



27 February 2009

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

Cloncurry Metals Limited – Interim Financial Report

Please find following the audited accounts for the period ending 31 December 2008.

Yours sincerely

Barry Casson
Company Secretary/Finance Director
Cloncurry Metals Limited



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Cloncurry Metals Limited

ACN 15 122 162 396

31 December 2008

Interim Financial Report

Cloncurry Metals Limited
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Cloncurry Metals Limited
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Corporate Information

DIRECTORS

Dr Ross Fardon (Chairman)
W Frank Bunting (Technical Director)
Barry Casson (Finance Director)
Robert Thorpe
Michael Arnett

COMPANY SECRETARY

Barry Casson

CHIEF EXECUTIVE OFFICER

Simon Finnis

REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE

Ground Floor, 60 Kingsford Smith Drive
Albion, Queensland, 4010.
Telephone: (07) 3862 6300
Facsimile: (07) 3862 6655

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street
Brisbane, Queensland, 4000.
Investor Enquiries 1300 552 270

STOCK EXCHANGE LISTING

ASX Limited (Australian Securities Exchange)
ASX Code: CLU

INTERNET

www.cloncurrymetals.com.au

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Directors' Report

The directors present their report together with the financial report for the six months ended 31 December 2008 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name, qualifications and independence status

Experience, special responsibilities and other directorships

Non-executive

Dr Ross Fardon

FTSE, B.Sc.App. (Mining Geology),
PhD. Fulbright Scholar
Independent Non-Executive
Chairperson
Appointed 22 June 2007
Member of the Audit Committee
Member of Remuneration Committee

Dr Fardon was formerly in charge of global exploration for BHP Billiton and Mount Isa Mines. He was also the former Director General of Mines and Energy South Australia and Chairman of a Commonwealth Cooperative Research Centre, and has reviewed all geological surveys in Australia. Dr Fardon has previously founded two high-tech companies (Technomin and APR Ltd), in both of which he also held CEO positions.

Robert Thorpe

B.Tech (Mech.Eng.), AMIAMA, MAICD
Non-Executive Director
Appointed 22 June 2007
Chairman of the Remuneration
Committee

Mr Thorpe is a Non-Executive Director of the Company and holds over 34 years experience in design, engineering, project management, construction, operation and maintenance of large scale processing facilities internationally. Mr Thorpe has extensive experience in contract and commercial management, estimating systems and corporate risk management. He has previously held Director and General Manager positions in engineering and operations management companies in Queensland and Western Australia and senior management roles in start up organisations including as the founding Managing Director of Ausenco Limited for eight years.

Michael Arnett

LLB B.Comm.
Independent Non-Executive Director
Appointed 22 June 2007
Chairman of the Audit Committee

Mr Arnett is an Independent Non-Executive Director and currently holds several directorships including with Archipelago Resources plc (listed on AIM, London), Queensland Energy Resources Limited and NRW Holdings Limited. Mr Arnett is a consultant and former partner and Chief Operating Officer of international law firm Deacons.

Executive

W Frank Bunting

B.SC (Hons) Geology, 1st Class, Dip Ed,
(Environmental Sciences)
Technical Director
Appointed 8 May 2007

Mr Bunting is Technical Director of the Company and has had over 27 years experience with BHP Billiton Exploration operating around the world. Mr Bunting is a geologist with specialist BHT, IOCG, gold and nickel skills who has had significant roles in several major discoveries around the world, including Cannington.

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Directors' Report

Directors

Executive (continued)

Barry Casson

CA MAICD

Finance Director

Appointed 12 October 2006

Member of the Audit Committee

Member of the Remuneration
Committee

Mr Casson is Finance Director and Company Secretary. Mr Casson is a Chartered Accountant with over 37 years accounting and primarily commerce experience and approximately 25 years in the mining industry as Finance Director, CFO or equivalent. He has had extensive international experience in project financing and corporate transactions and is a Member of the Institute of Company Directors in Australia. He is also currently Chief Financial Officer and Joint Company Secretary for Australian Solomons Gold Limited (TSX:SGA) and was until early January 2009 a non-executive director of Archipelago Resources plc (AIM listed).

