

## QUARTERLY ACTIVITIES REPORT

### For the period ending 31 December 2011

The Board of Clancy Exploration Limited is pleased to release its Quarterly Activities report for the period ending 31 December 2011.

#### Highlights

- Aircore drilling to test a palaeochannel for alluvial gold at **Condobolin** returned elevated gold results including:
  - **1m @ 28.4 g/t Au.**
- Aircore drilling to test basement gold targets at **Condobolin** returning elevated gold, including **visible gold** from phyllite host rocks containing quartz veins and patchy oxides of copper. Significant results include:
  - **2m @ 3.99 g/t Au;**
  - **1m @ 4.75 g/t Au;** and
  - **1m @ 1.86 g/t Au.**
- Diamond drilling at the Phoenix prospect at **Condobolin** intersected significant base metal and gold results in the first hole:
  - 5m @ **1.55% Zn**, 0.27 g/t Au, 0.15% Cu and 7.06 g/t Ag;
  - 2m @ **3.11% Zn**, 0.46 g/t Au, 0.73% Pb, 0.21% Cu and 20.25 g/t Ag;
  - 9m @ **1.35% Zn**, 0.17 g/t Au, 0.21% Pb, 0.11% Cu and 7.25 g/t Ag;
  - 1m @ **0.94 g/t Au**, 18.6ppm Mo, 0.13% Zn and 3.69 g/t Ag;
  - 2m @ 0.37 g/t Au; and
  - 3m @ 0.11 g/t Au.
- Results for five further diamond holes completed at the Phoenix and Mascotte prospects at **Condobolin** are pending.
- Rock chip sampling at Condobolin has returned elevated gold, arsenic, silver, lead and zinc results, with values up to **1.7 g/t Au, 7310 ppm As, 2.06% Pb** and **2.89% Zn**.
- Diamond and RC drilling (~850m) of iron skarn targets at **Gobondery** is in progress.
- RC drilling (~1100m) of iron skarn targets at **Trundle** has been completed with results pending.
- RC drilling (~2250m) to commence at **Condobolin** in February 2012.
- Over 2,000m of drilling completed at the **Myall** and **Wellington North JV's** during quarter with many results pending.

## Clancy Managed Projects

The Condobolin project continued to be the focus of field activity for the quarter with the completion of an aircore drilling program, a downhole IP survey, rock-chip sampling and diamond drilling in progress at quarter end. Auger soil geochemical surveys continued at Orange East and Cundumbul. A total of 2,118m of drilling and 1,779 auger soil samples were completed on the Clancy managed projects during the quarter.

### Condobolin EL7748

(NSW, Clancy 100%)

Condobolin is located in the central west of NSW immediately north of the Condobolin township. Condobolin has a substantial mining history, predominantly as a base metals field (lead, zinc and copper), as well as gold. The mineralisation is hosted in epithermal-style quartz veins hosted in the metasedimentary units of the Ordovician Girilambone Group. The veins are associated with pyrite, sphalerite, galena, chalcopyrite, arsenopyrite and gold.

Aircore and diamond drilling were undertaken in the December quarter with diamond drilling in progress at the end of the quarter. Encouraging drilling results have been received, which were released to the market on 20 January 2012, and results for five diamond holes remain pending. A further 2,250m of RC drilling is planned for February 2012.

#### Aircore drilling program

Aircore and aircore hammer drilling (28 holes, 948m) was completed at the Meritilga Prospect to test alluvial gold and basement gold targets (Figure 1). Results have been received and there are numerous basement gold hits over a gram per tonne and visible gold near the old Eureka Mine. One hole intersected quartz-carbonate veins with arsenopyrite in the basement near the old Mt Tilga Gold Mine. The potential for alluvial gold was recognised after an aeromagnetic survey identified buried channels that drain the hills around Meritilga. These hills host numerous historic workings that once produced high-grade gold. The aircore drilling intersected the channels beneath shallow soil cover and they contain quartz-rich alluvial gravel up to 8m thick. The results confirm that gold-bearing quartz is clearly present in the gravel.

Two aircore holes into the upper reaches of the palaeochannel have returned elevated gold results:

- **1m @ 28.4 g/t Au** from 4m in COAC012, and
- 1m @ 0.16 g/t Au from 3m in COAC004.

Alluvial gold by nature is nuggetty, therefore variability in results is to be expected. Further testing of the alluvial gold potential will require refinement of drilling and sampling methods. Clancy will consult with drilling and assaying experts in order to reduce the nugget effect in future sampling.

Basement testing below the palaeochannel was very successful, with several drill holes returning elevated gold from phyllite host rocks containing quartz veins and patchy oxides of copper:

- **2m @ 3.99 g/t Au** from 28m in COAC005,
- **1m @ 4.75 g/t Au** from 44m in COAC009,
- 4m @ 0.14 g/t Au from 10m in COAC017, and,
- 2m @ 0.11 g/t Au from 25m in COAC010.

