

# Clancy Exploration (CLY)

*Unlimited porphyry prospectivity is no clanger*

30 April 2010

## Opinion Data

<b>Recommendation</b>	<b>Speculative Buy</b>
<b>Risk Rating</b>	<b>Very High</b>
<b>Current share price</b>	<b>\$0.15</b>
<b>12 month target price</b>	<b>\$0.46</b>
<b>Market cap (excl opt's)</b>	<b>\$12m</b>

Clancy Exploration is a minerals explorer that floated on the ASX in Jul 2007 (raising \$5m at \$0.20/share). Focus is copper gold porphyry exploration in the highly prospective Lachlan Fold Belt, NSW. CLY is in a joint venture (JV) with JSX gold major, Gold Fields to rapidly progress 4 of its Macquarie Arc projects.

- Enviably address for an active driller.** Its Macquarie Arc projects are in an attractive region; boasting world class, large scale copper gold porphyry deposits owned by global gold majors (80Moz gold and 13Mt copper resource). Post listing, ~\$3m raised through placements, including Gold Fields (4.24%). CLY is unique for an explorer, given they're actively drilling and not grazing on the land and waiting to ride the coat tails of significant drill hits by its neighbours.
- Going deeper with a modern approach.** Project area is ~2730km<sup>2</sup> covered by 29 exploration licences (EL). Limited previous exploration was undertaken by Newcrest and Placer Pacific, however focus was near surface (<100m), highlighting excellent scope for high grade mineralisation at depth. Combined with CLY's proprietary targeted exploration approach of applying modern geophysical techniques for priority ranking, we see potential for high prospectivity near term.
- Spend increased and focus renewed.** CLY and JV partner has drilled 66,156m for \$16.5m spend (FY10: \$6.5m to almost double drill metres since listing). In our view CLY's recently accelerated drill campaign on its 100% owned Trundle & Orange East projects have greater excite potential. Trundle's 1<sup>st</sup> diamond drill result is expected soon and we're optimistic; given previous explorers' near surface hits are similar to Newcrest's Cadia and recent geophysics indicates higher grade potential than previous. Orange East (18km from McPhillamys: discovery to feasibility in 3.5yrs) offers potential to trump Trundle; geophysics expected for release soon should provide hints, with diamond drilling commenced shortly after.
- Investment View.** Given high activity and in our view high EL prospectivity (supported by gold majors' regional activity) for porphyry mineralization discovery, we expect CLY to trade in excess of spend for significant drilling newsflow. We set our 12 mth target at 1.5x or 46cps. 100% acquisition & exploration spend, including raisings derives 31cps; CLY is undervalued, trading at 52% discount.

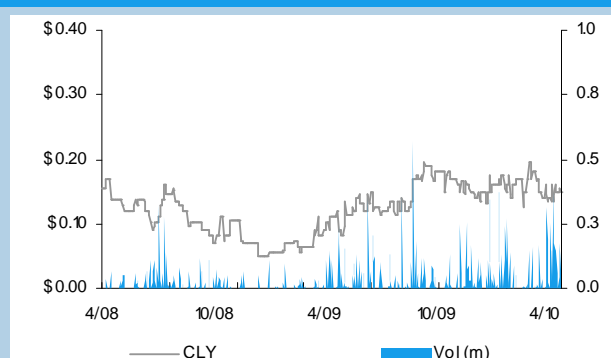
**Table 1: CLY Valuation**

IPO Raising	\$m	5.00
Acquisition of assets from CRX.ASX	\$m	0.55
Acquisition of Trundle from WPG.ASX	\$m	0.50
Raising - 12/6/09	\$m	1.02
Raising - 24/12/09	\$m	0.95
Raising - 7/4/10	\$m	0.90
100% owned project expenditure (incl 2010 budget)	\$m	2.49
Gold Fields JV project expenditure (incl 2010 budget)	\$m	14.02
<b>Valuation</b>	<b>\$m</b>	<b>25.42</b>
<b>Valuation per share</b>	<b>\$/share</b>	<b>0.31</b>

**Table 2: CLY Granted EL's (NSW)**

No	Lease ID	Lease name	Project ownership	km <sup>2</sup>	Expiry Date
1	EL6661	Cundumbul	100%	141	14/11/2010
2	EL7399	Bakers Swamp	100%	64	28/09/2011
3	EL6552	Fairholme	100%	55	Renewal Pending
4	EL6915	Manna	100%	232	Renewal Pending
5	EL4512	Trundle	100%	78	1/06/2011
6	EL7187	Trundle North	100%	20	12/08/2010
7	EL6181	Orange East	100%	83	Renewal Pending
8	EL6802	Billabong Creek	100%	68	6/06/2011
9	EL6732	Nadubuck	100%	44	7/03/2011
10	EL7199	Gunningbland North	JV option	35	8/09/2010
11	EL7271	Nelungaloo	JV option	170	13/01/2011
12	EL6823	Nanadine	JV option	63	10/07/2011
13	EL6824	Gunningbland South	JV option	81	10/07/2011
14	EL6987	Patkes	JV option	55	Renewal Pending
15	EL6939	Candoblin	JV option	153	Renewal Pending
16	EL6784	Curumburrama	JV option	91	22/05/2011
17	EL6822	Roseholme	JV option	121	10/07/2011
18	EL6937	Jemalong	JV option	80	Renewal Pending
19	EL6938	Moorefield	JV option	222	Renewal Pending
20	EL7198	Moonagee	JV option	97	8/09/2010
21	EL6553	Koobah	Cowal East JV	29	Renewed
22	EL6554	Wyrra	Cowal East JV	34	Renewed
23	EL6534	Gobondery	Gobondery JV	179	Renewed
24	EL6913	Myall	Myall JV	244	Renewal Pending
25	EL6662	Yarindury	Wellington Nth JV	44	14/11/2010
26	EL6178	Duke	Wellington Nth JV	113	Renewal Pending
27	EL6328	Hiltcroft	Wellington Nth JV	41	24/10/2010
28	EL7200	Combo	Wellington Nth JV	58	8/09/2010
29	EL7440	Bodangora	Wellington Nth JV	37	7/01/2012
				<b>2729</b>	

