

## About Clancy

Clancy Exploration (ASX: CLY) is an Australian-focused copper, gold and base metals explorer.

The Company's portfolio has been built up over the past five years to consist of highly prospective copper-gold projects in the Lachlan Fold Belt of NSW and base metal projects in the Mount Read Volcanic Belt of Tasmania.

Clancy's competitive advantages include having one of the largest ground positions of any explorer in the prospective Macquarie Arc (>3300km<sup>2</sup>), and the innovative use of geological and geophysical data in probability based targeting.

The Company's objective is to advance its properties to a stage of commercial development by applying faster, less expensive and more reliable analytical methods to resource exploration.

Additionally, Clancy has established joint ventures with Gold Fields Limited on four projects in NSW (managed by Clancy) and with Bass Metals Limited (ASX: BSM) on Clancy's Tasmanian tenement package (managed by Bass Metals).

Testing commenced on 17 A-Class targets during 2008 with good results. Follow-up programmes are planned for 2009.

# Quarterly Activities Report

For the Period Ending 31 December 2008

## Overview

The Board of Clancy Exploration Limited is pleased to release its quarterly activities report for the period ending 31 December 2008.

Despite the on-going downturn and difficulties in the resources sector Clancy was able to continue with its planned drilling campaign in the Lachlan Fold Belt in New South Wales.

The exploration programmes, driven by Clancy's targeting approach, are starting to show very positive results. Clancy continues to receive support from Gold Fields for the company's approach to exploration, with Gold Fields entering into a fourth joint venture over the Myall project which Clancy is managing.

## Highlights

- The joint venture programmes were the main focus this quarter with 6921 metres of drilling carried out on the joint venture projects.
- Further significant results released from the Cowal East and Wellington North projects.
- Two new copper-gold anomalies identified at Cowal East, with another extended from previous drilling. Copper and Gold anomalous zone now extends over 2 km
- Significant width of copper-gold mineralisation defined at Wellington North (Rose Hill) that remains open at depth.
- An additional joint venture executed with Gold Fields Limited on the Myall copper-gold project in NSW.
- Drilling commenced on the Myall project together with a ground gravity survey.
- Continued strong support from Gold Fields Limited via the four joint ventures.
- Cash resources continue to look healthy with a cash balance inclusive of joint venture funding contributed by Gold Fields of \$3.5m at 31 December 2008. The joint venture programmes remain well funded for 2009.
- On-going cost saving and efficiency measures continue to be implemented to ensure the Company is in the best financial shape possible for the foreseeable future.



## Lachlan Fold Belt Projects – New South Wales

Despite the prevailing market conditions, Clancy continued to test its A-Class targets in NSW with a well funded, focussed exploration program. Drilling was conducted on four projects: Cowal East, Wellington North, Myall and Fairholme. A total of 7,541m of drilling (5,095m aircore and 2,446m RC) was completed during the quarter, the majority of which (6,921m) was on the joint venture projects. Aircore drilling and a gravity survey are in progress at Myall and a soil sampling program commenced at Orange East.

### Cowal East: EL6553 and EL6554 (Gold Fields 80%, Clancy 20%)

The Cowal East project consists of two tenements, Koobah EL6553 and Wyrra EL6554 that are located in the Cowal Igneous Complex, east of the Cowal gold mine and north and south of the Marsden copper-gold prospect (Figure 1). Aircore drilling was completed in the December quarter at the Bimbella and Eurowie prospects. A total of 37 holes for 4,441m were drilled at the Bimbella and Eurowie prospects to follow-up previous positive results. Two new copper-gold anomalies have been identified at Bimbella and one at Eurowie, with another zone extended from previous drilling. Gold Fields earned its 80% interest during the quarter.

