

QUARTERLY ACTIVITIES REPORT

For the period ending 30 September 2012

The Board of Clancy Exploration Limited is pleased to release its Quarterly Activities report for the period ending 30 September 2012.

Highlights

- \$3M JV agreement signed with Mitsubishi Materials Corporation of Japan (Mitsubishi) on the **Cundumbul**, **Currumburrama** and **Genaren** copper-gold projects.
- The geological model for the Meritilga prospect at **Condobolin** suggests the gold mineralisation is associated with sulphide lenses. A fixed loop ground TEM survey is planned to assist with drill targeting.
- Several rock chip results >1% Cu identified during mapping at **Cundumbul**.
- RC drilling completed at **Yalgoo**.
- Carbonate-base metal gold veins hosting sphalerite-pyrite-chalcopyrite ± native gold intersected at the **Myall JV**; results pending.

Clancy Managed Projects

During the quarter Clancy entered into a joint venture with Mitsubishi Materials Corporation of Japan (Mitsubishi) on three copper-gold projects in NSW. Under the terms of the agreement, Mitsubishi has the right to earn 49% of the Cundumbul, Currumburrama and Genaren projects by funding A\$3 million over three years with A\$500,000 minimum commitment in the first year. Clancy will manage the joint venture.

An auger soil geochemical survey was completed at Cundumbul and mapping and rock chip sampling continued. Auger soil sampling continued at Condobolin and RC drilling was completed at Yalgoo. Planning is underway for geophysical surveys at Currumburrama, Genaren and Fairholme.

Condobolin EL7748

(NSW, Clancy 100%)

The Condobolin tenement 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 metasedimentary units, inferred to be the Ordovician Girilambone Group. The veins are associated with pyrite, sphalerite, galena, chalcopyrite, arsenopyrite and gold.

Auger soil sampling over the northern radiometric anomaly was completed with a further 714 samples collected; XRF analysis in progress. A number of diamond core samples from Phoenix and Mascotte were submitted for petrographic and isotope analyses.

The geological model for Meritilga suggests the gold mineralisation intersected in the last round of RC drilling is associated with sulphide lenses preferentially hosted in volcanoclastic sandstone fractured by the Meritilga Fault Zone. A fixed loop ground TEM survey is planned for Meritilga and Potters in the December quarter to assist with drill targeting.

Fairholme EL6552 and EL6915

(NSW, Clancy 100%)

The Fairholme project covers 172km² of the Fairholme Igneous Complex and is located 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 copper-gold deposit (Newcrest). A revised basement geology interpretation was completed from previous bottom-of-hole drilling data, which has provided further insights into the copper and gold mineralisation potential. Quantification of the nature and depth of the transported overburden and the depth and quality of the water table was also interpreted from previous drilling data. A series of investigative 200m by 200m EM survey loops is planned for December quarter. These data will be used to assess the conductivity of the surface layers in order to determine the most appropriate electrical surveying method for exploration at Fairholme.

Cundumbul EL6661 and EL7399

(NSW, Clancy 100%; Mitsubishi earning 49%)

The Cundumbul project covers 204.9km² 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. Detailed geological mapping, rock chip sampling and petrological studies continued in the September quarter. Regional and infill auger soil sampling was also completed.

Anomalous rock chip results were returned from a number of sites including:

- Mehruda Big Hill: mineralised basaltic andesite with results ranging from 185 to 3,770ppm Cu. The highest copper grades of 3,770 and 2,100ppm Cu were from porphyry intrusive with visible copper carbonates and chalcocite associated with carbonate-epidote veins.
- Mehruda: copper anomalism is associated with silica-sericite-pyrite (phyllitic) alteration in the prospect area.
- Gowan Green 1: copper mineralisation associated with carbonate stockwork veining and breccias hosted in fine-grained volcanoclastic rocks which returned up to 1.1% Cu.
- Wahringa 2: fractured sandstone with limonite-malachite veining which returned up to 1.2% Cu.

Work to quantify the larger significance of these initial results is ongoing.

Petrographic analysis of a suite of rocks from Mehruda identified strongly altered porphyritic igneous rocks with a compositional spectrum from mafic to felsic. The samples could be genetically linked, with some being extrusive and others sub-volcanic equivalents. There is also a possible magmatic evolution from relatively mafic to significantly evolved (felsic) compositions. Copper mineralisation is evident in three petrographic samples with the most significant mineralisation being disseminated grains of copper (metal) and traces of cuprite and malachite in a zone of intense replacement by epidote and prehnite. The copper and cuprite are interpreted to be hypogene and therefore associated with a hydrothermal system.