Preliminary deep testing of key structures and historical workings at Meritilga has yielded significant gold results, which will be followed up with further RC drilling in February 2012. Drilling proximal to the Eureka Mine returned visible gold at 40m and elevated gold and base metals in epithermal quartz veins in altered

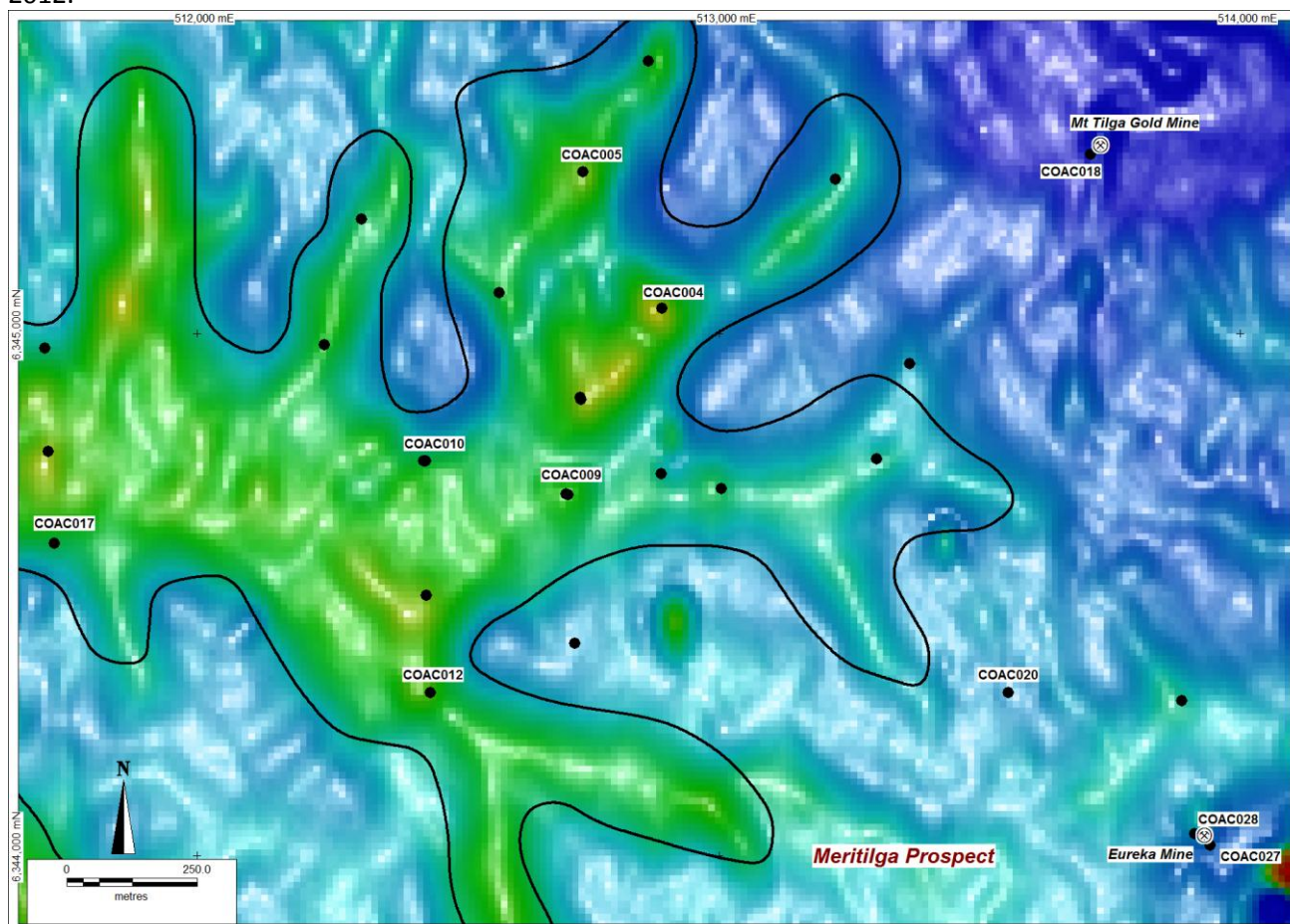
phyllite host rocks. The sample with visible gold assayed 1.86 g/t Au, suggesting the gold could be nuggetty above the primary zone:

- 3m @ 0.75 g/t Au from 38m in COAC027; including,
  - **1m @ 1.86 g/t Au**, 0.14% Lead from 40m.
- 4m @ 0.14 g/t Au from 41m in COAC028
- 6m @ 0.12% Zn from 4m in COAC028.

Drilling proximal to the Mt Tilga Gold Mine returned elevated gold occurring in quartz-carbonate veins bearing arsenopyrite-pyrite:

- 4m @ 0.26 g/t Au from 44m in COAC018.

A full listing of significant aircore intercepts and hole details were released to the market on 20 January 2012.