**Chart 1: CLY Share Price / Volume**



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## INVESTMENT CASE

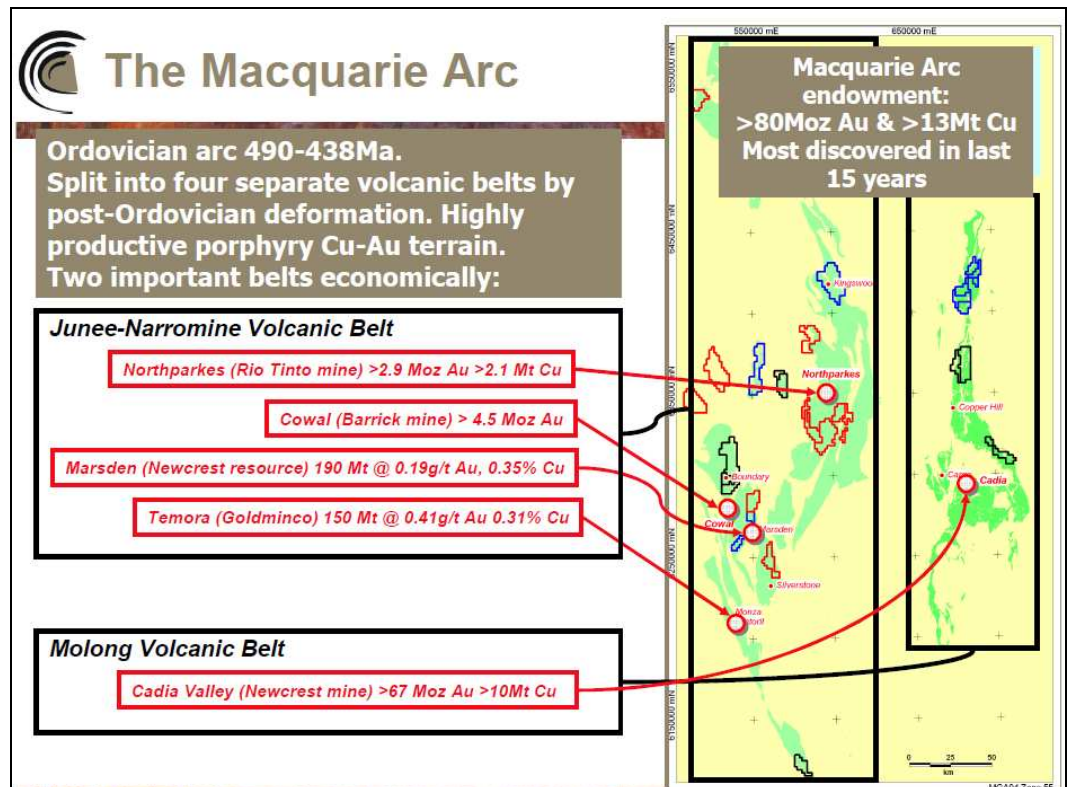
### GREAT ADDRESS TO BE LOCATED AND ACTIVELY DRILLING

**CLY's substantial and well positioned land package is expected to be the envy of global gold majors.**

- CLY is focussing its exploration efforts in the Lachlan Fold Belt in Orange, NSW. This is a key region for hosting world class, large scale copper gold porphyry deposits that are amenable to bulk tonnage, low cost mining. This mineralisation style is a highly sought after prize for global mining majors, as indicated by the nearby large scale operating mines and resources in Figure 1.
- Its large ~2730km<sup>2</sup> Macquarie Arc land package, comprised of 29 Exploration Licences or EL's (see Table 2) hosts numerous copper gold anomalies. Many of which haven't been properly drill tested since the early 1980's (pre the application of modern geological and geophysical targeting methods), and in some instances overlooked by previous explorers, including Newcrest Mining and Placer Pacific. Limited previous exploration was focussed near to surface (<100m), highlighting excellent scope for high grade mineralisation at depth. Combined with CLY's proprietary targeted exploration approach of applying modern geophysical targeting methods for priority ranking, we see potential for high prospectivity near term.
- In our view, there is significant potential for CLY to discover new multi million ounce deposits. Share price re-rate potential is indeed a possibility and only limited by metres drilled and targeting the right regions. In our view, CLY is in a good position to execute well on both. Any significant discoveries on CLY's EL's are expected to attract the interests of corporate and institutional investors alike. Noting, most majors have struggled with discoveries from exploration, and instead opted for acquisitions.
- A positive about CLY relative to other junior explorers is that they're actively drilling. This is unique for an explorer of this market capitalisation, but in our view not surprising given the Gold Fields JV. In our view, this is a big tick for credibility on delivering upon drilling expectations.