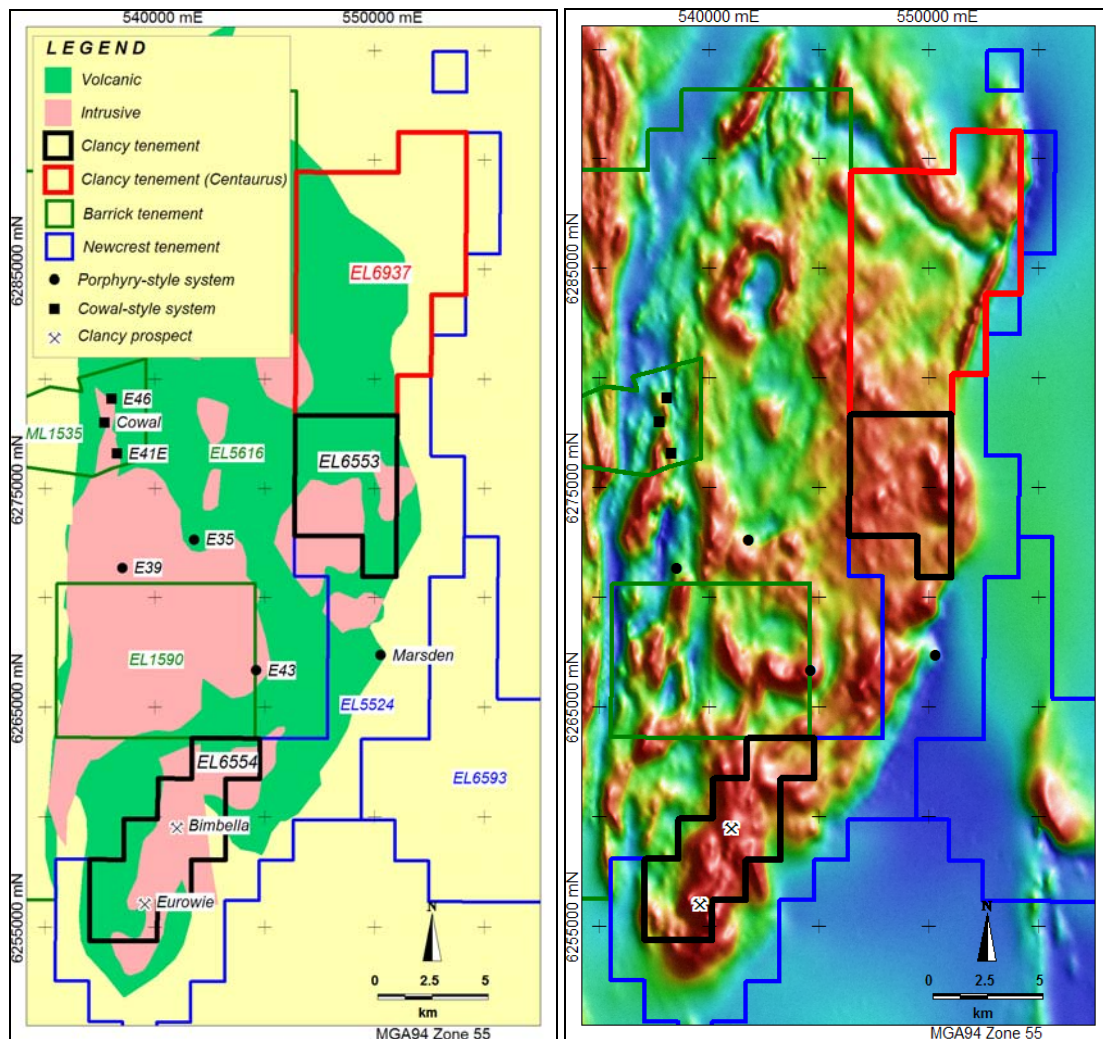


Figure 1 – Cowal Igneous Complex geology and magnetics showing the Clancy tenements and prospects

### Bimbella

Aircore drilling in the south of the prospect has defined a new zone of copper-gold anomalism that is open to the south, which is spatially associated with intersecting NNE-trending and NW-trending

magnetic lows (Figure 2). The magnetic lows map the probable location of faults. Bottom of hole aircore samples are phyllicly altered diorite containing abundant disseminated pyrite with chalcopyrite and bornite. The results from Bimbella include:

**49m @ 0.16 % copper (Cu) from 76m in WYAC051, including:**

- 4 m @ 0.48 % Cu from 96m
- 3 m @ 0.14 g/t Au from 120m

Surrounding drill holes have yielded the following results:

- WYAC047: 4 m @ 0.12 g/t Au from 96m
- WYAC050: 12 m @ 0.1 % Cu from 103m including 4m @ 0.20 g/t Au
- WYAC052: 4 m @ 0.18 g/t Au from 124m
- WYAC053: 4 m @ 0.26 g/t Au from 132m

One hole in the northeast sector of Bimbella returned the following significant result:

**4m @ 0.67 g/t Au from 68m in WYAC044**

The intercept from this hole is open in all directions with the nearest hole 300m to the southwest. The gold tenor of this intercept is one of the strongest recorded for EL6554 to date. Basement consists of K-feldspar-magnetite-chlorite altered diorite containing veins of pyrite-chalcopyrite and bornite. Large areas of the Bimbella prospect remain to be tested and further drilling will attempt to further define the anomalous zones.