Review of operations

The principal activities of the Company during the course of the half-year ended 31 December 2008 were the further exploration of and pre-development of a portfolio of exploration projects located in the Cloncurry and Burdekin regions of Queensland. Several new grass roots exploration tenements were applied for and are at various stages of the application process via the Queensland Department of Mines and Energy.

The Company grouped its prospects into three main categories, namely:

- Pegmont group of tenements;
- South Cloncurry group of tenements; and
- Burdekin.

The Pegmont and South Cloncurry tenements are located approximately 130 to 200km south of Cloncurry and the Burdekin tenements are approximately 80km west of Bowen, all in Queensland, Australia.

There was also considerable corporate energy put to assessing new opportunities that might prove valuable to shareholders. These assessments continue.

Pegmont Group of Tenements

During the reporting period the Company spent significant time, energy and money working towards pre-development of the Pegmont Project, which is located approximately 25km west of the Cannington Mine. These energies were focussed mainly on a proposed arrangement with BHP Billiton which would have led to the Pegmont ore being processed through the plant at the Cannington Mine.

Late in December 2008, Cloncurry Metals Limited (CLU) was advised by BHP Billiton (BHPB) that, due to the alarming reduction in commodity pricing, changes in the world economy and self imposed spending restrictions, the negotiations between the companies regarding BHPB's involvement in the Pegmont Project would have to be discontinued.

Subsequent to the withdrawal of BHPB from negotiations regarding the Pegmont Project, CLU decided not to exercise its option rights over Pegmont.

The Option Agreement with Pegmont Mines Limited required CLU to decide, not later than 31 December 2008, whether to extend the option period (for an agreed fee) or to exercise the option to acquire Pegmont. In the prevailing environment CLU considered that the circumstances made neither alternative a viable choice. As a result, all capitalised exploration and evaluation costs relating to the Pegmont project were written off in the half-year ended 31 December 2008.

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Directors' Report

Review of operations (continued)

South Cloncurry Group of Tenements

During the period the exploration work was focussed on what were perceived to be the best deep targets, one at Kennedy Highway and one at Springvale, with a deep hole planned for each prospect.

Kennedy Highway - The planned deep hole was completed on the Kennedy Highway EPM15948, with drill hole KHD01 abandoned at 942m after intersecting Proterozoic basement at 752m. Drilling was by rotary mud methods to 708m with NQ2 diamond core to the end of the hole.

Geological interpretation rates the hole a technical success with some lithologies in the basement indicating the hole intersected the outer halo of a Broken Hill type (Pb-Zn-Ag) alteration zone as well as some weak iron oxide copper gold alteration.

The hole has yet to be sampled and assayed, however, the low bulk density and magnetic susceptibility of the core indicate that the original high density, highly magnetic target has not been fully tested.

Springvale - Due to delays with the completion of the Kennedy Highway hole and concerns brought about by wet weather and therefore poor access to drill sites, drilling of the Iron oxide copper gold target on Springvale EPM15947 has been postponed.

Burdekin Group of Tenements

Exploration at the Burdekin gold/silver epithermal prospect concentrated on the Fish Creek and Molongle/Mt Dillon prospects. Both areas had concurrent IP and geochemical anomalies that required drill testing. In all fifteen percussion RC holes were completed for a total of 1,762m.

At Fish Creek (FCRC series of holes), drilling intersected alternating andesite-rhyolite lavas with thin near vertical rhyolite dykes, and widespread silicification and pyritisation. All received assays were reported in the Company Quarterly report on 30 January 2009 with the highlight being weak silver mineralisation intersected in holes FCRC15 and FCRC18.

Drilling in the Mt Dillon-Molongle Prospect areas also intersected pyritised andesites and rhyolite, and some magnetite rich granites with all assays yet to be received.

Outlook

The Board notes that although it has devoted considerable effort to date on the Pegmont Project, the Company does retain an extensive portfolio of Company registered tenements and it plans to continue doing any justified and meaningful exploration on these areas in 2009. Management has embarked on a fundamental review of its exploration areas and the strategy for developing these further, taking into account the current and expected state of world affairs. The Company will also review additional opportunities as they become available.

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Directors' Report

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for the six months ended 31 December 2008.

Dated at Brisbane this 27th day of February 2009.

