

## 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 four 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 support from major shareholder, Geoinformatics Exploration Inc (TSX-V), having one of the largest ground positions of any explorer in the prospective Macquarie Arc (>1850km<sup>2</sup>), and the innovative use of digital 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. The exploration activities are well-funded and substantial upside exists with the potential addition of resources.

Additionally, Clancy has established joint ventures with Gold Fields Limited on three projects in NSW (managed by Clancy) and with Bass Metals Limited (ASX: BSM) on the Tasmanian tenement package (managed by Bass Metals). Clancy, in conjunction with its JV partners, has spent significant funds on the projects to date, with a combined \$7.4 million to be spent on the Company's tenement package within two years of listing.

A six month drilling program commenced in October with a healthy exploration budget and a well-credentialed team in place to advance several 'drill-ready' targets.

# Quarterly Activities Report

For the Period Ending 30 September 2007

## Overview

The Board of Clancy Exploration Limited is pleased to release its inaugural quarterly activities report for the period ending 30 September 2007.

Since listing on the ASX in July, Clancy has been extremely active in the exploration of its large tenement area (1850km<sup>2</sup>) in the highly prospective Macquarie Arc of NSW. The Company's aim is to discover world-class mineral deposits in Australia by the application of cutting-edge targeting techniques and risk-managed exploration.

Activities have included auger soil sampling over the Silurian Gold Target on Clancy's Orange East tenement, spectral surveys and re-logging of the Myall and Fairholme drill core and air core chips from previous drilling. Clancy has also entered a geophysics contract for IP work over many of the targets within the Company's tenement portfolio.

During the quarter, Clancy announced a contract for a multi-purpose drill rig for a minimum of six months with planned drilling of up to 25,000 metres on 13 of Clancy's highest priority targets.

Clancy has since released results of IP surveys on the Gobondery project (NSW) which identified significant IP anomalies in the north and centre of the tenement at the Allandale and Forest View prospects respectively. Clancy commenced drilling the Gobondery IP anomalies on 22 October 2007.

Clancy's joint venture partner, Bass Metals (ASX: BSM) made two releases during the September quarter relating to intersections obtained at its Hellyer project, both of which were on targets generated through the Geoinformatics Process providing further evidence of the efficacy of the innovative technology. Bass Metals continues to explore the tenements in Tasmania held in joint venture with Clancy.

## Highlights

- Listing on the ASX on 11 July 2007 raising \$5 million.
- Securing a multi-purpose drill rig for a six month period to drill up to 25,000 metres testing up to 13 high priority targets.
- Commencing IP surveys over numerous targets and the identification of two significant IP anomalies at Gobondery.
- Commencing drilling five weeks earlier than expected with the first drilling programme in progress testing IP anomalies at Gobondery.



## Lachlan Fold Belt Projects – New South Wales

A drilling contract was executed with Techdrill Services Pty Ltd for the provision of a multipurpose drilling rig that is capable of hole depths of 600m NQ core, 250m RC and 200m aircore. The drilling was due to commence in late November 2007 but started five weeks early and will continue for at least six months with approximately 20,000m of aircore, 2,300m of RC and 2,400m of core to be drilled on 13 highly ranked A-Class targets.

Clancy also executed a contract with Planetary Geophysics Pty Ltd for the provision of IP surveys. The IP surveying commenced on 17 September 2007 and will continue for several months over numerous targets within the Company's portfolio in the Macquarie Arc. A combination of 2D, 3D and gradient array IP surveys will be conducted.

### **Gobondery EL6534**

#### **Forest View gradient array IP survey**

Clancy applied for the Gobondery tenement in October 2005 after identifying three A-Class targets. The two highest ranked targets within Gobondery are Allandale and Forest View (Figure 1). At Forest View, previous shallow RAB drilling by Shell in the early 1980's intersected copper mineralisation in weathered and altered Ordovician volcanic and intrusive rocks. The Shell RAB holes were assayed for bottom-of-hole only and the deepest hole was 29m, with most holes being less than 10m deep. Numerous copper values above 500ppm were returned (maximum 1,700ppm), but Shell had problems with repeatability of results. Rock-chip sampling by North Ltd in the early 1990's returned up to 2,390ppm copper from andesitic breccia. North Ltd drilled one 150m deep RC hole beneath the breccia, with no significant results (Figure 2).