**Eurowie**

Aircore drilling east of the previously reported diamond holes has confirmed that anomalous copper extends to the northeast alongside a magnetic high where drilling by a previous explorer hit 0.24% Cu and 0.22g/t Au. Basement primarily consists of magnetite- and pyrite-bearing diorite. This anomaly is open to the north towards Bimbella. Results from the recently completed aircore drilling include:

- 32m @ 0.08% Cu from 80m in WYAC026, including:
- 4m @ 0.11% Cu
- 12m @ 5.7 g/t Ag
- 8m @ 0.08 % Cu from 94m in WYAC025

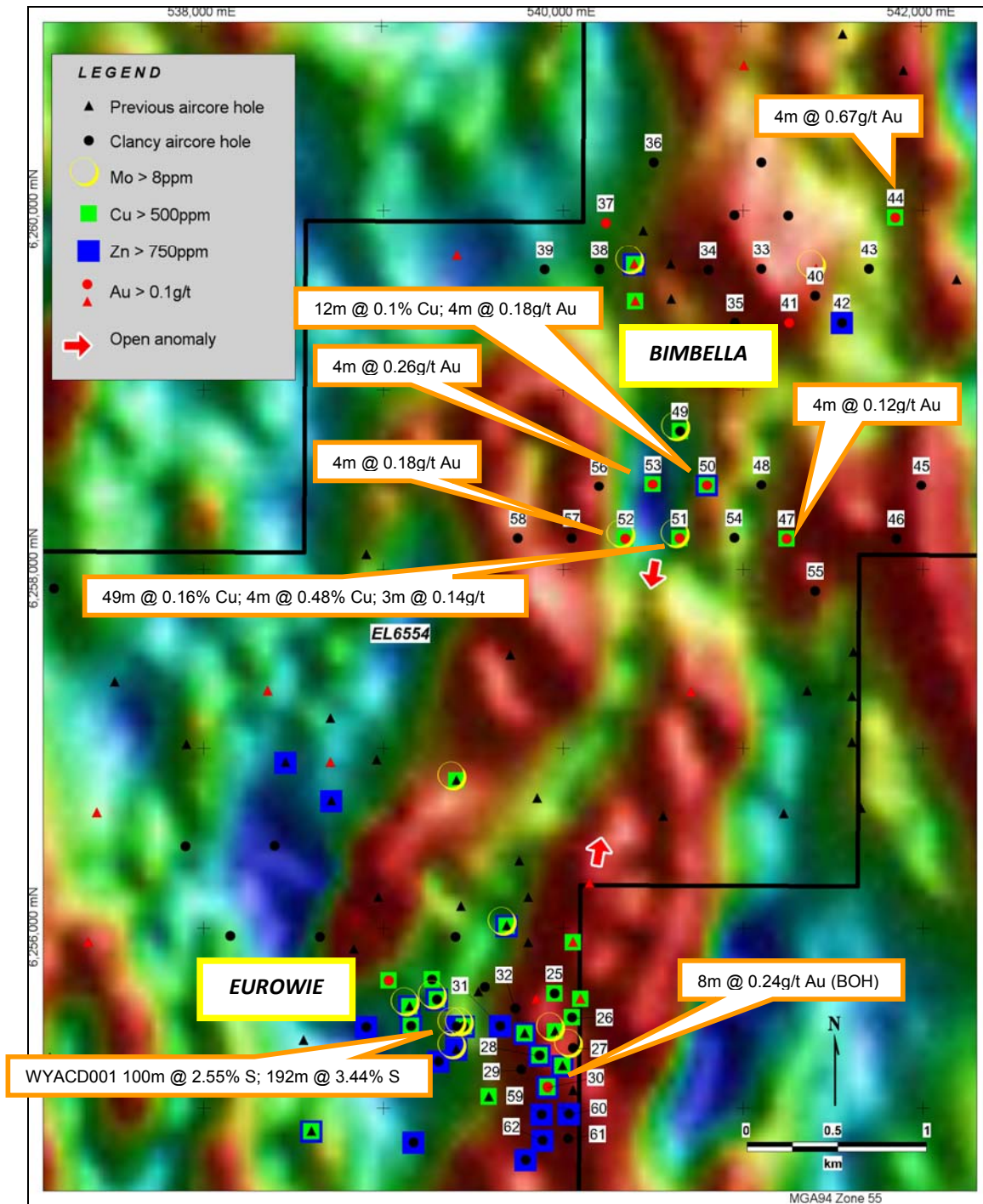
Further south, one aircore hole returned the following significant intersection:

**8m at 0.24g/t Au from 118m to bottom of hole in WYAC030**

This intercept is significant because it is bottom of hole and in fresh rock and is open at depth. The mineralisation is associated with pyrite-magnetite veins. Both anomalies are 500m east of the copper-bearing, sulphide-rich, phyllic zone where previously reported diamond drilling intersected broad widths of sulphur mineralisation (e.g. 100m @ 2.55% sulphur from 246m and 192m @ 3.44% sulphur from 388m in WYACD001).

Ground magnetic data suggest that the magnetic high body at Eurowie is controlled by intersecting NNE- and NW-trending faults. A similar NNE-trending magnetic high, interpreted as a fault, has a strike length of greater than 3km with adjacent anomalous copper and gold values. The recent aircore drilling programs have intersected magnetite- and pyrite-bearing diorite, identical to the host rocks intersected by the diamond holes 500m to the west. Further testing, especially at depth, is required to determine the full significance of these anomalous zones and whether the two are related.