**Figure 1** – Aircore program drill holes which returned elevated gold in assay. Background image is 50m-line spaced 1km residual RTP magnetics. Drill hole collars are shown as black dots. Coordinates are in MGA94 Zone 55.

### Diamond drilling program

Diamond drilling is in progress, following up results from the successful RC program completed in February 2011. Three holes have been completed at the Phoenix prospect and two holes have been completed and a third is in progress at the Mascotte prospect for a total advance of 1,170m.

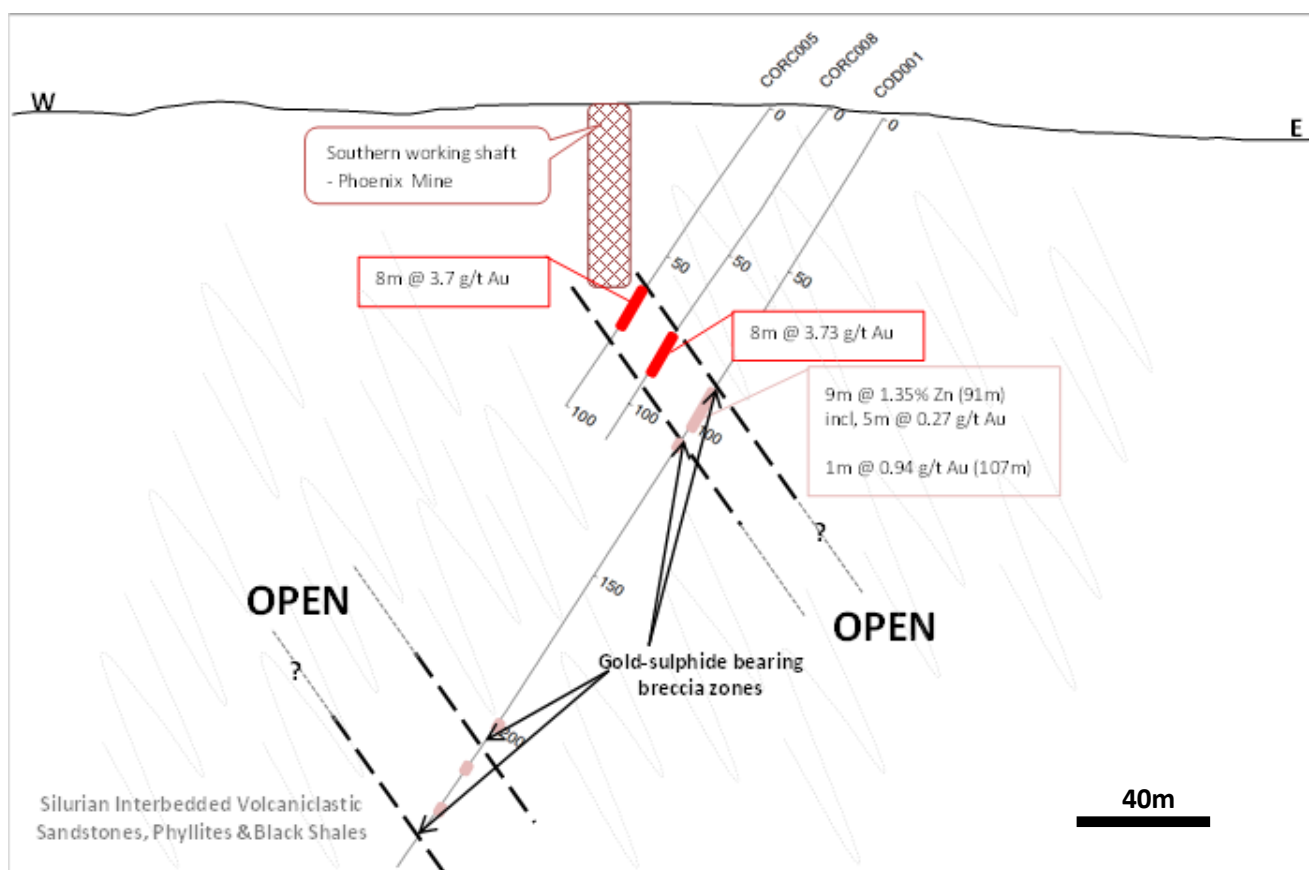
Results for the first hole at Phoenix (COD001) have been received (Figure 2). This hole was drilled at the Phoenix prospect, as a fence beneath the gold and base metal lodes which run an average of 8m @ 3.7 g/t Au with varying content of silver, lead, copper and zinc. The hole intersected several mineralised shear zones

which present as milled breccias. These shears are heavily quartz veined with massive pyrite, sphalerite and galena. On a broad scale, these are thought to represent dilational zones similar to those which occur at Mineral Hill- some 60km north of Condobolin- which are also zoned with respect to gold and base metals.

Crucial to the understanding of the Condobolin Mineral Field is the fact that the host rock sequence is most likely Silurian in age, consisting of foliated thick packages of volcanic sediments. This would indicate that the host rock sequence at Condobolin, and therefore most likely the mineralisation, is the same age as Mineral Hill.