Reconnaissance work completed by Clancy in 2006 identified fracture controlled K-feldspar-magnetite alteration within a broader zone of epidote alteration in hornblende monzodiorite at Forest View. Localised silica-pyrite alteration in volcanic rocks was also identified and a quartz-chalcopyrite-bornite vein assayed by Clancy returned 1.14% copper and 0.17g/t Au (Figure 2). In summary, the Clancy review concluded that:

- There are numerous visible signs of porphyry-style alteration and mineralisation at surface.
- The arc rocks are dominated by andesitic lava and volcanoclastic rocks that are intruded by monzodiorite to monzonite.
- Silica-pyrite altered breccia at surface could be associated with the upper parts of a porphyry system.
- Most of the previous drilling was shallow and had not methodically tested below 10m vertical.
- The depth potential for a porphyry system at Forest View had not been tested by previous explorers.

A gradient array IP survey was therefore undertaken at Forest View. The objective of the IP survey was to detect the disseminated sulphide (pyrite) halo that is typically associated with porphyry copper-gold systems. The gradient array IP survey identified a prominent +15 millisecond chargeable zone that extends for 1.1km NNE with a maximum width of 600m, on the eastern flank of the hill at Forest View (Figure 2). Significantly, the RC hole drilled by North Ltd in the 1990's was drilled away from this anomaly. Two smaller discrete chargeable anomalies of similar tenor to the south and southwest were also identified (Figure 2).

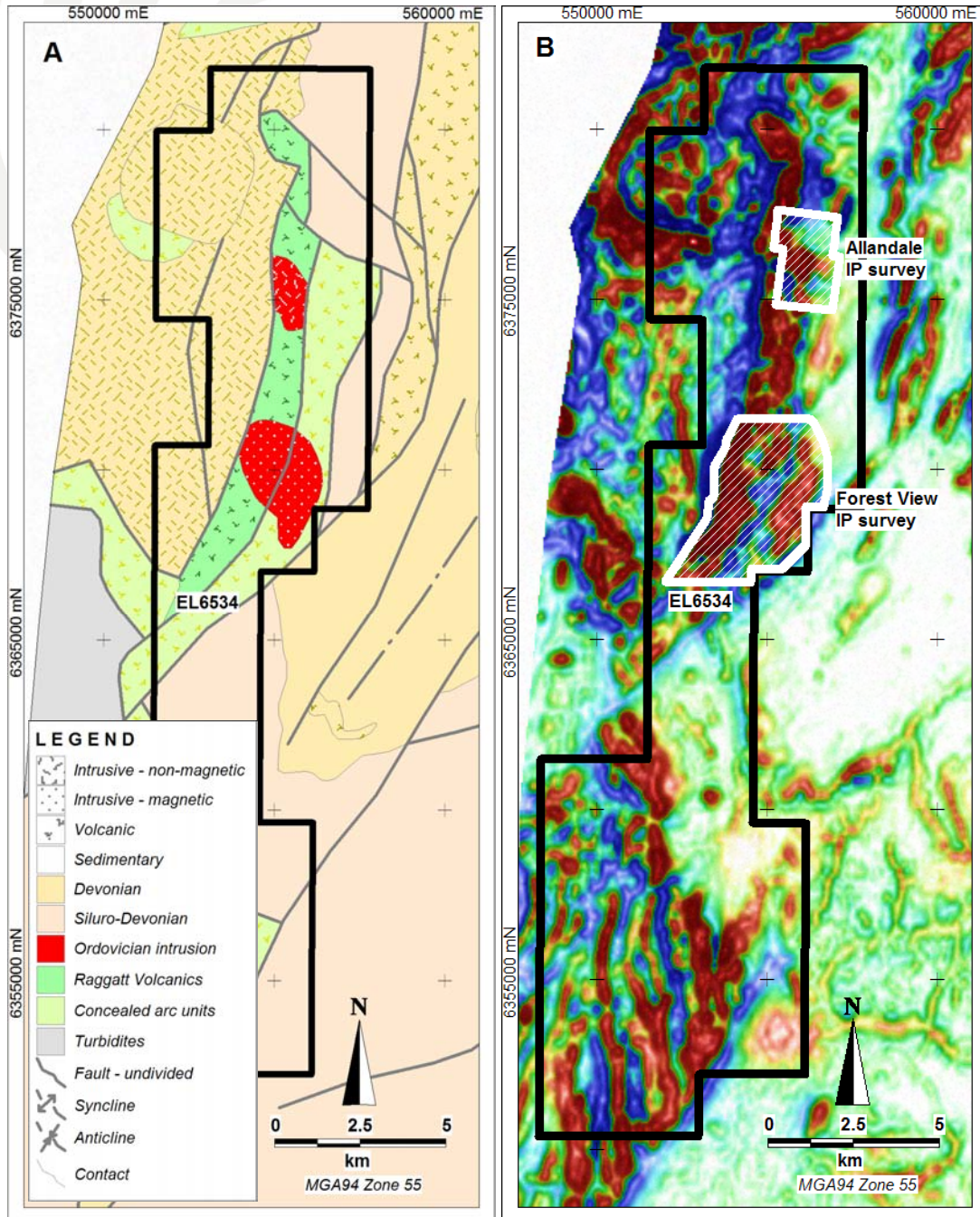
The Forest View gradient array anomaly was subsequently followed-up with three 2D pole-dipole IP lines to provide a depth constraint (Figure 2). Two of the lines were oriented east-west (lines 6,370,700mN and 6,371,100mN) and one north-northeast across the gradient array IP anomaly. Clancy announced preliminary results from the IP surveys on 18 October 2007. Since then, selected lines were re-run in the opposite direction and processing of these data has refined the size and geometry of the anomalies. The results reported herein are therefore a more accurate depiction of the chargeable zone at Forest View.