**Figure 1: Project location and neighbours**

**Any significant discoveries by CLY will be accretive.**



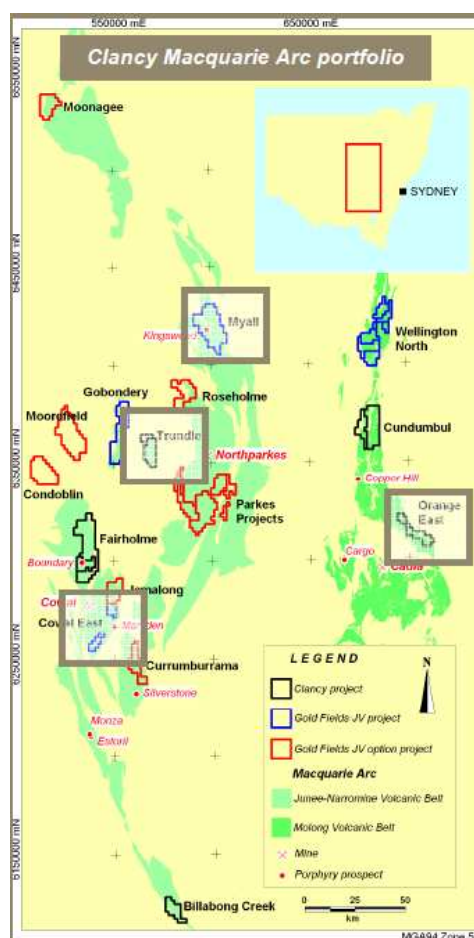
Source: CLY Exploration Update

## ENDLESS DRILL TARGETS; PRIORITY TARGETING ADVANTAGE

**We expect the targeting process will enable CLY to discover and prove up large porphyry systems methodically and timely.**

- Given the substantially sized land package, there is no shortage of drill targets. CLY's Macquarie Arc projects include (with key projects highlighted in Figure 2):
  1. 5 copper gold projects 100% owned (Trundle, Orange East, Fairholme, Billabong Creek, Cundumbul).
  2. 4 copper gold projects held in JV with Gold Fields: Cowal East and Wellington North (Gold Fields 80%, CLY 20%), and Myall and Gobondery (Gold Fields earning 80%). This is outlined in more detail in [Gold Fields JV Structure](#).
  3. 8 JV option projects: Gold Fields has the right to form up to 4 new JV's with the remaining JV projects handed back to CLY unfettered. This is outlined in more detail in [Gold Fields JV Structure](#). We expect new JV elections to be made shortly, given Gold Fields stated aim of diversifying away from its maturing African operations, region prospectivity, CLY's proprietary targeted exploration approach and given Gold Field's recent shift to JV management (indicative of Gold Field's bullish view on the region's potential).

**Figure 2: CLY's Macquarie Arc exploration licences**



Source: CLY Exploration Update

**It's very positive that CLY has generated the interest of Gold Fields; this reinforces the prospectivity potential.**

- CLY has compiled comprehensive databases taking advantage of previous explorer's efforts to date, and using a probabilistic approach (including modern geophysical techniques) to focus on high priority targets (only) to ensure most bang for their buck.
- Gold Fields has supported CLY's exploration intellectual property since 2004; however CLY is keen to push ahead with its discovery pursuits in its own right.
- At Trundle, previous explorers have focussed on near surface drilling, with only 2.8%

holes greater than 50m depth; highlighting excellent potential for mineralisation at depth, as per nearby Rio Tinto's Northparkes (mineralisation extends vertically for more than 900m) and Newcrest's Cadia Valley (mineralisation extends up to 1.9 km below surface) mining operations.

- To date, best drill intersections of near surface porphyry mineralisation at Trundle include:
  - 60m @ 0.54g/t Au from 1m (Geopeko)
  - 51m @ 0.58g/t Au, 0.14% from 33m (Placer Pacific)
  - 27m @ 0.54g/t Au, 0.27% Cu from 12m (Placer Pacific)
  - 25.45m @ 0.71 g/t Au from 14.85m (Newcrest)
  - 39m @ 0.55g/t Au, 0.14% Cu from surface (Geopeko)
  - 35m @ 0.55g/t Au, 0.25% Cu from 12m (Geopeko)
- In our view, we suspect that previous explorers would regret not reviewing these as a total package, but of course and more positively provides CLY with a looking glass into what might surface at depth. CLY has publicly stated that the above intercepts are "similar in style to the Big Cadia skarn" at Newcrest's Cadia Valley operations". If it is indeed similar to Cadia Valley, the potential for depth mineralisation is very high.

## NEAR TERM CATALYSTS

### SPEND INCREASED AND FOCUS RENEWED

- CLY and JV partner Gold Fields has drilled 66,156m for \$16.5m spend (FY10: \$6.5m to almost double drill metres since listing).
- In our view CLY's recently accelerated drill campaign on its 100% owned projects have greater excite potential.
- Trundle's 1st diamond drill result is expected soon; we're optimistic given previous explorers' near surface hits are similar to Newcrest's Cadia and recent geophysics indicates higher grade potential than previous.
- Orange East (18km from McPhillamys: discovery to feasibility in 3.5yrs) offers potential to trump Trundle; geophysics expected for release soon should provide hints, with diamond drilling commenced shortly after.