Best intercepts from COD001 are:

- 5m @ 0.27 g/t Au **1.55% Zn**, 0.15% Cu and 7.06 g/t Ag from 95m,
- 2m @ 0.46 g/t Au, **3.11% Zn**, 0.73% Pb, 0.21% Cu and 20.25 g/t Ag from 94m,
- 9m @ **1.35% Zn**, 0.17 g/t Au, 0.21% Pb, 0.11% Cu and 7.25 g/t Ag from 91m,
- 1m @ **0.94 g/t Au**, 18.6ppm Mo, 0.13% Zn and 3.69 g/t Ag from 107m,
- 2m @ 0.37 g/t Au from 204m, and
- 3m @ 0.11 g/t Au from 211m.



**Figure 2** – Section looking north, showing intercepts and significant mineralised zones in COD001.

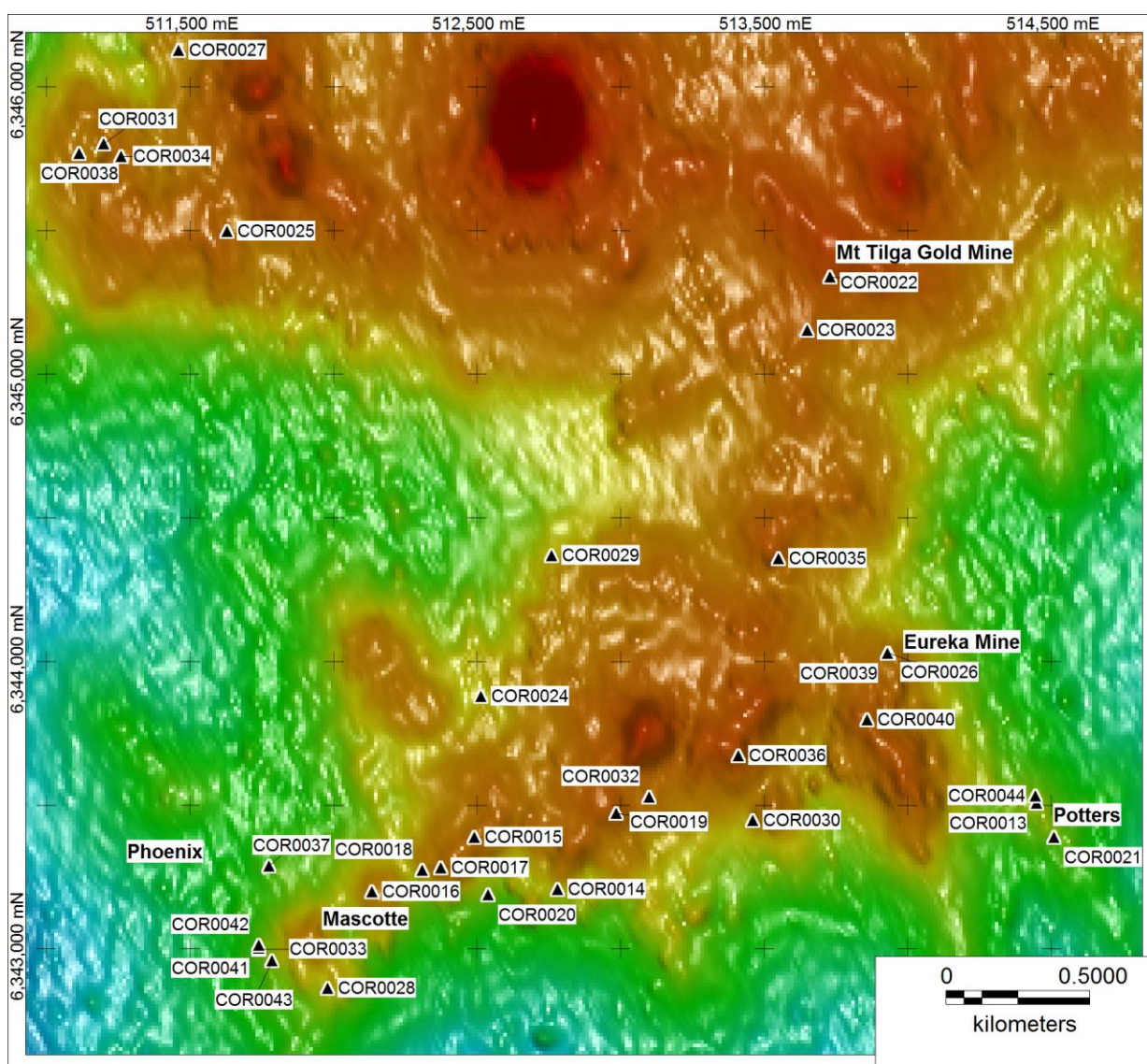
A full listing of significant diamond core intercepts and hole details was released to the market on 20 January 2012. The diamond drilling program was completed in January 2012 and the results for the other five diamond holes will be reported in the March 2012 quarter.