The 2D east-west sections confirm that there is a significant chargeable anomaly at Forest View. The +15 millisecond chargeable zone is at least 400m long (open to the north and south) and 530m to 650m wide, with the top of the zone being 60m to 150m deep, which is substantially below the depth

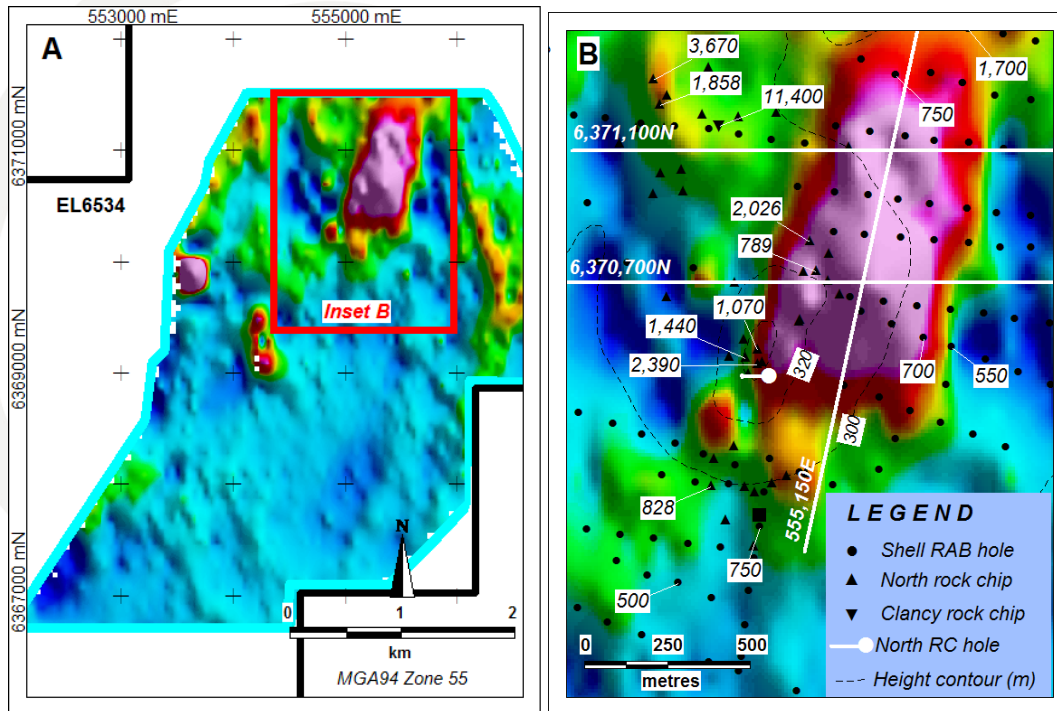


reached by previous drilling (Figure 3). There is also +30 millisecond core zone with a width of 240m to 370m, which is open at depth. The chargeable anomaly at Forest View is hosted by altered volcanic and intrusive rocks. A second chargeable anomaly at depth in the eastern part of line 6,370,700mN may be associated with lithology (Figure 3).