The Bimbella and Eurowie prospects are about 4km apart and are linked by the previously described NNE-trending magnetic low interpreted as a fault. The recent drilling has defined over 2km of strike length of copper-gold mineralisation between the two prospects, and there remains another 2km of prospective strike length that requires future testing. Bedrock in this area consists of diorite, andesite and volcanoclastic rocks. Previous widely spaced drilling has intersected anomalous gold bearing horizons suggesting that on a broad scale, mineralisation continues between the two prospects. Previous intercepts include 2m @ 0.24 g/t Au and 2m @ 0.14 g/t Au.



**Figure 2 –** Aircore anomalies at the Bimbella and Eurowie prospects showing holes drilled in the December quarter (hole numbers labelled are prefixed with WYAC0) and significant intercepts for those holes. The intercept from the previously reported diamond hole (WYACD001) is also shown. The background image is 1VD RTP magnetics.

The aircore results have defined several new centres of copper-gold enrichment that will enable a more focused approach to future drilling campaigns, particularly at depth. The visual highlight of disseminated and vein-hosted bornite at Bimbella is especially encouraging because bornite mineralisation is associated with the richest porphyry deposits in the Macquarie Arc, such as the nearby Marsden prospect. Over one third of the recently completed aircore holes hit gold, copper or both and the drilling has defined over 2km of anomalous strike length between Bimbella and Eurowie

so far. Excellent potential remains, not only with the follow-up of the above results, but also testing other parts of the structure between Bimbella and Eurowie that have not been previously drilled.

Additional ground gravity and magnetic surveys have also commenced at Koobah EL6553 and Wyrra EL6554 and the results from these surveys will be reported in the next quarter.

**Wellington North: EL6178, EL6328, EL6662 and EL7200**  
(Gold Fields 80%, Clancy 20%)

Wellington North covers approximately 30km of strike length of the Molong Volcanic Belt immediately north of Wellington. RC drilling was undertaken at Rose Hill, Hillcroft and Yarindury with 2,446m drilled during the quarter. Positive results have been received from a number of prospects including Rose Hill, Tomkins and Comobella North (Figure 3).