### Rock chip sampling and downhole IP program

A total of 32 rock chip samples were collected from several localities at Condobolin during the quarter (Figure 3). Significant gold, silver, arsenic, lead and zinc results were returned including the following:

- COR0013 – **1.45g/t Au** and **4,240ppm As**
- COR0015 – **0.97g/t Au; 36.7g/t Ag; 7,310ppm As** and **1.96% Pb**
- COR0017 – **1.7g/t Au** and **3,860ppm As**
- COR0021 – **2.89% Zn**
- COR0026 – **1.69g/t Au; 36.1g/t Ag; 3,370ppm As; 1080ppm Cu** and **2.06% Pb**

Results are presented in Table 1. Most of the rock chips obtained were phyllic-chlorite altered phyllites containing quartz breccia veins and weathered sulphides.



**Figure 3** – Location of rock chip samples collected in the December 2011 quarter over the DEM image. Coordinates are GDA94 Zone 55.

Trial downhole IP surveys were undertaken at the Phoenix and Mascotte prospects. Several holes could not be surveyed due to hole blockages, however two holes were successfully surveyed at the Phoenix prospect. Preliminary results show variable chargeability anomalies in hole COD002, possibly associated with repeated

mineralised shear zones, whereas hole COD003 showed a significant jump in chargeability from 145m to end of hole, which correlates with an overall higher percentage of mineralised quartz veins and shears over the interval as compared to the top of the hole. Data processing is in progress and final results will be received in the March 2012 quarter.

**Table 1 – Condobolin rock chip results December 2012 quarter**

Sample	East	North	RL	Au (ppm)	Ag (ppm)	As (ppm)	Cu (ppm)	Pb (%)	Zn (%)
COR0013	514450	6343510	232	<b>1.450</b>	2.55	<b>4240</b>	111	0.036	0.114
COR0014	512780	6343210	236	0.022	<b>16.95</b>	180	84	0.006	0.002
COR0015	512490	6343390	245	<b>0.973</b>	<b>36.70</b>	<b>7310</b>	133	<b>1.955</b>	0.077
COR0016	512135	6343200	240	<b>0.326</b>	3.03	<b>1840</b>	85	0.294	0.052
COR0017	512375	6343285	242	<b>1.700</b>	2.20	<b>3860</b>	718	0.043	0.217
COR0018	512310	6343275	238	<b>0.105</b>	2.18	<b>1860</b>	72	0.141	0.008
COR0019	512985	6343475	249	0.017	<b>6.21</b>	<b>1040</b>	13	0.161	0.003
COR0020	512540	6343190	232	<b>0.173</b>	<b>10.05</b>	807	44	0.026	0.009
COR0021	514510	6343390	231	0.029	<b>7.96</b>	247	136	0.602	<b>2.890</b>
COR0022	513730	6345340	256	0.004	0.35	122	32	0.012	0.061
COR0023	513650	6345155	250	0.019	0.51	74	42	0.005	0.006
COR0024	512515	6343880	236	<b>0.804</b>	<b>6.94</b>	<b>1110</b>	256	0.051	0.041
COR0025	511630	6345500	248	0.007	0.12	30	17	0.002	0.001
COR0026	513935	6344030	242	<b>1.690</b>	<b>36.10</b>	<b>3370</b>	<b>1080</b>	<b>2.060</b>	0.367
COR0027	511460	6346130	239	0.014	0.25	46	11	0.006	0.003
COR0028	511980	6342865	235	<b>0.353</b>	<b>7.43</b>	<b>1820</b>	220	<b>1.655</b>	0.020
COR0029	512760	6344370	236	0.076	1.83	192	66	0.108	0.018
COR0030	513460	6343450	239	0.025	2.59	330	34	0.015	0.001
COR0031	511200	6345805	243	0.013	0.41	462	48	0.061	0.008
COR0032	513100	6343530	245	0.026	4.44	540	31	0.003	0.006
COR0033	511740	6343000	231	0.043	0.94	472	45	0.058	0.006
COR0034	511260	6345760	245	0.036	0.26	400	66	0.290	0.023
COR0035	513550	6344360	248	0.007	0.22	23	9	0.011	0.007
COR0036	513410	6343675	254	0.012	<b>8.74</b>	<b>4340</b>	124	0.005	0.001
COR0037	511775	6343290	229	0.009	0.31	74	45	0.363	0.048
COR0038	511115	6345770	242	<b>0.101</b>	0.44	629	41	0.005	0.004
COR0039	513930	6344030	242	<b>0.171</b>	2.70	842	41	0.003	0.001
COR0040	513860	6343800	250	0.002	0.22	43	14	0.300	0.008
COR0041	511740	6343005	231	<b>0.389</b>	1.49	245	26	0.004	0.001
COR0042	511740	6343015	231	<b>0.305</b>	<b>5.54</b>	<b>1470</b>	32	0.200	0.020
COR0043	511787	6342960	233	0.012	0.11	73	38	0.761	0.006
COR0044	514445	6343535	231	<b>0.524</b>	4.15	<b>2110</b>	153	0.007	0.014