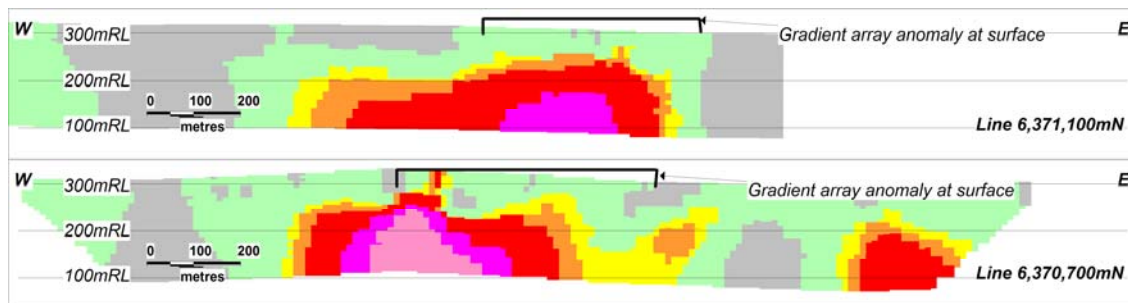
The Forest View chargeable anomaly will be tested with diamond drilling after the Allandale drilling is completed (see below), which is anticipated to be in 7-14 days time.



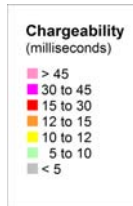
**Figure 1** – Gobondery EL6534 interpreted geology and RTP magnetics. A: interpreted pre-Tertiary geology and major structure; B: 0–200m RTP magnetic residual with vertical illumination showing the location of the IP survey areas at Allandale and Forest View (white). The Forest View IP results are shown in Figure 2.



**Figure 2 –** Gobondery EL6534 Forest View prospect gradient array IP survey. A: Image of the entire gradient array survey – note the discrete IP anomalies (red and pink) which have a chargeability of >15 milliseconds. The northern anomaly is enlarged in B; B: Enlargement of the northern IP anomaly showing previous exploration, with copper results > 500ppm labelled. The follow-up 2D pole-dipole lines (white) are shown in section view in Figure 3.



**Figure 3 –** Inverted 2D pole-dipole sections for the lines 6,371,100mN and 6,370,700mN at the Forest View prospect. The top of the +15 millisecond chargeable zone is 60 to 150m deep, well below the depths tested by previous drilling. The surface at Forest View is between 280 to 320mRL.