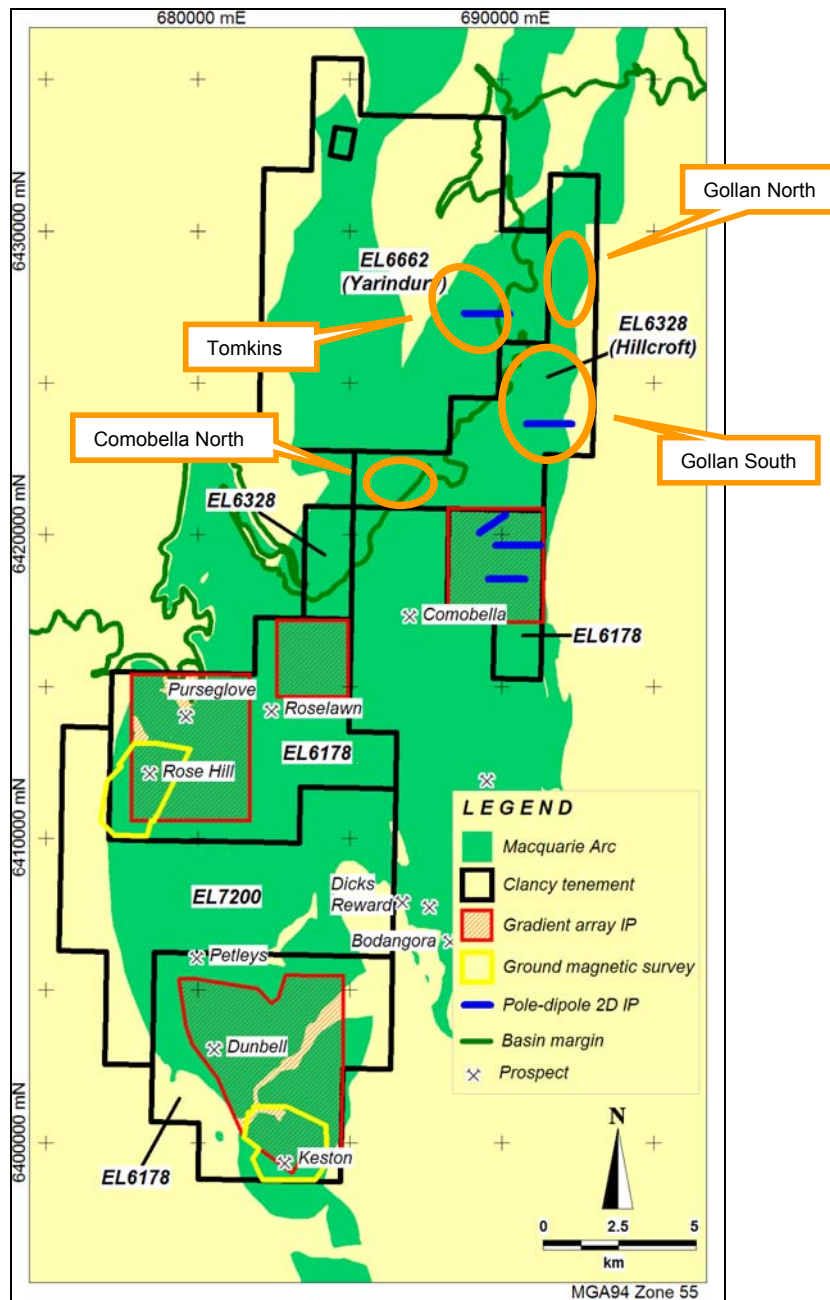


Figure 3 – Wellington North project showing prospect locations

## Rose Hill

A second round of RC drilling was completed at the Rose Hill prospect, following up previously reported molybdenum intercepts. The five RC holes (1034m) drilled in October returned the following intercepts:

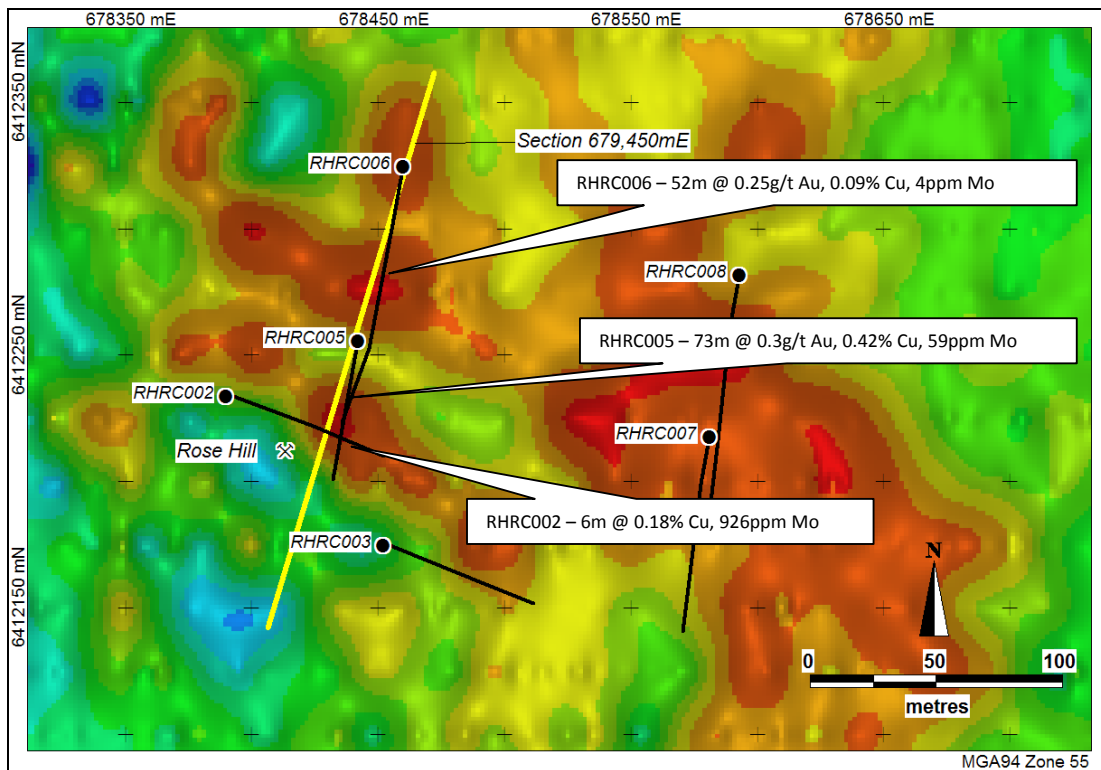
### **73m @ 0.3g/t Au, 0.42% Cu and 59ppm Mo from surface in RHRC005; including:**

- 10m @ 0.66g/t Au, 0.95% Cu and 80ppm Mo from surface
- 8m @ 0.72g/t Au, 0.59% Cu and 27ppm Mo from 19m
- 2m @ 1.05g/t Au, 0.96% Cu and 96ppm Mo from 42m
- 9m @ 0.48g/t Au, 1.21% Cu and 238ppm Mo from 47m

### **52m @ 0.25g/t Au, 0.09% Cu in RHRC006 from 5m; including:**

- 2m @ 4.19g/t Au, 0.52% Cu and 23ppm Mo from 21m
- 5m @ 0.53g/t Au, 0.25% Cu and 17ppm Mo from 46m

The above holes were designed to follow-up the previously reported molybdenum intercept in hole RHRC002 (6m @ 0.18% Cu and 926ppm Mo), which was associated with strong magnetite alteration in diorite. A detailed ground magnetic survey was completed to define the extent of the magnetite alteration, which showed that RHRC002 was drilled oblique to a northwest-trending magnetic anomaly, and that its intercept was along strike of the molybdenum mineralisation. The magnetic survey also identified a much larger parallel magnetic anomaly immediately to the north which was untested (Figure 4). The azimuth for the second round drill program was rotated 80 degrees to 190 degrees in order to test the ground magnetic anomalies.