Signed in accordance with a resolution of the directors:



Dr Ross Fardon
Chairman



Barry Casson
Finance Director



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 review for the half-year ended 31 December 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Simon Crane

Partner

Brisbane

27 February 2009

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Cloncurry Metals Limited
Interim Financial Report
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Interim income statement
For the six months ended 31 December 2008

	Note	31 Dec 2008	31 Dec 2007
		\$	\$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(569,463)	(394,222)
Impairment of exploration and evaluation expenditure	8	(3,169,276)	-
Results from operating activities		(3,738,739)	(394,222)
Finance income		202,581	119,755
Finance expenses		(2,178)	(676)
Net finance income		200,403	119,079
Loss before income tax		(3,538,336)	(275,143)
Income tax expense		-	-
Loss for the period		(3,538,336)	(275,143)
Earnings per share			
Basic and diluted earnings per share (AUD)		\$(0.06)	\$(0.005)

The condensed notes on pages 13 to 16 are an integral part of these interim financial statements.

Cloncurry Metals Limited
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Interim statement of recognised income and expense

For the six months ended 31 December 2008

	31 Dec 2008	31 Dec 2007
	\$	\$
Loss for the period	(3,538,336)	(275,143)
Total recognised income and expense for the period	<u>(3,538,336)</u>	<u>(275,143)</u>

Other movements in equity arising from transactions with owners are set out in Note 10.

The condensed notes on pages 13 to 16 are an integral part of these interim financial statements.

Cloncurry Metals Limited

Interim Financial Report

31 December 2008

Interim balance sheet

As at 31 December 2008

	Note	31 Dec 2008 \$	30 Jun 2008 \$
Assets			
Cash and cash equivalents		3,609,405	7,027,153
Receivables	9	822,853	139,848
Prepayments and deposits		38,497	22,362
Total current assets		4,470,755	7,189,363
Exploration and evaluation	8	1,616,164	2,379,282
Property, plant and equipment		175,051	182,522
Total non-current assets		1,791,215	2,561,804
Total assets		6,261,970	9,751,167
Liabilities			
Trade and other payables		416,044	424,079
Finance lease liability		13,349	12,803
Employee benefits		-	7,237
Total current liabilities		429,393	444,119
Finance lease liability		34,133	40,947
Total non-current liabilities		34,133	40,947
Total liabilities		463,526	485,061
Net assets		5,798,444	9,266,101
Equity			
Share capital	10	9,638,964	9,638,964
Reserves	10	224,207	153,528
Retained losses	10	(4,064,727)	(526,391)
Total equity		5,798,444	9,266,101

The condensed notes on pages 13 to 16 are an integral part of these interim financial statements.

Cloncurry Metals Limited
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Interim statement of cash flows

For the six months ended 31 December 2008

	Note	31 Dec 2008	31 Dec 2007
		\$	\$
Cash flows from operating activities			
Cash receipts from customers		-	-
Cash paid to suppliers and employees		(1,166,032)	(366,573)
Net cash used in operating activities		(1,166,032)	(366,573)
Cash flows from investing activities			
Interest received		232,577	95,245
Exploration and evaluation expenditure		(2,457,844)	(832,817)
Acquisition of property, plant and equipment		(18,037)	(21,650)
Net cash used in investing activities		(2,243,304)	(759,222)
Cash flows from financing activities			
Payment of finance lease liabilities		(8,412)	-
Proceeds from the issue of share capital	10	-	10,501,000
Share issue costs		-	(979,667)
Net cash from (used in) financing activities		(8,412)	9,521,333
Net (decrease)/increase in cash and cash equivalents		(3,417,748)	8,395,538
Cash and cash equivalents at 1 July		7,027,153	50
Cash and cash equivalents at 31 December		3,609,405	8,395,588

The condensed notes on pages 13 to 16 are an integral part of these interim financial statements.

Cloncurry Metals Limited
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Condensed notes to the interim financial statements

1 Reporting entity

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

2 Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the period ended 30 June 2008, a copy of which can be obtained from the Company's registered office at (Ground Floor, 60 Kingsford Smith Drive, Albion, Queensland, 4010 or at www.cloncurrymetals.com.au).