### NEAR TERM RE-RATE POTENTIAL IS VERY HIGH

***Discovery of higher-grade extensions to mineralisation through drilling success would seem a reasonable possibility in the next 1 to 3 years, culminating with a maiden resource estimate for the latter end of our time horizon.***

- CLY is in our view a unique ASX listed explorer, offering:
  1. high prospectivity potential of copper gold EL's and competitive advantage of priority drill targeting, encompassing a blend of historical information and modern geophysical techniques,
  2. significant corporate appeal as a means to either establish or lift a gold major's regional presence in the highly mineralised Lachlan Fold Belt region, and
  3. potential to feature more prominently on institutional investor's radars once assay results start reinforcing our expectations, and even moreso once hints of a significant JORC Resource is on the way.

## AGGRESSIVE JV DRILL CAMPAIGN EXPECTED TO PAY DIVIDENDS

*Aggressive, but achievable drill program will almost double metres drilled by Jun 2010. As such, the probability for exciting near term exploration newsflow is indeed high.*

- CLY recently embarked on an aggressive, yet achievable \$6.5m JV program (total spend) with Gold Fields on Myall, Cowal East and Wellington North (see Figure 2) to conduct a further 41,500m drilling by Jun 2010:
  1. 2 drill rigs operating at present, with good progress of 6,760m drilling completed to Dec 2009.
  2. Drilling focus has shifted to higher confidence diamond, rather than aircore (AC), highlighting Gold Field's **confidence in hitting targets**.
  3. Gold Fields 2010 budgeted/committed spend is \$5.4m (\$4.16m funds remaining), noting spend has increased significantly since JV commencement. In our view, **reinforcing the strong potential that Gold Fields see regionally**.
  4. Porphyry mineralisation intersected by previous explorers on Myall and Cowal East was up to 0.44% Cu and 0.25g/t Au. 32 holes have been drilled and assayed in current campaign. Mineralisation has been confirmed, but yet to exceed grade achieved. The more interesting prospects in these JV's are:
    - **Kingswood, Myall.** On 4 May 2009, CLY released a significant result for the 1<sup>st</sup> diamond drill hole MYACD001, with the following subintervals recorded (at 0.1% Cu cut-off and 2m internal dilution):
      - from 141 to 211m: 70m @ 0.54% Cu, 0.15 g/t Au, incl. **52m @ 0.67% Cu and 0.20 g/t Au**
      - from 260 to 322m: 62m @ 0.27% Cu, 0.13 g/t Au, incl. **10m @ 0.64% Cu and 0.61g/t Au**
      - **post these results, Gold Fields assumed management of this JV. Since then, Gold Fields have been unable to replicate or better these results.** It should be noted that Myall EL69131 is pending renewal and should be granted shortly.
    - **Eurowie, Cowal East.** On 22 Mar 2010, released results from diamond drill hole WYACD006, with intercept width encouraging for porphyry mineralisation and grade continuity even at depth, noting mineralisation is open at depth and along strike. It must be noted that these were of lower grade, with the following subintervals recorded (at 0.05% Cu cut-off and 2m internal dilution):
      - from 170 to 227m : 57m @ 0.13% Cu, 0.09g/t Au
      - from 362 to 389m: 27m @ 0.27% Cu, 0.15 g/t Au, incl. **14m @ 0.44% Cu and 0.25g/t Au**
      - from 427 to 498m: 71m @ 0.11% Cu, 0.06 g/t Au
  5. Kingswood results are significant, and in excess of those achieved by previous explorers, with Eurowie encouraging yet emphasising that more testing is required. We expect greater focus on Kingswood and also Eurowie for the remainder of the drill campaign to 30 Jun 2010. We expect these prospects to feature prominently in future JV budgets.
  6. Our expectations are supported given bullish statements made by Gold Fields in their 2Q'FY10 quarterly report:
    - Myall JV: "intersected significant sections of potassic alteration with associated sulphide (chalcopyrite-pyrite ± bornite) and quartz veining".
    - Cowal East JV: "Significant potassic magnetite-biotite-pyrite±chalcopyrite alteration of diorite and volcanics was intersected at the Eurowie target which is characteristic of the alteration present in the upper disseminated zone of the Cadia East porphyry".

