention to note 2(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Brisbane this 15th day of September 2010.



Simon Finnis
Managing Director



Barry Casson
Finance Director



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

Report on the financial report

We have audited the accompanying financial report of Cloncurry Metals Limited (the Company), which comprises the statements of financial position as at 30 June 2010, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 29 and the directors' declaration of the Group 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Cloncurry Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).



Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to note 2(b) in the financial report.

The ability of the Company and the Group to continue as a going concern is dependent upon raising additional funding from shareholders or other parties prior to 30 June 2011 and reducing expenditure in line with available funding. The outcome of potential funding transactions cannot presently be determined with certainty. Accordingly, there is material uncertainty as to whether the Company and the Group will continue as a going concern and therefore realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 6 to 13 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Cloncurry Metals Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Simon Crane
Partner

Brisbane

15 September 2010



Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001* to the directors of Cloncurry Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Crane

Partner

Brisbane

15 September 2010

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

ASX additional information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

Offices and officers

Directors

Stephen Everett	Non-executive chairman
Simon Finnis	Managing director
Barry Casson	Finance director
Michael Arnett	Non-executive director

Registered office

Ground Floor, 60 Kingsford Smith Drive
Albion QLD 4010

Telephone: 07 3862 6300

Facsimile: 07 3862 6355

Website: www.cloncurrymetals.com.au

Email: info@cloncurrymetals.com.au

Company secretary

Barry Casson

Exploration & development manager

Glenn Beere

Postal address

PO Box 195
Fortitude Valley QLD 4006

Auditor

KPMG

Level 16, 71 Eagle Street

Brisbane QLD 4000

Share registry

Computershare Investor Services

Level 19, 307 Queen Street

Brisbane QLD 4000

Shareholdings as at 6th October 2010

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number held	% of total
Global Resources Corporation Pty Ltd*	15,603,360	16.77

* Global Resources Corporation Pty Ltd is a wholly owned subsidiary of Cloncurry Metals Limited.

Voting rights

Ordinary shares

Refer to note 17 in the financial statements.

Options

There are no voting rights attached to the options.

Distribution of equity security holders

Category	Number of holders	Number held	% of total
1 to 1,000	7	757	0.00
1,001 to 5,000	49	149,013	0.16
5,001 to 10,000	63	554,169	0.60
10,001 to 100,000	223	8,638,366	9.28
> 100,001	82	83,715,381	89.96
Total	424	93,057,686	100.00

The number of shareholders holding less than a marketable parcel of \$500 worth of ordinary shares is 148.

CLONCURRY METALS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Unquoted equity securities

Escrowed shares

Prima Group Holdings Pty Ltd as trustee for the Prima Group Superannuation Fund holds 7,576,793 shares of which 4,470,938 are under escrow for a period of 12 months from 23 March 2010.

Securities exchange

The Company is listed on the Australian Securities Exchange.

Other information

Cloncurry Metals Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

On-market buy-back

There is no current on-market buy-back.

Top 20 shareholders

Rank	Name	Number of ordinary shares	% of total
1	Global Resources Corporation Pty Ltd	15,603,360	16.77
2	Bar-Jonah Capital Pty Ltd	7,428,792	7.98
3	Bunting Exploration Services Pty Ltd	7,428,792	7.98
4	Peter Anthony Secker	7,280,363	7.82
5	Talbot Group Investments Pty Ltd	5,834,004	6.27
6	Prima Group Holdings Pty Ltd (Super Fund A/C)	3,105,855	3.34
7	Lamae Pty Ltd (The ELM Super Fund A/C)	3,005,075	3.23
8	Two Pots Pty Ltd	2,961,000	3.18
9	R.D. Thorpe Pty Ltd (The R.D. Thorpe S/F A/C)	2,926,480	3.14
10	BT Portfolio Services Limited (Warrell Holdings S/F A/C)	2,693,841	2.89
11	Mr Tham Keng Chuen	2,000,000	2.15
12	DST Pty Ltd (DST Investment A/C)	1,256,291	1.35
13	Finhide Pty Ltd	1,256,291	1.35
14	Secured Assets Pty Ltd	1,199,600	1.29
15	Lamae Pty Ltd (The Lamae Investment A/C)	1,177,697	1.27
16	Bar-Jonah Capital Pty Ltd	1,114,633	1.20
17	Gecko Resources Pty Ltd	1,050,000	1.13
18	Mr Paul Leslie Duncan, Mrs Daranee Duncan, Mr Paul Kennedy Duncan (Pochana Super Fund A/C)	992,441	1.07
19	Nitram Plus Investments Pty Ltd	756,200	0.81
20	Hamrog Pty Ltd	700,000	0.75
	Total	69,770,715	74.98
	Total remaining holders balance	23,286,971	25.02