XRF analysis of 2,886 soil samples has been completed which includes 2,403 regional soil samples collected on a 250 x 250m grid, and another 483 infill soil samples from the Mehruda and Mehruda Big Hill on a 50 x 50m grid. Data processing of the XRF results has been completed. Strong arsenic anomalism at Andrews and significant copper anomalism at Bakers Swamp will be followed up. Approximately 900 samples from anomalous areas will be submitted for laboratory low-level gold and trace element analysis in the December quarter.

Genaren EL7927

(NSW, Clancy 100%; Mitsubishi earning 49%)

Genaren is located at the northern end of the Northparkes Igneous Complex 29km north of Rio Tinto's Northparkes copper-gold mine. Preparations for a gravity survey are in progress, which is expected to commence in the December quarter.

Currumburrama EL6784

(NSW, Clancy 100%; Mitsubishi earning 49%)

Currumburrama is located 40km east of West Wyalong and covers a large basement magnetic complex that is inferred to be the Ordovician arc based on magnetic and gravity data. Preparations for a gravity survey are in progress, which is expected to commence in the December quarter.

Gobondery EL6534

(NSW, Clancy 100%)

Gobondery (EL6534) is located approximately 50km NW of Northparkes, just south of Tullamore. A petrology report on zoned calcite-siderite-chalcopyrite vein samples from the Allandale copper prospect found low temperature assemblages that possibly formed distal to an intrusive source.

Yalgoo EL59/1302

(WA, Clancy 100%)

Yalgoo E59/1302 is adjacent to the Golden Grove zinc-copper-gold-silver-lead mine which is located in the Yalgoo-Singleton greenstone belt in the Murchison Province of WA. The exploration targets in the Yalgoo project are two discrete ground magnetic anomalies. Two RC holes (386m total) tested the anomalies in the September quarter. The drilling was supported by a \$15,000 grant from the DMP under the Royalties for Regions exploration incentive scheme. Both holes intersected magnetite-rich dolerite and granite which explains the magnetic anomalies. No significant results were returned. The drill chips will be tested with a UV light for tungsten mineralisation.