## 100% PROJECTS ACCELERATED FOR EXPECTED SUCCESS

**CLY raised \$900k to accelerate 100% owned projects.**

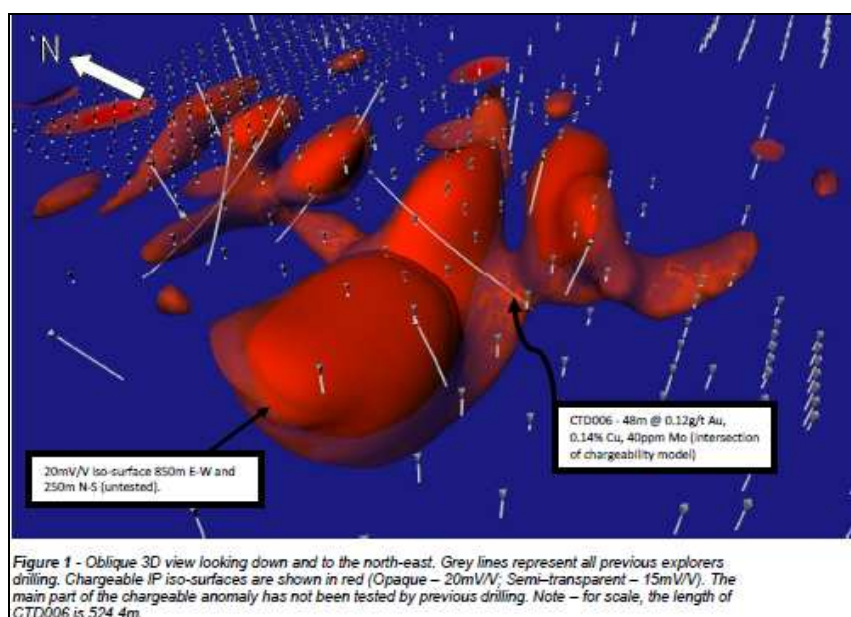
- On 30 Mar 2010, CLY raised \$900k at a 13cps issue (13% discount to last price). Funds raised are being used to accelerate diamond and RC drill programs on 100% owned Orange East and Trundle projects (see Figure 2):
  - Trundle drilling commenced on 19 Apr 2010 (post completion of 3D IP survey) with the recent focus on diamond drilling given CLY's higher confidence, and
  - Orange East drilling expected to commence early May 2010 (post completion of 3D IP surveys by end of next week, noting these commenced in Mar 2010).

## TRUNDLE HAS POTENTIAL TO EXCITE...

**Previous explorers on CLY EL's have not used modern geological techniques and focus was on shallow drilling. In our view, near term exploration newsflow has the potential to excite.**

- CLY's latest drilling campaign at Trundle (with predominant focus now at Mordialloc following the very encouraging 3D IP survey results released on 20 Apr 2010), combined with recent geophysics work is expected to successfully expand upon known porphyry mineralisation, noting:
  - Previous explorers focussed on shallow drilling.** 57% of RAB/AC drilling by previous explorers was at depths <20m, with only 2% of prior drilling targeting depths >100m. CLY plan to test depth extent as part of current drill campaign.
  - Focussed on chargeable anomalies not identified by previous explorers who didn't have 3D IP survey work at their disposal.** The potential to excite via a change in drill target focus is highlighted by recent 3D IP survey work on Mordialloc that was released to market on 20 Apr 2010 (see Figure 3). Figure 3 highlights that drilling of previous explorers failed to intersect the main part of the 850m x 250m chargeable zone potential identified. Previous drill hole CTD006: 48m @ 0.12g/t Au, 0.14% Cu intercepted the outer shell of this recently identified zone. In our view, it is highly likely that higher grade mineralisation will result from drill testing this zone which is being followed up in the current campaign. Given this is a porphyry mineralisation signature; potential for nearby similar zones is not out of the question.

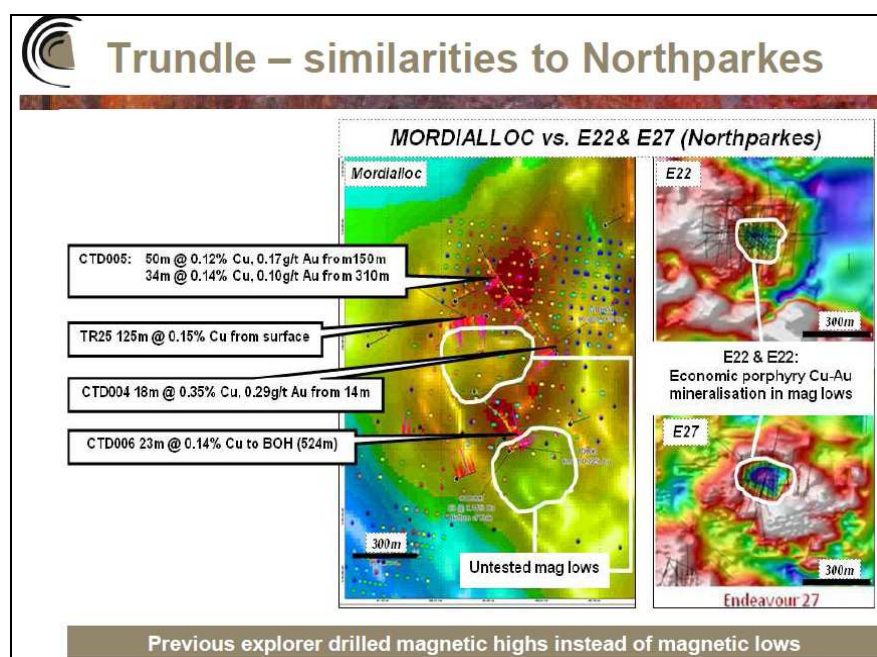
**Figure 3: Trundle 3D IP - high grade potential overlooked by previous explorers**



Source: CLY Trundle Update 20/4/2010

3. **Previous explorers focussed on magnetic highs, whereas focus is now on testing magnetic lows.** 2 magnetic lows have been identified at Mordialloc, one to the south and another to the north of CTD006, as per Figure 4. Furthermore, it's interesting to note that this particular region corresponds to the high chargeability zone discussed in 2. It should be noted that porphyry copper gold mineralisation has been discovered in the magnetic lows of Northparkes, and we expect this may be replicated at Trundle.
4. **Previous exploration indicated shallow skarn high grade mineralisation at >1g/t Au.** We expect the focus on magnetic lows and high chargeability zones will eventuate in drill hits from the current campaign exhibiting higher grade porphyry mineralisation.

