

## QUARTERLY ACTIVITIES and CASHFLOW REPORT

### For the period ending 30 September 2013

The Board of Clancy Exploration Limited is pleased to release its Quarterly Activities report for the period ending 30 September 2013.

### Highlights

- Comprehensive review of the **Condobolin** project is in progress:
  - Low sulphidation epithermal system
  - Significant gold, silver, lead, zinc and copper drill intercepts across multiple prospects
  - Alteration and geochemical footprint of the system is 3km x 3km
  - Host rocks may be similar in age to the well mineralised Mineral Hill Volcanics
- Gradient array IP survey covering 74km<sup>2</sup> completed at the **Fairholme JV** using HPX's proprietary IP system. Drill targets have been defined and drilling will commence in the December 2013 quarter.
- Gravity surveys completed at the **Cundumbul JV** and auger drilling is in progress. Modelling of magnetic and IP data has defined drill targets that will be tested in the December 2013 quarter.

### Exploration

#### 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 as a gold and base metals field (lead, zinc and copper, as well as silver). The mineralisation is hosted in epithermal-style quartz veins and shear zones within meta-sedimentary units. The veins are associated with pyrite, sphalerite, galena, chalcopyrite, arsenopyrite and gold.

A comprehensive review of all work completed at Condobolin is in progress and will continue into the December 2013 quarter. A follow-up work proposal will be completed in the December 2013 quarter. Significant findings to date have:

- confirmed the presence of a low sulphidation epithermal system;
- demonstrated that the mineralised system is polymetallic with significant drill intercepts in gold, silver, lead, zinc and copper across multiple prospects (see below);
- determined that the alteration and geochemical footprint of the system is 3km x 3km;
- identified that the system coincides with a ~20km diameter gravity anomaly which may be associated with a deep intrusive unit at the intersection of major regional faults; and
- shown that the host of the mineralisation is a volcanic sandstone which may be equivalent to the well mineralised Mineral Hill Volcanics further to the north.

Significant previous drill results at the various Condobolin prospects include<sup>1</sup>:

<sup>1</sup> Refer to ASX releases dated 23/03/2011, 24/05/2011, 20/01/2012, 20/03/2013, 30/03/2013 & 17/06/2013

- Meritilga – where a high-grade gold lens up to 5m true width remains open up and down dip and visible gold is present adjacent to historic workings:
  - 4m @ 20 g/t Au, 0.26% Cu, 30.2 g/t Ag from 75m;
  - 10m @ 5.78 g/t Au & 26.79 g/t Ag from 80m; and
  - 15m @ 2.76 g/t Au & 8.78 g/t Ag from 90m.
- Phoenix – where gold and zinc intercepts are open to the south and down dip:
  - 8m @ 3.7 g/t Au from 59m;
  - 8m @ 3.73 g/t Au from 72m; and
  - 9m @ 1.35% Zn from 91m.
- Bluebell – where narrow copper intercepts remain open in all directions:
  - 4m @ 0.51 g/t Au, 1.24% Cu from 105m; and
  - 4m @ 0.29g/t gold, 1.14% Cu from 98m.
- Potters – where coarse grained zinc, lead and silver sulphide intercepts remain open in all directions:
  - 6m @ 2.7% Zn, 2.7% Pb, 30g/t Ag from 100m.
- Mascotte – where zinc and gold intercepts are open in all directions however the geometry is poorly defined:
  - 4m @ 3.7% Zn, 1.3g/t Au, 12g/t Ag, 0.64% Pb from 76m.

