

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the period from 1 July 2015 to 30 June 2016, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated. The Corporate Governance Statement is dated 4 October 2016. The Corporate Governance Statement was approved by the Board of Clancy Exploration Limited on 4 October 2016.

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The ASX Corporate Governance Council ("the Council") issued the third edition of the Corporate Governance Principles and Recommendations in March 2014.

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

Introduction

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

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

- Board Charter;
- Definition of an Independent Director
- Board Selection and Appointment Procedure;
- Board Code of Conduct;
- Code of Conduct
- Workplace Health and Safety
- Continuous Disclosure Policy;
- Shareholder Communication Policy
- Securities Trading Policy; and
- Diversity Policy.

Explanations for Departures from Best Practice Recommendations

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

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Council Principle 1:

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Council Recommendation 1.1:

A listed entity should disclose;

- *the respective roles and responsibilities of the board and management; and*
- *those matters expressly reserved to the Board and those delegated to management.*

The Company complies with this Recommendation 1.1.

The board has set out the responsibilities of the Board in the Board Charter which can be accessed on the company website. Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for management.

Council Recommendation 1.2:

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or reelect a director*

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The Company did not comply with Recommendation 1.2(a) above for the entire period.

Checks were not undertaken prior to an appointment made in March 2016 due to the requirement to fill a vacancy on the Board in order to have three directors and the fact that the proposed appointee was well known and well regarded by the remaining directors. Checks were undertaken in respect of an appointment made in July 2016.

The Company complied with Recommendation 1.2(b) above for the entire period.

Council Recommendation 1.3:

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company complied with this Recommendation 1.3.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company complied with this Recommendation 1.4.

Council Recommendation 1.5:

A listed entity should

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to establish measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving the;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act

The Company partly complies with this Recommendation 1.5.

The Board has adopted a Diversity Policy, a copy of which is available on the Company's website. The Company has a policy not to discriminate on the basis of age, gender, ethnicity, sexuality, physical ability or cultural or religious beliefs.

The Company recognises the benefits arising from employee and board diversity, including accessing different perspectives and ideas and benefitting from a greater pool of talent.

Factors such as gender, race, age or disability are irrelevant and are not taken into account when making employment decisions. In all cases, the person most suited to the position is selected based on their skills and qualifications without bias or prejudice.

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

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

The Company complies with this recommendation and provides the following disclosure at the date of this statement;

No. of female board members	0	0%	(2015: 0 0%)
No. of female employees	0	0% ¹	(2015: 2 33%)
No. of female employees in senior positions	0	0% ¹	(2015: 1 33%)
No. of female contractors	0	0%	(2015: 0 0%)

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<p>No. of female contractors in senior positions</p> <p>1. At the date of this Statement, the Company has no employees.</p>	0	0%	(2015: 0 00%)
<p><i>Council Recommendation 1.6:</i></p> <p><i>A listed entity should:</i></p> <p><i>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</i></p> <p><i>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</i></p>			
<p>The Company complies with this Recommendation 1.6.</p> <p>The performance evaluation of board members occurs by way of a formal review of each director by that director and by each fellow director followed by a meeting between the Chairman and the relevant director or, in the case of the Chairman's own evaluation, by the Chairman and the non-executive directors.</p> <p>No such performance review was undertaken during the reporting period. The composition of the Board changed substantially with 75% of the directors at the date of the previous corporate governance statement having resigned during the period. These directors were replaced by new directors during the period. A review will be undertaken in due course.</p>			
<p><i>Council Recommendation 1.7:</i></p> <p><i>A listed entity should:</i></p> <p><i>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</i></p> <p><i>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</i></p>			
<p>The Company complies with this Recommendation 1.7.</p> <p>The Board is responsible for reviewing the performance of senior executives.</p> <p>No such performance review was undertaken during the reporting period, as the only senior executive resigned during the period and has not been replaced.</p>			

2. STRUCTURE THE BOARD TO ADD VALUE

<p><i>Council Principle 2:</i></p> <p><i>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively</i></p>
<p><i>Recommendation 2.1</i></p> <p><i>The board of a listed entity should:</i></p> <p><i>(a) have a nomination committee which:</i></p> <ul style="list-style-type: none"> <i>(1) has at least three members, a majority of whom are independent directors; and</i> <i>(2) is chaired by an independent director, and disclose:</i> <i>(3) the charter of the committee;</i> <i>(4) the members of the committee; and</i> <i>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</i> <p><i>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively</i></p>

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The board complies with this Recommendation 2.1.