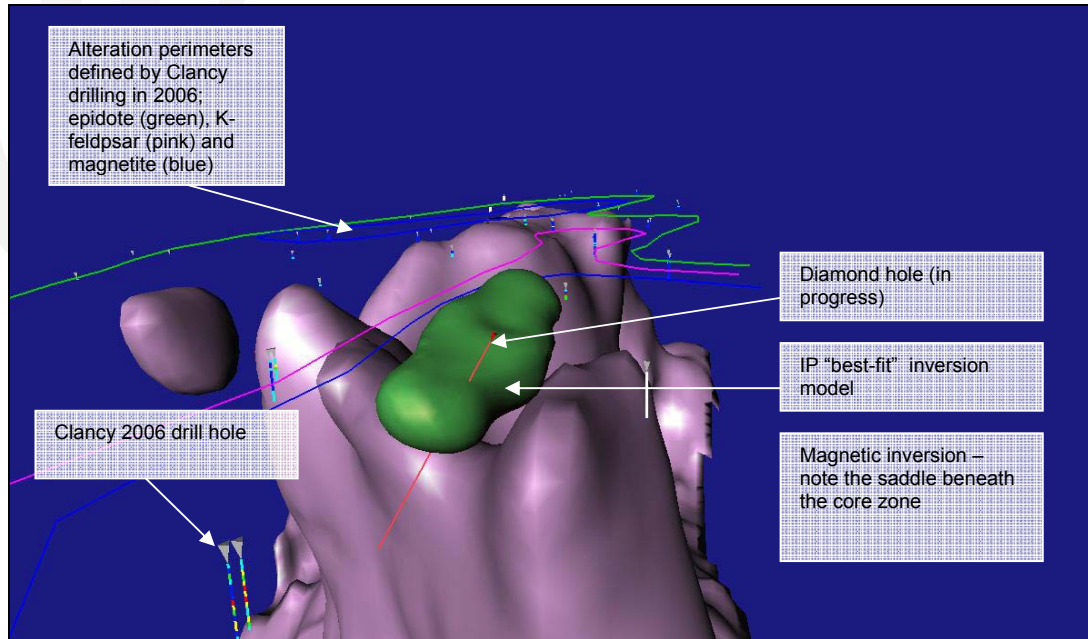
### Allandale 3D IP survey

No previous exploration had been completed at Allandale prior to Clancy acquiring the tenement. First pass reconnaissance drilling completed by Clancy in 2006 identified fractionated Ordovician intrusive rocks and associated porphyry-style alteration and mineralisation beneath a cover sequence of between 30 and 75 metres in the Allandale area. The alteration and mineralisation is coincident with a basement copper anomaly of 2km x 1km dimension with values above 500ppm copper. On the basis of these results a 3D IP survey was undertaken at Allandale. The 3D IP survey defined a discrete cigar-shaped +8 millisecond chargeable anomaly over a strike length of 750m with a diameter of 150m. The top of the zone is within 100m of surface. The geometry of the Allandale anomaly was defined by merging the results of two separate 3D inversion models to produce a “best-



fit" solution (Figure 4). The 3D IP inversion model sits within a saddle in the magnetic inversion, which may be related to de-magnetization associated with alteration (Figure 4). The cigar-like core is within a broader +5 millisecond chargeable zone that extends laterally for 400m down to a depth of +400m (Figure 5).

The Clancy 2006 drilling defined a zoned hydrothermal alteration system coincident with a basement +500ppm copper anomaly. The IP results at Allandale have confirmed that a chargeable anomaly is present within this system, which is currently being tested with a diamond hole (Figure 5).



**Figure 4 –** Gobondery EL6534 Allandale prospect 3D IP and magnetic inversion. Oblique 3D view looking north. The cigar-like core of the IP anomaly is 750m long and has diameter of approximately 150m. It sits within zoned hydrothermal alteration system coincident with a basement +500ppm copper anomaly.

#### **Orange East EL6181**

Soil sampling over the Silurian gold target in the southern part of the lease was completed with 746 samples collected (inclusive of standards). Partial gold results from the earliest submissions (there were 5 in total) have been received. Lab turnaround is currently running at 6 to 8 weeks, so final results for all 5 submissions are not expected until the fourth quarter.

#### **Fairholme: Fairholme EL6552, Manna ELA3124**

Previous drill core was received and has been stored at Clancy's office in Orange. This consisted of over 80 pallets of drill core from the Fairholme and Myall projects. Most of the previous aircore drilling has also been supplied in chip trays. Spectral logging of core and chips was carried out with a Terraspec device hired from Mineral Mapping in August/September. A total of 4,879 spectra were collected from the core and aircore chips. Interpretation and modeling of the spectra is now being undertaken.

Landholder access arrangements for the planned trial 2D IP line have been completed and the IP survey will commence in the fourth quarter. If the results are positive, 3D surveys will be undertaken at the Boundary and Dungarvan prospects.