## Trundle EL4512 and EL7187

(NSW, Clancy 100%)

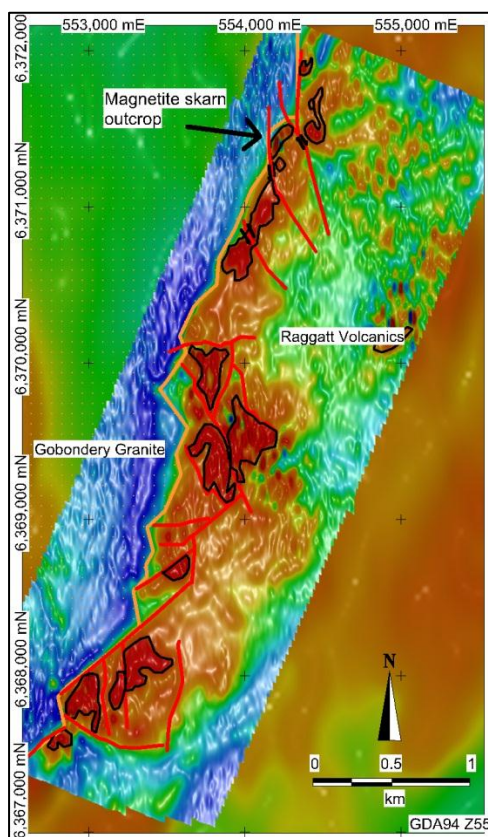
Trundle consists of two exploration licences EL4512 and EL7187 and is located 25km west of the Northparkes copper-gold mine (Rio Tinto) and has many similarities to Northparkes. An assessment of the potential of the extensive magnetite skarn horizons at Trundle Park and Mordialloc to host significant iron mineralisation was completed. Outcrop of the skarn is restricted to exposures around historic workings at Trundle Park, Mordialloc and Botfield. Magnetic data suggests that the skarn is quite extensive, particularly at Trundle Park, where it extends under shallow cover into areas that have never been drill tested. RC drilling of the Cu-Au-Fe skarn targets commenced on 4 January 2012. Approximately 1,110m of RC drilling is planned and results will be reported in the March 2012 quarter.

## Gobondery EL6534

(NSW, Clancy 100%)

Gobondery (EL6534) is located approximately 50km NW of Northparkes, just south of Tullamore.

Medium grained magnetite-dominant skarn occurs in the central part of the tenement and crops out over an area of 250m by 80m along the contact of the Raggatt Volcanics and the Gobondery Granite. The iron content of the skarn makes it an attractive exploration target, however the thickness of the skarn lenses is unknown. A ground magnetic survey completed in the previous quarter over the skarn defined the 4.5km long Forest View anomaly on the margin of the Gobondery Granite and Raggatt Volcanics (Figure 4).



**Figure 4-** RTP ground magnetic image of the Forest View anomaly over regional RTP showing the contact of the Gobondery Granite and the Raggatt Volcanics. The most intense anomalies are outlined in black, faults are in red. Outcropping skarn is shown in the north of the image (arrow).

This Forest View anomaly encompasses the outcropping skarn and large areas buried under less than ten metres of unconsolidated cover. Several areas of greater magnetic intensity that are thought to relate to the greatest concentrations of magnetite minerals. A diamond and RC drilling program to test the skarn commenced on 19 January 2012. Further details will be reported in the March 2012 quarter.

Gobondery sits within an inlier of Ordovician arc that is interpreted to have been rifted west off the Northparkes Igneous Complex. The main Ordovician arc unit is the Raggatt Volcanics, which consists of shoshonitic andesitic lavas and volcanoclastic rocks. The Ordovician belt at Gobondery is narrow (1-2km wide) and is flanked to the west by the Devonian Gobondery Granite, and to the east by Silurian volcanics and the Devonian rift basin sediments of the Tullamore Syncline.

### **Orange East EL6181**

(NSW, Clancy 100%)

Orange East (EL6181) is located east of the city of Orange and contains several target styles including Ordovician porphyry copper-gold and post-Ordovician copper-gold targets. Auger soil sampling continued with a further 1,108 samples collected. Processing of results will continue into the March 2012 quarter.

### **Cundumbul EL6661 and EL7399**

(NSW, Clancy 100%)

The Cundumbul project covers 204.9km<sup>2</sup> of prospective arc units in the Molong Volcanic Belt between Molong and Wellington. There are numerous intrusive complexes at Cundumbul that have anomalous copper and/or gold associated with them. Auger soil sampling continued with a further 671 samples collected. Soil sampling and data processing will continue into the March 2012 quarter.