It is not a company policy to have a nomination committee, given the size and scale of Clancy Exploration Limited. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at www.clancyexploration.com

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company does not comply with this Recommendation 2.2.

For a Company of Clancy's size and complexity a board skills matrix is not considered to be necessary.

Recommendation 2.3

A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director

The Company complies with Recommendation 2.3.

A definition of director independence can be accessed at www.clancyexploration.com.

The Board considers Mr. Cranston, Mr. Patrizi and Mr. Scoggin to be independent directors.

During the period of their tenure on the Board, the Board considered Mr. Featherby and Dr Etheridge to be independent directors and Mr Barnes to be a non-independent director.

The period of office held by each director as at the date of this statement is as follows;

Mr Cranston 2 years, 0 months

Mr Scoggin 0 years, 7 months

Mr Patrizi 0 years , 4 months

Council Recommendation 2.4:

A majority of the board of a listed entity should be independent directors.

The Company complies with Recommendation 2.4.

From 1 July to 26 November 2015, the Board of Clancy Exploration had three independent directors, Dr Etheridge, Mr Cranston and Mr Featherby and one non-independent directors, Mr Barnes.

From 26 November 2015 to 31 March 2016, the Board of Clancy Exploration had two independent directors, Mr. Cranston and Mr. Featherby and one non-independent director, Mr Barnes.

From 1 April 2016 until the date of this statement, all of the directors were considered to be independent directors.

Therefore, the Board had a majority of independent directors during the year.

Council Recommendation 2.5:

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity

The Company complies with Recommendation 2.5.

At all times during the year, Company's Chairperson, Dr Etheridge, Mr Featherby and Mr Cranston at different times during the year, was considered by the Board to be independent.

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The Company's chair is not the CEO of the entity.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company complies with this Recommendation 2.6.

The Company requires that each director undertake not less than 60 units of CPD over a three year period.

New directors are provided with access and directions to the Company's corporate governance manuals and policies.

3. ACT ETHICALLY AND RESPONSIBLY

Council Principle 3:

A listed entity should act ethically and responsibly

Recommendation 3.1

A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

The Company complies with this Recommendation 3.1.

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

4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Council Principle 4:

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1

The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board,

and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company complies with this Recommendation 4.1.

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An audit committee was in place until 30 March 2016 when it ceased. The Company no longer has an audit committee, given the size and scale of Clancy Exploration Limited. The role of an audit committee is carried out by the full Board.

The Audit and Risk Committee had three members until Dr. Etheridge resigned on 26 November 2015, following which there were only two members until the date of cessation of the Committee.

From 1 July 2015 until 26 November 2015, the Committee consisted of two independent directors, Mr. Cranston and Dr. Etheridge and the Company Secretary, Mr. Caren. From 26 November 2015 until 30 March 2016, the Committee consisted of one independent director, Mr. Cranston, and the Company Secretary.

The Audit and Risk Committee was chaired by Mr. Cranston, who is an independent director and was not the Chairman of the Board at the time he was chair of the Audit and Risk Committee.

The Audit and Risk Committee charter was available on the Company's website whilst the Committee was in place.

The relevant qualifications and experience of the members of the Committee are disclosed in the Directors Report.

The Audit and Risk Committee met once during the period. Dr. Etheridge, Mr Cranston and Mr. Caren attended the meeting which was held before 26 November 2015.

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company complies with this Recommendation 4.2.