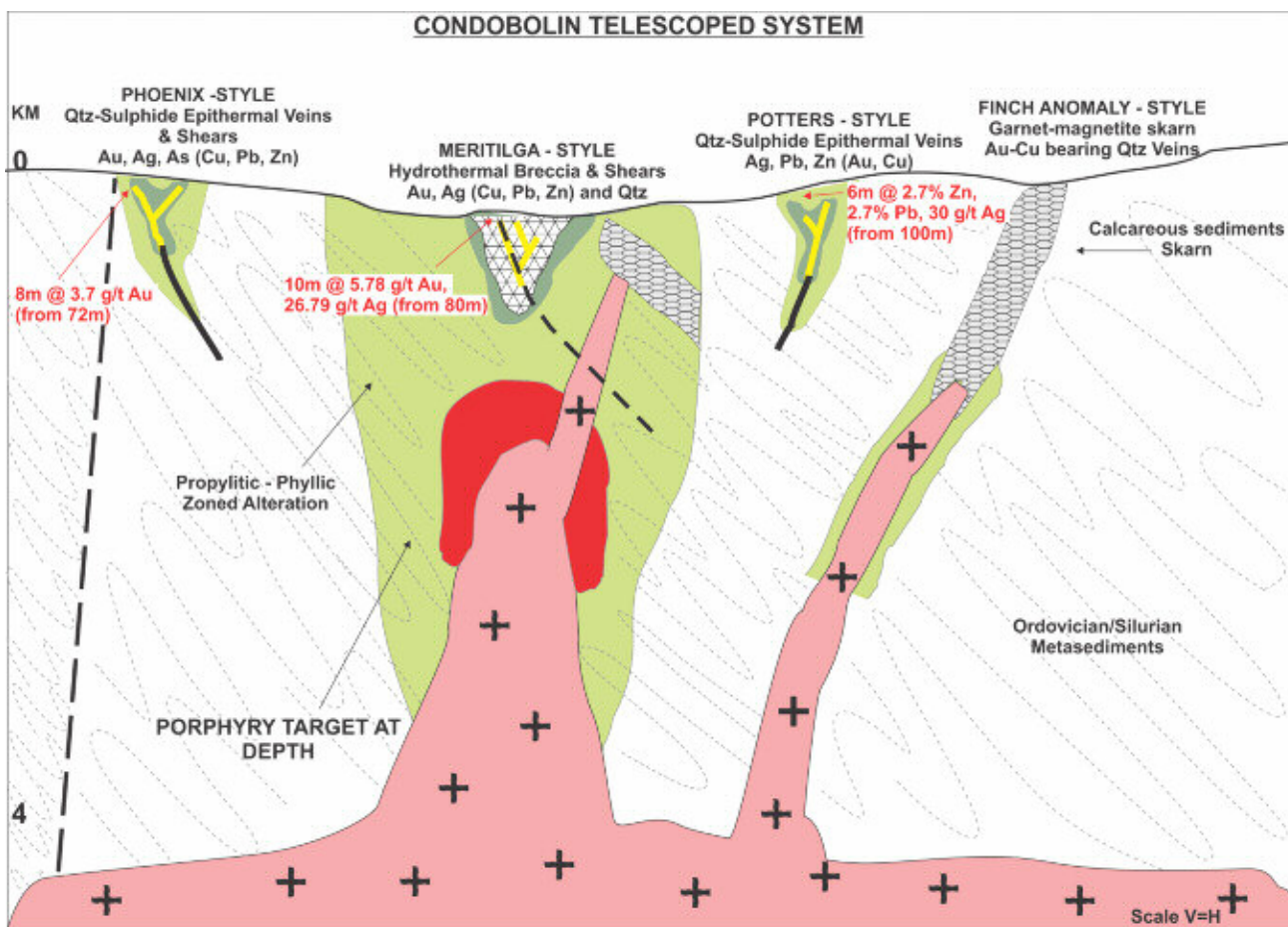


Figure 1 – Schematic model for mineralisation in the Condobolin Mineral Field

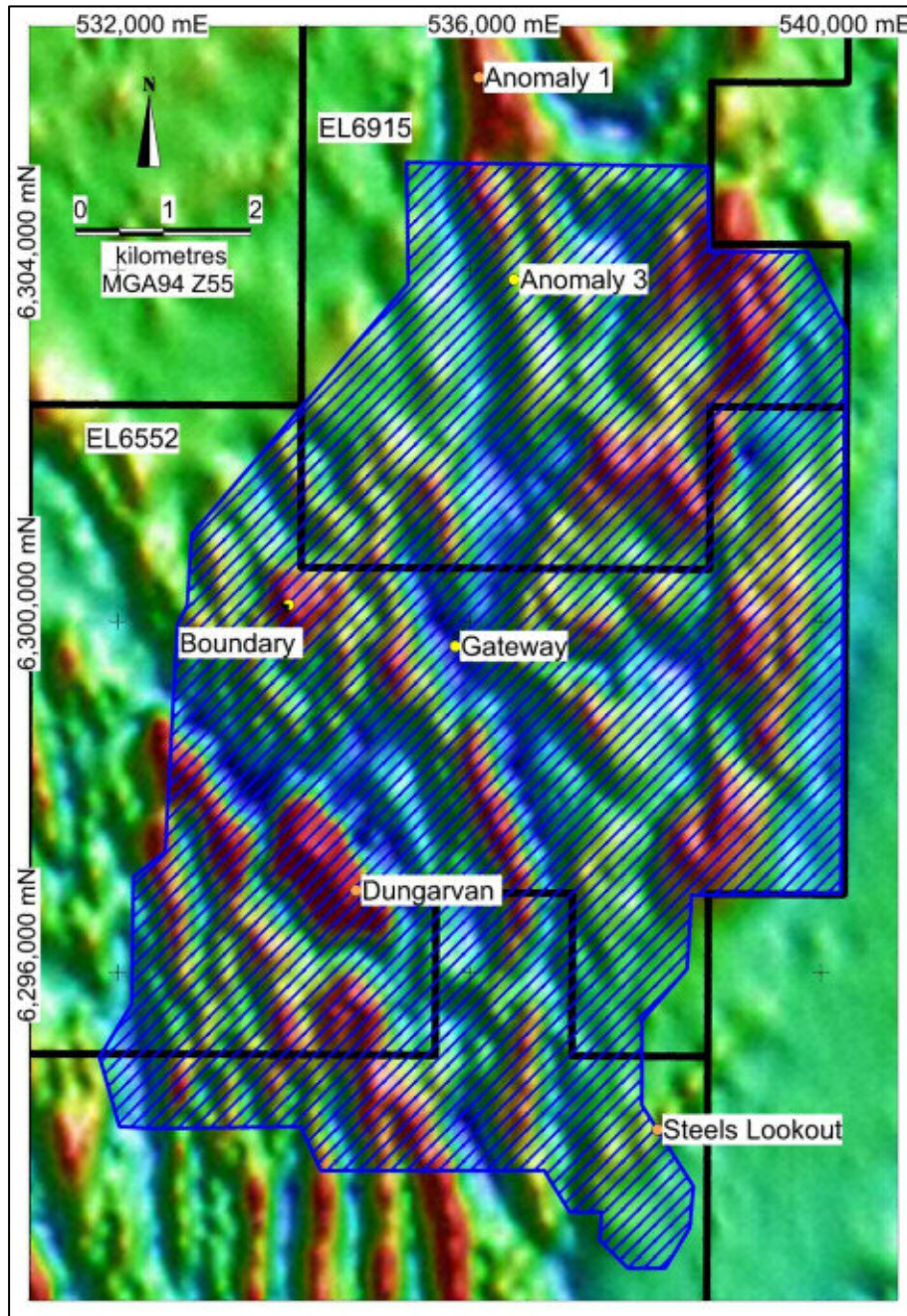
### Fairholme EL6552 and EL6915

(NSW, Clancy 100%; HPX earning 49% and funding 100%)

The Fairholme project covers 172km<sup>2</sup> 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). The presence of conductive cover over Fairholme has historically prevented effective geophysical imaging of the target sequence.

HPX successfully completed an IP survey over a 74km<sup>2</sup> area using HPX’s proprietary system. Data processing and inversion modelling has been completed by Computational Geosciences Inc in Vancouver. Several significant targets have been defined and follow-up drill testing will commence in the December 2013 quarter.