The interim financial report was approved by the Board of Directors on 27th February, 2009.

3 Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2008.

4 Going concern

The directors have prepared cash flow projections that support the ability of the Company to continue as a going concern. These cash flow projections assume reduced exploration and evaluation activity at a level sufficient to maintain title to the tenements.

5 Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2008.

6 Financial risk management

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial report as at and for the year ended 30 June 2008.

Cloncurry Metals Limited
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Condensed notes to the interim financial statements

7 Segment reporting

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

8 Exploration and evaluation expenditure

	\$
Balance at 1 July 2007	167,035
Acquisitions	2,212,247
Balance at 30 June 2008	<u>2,379,282</u>
Acquisitions	2,406,158
Impairment	(3,169,276)
Balance at 31 December 2008	<u>1,616,164</u>

During the reporting period the Company incurred significant exploration and evaluation expenditure on the Pegmont Project, in preparation for a proposed arrangement with BHP Billiton (BHPB) which would have led to the Pegmont ore being processed through the plant at BHPB's Cannington Mine.

Negotiations between the companies regarding BHPB involvement in the Pegmont Project discontinued in late December 2008, resulting in the Company not exercising its option rights over the Pegmont tenements. This has resulted in the expenditure relating to the Pegmont tenements being 100% impaired, to the value of \$3,169,276, during the half-year ended 31 December 2008.

The Company retains an extensive portfolio of registered tenements and will continue to do any meaningful and justified exploration on these areas in 2009. Management has embarked on a fundamental review of its exploration areas and the strategy for developing these further, taking into account the current and expected state of world affairs. Additionally, the Company continues to assess available opportunities that could be added to its portfolio, based on their ability to enhance shareholder value.

The recoverability of the carrying amounts of the exploration and evaluation assets at 31 December 2008 is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

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Condensed notes to the interim financial statements

9 Receivables

	31 December 2008	30 June 2008
	\$	\$
Current		
Receivable from BHP Billiton	587,284	-
GST receivable	142,851	78,974
Accrued interest income	29,654	59,649
Other receivables	63,064	1,225
	822,853	139,848

10 Capital and reserves

	Share capital	Retained earnings	Equity compensation reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2007	150,050	(28,495)	-	121,555
Total recognised income and expense	-	(275,143)	-	(275,143)
Issue of ordinary shares	10,501,000	-	-	10,501,000
Share issue costs	(979,667)	-	-	(979,667)
Share based payments (net of tax)	-	-	82,849	82,849
Balance at 31 December 2007	9,671,383	(303,638)	82,849	9,450,594
Balance at 1 July 2008	9,638,964	(526,391)	153,528	9,266,101
Total recognised income and expense	-	(3,538,336)	-	(3,538,336)
Share based payments (net of tax)	-	-	70,679	70,679
Balance at 31 December 2008	9,638,964	(4,064,727)	224,207	5,798,444

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Condensed notes to the interim financial statements

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Share-based payments

The details of the share options granted by the Company under the Employee Share Option Plan are set out below.

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

All options were granted on 30 July 2007 and expire on the earlier of their expiry date or termination of the individual's employment or position as an officer of the Company.

The fair value of services received in return for share options granted is based on the fair value of the share options at grant date, measured using a Black-Scholes option pricing model with the following inputs:

Share price at grant date	\$0.25
Expected volatility (expressed as weighted average volatility used in the modelling under binomial model)	47.1%
Expected dividends	nil
Risk-free interest rate (based on government bonds)	5.75%

No options were granted, exercised or expired during the half-year ended 31 December 2008.

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Subsequent events

There have been no events subsequent to balance sheet date which would have a material effect on the Company's financial statements at 31 December 2008.

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**Cloncurry Metals Limited
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Directors' Declaration

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

1. the financial statements and notes set out on pages 9 to 17, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 27th day of February 2009.

Signed in accordance with a resolution of the directors:



Dr Ross Fardon
Chairman



Barry Casson
Finance Director

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

We have reviewed the accompanying half-year financial report of Cloncurry Metals Limited (the Company), which comprises the interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration set out on pages 9 to 17.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Cloncurry Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cloncurry Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Simon Crane
Partner

Brisbane

27 February 2009

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