**Figure 4: Trundle Magnetics – magnetic lows overlooked by previous explorers**



Source: CLY Exploration Update

### ...BUT DON'T FORGET ABOUT ORANGE EAST

**Orange East has the potential to trump Trundle in terms of priority. In our view this is not a problem given this offers potential optionality.**

- Over the 4.5km of known strike length at Orange East, we expect a similar positive drilling newsflow, noting:
  1. Recent rock chip sampling at Carangera (2.68 to 25g/t Au, 3.38 to 24.7g/t Ag) and Favell (+1.6g/t Au, + 0.45% Cu) anomalies have indicated promising mineralisation to date.
  2. Carangera RC deeper drilling program (10 holes for 1463m drilled) was recently completed, with best intercepts as follows:
    - 10m @ 0.29% Cu, incl. 4m @ 0.55% Cu from 90m (OERC001)
    - 2m @ 1.09g/t Au from 120m (OERC004)
    - 2m @ 0.44% Cu, incl. 1m @ 1.32% Cu & 0.11g/t Au from 225m (OERC005)
    - 1m @ 0.81% Cu and 1m @ 0.64% Cu & 0.13g/t Au from 234m (OERC007)
  3. Carangera grades are encouraging, especially at depth, noting that the widths intersected do not sufficiently represent a porphyry signature. The program was impeded by the presence of old workings and hole deviation due to difficult ground conditions (OERC001, OERC007). Due to these directional control issues with this form of drilling, a follow-up and more appropriate, higher

confidence diamond drill program is due to commence in early May 2010.

4. Fast-tracking of nearby McPhillamys deposit (JV between Alkane Resources (ALK.ASX) and Newmont Mining); discovery to Bankable Feasibility Study (BFS) in 3.5 years on the back of very significant intercepts of 123m @ 1.96g/t Au and 366m @ 1.85g/t Au. **The 3.5yr time horizon from discovery to BFS and size/depth of McPhillamys is what we would expect for CLY's 100% owned Orange East project.**
- We are expecting further hints from near term 3D IP surveying results on whether Orange East will potentially trump the mineralisation potential of Trundle near term. Results are expected to be released in the next few weeks and will provide some insight into potential optionality for CLY. We would expect a drill campaign to be commenced shortly after. It should be noted that Orange East EL6181 is pending renewal which should be granted shortly.

## PEER COMPARISON

- Relative to peers, ALK's growth story (market capitalised at \$92.14m or 7x CLY current trading) is most closely aligned to the potential growth we see in CLY over the next 3 years (see Table 3).
- Figure 5 highlights the close proximity of its leases to its peers and also the gold majors operating in the region. Lachland Fold Belt is definitely an area of high activity and in our view potentially high reward.

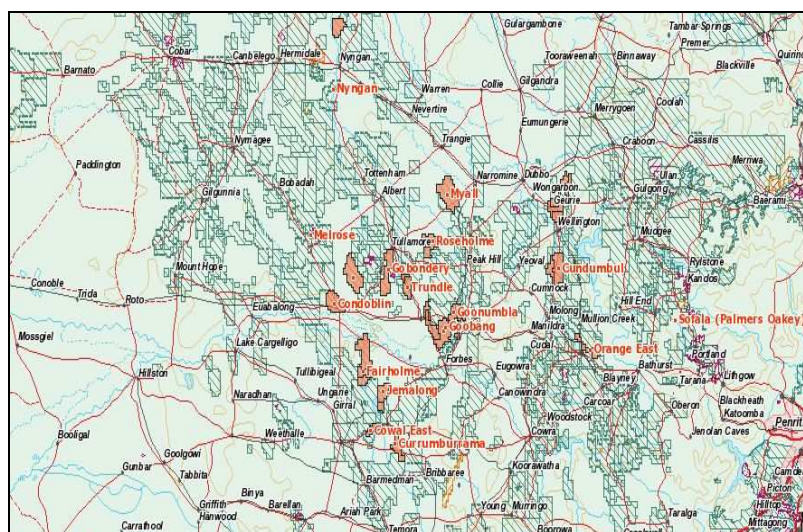
**Table 3: Comparable Peer Projects**

Ticker	Company	Mkt Cap A\$m	Key Project	% Ownership	JV Partner	Development Stage	Location
CLY.ASX	Clancy Resources	12.73	Macquarie Arc	various	Gold Fields	Exploration	Parkes, Dubbo & Orange
ALK.ASX	Alkane Resources	88.40	McPhillamys	25%	Newmont	Feasibility Study	Peak Hill, 4km N of
AUK.ASX	Augur Resources	22.27	Yeoval	100%	N/A	Advanced Exploration	Parkes, 62km NE of
AOA.ASX	Ausmon Resources	7.50	Grasmere-Peveril	earning	N/A	Pre-Feasibility	Broken Hill, 141km NE of
GCR.ASX	Golden Cross Resources	23.14	Copper Hill	100%	N/A	Pre-Feasibility	Orange, 34km NW of
GCP.TSX	Goldminco Corporation	15.53	Temora	100%	N/A	Advanced Exploration	Temora, 15km N

Source: Intierra 29.4.2010

- ALK's most advanced project, McPhillamys (part of the Moorilda tenements) located in Orange is held in a JV partnership with North American gold major, Newmont Mining. In August 2005, ALK reached agreement with Newmont Australia Ltd (initial earn in interest of 51%) to farm-in to ALK's projects. First significant discovery occurred in Oct 2006.
- ALK announced on 2 Mar 2010 that Newmont (now 75% JV ownership) has decided to proceed to BFS for the McPhillamys project, with a conceptual resource target of 2 to 4Moz gold and 50 to 100kt copper. Its 3.5 year development horizon from discovery to BFS and magnitude/depth of resource is the growth we would expect for CLY's 100% owned Orange East project.
- Mineralisation at McPhillamys has been intersected to depths of 650m and remains open, and in our view is a **good signal for CLY's Orange East project potential. McPhillamys is 18km south-south east to Orange East project.**
- CLY needs to either find higher-grade extensions to mineralisation through drilling success or release a maiden resource estimate. In our view, either of these would seem reasonable possibilities in the next 1 to 3 years, culminating with a maiden resource estimate for the latter end of our time horizon.

