

QUARTERLY ACTIVITIES and CASHFLOW REPORT

For the period ending 30 September 2016

The Board of Clancy Exploration Limited is pleased to release its Quarterly Activities report for the period ending 30 September 2016.

Summary

- Clancy is well-funded with cash on hand at the end of the quarter of \$1.5m and a further \$0.25m received after quarter end.
- Evan Cranston appointed Chairman.
- Scott Patrizi appointed a Non-Executive Director.
- Search underway for a project to secure the Company's future.

Capital Raising

Subsequent to the end of the quarter, the Company commenced a capital raising process to raise a total of \$350,000, of which \$250,000 has been received and \$100,000 is subject to shareholder approval. Proceeds from the capital raisings, after deduction of the costs, will be applied to the search for a new project and working capital.

As at 30 September 2016, the Company had cash on hand of \$1,553,000. For further details, refer to the Appendix 5B.

Corporate

During the quarter, Mr. Evan Cranston was appointed as Chairman following the resignation of Mr. Nathan Featherby. Mr. Scott Patrizi was appointed as Non-Executive Director.

The Company has completed the transition of its administrative office from Orange to Perth. The Company will maintain a presence in the Lachlan region with a small exploration office manned by a consultant geologist.

Exploration

The Board is focused on securing a new project opportunity for Clancy. It has an active identification and assessment process underway, with several interesting opportunities under consideration, though no suitable opportunities have been advanced to date.

Clancy is seeking new partners for the Trundle, Condobolin and Fairholme projects.

Orange East EL8442

(NSW, Clancy 100%; Alkane Resources Ltd, earning 60% and funding 100%)

Orange East is located 15km ESE of the city of Orange and contains several target styles including Ordovician porphyry copper-gold and post-Ordovician copper-gold targets. Numerous old workings occur in the area and many are focused along the regional scale Godolphin Fault. Previous work by Clancy defined a soil anomaly at the Gunnarbee prospect, which has similar geochemical, structural and geological characteristics as the nearby McPhillamys gold deposit, 15km along strike to the south (Figure 1).

Alkane Resources Ltd (Alkane; ASX: ALK) can earn a 60% interest in the Orange East project by spending \$500,000 on exploration over three years. Alkane can earn a further 20% interest (80% total) by spending an additional \$500,000 on exploration over the subsequent three years. Alkane is managing the exploration program. The exploration licence (EL8442) was granted on 11 May 2016. The project was inactive during the quarter.

Trundle EL8222

(NSW, Clancy 100%)

The Trundle project consists of a single exploration licence EL8222 located 25km west of the Northparkes copper-gold mine. There is extensive evidence of porphyry and skarn-style copper-gold mineralisation similar to the Cadia Valley and Northparkes. Following the withdrawal of High Power Exploration Inc in the March quarter, Clancy is seeking a partner for the Trundle project.

Condobolin EL7748

(NSW, Clancy 100%)

Condobolin EL7399 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 within the metasedimentary units of the Ordovician Girilambone Group, associated with pyrite, sphalerite, galena, chalcopyrite, arsenopyrite and free gold. Following the withdrawal of Ramelius Resources Limited in the March quarter, Clancy is seeking a partner for the Condobolin project.

Fairholme EL6552 & EL6915

(NSW, Clancy 100%)

The Fairholme project is located in the Fairholme Igneous Complex 12km north of the Cowal gold mine. The geophysical characteristics of the Fairholme Igneous Complex are similar to the Cowal Complex to the south, which hosts the Cowal gold mine (Barrick) and the Marsden porphyry copper-gold deposit (Newcrest). The project was formerly a joint venture with Kaizen Discovery Inc (Kaizen). The Kaizen joint venture focused on the porphyry copper-gold potential and a number of IP chargeability anomalies were drill tested with disappointing results. Other potential targets such as epithermal Cowal-style gold systems and porphyry copper-gold targets in areas where the IP survey did not penetrate into the basement due to conductive overburden, remain to be followed up. Following the withdrawal of Kaizen in the March quarter, Clancy is seeking a partner for the Fairholme project.