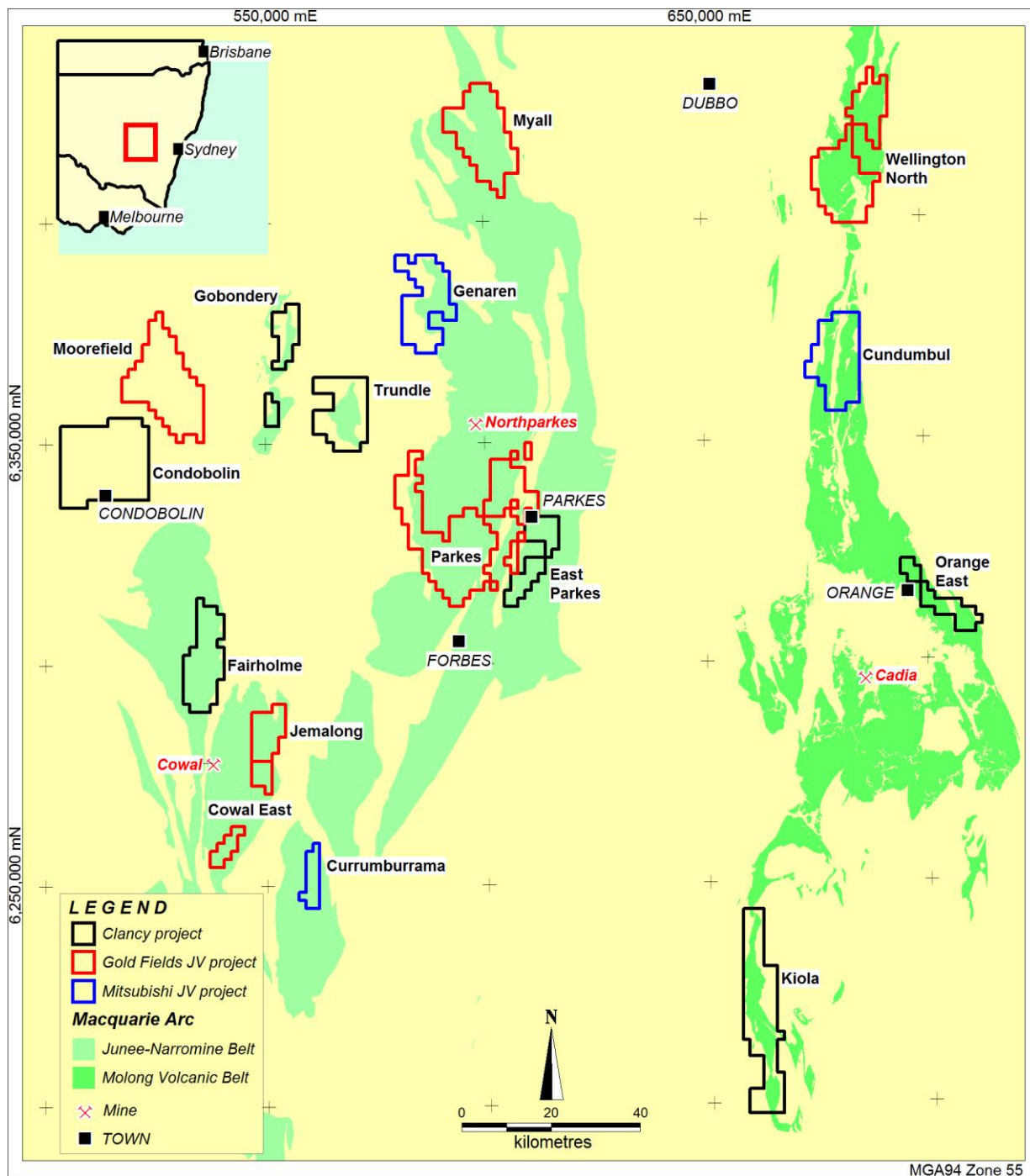


Figure 1 – Map showing the Clancy projects in the Macquarie Arc of Lachlan Fold Belt. Inset – the location within NSW.

Gold Fields Managed JV Projects

Drilling continued at the Myall JV and Wellington North JV's. A total of 2,563m of drilling was completed on the Gold Fields JV projects in the September 2012 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. Diamond drilling at the Barina prospect intersected calc-potassic alteration, skarn alteration, mineralised volcanic breccia and minor quartz sulphide veins. Trace bornite was also observed in some intervals. Results are pending.

Two aircore pre-collared diamond holes tested below widespread, intense hydrothermal lithocap-style alteration near the Barina prospect. The first of these holes (MYACD368) intersected carbonate-base metal gold veins hosting sphalerite-pyrite-chalcopyrite ± native gold with strong phyllic (sericite-quartz-carbonate) alteration. The second hole (MYACD373) intersected 200m plus (apparent thickness) of sub-angular magmatic-hydrothermal breccia. Results are pending.

Two aircore pre-collared diamond holes are in progress at the Statesman prospect. The holes will determine if the Statesman prospect forms part of a larger porphyry system that incorporates the Kingswood, Gemini and Calais prospects.

Wellington North EL6178, EL6328, EL6662, EL7200 and EL7440

(NSW, Gold Fields 87%, Clancy 13%)

The Wellington North project covers approximately 30km of strike length of the Molong Volcanic Belt immediately north of Wellington. RC and diamond drilling continued at the Mayhurst prospect. The drilling intersected sodic and potassic alteration and veined and disseminated porphyry-style mineralisation associated with monzonite to monzodiorite porphyry intrusions. Assay results returned low-grade copper and gold mineralisation associated with supergene processes and propylitic-style alteration; the most significant assays returned intercepts in the 0.1% Cu and 0.1g/t Au range.

Rock chip sampling the new Rockleigh prospect at the eastern end of the Roselawn Trend identified significant malachite in outcrop; analytical results pending. Auger drilling across the Roselawn trend continued.

Cowal East EL6553 and EL6554

(NSW, Gold Fields 81.5%, Clancy 18.5%)

The Cowal East project is located in the Cowal Igneous Complex, east of the Cowal gold mine and north and south of the Marsden copper-gold prospect. Much of the area remains inundated with water after major floods earlier this year. Identification of accessible areas was completed and approval to drill from land owners and the authorities is being sought for the up-coming summer field season.

Corporate

Off-market takeover bid for Genesis Resources Ltd

Clancy's (ASX: CLY) conditional off-market takeover bid for Genesis Resources Ltd (ASX: GES) closed on 20 August 2012. The bid was unsuccessful with Clancy ending up with 8.92% of the issued capital of Genesis at the closing date. However, Clancy continues to believe in the quality of the Plavica project and will look for ways to maximise the value of its investment in Genesis. Post-quarter Genesis completed a rights issue. Clancy did not subscribe for its rights, thereby reducing its holding in Genesis to 6.69%.

Board Changes

Ms Natalie Forsyth-Stock was appointed to the Board as an executive director with specific responsibility for the finance function. Natalie is an investment professional with over 20 years experience in investment banking and private equity investment. She was previously a Director of Allco Equity Partners Management Limited and Gresham Rabo Management Limited (both private equity managers), and the corporate advisory division of Gresham Partners Limited, where she specialised in mergers and acquisitions, fund raisings and valuations.

Natalie has acted as the Company's Chief Financial Officer on a consulting basis since earlier this year, and she will continue in this role.

Mr Mark Lester stepped down from the Board. Mr Lester had been a non-executive director of the Company since its listing on the ASX in 2007.

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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 11 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 1 tin joint venture project 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