## **Gold Fields Managed JV Projects**

Aircore drilling at the Myall JV was curtailed by wet weather. RC drilling is in progress at the Wellington North JV and auger drilling and ground geophysical surveys were undertaken at the Wellington North and Moorefield JV's. A total of 2,112m of drilling was completed on the Gold Fields JV projects in the December 2011 quarter.

### **Myall EL6913**

(NSW, Gold Fields 51%, Clancy 49%, Gold Fields earning 80%)

Myall (EL6913) is located 25km southwest of Narromine at the northern end of the Junee-Narromine Volcanic Belt of the Macquarie Arc. Detailed ground gravity and ground magnetic surveys are in progress at the newly defined SL/R trend north of the Kingswood and Gemini prospects. Aircore drilling was disrupted by wet weather with only 4 holes (451m) completed during the quarter. Results for the aircore holes drilled in the previous quarter were received and several holes intersected low level copper anomalism (>500ppm Cu), most of which is associated with supergene enrichment over quartz monzodiorite and granodiorite bodies. Significant end-of-hole copper anomalism was identified in one hole, where minor disseminated chalcopyrite was observed. Further aircore drilling is planned for the March 2012 quarter with approximately 12,000m of aircore drilling remaining.

## **Wellington North EL6178, EL6328, EL6662, EL7200 and EL7440**

(NSW, Gold Fields 82%, Clancy 18%)

The Wellington North project covers approximately 30km of strike length of the Molong Volcanic Belt immediately north of Wellington. RC drilling was undertaken at the Boda and Glenrowan prospects and auger drilling and ground gravity surveys were completed at the Mayhurst-Girraween and Glenrowan prospects.

At Boda, 51 shallow RC holes (857m) on nominal 150m centres were completed to delineate strike extensions to mineralisation intersected in a previous drill program. Assay results have been received and low-level copper (up 0.23% Cu) and gold (up to 0.13g/t Au) anomalism has been defined. A further 13 shallow RC holes (260m) are planned in the March 2012 quarter to complete the program.

At Glenrowan, 3 RC holes (804m) were completed testing a series of coincident geochemical, geophysical and geological targets, with results pending. This program will continue into the next quarter.

Target definition auger geochemistry continued at the Mayhurst-Girraween and Glenrowan prospects and has defined significant gold (up to 0.21g/t Au) and copper (up to 0.18% Cu) anomalism associated with hydrothermally altered rocks and geophysical anomalies. Full results are pending. Detailed ground gravity surveys were also completed at the Glenrowan and Mayhurst areas.

## **Moorefield EL7675**

(NSW, Gold Fields 80%, Clancy 20%)

Moorefield covers 285km<sup>2</sup> between Fifield and Condobolin in the central west of New South Wales. Target definition auger geochemistry was completed at the Boxdale prospect on a 200m x 100m grid. Coherent arsenic and other pathfinder element trends are emerging. Final results for the auger samples are pending. Eleven rock chip samples were collected from historic workings in the Carlisle Reefs area, which returned results up to 1.77g/t Au, 1.16% As and 2.67% Cu. Drilling originally planned for the December 2011 quarter will now be undertaken in the March 2012 quarter.

## **Corporate**

Clancy has entered into a drill for equity arrangement with Australian Mineral & Waterwell Drilling ("AMWD") whereby AMWD has become Clancy's preferred drilling contractor for a \$5 million drilling contract over a three year period. This allows Clancy to secure a quality driller in a competitive environment. Drilling services will be provided at a 25% cash discount to the going market rate. AMWD will invoice Clancy monthly for a cash amount equivalent to 75% of all agreed costs associated with drilling and Clancy will issue shares in Clancy to AMWD for the balancing amount of 25%. To date Clancy has issued 971,954 shares representing drilling costs of \$52,530 to AMWD and these shares are escrowed for one year from the date of issue. The equity component of the deal represents a cash flow benefit to Clancy.

The Company has appointed Natalie Forsyth-Stock as Chief Financial Officer based in Orange. Natalie is highly credentialed having a background in private equity and corporate finance and will bring considerable financial acumen and a broad network to Clancy. Natalie will take over from Gavin Doig in April. The Board thanks Mr Doig for his contribution and efforts since listing.