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Tenement holdings

Tenement number	Location	Sub-blocks	Status	% CLU ownership
<i>Australian tenements</i>				
EPM 15944 ⁽ⁱ⁾	South Cloncurry, Queensland	46	Granted	100
EPM 15945 ⁽ⁱ⁾	South Cloncurry, Queensland	41	Granted	100
EPM 15946 ⁽ⁱⁱ⁾	South Cloncurry, Queensland	57	Granted	100
EPM 15947	South Cloncurry, Queensland	44	Granted	100
EPM 15948 ⁽ⁱⁱ⁾	South Cloncurry, Queensland	60	Granted	100
EPM 15952	Burdekin, Queensland	10	Granted	100
EPM 15969	Burdekin, Queensland	58	Granted	100
EPM 15971	Burdekin, Queensland	8	Granted	100
EPM 17115 ⁽ⁱ⁾	South Cloncurry, Queensland	21	Granted	100
EPM 17116 ⁽ⁱ⁾	South Cloncurry, Queensland	56	Granted	100
EPM 17117 ⁽ⁱ⁾	South Cloncurry, Queensland	53	Granted	100
EPMA 17605	South Cloncurry, Queensland	3	Application	100
EPMA 17745	Burdekin, Queensland	51	Application	100
EPMA 17749	Burdekin, Queensland	30	Application	100
EPMA 17957	South Cloncurry, Queensland	2	Application	100
EPMA 18412	Charters Towers, Queensland	17	Application	100
EPMA 18413	Charters Towers, Queensland	7	Application	100
EPMA 18421	Charters Towers, Queensland	74	Application	100
EPMA 18531	Clermont, Queensland	100	Application	100
EPMA 18532	Clermont, Queensland	100	Application	100
EPMA 18535	Dobbyn, Queensland	96	Application	100
EPMA 18536	Dobbyn, Queensland	26	Application	100
EPMA 18537	Dobbyn, Queensland	96	Application	100
EPMA 18540	Monto, Queensland	91	Application	100
EPMA 18541	Monto, Queensland	100	Application	100
EPMA 18599	Georgetown, Queensland	40	Application pending	100
EPMA 18600	Georgetown, Queensland	16	Application pending	100
EPMA 18604	Georgetown, Queensland	52	Application pending	100
EPMA 18616	Croydon, Queensland	30	Application pending	100
EPMA 18619	Croydon, Queensland	17	Application pending	100
EPMA 18656	Clermont, Queensland	11	Application pending	100
EPMA 18679	South Cloncurry, Queensland	43	Application	100
EPMA 18680	South Cloncurry, Queensland	15	Application	100
EPMA 18725	Palmer River, Queensland	16	Application	100
EPMA 18726	Palmer River, Queensland	4	Application	100
EPMA 18731	Palmer River, Queensland	100	Application	100
EPMA 18823	Monto, Queensland	88	Application	100
EPMA 18824	Monto, Queensland	40	Application	100
EPMA 18848	South Cloncurry, Queensland	50	Application	100

(i) Tenement undergoing full surrender as at 6 October 2010

(ii) Tenement undergoing partial surrender as at 6 October 2010

CLONCURRY METALS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Tenement number	Location	Sub-blocks	Status	% CLU ownership
<i>Joint venture with Fusion Resources Ltd</i>				
EPM 12499	South Cloncurry, Queensland	20	JV with Fusion Resources Ltd	-
EPM 12656	South Cloncurry, Queensland	4	JV with Fusion Resources Ltd	-
<i>Mexican tenements</i>				
221376	Michoacan, Mexico	-	Option to acquire	-
226081	Michoacan, Mexico	-	Option to acquire	-
210924	Michoacan, Mexico	-	Option to acquire	-
211378	Michoacan, Mexico	-	Option to acquire	-
214757	Michoacan, Mexico	-	Option to acquire	-
215963	Michoacan, Mexico	-	Option to acquire	-
224433	Michoacan, Mexico	-	Option to acquire	-