**Figure 5: CLY and neighbouring mining/exploration licences**



Source: Intierra Mapping

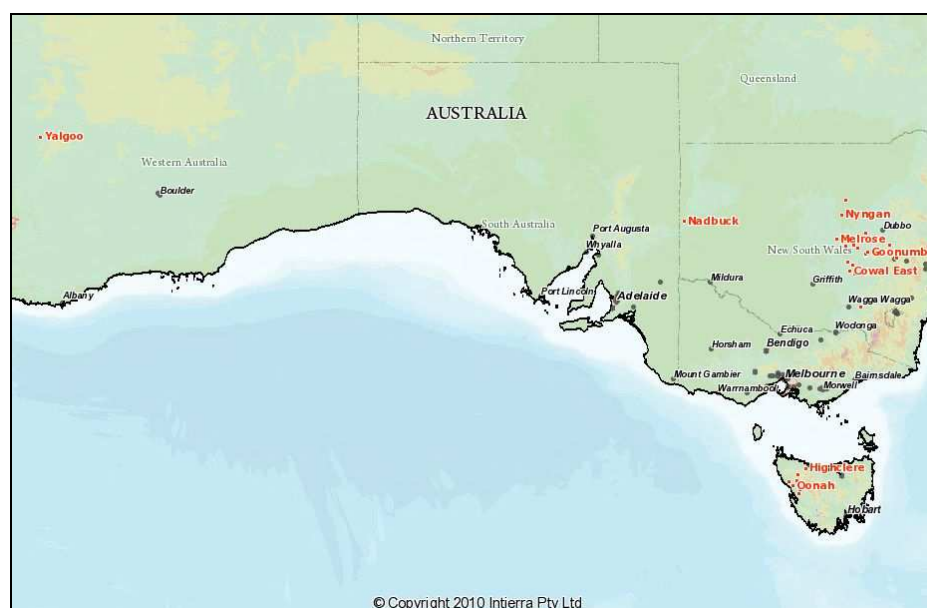
## GOLD FIELDS JV STRUCTURE

- Earn-in summary for Gold Fields JV (3 staged earn-ins) and 4 JV option (no staged earn-in applies) projects is as follows:
  1. **Myall (Gold Fields has the potential to earn 80%).** Gold Fields currently have 51% and can earn-in to 80% by spending \$10M.
  2. **Cowal East (Gold Fields 80%, CLY 20%).** Gold Fields earn-in completed Oct 2008 with \$1m spend.
  3. **Wellington North (Gold Fields 80%, CLY 20%).** Gold Fields earn-in completed Dec 08 with \$2m spend.
  4. **Gobondery (Gold Fields has the potential to earn 80%).** Goldfields can earn-in by spending \$2M, noting no staged earn-in applies for this JV.
  5. **JV option projects.** Gold Fields is in the process of completing a year of reconnaissance exploration to Jun 2010 on 8 projects. Post this first pass exploration work, we expect Gold Fields will review its option to formulate JV's on up to 4 projects. Inline with Gobondery JV structure, Gold Fields has the potential to earn 80% by spending \$1m per project it chooses to formulate a JV on. To date, Gold Fields has drilled at Currumburrama, Moorefield and Condobolin and drilling is in progress at Roseholme (see Figure 2 for locations).

## PROJECTS SUMMARY

- In addition to its Macquarie Arc projects, CLY has 3 other southern Australian exploration projects (see locations highlighted in Figure 6):
  1. Yalgoo, WA with VMS mineralisation potential. It is located inland of ex OZL polymetallic VMS (Volcanic Massive Sulphide) mining operation, Golden Grove in Western Australia which was recently purchased by Chinese based Min Metals Group, MMG.
  2. Nadbuck (Broken Hill, NSW) – native title yet to be extinguished, but in discussions with local landowners.
  3. JV projects with Bass Metals (BSM.ASX) in Mt Read Volcanic Belt, Tas.

**Figure 6: CLY Project Locations**



Source: Intierra Mapping

## BOARD & MANAGEMENT

### **James MacDonald    Non Executive Chairman**

- 30 yrs resources industry experience.
- Previously worked for Homestake (acquired by Barrick) and more recently was Global Exploration Leader for BHP Billiton, focussed on strategy and copper exploration (porphyry and sediment-hosted).
- Other Directorship: International Base Metals, Craton Mining and Exploration.
- Trained geologist. He is a Member of the Association of Professional Engineers and Geoscientists of British Columbia and a Fellow of the Society of Economic Geologists and a Member of the Australian Institute of Company Directors.