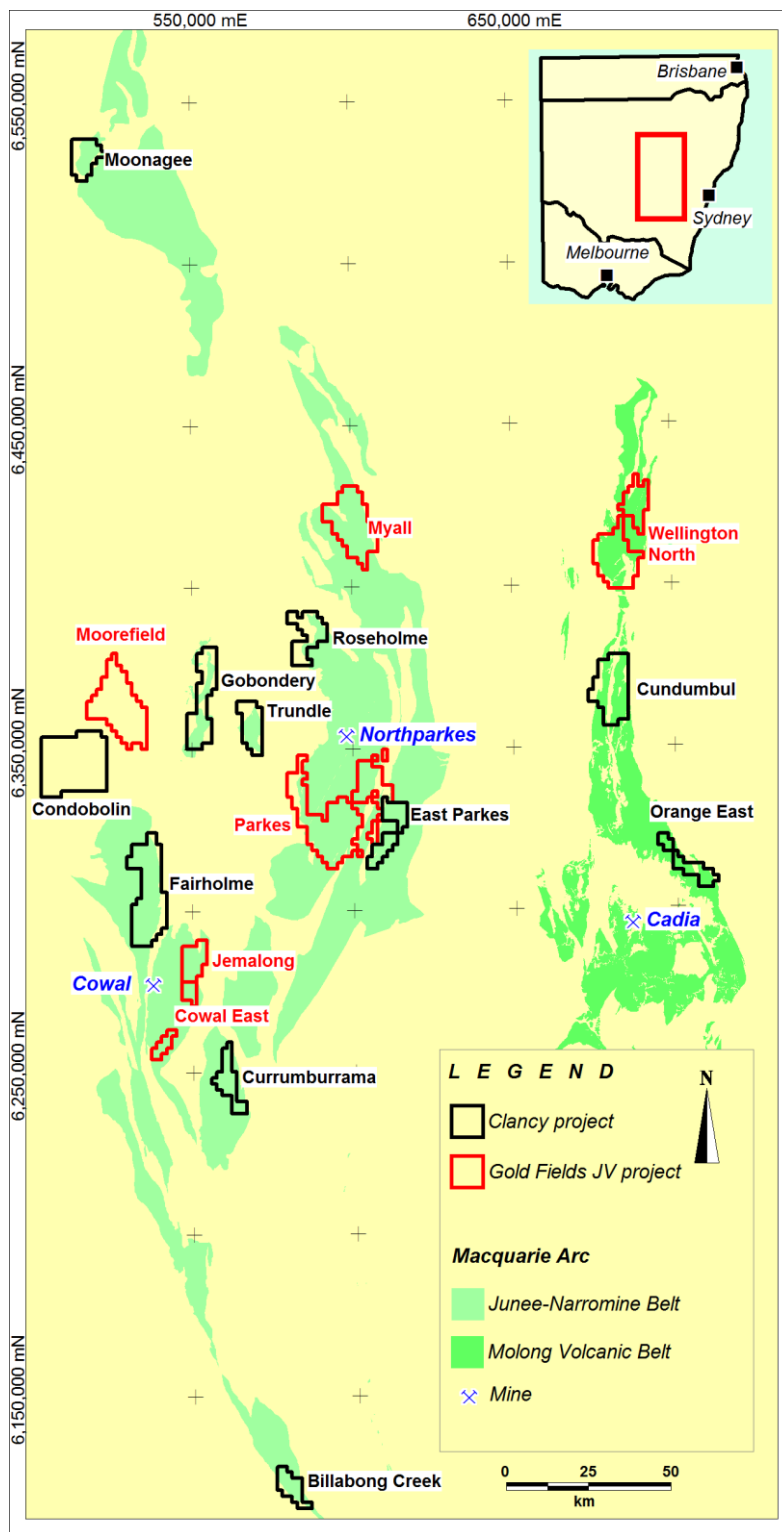


Figure 5 – Map showing the Clancy projects in the Macquarie Arc of Lachlan Fold Belt. Inset – the location within NSW.

**Please direct enquiries to:**

Gordon Barnes  
Managing Director  
Phone: +61 2 6361 1285  
Email: [info@clancyexploration.com](mailto:info@clancyexploration.com)  
Web: [www.clancyexploration.com](http://www.clancyexploration.com)

Shane Murphy  
FTI Consulting  
Phone: +61 8 9386 1233  
Mobile: +61 (0)420 945 291

The information in this document that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Gordon Barnes who is a Member of the Australian Institute of Geoscientists. Mr Barnes is a full-time employee of Clancy Exploration Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Gordon Barnes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## About Clancy Exploration

Clancy Exploration (ASX: CLY) is an Australian-focused copper, gold, base metals and tin explorer. The Company's portfolio consists of copper-gold projects in the Lachlan Fold Belt of NSW, base metal and tin projects in the Mount Read Volcanic Belt of Tasmania, Nadbuck near Broken Hill in NSW and Yalgoo, adjacent to the Golden Grove mine in Western Australia.

In NSW, Clancy has 12 wholly owned and managed projects and 7 joint venture projects which are managed by Gold Fields Australasia Pty Ltd. In Tasmania, Clancy has 2 base metal joint venture projects with Bass Metals and 2 tin joint venture projects with TNT Mines Pty Ltd (a wholly owned subsidiary of Minemakers Ltd). The Tasmanian projects are managed by Clancy's joint venture partners. This mix of Clancy and joint venture project funding allows a high level of exploration activity to be maintained, whilst prudently managing Clancy's financial resources. Details of Clancy's projects can be found at the Company's website: [www.clancyexploration.com](http://www.clancyexploration.com)