

ASX / MEDIA ANNOUNCEMENT
13 July 2011**CLANCY SIGNS UP PREFERRED DRILLING CONTRACTOR**
\$5 million drilling contract over 3 years

Clancy Exploration Limited (ASX: CLY) is pleased to announce that a binding Memorandum of Understanding has been signed with Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) whereby AMWD will become CLY's preferred drilling contractor for a \$5 million drilling contract or a three year period, whichever occurs first.

Highlights

- Drilling services will be provided at a 25% cash discount to the going market rate
- AMWD to become a CLY shareholder
- Up front dilution minimised for CLY shareholders because less capital required for drilling
- Long term drilling contract secured in a competitive environment
- Interests of CLY and AMWD are aligned

Clancy's Managing Director Gordon Barnes said that the agreement would enable CLY to lock in a long term, aggressive drilling program with a capable and reliable drilling contractor.

"We have been working with AMWD for several years now and in that time they have grown into a very successful drilling business with a strong focus on service and reliability. So we are delighted to secure AMWD's services for a long term contract that will provide certainty for our exploration team whilst minimising up-front dilution for our shareholders because less capital will be required for future drilling. It will also allow our highly prospective portfolio to be drill tested without the delays that can be caused by lack of rig availability" said Mr Barnes.

AMWD will invoice CLY monthly for a cash amount equivalent to 75% of all agreed costs associated with drilling and CLY will issue fully paid ordinary shares in CLY to AMWD for the balancing amount of 25%. Shares issued to AMWD will be priced at 95% of the three day Volume Weighted Average Price at the date of invoice. CLY shares issued to AMWD will be escrowed for 12 months.

CLY will also make a one off issue of 2,000,000 listed options (CLYO) to AMWD upon signing of a drilling earn-in agreement expected to be completed within the next six weeks.

--ENDS--

Please direct enquiries to:

Gordon Barnes

Managing Director

Phone: +61 2 6361 1285

Email: info@clancyexploration.com

Web: www.clancyexploration.com

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