NSW Royalty Projects

(NSW, Clancy NSR)

Following the sale of joint venture interests to Gold Fields in February 2013, Clancy held 2.5% Net Smelter Return (NSR) royalties on Jemalong, Cowal East (Wyrra and Koobah), Myall, Parkes, Moorefield and Wellington North, subject to the tenement holder having the right at any time to purchase the NSR's for A\$20 million each (Buyout Right). NSRs on the Koobah and Jemalong projects were extinguished when Clancy regained the project areas in 2014 and 2015 respectively following the withdrawal of Gold Fields.

During the quarter, Clancy agreed with the current tenement holder of Myall, Parkes East, Moorefield and Wellington North (Modeling Resources Pty Limited) to reduce the NSR from 2.5% to 2% in return for removing the Buyout Right, but only in respect of any of the relevant tenements which the tenement holder is in turn able to joint venture to a specified incoming party. The Company has not yet been notified that the specified incoming party has joint ventured into any of the relevant tenements.

The NSR over the Wyrra project remains in place and is unaffected by the above changes.

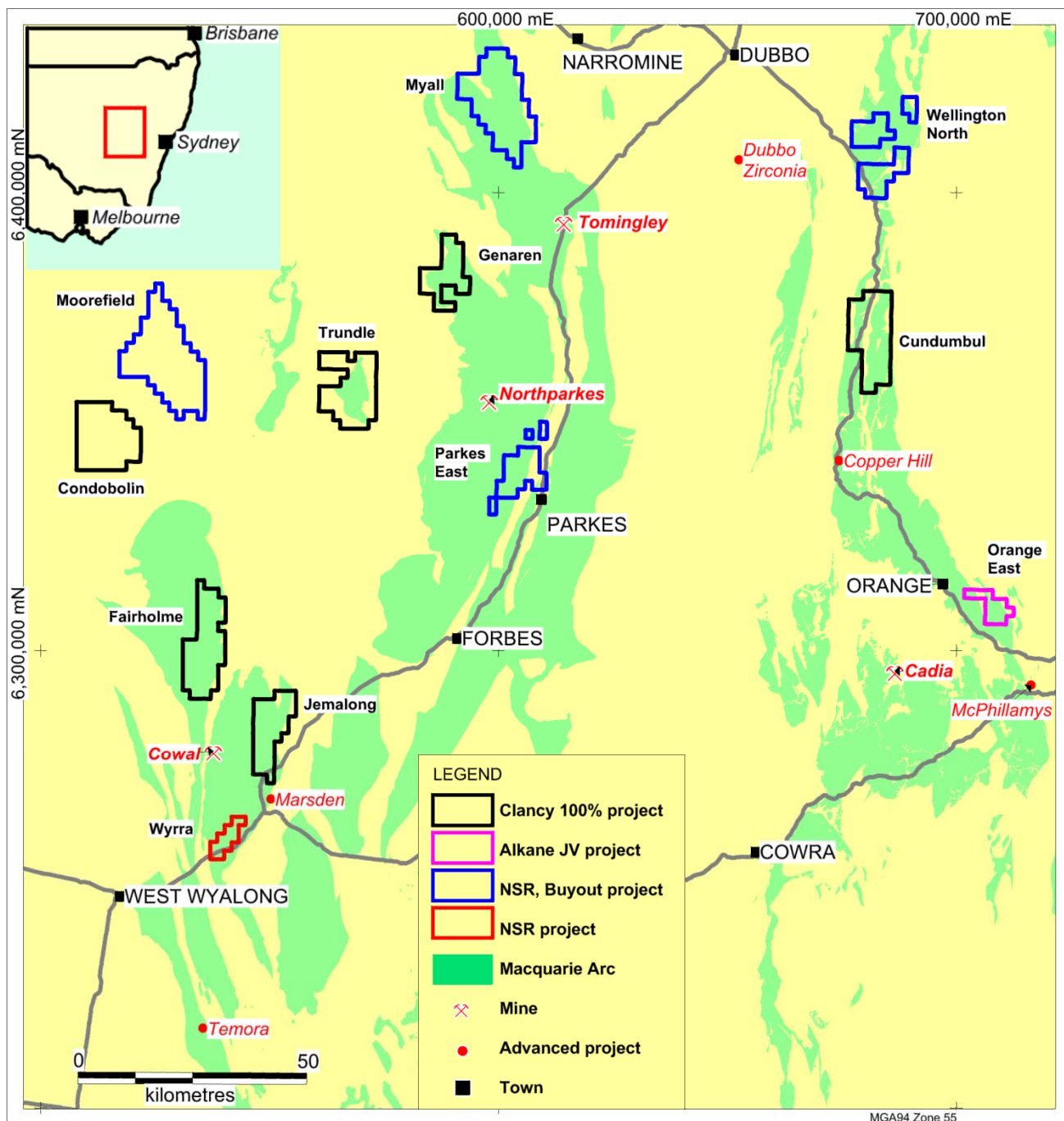


Figure 1 – Map showing location of Clancy projects in central NSW.

Clancy Tenement Listing

(As at 30 September 2016)

State	Project	Lease No	Status	JV Project	Manager	Clancy interest	Area (km ²)	Note
NSW	Condoblin	EL7748	Renewed	No	Clancy	100%	181.5	
NSW	Genaren	EL7927	Renewal pending	No	Clancy	100%	95.4	
NSW	Cundumbul	EL6661	Renewed	No	Clancy	100%	141.4	
NSW	Cundumbul	EL7399	Renewed	No	Clancy	100%	26.0	
NSW	Fairholme	EL6552	Renewed	No	Clancy	100%	54.5	
NSW	Fairholme	EL6915	Renewed	No	Clancy	100%	114.7	
NSW	Orange East	EL8442	Granted	Yes	Alkane	100%	40.2	Alkane earning 60%
NSW	Trundle	EL8222	Granted	No	Clancy	100%	167.2	
NSW	Jemalong	ELA 5218	Application	No	N/A	N/A	91.6	
NSW	Jemalong	EL8302	Granted	No	Clancy	100%	28.6	
NSW	Wyrra	EL6554	Granted	No	Sandfire Resources	NSR	34.2	2.5% NSR
NSW	Moorefield	EL7675	Granted	No	Modeling Resources	NSR	288.5	2.5% NSR, \$20m buyout *
NSW	Myall	EL6913	Granted	No	Modeling Resources	NSR	243.7	2.5% NSR, \$20m buyout *
NSW	Parkes East	EL7676	Granted	No	Modeling Resources	NSR	95.0	2.5% NSR, \$20m buyout *
NSW	Wellington North	EL6178	Granted	No	Modeling Resources	NSR	113.0	2.5% NSR, \$20m buyout *
NSW	Wellington North	EL7440	Granted	No	Modeling Resources	NSR	17.4	2.5% NSR, \$20m buyout *

* Subject to agreed reduction to 2% NSR and elimination of buyout as set out above.

Please direct enquiries to:

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 Non-Executive Chairman