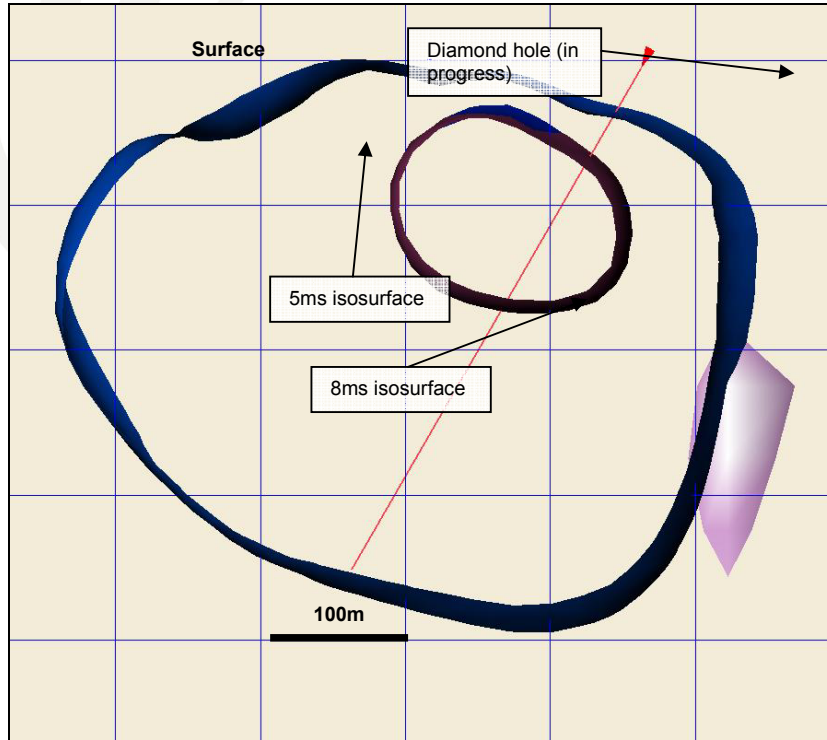
#### **Myall ELA3042**

Previous drill core was received and stored at the Orange office and re-logging of the drill core has been undertaken. Spectral logging of the core and chips was carried out in August/September. A



total of 6,949 spectra were collected from core and aircore chips. Interpretation and modeling of the spectra is being undertaken, with the aim of quantifying the nature and extent of the alteration system.

Previous drilling data was compiled and loaded into the Clancy database. Previous aeromagnetic and IP data was also sourced from the original contractors. Once all the data has been loaded, preliminary 3D modeling of grade, magnetics and IP data will be completed, followed by geological modeling which will incorporate the re-logging and spectral data.



**Figure 5** – Cross-section looking north at 6,375,500mN (50m width) showing the 5ms and 8ms isosurfaces of the Allandale IP anomaly and the diamond hole currently being drilled. The blue grid spacing is 100m. The +5ms chargeable zone extends laterally for 400m down to a depth of +400m.

#### **Cowal East: Koobah EL6553, Wyrra EL6554**

Landholder access arrangements for the trial 2D IP lines are in progress. If the trial lines are successful, 3D or gradient array surveys will be planned. Drilling is now planned for the fourth quarter.

#### **Wellington North: Duke EL6178, Hillcroft EL6328, Yarindury EL6662**

A total of 540 soil samples were taken over these tenements. Results were received for the soil samples. Interpretation of the data is in progress. Several IP surveys are planned for Wellington North in the fourth quarter. Basin modeling within the Hillcroft and Yarindury tenements was also undertaken in this quarter.

#### **Goobang EL6537**

Landholder access arrangements for the planned trial 2D IP line are in progress. If the results are positive, a gradient array survey over the target area is planned.



### **Spring Creek EL6536 and Illabunda EL6535**

Landholder identification has commenced over the target areas in preparation for drilling in December.

### **Corporate Activity**

On 11 July 2007, Clancy listed on the ASX closing at a 5% premium of \$0.21. A total of \$5 million was raised and those funds, together with the funds projected for expenditure by its joint venture partners Gold Fields Limited and Bass Metals Limited ("Bass"), amounted to exploration expenditure of \$7.4m over two years on Clancy tenements.

Clancy also owns 911,250 shares in Bass and 56,250 listed options exercisable at \$0.40, expiring on 30 April 2010 as well as 250,000 unlisted options with an exercise price of \$0.25, which expire on 31 December 2007. With the recent increase in the Bass share price, these holdings are becoming significant.

In addition, Clancy holds the right to receive 250,000 performance shares for every 500,000 ounces of gold or gold equivalent discovered by Bass on its Tasmanian portfolio up to a maximum of 5 million shares. Consequently, any success that Bass has, including at its Hellyer project, has the potential to increase Clancy's shareholding in Bass substantially. Bass announced two drill hole intersections of particular significance at its Hellyer project during this quarter, both of which were on targets highlighted via the Geoinformatics Process, and which provide more evidence of the effectiveness of this process in generating quality targets. Clancy and Bass continue to pursue high quality targets generated in this manner in the Lachlan Fold Belt and Tasmania respectively.

### **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.*