The Board receives assurance from the Chief Executive Officer and the Chief Financial Officer in the form of a declaration, prior to approving the financial statements. The board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board currently has no body occupying the Chief Executive Officer function. Therefore the declaration for the financial statements for the year ended 30 June 2016 has been signed by one of the independent directors in accordance with section 295A(5) of the Corporations Act.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company complies with this Recommendation 4.3.

The Company's auditor attended the AGM in November 2015 and was available to answer questions from security holders relevant to the audit.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Council Principle 5:

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

The Company complies with this Recommendation 5.1.

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The Company has adopted a Continuous Disclosure Policy which is available on its website.

6. RESPECT THE RIGHTS OF SECURITY HOLDERS

Council Principle 6:

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company complies with this Recommendation 6.1.
The Company maintains a current and informative website.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company complies with this Recommendation 6.2.
The Company has adopted a Shareholder Communication Strategy which is available on its website.

Council Recommendation 6.3:

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company complies with this Recommendation 6.3.
The Company facilitates and encourages participation at meetings of shareholders by providing a direct voting facility and encourages security holders who are not able to attend meetings to submit questions ahead of the meeting. This is disclosed as part of the Company's Shareholder Communication Policy.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company complies with this Recommendation 6.4.
The Company gives security holders the option to receive communications (specifically annual reports and other correspondence) from the entity and its security registry electronically, insofar as is currently permitted by the Corporations Act.

7. RECOGNISE AND MANAGE RISK

Council Principle 7:

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1

The board of a listed entity should:

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(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company complies with this Recommendation 7.1.

The committee was part of the Audit and Risk Committee until that Committee ceased on 30 March 2016. The Committee charter was available on the website until it ceased. The Company no longer has a risk committee, given the size and scale of Clancy Exploration Limited. The Company has reverted to a risk management policy adopted in August 2016.

The Audit and Risk Committee had three members until Dr. Etheridge resigned on 26 November 2015, following which there were only two members until the date of cessation of the Committee.

From 1 July 2015 until 26 November 2015, the Committee consisted of two independent directors, Mr. Cranston and Dr. Etheridge and the Company Secretary, Mr. Caren. From 26 November 2015 until 30 March 2016, the Committee consisted of one independent director, Mr. Cranston, and the Company Secretary.

The Audit and Risk Committee was chaired by Mr. Cranston, who is an independent director and was not the Chairman of the Board at the time he was chair of the Audit and Risk Committee.

The Audit and Risk Committee charter was available on the Company's website whilst the Committee was in place.

The relevant qualifications and experience of the members of the Committee are disclosed in the Directors Report.

The Audit and Risk Committee met once during the period. Dr. Etheridge, Mr Cranston and Mr. Caren attended the meeting which was held before 26 November 2015.

Recommendation 7.2

The board or a committee of the board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company complies with this Recommendation 7.2.

The Committee charter requires the Committee to review the entity's risk management framework at least annually to satisfy itself that it continues to be sound.

The Risk Management Policy was reviewed in August 2016.

Recommendation 7.3

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company complies with this Recommendation 7.3.

The Company does not have an internal audit function.

The Company believes that the risk management framework it has in place will be effective for a company of its scale and complexity, subject to the annual review being performed.

Recommendation 7.4

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A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company complies with this Recommendation 7.4.

The Company is aware of its impact on the economy, environment and the community and risks to the Company if it does not deal with these matters appropriately. The Board is responsible for determining whether the Company has a material exposure to inter alia, economic, environmental and sustainability risks and, if it does, how it manages or intends to manage those risks.

8. REMUNERATE FAIRLY AND RESPONSIBLY

Council Principle 8:

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1

The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company complies with this Recommendation 8.1.

The Company does not have a remuneration committee, given the size and scale of Clancy Exploration Limited. The role of a remuneration committee is carried out by the full Board.

The Company currently does not have any executive employees.

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

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

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

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

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The Company complies with this Recommendation 8.2. These details are disclosed in the Remuneration Report.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

The Company does not comply with this Recommendation 8.3.

The Company does not have such a policy in place. However, no issues have been made under the Company's equity based remuneration scheme since 2013.