### **Mark Lester    Non Executive Director**

- Previous experience in major international accounting firm, and also finance roles in financial services, biotech and manufacturing industries.
- Currently he is a partner in a Chartered Accounting practice based in Subiaco, Western Australia.
- Trained in commerce. He is a Chartered Account, Registered Auditor and a director of a Registered Tax Agent.

### **Mark Stewart    Managing Director**

- 17 yrs resources industry experience and commercial skills.
- 10 yrs in new business/exploration and acquisitions division of major global miner, Anglo American.
- VP Corporate & Business Development for Geoinformatics (now TSX-V listed, Kiska Metals Corporation (C\$68.8m)<sup>1</sup>; the company where CLY originally was spun out from).
- Trained as a lawyer.

### **Gordon Barnes    Exploration Manager**

- 22 yrs resources industry experience, ranging from active field based projects through to multi-commodity project generation initiatives in Australia, Asia, North and South America.
- Previously work for mining majors, Freeport-McMoRan Copper & Gold Inc and Normandy (acquired by major gold miner, Newmont)
- Joined Geoinformatics in April 2004.
- Trained geologist and is a Member of the Australian Institute of Geoscientists and the Society of Economic Geologists.

### **Rowen Caren    Company Secretary**

- 10 yrs resources industry experience providing financial and corporate services to several listed and unlisted companies
- 17 years commercial experience as a Chartered Accountant
- Trained in commerce and Member of the Institute of Chartered Accountants in Australia.

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<sup>1</sup> there are no shared board or management between Kiska Metals (KSK.TSX.V) & CLY

## FULLY FUNDED FOR CURRENT DRILLING

**CLY is fully funded for the current drill campaign, expected to be complete 30 Jun 2010.**

- CLY has \$2.25m cash as at 31 Mar 2010. \$1.98m was raised in the last 5 months through the issue of shares and \$1.73m net exploration expenditure in 2009 (more than double the explorations spend in 2008). We expect CLY to spend \$1.1m (~\$180k on JV projects with Gold Fields) on exploration expenditure in the 6 months to Jun 2010. Depending on drill program progress, we expect CLY will have sufficient funding to take them through to at least 30 Jun 2010. CLY also has 11.35m unlisted options:
  1. 3.1m @ 24.8cps average, expiry 30 Apr 2010 (~\$770k)
  2. 8.25m @ 15.4cps average, expiry between Sep 2011 – Sep 2013 (~\$1.58m)

## SHARE REGISTER

**CLY has a tightly held register (58% of holdings held by Top 13 shareholders), but future dilution of key shareholder is not out of the question.**

- CLY has a tightly held register (78% of holdings held by Top 18 shareholders, with Board and Management accounting for 4 of these shareholders). Shareholders as at 21 Apr 2010:
 

1. Kiska Metals Corporation	34.71%
2. Arnold Getz	7.87%
3. HSBC	5.71%
4. Merrill Lynch	5.78%
5. Gold Fields Limited	4.24%
6. Centaurus Resources Limited	4.06%
7. Martin Place Securities	2.81%
8. Western Plains Resources	2.68%
9. Wythenshawe Pty Ltd	2.50%
10. Board & Management	2.36%
11. Calibre Mining Corporation	2.13%
12. Damplin Investments	1.52%
13. Alcardo Investments	1.22%
14. Honour Path Holdings Ltd	1.16%
- Mining and exploration companies (Centaurus Resources (CUR.ASX), Western Plains Resources (WPG.ASX), Kiska Metals (KSK.TSX-V), Calibre Mining Corporation (CXB.TSX-V) and Gold Fields) are in the register for legacy reasons i.e. for sale/divestment of assets to CLY, with the exception of Gold Fields' who is in as a strategic seed investor.
- We expect KSK to continue to dilute over time, especially given they didn't participate in the most recent raising. Furthermore we expect them to more than likely exit for any substantial share price appreciation. Noting, Geoinformatics (now KSK) is the company where CLY was originally spun out from.

## Directory

### Equities Research Team

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John Burgess	613 8601 2018	Consumer Services
Andrew Chambers	613 8601 2605	Infrastructure
Andrew Cleeland	613 8601 2065	Quantitative/Data
David Grossman	613 8601 2616	Professional Services
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Peter Ward	613 8601 2099	Senior Research Sales
Matthew White	613 8601 2624	Sales Trading
Robert Wood	613 8601 2031	Head of Sales Trading

#### Sydney

Leo Borovilas	612 9233 9606	Sales Trading
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#### Asia

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### Private Clients

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Richard Endersbee	613 8601 1954	Client Adviser
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Thomas Ha	613 8601 2658	Client Adviser
Kate Hanrahan	613 8601 2058	Client Adviser
Melanie Hawgood	613 8601 2055	Client Adviser
Michael Heffernan	613 8601 2053	Senior Client Adviser
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Peter King	613 8601 2002	Client Adviser
Peter Mason	613 8601 2015	Client Adviser
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### Corporate Finance

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<b>Dale Moroney</b>	<b>613 8601 2035</b>	<b>Managing Director</b>
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Stephen Nossal	613 8601 2017	Director
Jonathan Tooth	613 8601 2006	Director
Richard Fox	613 8601 2030	Associate
Terence Wong	613 8601 2651	Associate
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Yehuda Gottlieb	613 8601 2618	Analyst

#### Sydney

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### Recommendation Criteria

#### Investment View

Austock Securities Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
> 20%	20% - 5%	< 5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

#### Risk Rating

Austock Securities Limited has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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