**Figure 2 –** Footprint of the area covered by the large gradient array IP survey (blue hatched) over the regional 1VD magnetic image with the main prospects in the area.

## **Cundumbul EL6661 and EL7399**

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

The Cundumbul project covers 204.9km<sup>2</sup> 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.

During the quarter, gravity surveys were completed at the Bakers Swamp, Mehruda and Andrews prospects with data processing in progress at quarter end. Inversion modelling of magnetic and IP data collected in previous quarters has been completed. The models show that chargeable anomalies at Bakers Swamp and Mehruda coincide with magnetic lows, suggesting the presence of phyllic alteration (magnetite destruction). Other chargeable anomalies at these prospects are associated with magnetic highs indicative of hydrothermal magnetite. A mechanical auger drilling program is underway at the Mehruda and Andrews prospects with results anticipated in late October 2013. Follow-up RC drilling of targets is scheduled for the second half of the December 2013 quarter.

## **Genaren EL7927**

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

Genaren is located at the northern end of the Northparkes Igneous Complex 29km north of Rio Tinto's Northparkes copper-gold mine. A petrographic study on drill core collected in the previous quarter has confirmed the presence of Goonumbla-Wombin Volcanics equivalents (Northparkes host rocks) in the project area, however, definitive porphyry-style alteration has not been intersected in the drilling to date. A new structural / stratigraphic interpretation suggests that Wombin Volcanics may be present northwest of the area drilled to date. The Wombin Volcanics are the host for most of the Northparkes porphyry systems.

Further petrological studies are planned, which may shed further light on the structural / stratigraphic model. Follow-up fieldwork is currently planned for the March 2014 quarter.

## **Corporate**

As at September 30 2013, the company held cash, restricted cash and marketable securities (at market value) of \$2.76 million.

The Company updated its Securities Trading and other Corporate Governance policies during the quarter.

### **Please direct enquiries to:**

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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 being undertaken 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 and base metal and tin projects in the Mount Read Volcanic Belt of Tasmania.

In NSW, Clancy has 5 wholly owned and managed projects, 3 joint venture projects with Mitsubishi Materials Corporation (MMC) of Japan and 1 joint venture project with High-Power Exploration Inc., all of which are managed by Clancy. In Tasmania, Clancy has 2 base metal joint venture projects with Bass Metals and 1 tin joint venture project with TNT Mines Pty 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](http://www.clancyexploration.com)

# Appendix 5B

## Mining 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

Name of entity

CLANCY EXPLORATION LIMITED

ABN

65 105 578 756

Quarter ended ("current quarter")

30 September 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	9	20
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(525)  (216)	(2,180)  (632)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	17	55
1.5 Interest and other costs of finance paid		
1.6 Income taxes (paid)/refunded		
1.7 Other Cash calls received from JV partners	 670	 772
<b>Net Operating Cash Flows</b>	<b>(45)</b>	<b>(1,965)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	  -	  (5)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	  -	  1,000
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>-</b>	<b>995</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(45)</b>	<b>(970)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(45)	(970)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	500
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – share issue costs	-	(4)
	R&D Grant	-	362
	<b>Net financing cash flows</b>	-	858
	<b>Net increase (decrease) in cash held</b>	(45)	(112)
1.20	Cash at beginning of quarter/year to date	1,773	1,840
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,728	1,728

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	95
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments of salaries, consulting fees and directors fees to directors and director related entities.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	695
4.2 Development	-
4.3 Production	-
4.4 Administration	193
<b>Total</b>	<b>888</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,178	1,223
5.2 Deposits at call	550	550
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,728*</b>	<b>1,773*</b>
*Excludes \$300,000 of restricted cash.		

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased	EL8151	Kiola	0%	100%

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	206,254,392	206,254,392		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	264,343	264,343		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	1,650,000	-	Exercise Price \$0.195	Expiry Date 31 December 2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	94,134,786 2,050,000 1,100,000	94,134,786 - -	\$0.15 \$0.175 \$0.185	31 July 2013 10 August 2013 30 September 2013
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 14 October 2013  
(Director/Company secretary)

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.