**Figure 4 – Location of Rose Hill RC holes showing ground magnetic image and the section line 679,450mE (refer to Figure 5).**

The mineralisation at Rose Hill is closely associated with strong K-feldspar and magnetite alteration in diorite. The highest copper and gold values are within 50m of surface with several 1m spear samples assaying >2% Cu (maximum 5.13% Cu) and >1g/t Au (maximum 7.37g/t Au). In contrast, the highest molybdenum values occur towards the bottom of the magnetite alteration envelope, e.g. 47m @ 254ppm Mo from 65m in RHRC005, including 12m @ 860ppm Mo from 79m; and 41m @ 313ppm Mo from 120m in RHRC006, including 9m @ 924ppm Mo from 123m (Figure 5), with individual samples

up to 0.3% molybdenum (3000ppm). Further work is required to determine the significance of these trends.

The first two holes of the latest program (RHRC005 and 006) intersected significant amounts of chalcopyrite from surface with the results confirming that broad copper-gold-molybdenum intercepts occur within a broad zone (~150m true width) of intense magnetite alteration, which extends from surface and dips north at approximately 30 degrees. The mineralisation remains open at depth (Figures 4 and 5). The strike length of the mineralisation has not been fully defined, although two holes (RHRC007 and 008) were drilled approximately 140m to the east, and only one of these (RHRC008) intersected a narrow zone of mineralisation (Figure 4). Two holes (RHRC009 and 010) tested targets north of Rose Hill.