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The information in this announcement that relates to Initial Exploration Results is based on information compiled by Dr Jeff Vassallo who is a Member of the Australian Institute of Geoscientists. Dr Vassallo is a consultant to 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 2012 edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Dr Vassallo 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 and gold explorer. The Company's portfolio consists of copper-gold projects in the Lachlan Fold Belt of NSW where it has seven wholly owned and managed projects and one joint venture project with Alkane Resources Ltd (ASX: ALK). The Company also retains NSR royalty interests over six licences in NSW. Details of Clancy's projects can be found at the Company's website: www.clancyexploration.com

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Clancy Exploration limited

ABN

65 105 578 756

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..3..months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(175)	(175)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(144)	(144)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(319)	(319)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..3..months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	3	3
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	3	3

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,869	1,869
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(319)	(319)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	3	3
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	1,553	1,553

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	353	43
5.2 Call deposits	1,200	1,826
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,553 #	1,869 *
# Excludes \$130,000 of restricted cash. * Excludes \$130,000 of restricted cash but includes a total of \$132,000 sequestered for Fairholme project.		

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
56
-

Payments to directors/director associates for director fees, corporate advisory fee and serviced office fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	60
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	100
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	160

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Kiola EL8151	Direct – tenement relinquished	100%	Nil
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Orange East EL 8442	Direct – tenement granted, Alkane earning 60%	Nil	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)



Date:31 October 2016

Print name:Rowan Caren...

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.