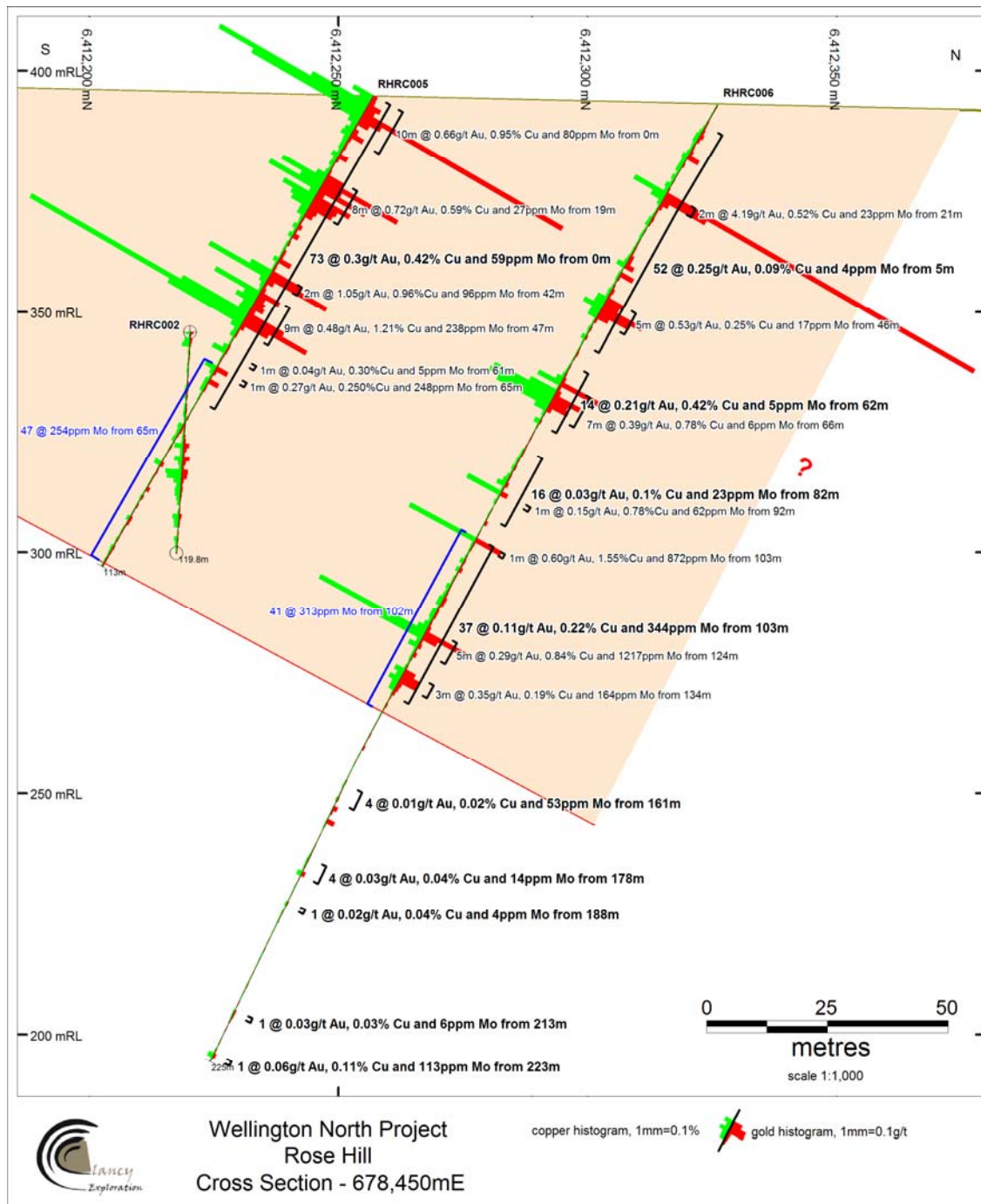


Figure 5 – Rose Hill cross section 678,450mE showing significant intercepts

### **Tomkins**

Drilling by previous explorers into a NNW-trending magnetic anomaly intersected Ordovician basement at depths of 20 to 80m. Several basement intercepts of >0.1g/t Au (max 0.41g/t Au), >500ppm Cu (max 1010ppm Cu) and >5ppm Mo (max 37ppm Mo) were never followed up. A total of 13 RC holes were drilled to follow up the previously identified anomalous Cu, Au and Mo. The basin is up to 104m deep and consists of Permian shale and conglomerate. Significant intercepts include:

- 12m @ 0.19g/t Au and 776ppm Cu from 34m in HTRC037
- 12m @ 0.19g/t Au and 477ppm Cu from 126m in HTRC041

Both of the above intercepts are within the weathering profile and may represent supergene enrichment, but are still significant. All of the holes in the Tomkins area intersected strongly magnetite altered volcanoclastic rocks.

### **Comobella North**

This prospect may represent the displaced northern section of the Comobella copper complex, which is located in a neighbouring tenement immediately to the south. Previous aircore drilling by other explorers south of EL6328 hit 1.24g/t Au, 0.15% Cu and 17ppm Mo. Limited previous drilling within EL6328 hit basement fractionated intrusives at Comobella North. The magnetics suggest that a NE-trending fault cuts the complex, south of EL6328, with an inferred dextral strike slip offset. The postulated northern part of the complex is beneath Permian basin cover in the Comobella North area.

Ten holes were drilled on a nominal 250x250m offset pattern just north of the EL6328 boundary. Depth to Ordovician basement systematically decreased from 90m in the west to only 9m in the east, consistent with basin geometry (Figure 3). The Ordovician basement consists of silica-magnetite altered volcanoclastic rocks in the west and equigranular "monzodiorite" (compositionally monzodiorite but not porphyritic) in the east. Significant intercepts are listed below:

- 2m @ 0.74g/t Au from 11m in HTRC011 (possibly remobilized Au near basement unconformity)
- 2m @ 0.61g/t Au, 502ppm Cu from 42m in HTRC012 (in Ordovician basement)

The intercepts are from the two easternmost holes, and the Au-Cu anomalism is open to the east. The paddock in this area was under crop at the time of drilling and could not be accessed.

### **Gollan North**

One hole drilled previously by another explorer had maximum Au of 3.95g/t Au and significant sulphur up to 4.2%. Magnetics suggests there is a more competent unit between two large flanking faults, possibly representing an intrusive at depth. Five vertical RC holes were drilled 600m apart across the magnetic anomaly. The two holes drilled closest to the previous 3.95g/t Au intercept (HTRC029 and HTRC027) are 450m north and 150m south respectively. Both holes intersected +50m drilled widths of pyrite mineralisation in veins (quartz-epidote-pyrite) and disseminations, giving a minimum 600m strike length to the pyrite mineralisation surrounding the previous 3.95g/t Au intercept. However, no significant Au-Cu mineralisation was identified in the recent drilling, although HTRC027 had a maximum Mo value of 18.75ppm.

### **Gollan South**

This prospect is a previously untested block of Ordovician basement. A total of 12 vertical RC holes were drilled through 9 to 81m of Permian basin sediments (shale and conglomerate), with cover increasing to the west. Intense hematite- and epidote-altered volcanoclastic basement was intersected in two holes (HTRC021 and HTRC022), which are 500m apart east-west. The closest holes along strike are 1km north and south. The best result was:

- 3m @ 724ppm Cu from 66m in HTRC021 (BOH)

### **Keston and Purseglove**

No significant results were received from the diamond holes drilled in the previous quarter at Keston and Purseglove.

Gold Fields earned its 80% interest during the quarter.

## **Myall EL6913** (Gold Fields earning 51%)

Myall (EL6913) is located 25km southwest of Narromine at the northern end of the Junee-Narromine Volcanic Belt of the Macquarie Arc. The Junee-Narromine Volcanic Belt hosts the Northparkes copper-gold mine. At Northparkes, the geophysical anomaly is a coincident regional gravity low and magnetic high and the geochemical anomaly is a broad zone of anomalous copper (>500ppm) over >7km<sup>2</sup>. The scale of the Myall geophysical and geochemical anomalies is similar.

Previous drilling at Myall defined a zone of anomalous copper (>500ppm) over a strike length of 13.5km with a maximum width of 3km. Large areas within this zone are >1000ppm copper, typified by the Kingswood prospect where the +1000ppm copper zone extends over 2.5 x 1.5km.

Highlights from the previous drilling at the Kingswood prospect include a 37.5m drilled width of sheeted quartz-magnetite veining with associated chalcopyrite and bornite with peak values of 1.7g/t gold, 0.5% copper. Follow-up drilling of this zone and nearby magnetic highs intersected porphyry related quartz-magnetite-chalcopyrite-bornite veins, quartz-pyrite veins and intense silica-sericite-pyrite alteration. Large widths of copper-gold mineralisation were also intersected in the previous drilling; e.g. 107m @ 0.11g/t gold and 0.43% copper, including 18m @ 0.29g/t gold and 0.93% copper.

The drill intercepts combined with the presence of extensive porphyry-style alteration and veining, the bornite and chalcopyrite abundance and the large geochemical dispersion halos, suggests that Myall remains highly prospective for a substantial porphyry system.

A ground gravity survey and aircore drilling commenced in December and were in progress at the end of the quarter. Nine aircore holes (620m) and 657 gravity stations had been completed. Both the aircore drilling and gravity survey will continue into the next quarter.

## **Currumburrama EL6784** (Clancy 100%)

Currumburrama EL6784 is located 40km east of West Wyalong and 7.5km north of Goldminco's Silverstone-Imola porphyry copper-gold project. Drilling at the latter has identified a fractionated and highly altered alkaline monzodiorite to monzonite intrusive complex with significant mineralisation; e.g. 96m @ 0.7g/t Au and 74m @ 0.15% Cu. Clancy is targeting this style of mineralisation at Currumburrama and defined one A-Class target in an area of no outcrop and hardly any previous drilling.

Final results were received for the aircore drilling completed in September and include the following significant intercepts from 5m composite spear samples:

- 15m @ 695ppm Cu from 105m in CBAC020
- 30m @ 774ppm Cu from 87m in CBAC022
- 10m @ 664ppm Cu from 95m in CBAC024
- 25m @ 1652ppm Zn from 87m in CBAC021
- 15m @ 1063ppm Zn from 102m in CBAC022

The above results define an anomalous area of at least 2 x 1.5km, coinciding with the intersection of regional NW- and NE-trending structures. Ordovician basement consists of medium-fine grained volcanoclastic rocks and weathered intermediate volcanics. Elevated Cu and Zn occurs in the weathered profile, and tends to taper off towards the bottom of hole. The anomalous results are interpreted to represent dispersion in the saprolite, with the source not yet identified. Proposed follow-up includes a ground magnetic survey to refine the local structure and infill aircore drilling.

## **Gobondery EL6534** (Gold Fields earning 80%)

Gobondery is located 47km west of the Northparkes copper-gold mine (Rio Tinto). Processing of the infill and extension IP surveys completed previously was delayed due to other project commitments.

## **Centaurus Portfolio** (Clancy to acquire 100%)

The transfer of tenements from Centaurus to Clancy is awaiting approval from the NSW Department of Primary Industries.

## **Corporate Activity**

### **Myall Joint Venture**

Clancy entered into a fourth joint venture with Gold Fields Australasia Pty Ltd on the Myall copper-gold project in NSW during the quarter. Under the terms of the agreement, Gold Fields has the right to earn 51% of the project by funding A\$3 million over three years with A\$500,000 minimum commitment in the first year. Gold Fields can earn up to a total of 75% of the project by completing a feasibility study or incurring feasibility study expenditure of at least \$15m but with the obligation to complete a feasibility study within a reasonable time frame. Clancy is managing the joint venture. The expansion of the relationship with Gold Fields to a fourth joint venture reinforces the fact that Gold Fields is very supportive of Clancy's approach to targeting and target evaluation in the Lachlan Fold Belt.

### **Appointment of new director**

In January 2009, Mr Darren Holden was appointed to the board as the new representative for Geoinformatics Exploration Inc (Geoinformatics). The appointment of Mr Holden is positive as he is very familiar with the portfolio of high quality exploration assets held by Clancy having been involved in the original targeting and tenement acquisition strategies prior to the listing of the company in 2007. He has also been involved in the development and application of mineral exploration technologies including those utilized by Clancy and we look forward to Mr Holden's input and working closely with him.

Dr Nick Archibald, resigned from the Board to allow Mr Holden to take up his position.

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### **Footnote:**

*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.*