

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 a number of years and consists of highly prospective copper-gold projects in the Lachlan Fold Belt of New South Wales, base metal and tin projects in the Mount Read Volcanic Belt of Tasmania, Nadbuck near Broken Hill and Yalgoo adjacent to the Golden Grove mine in Western Australia.

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.

Clancy's joint venture partner in the Lachlan Fold Belt is Gold Fields Australasia Pty Ltd. Exploration is advanced through a mix of joint venture projects now managed by Gold Fields and 100% owned projects managed by Clancy.

This mix of joint venture and Clancy project funding allows a high level of exploration activity to be maintained, whilst prudently managing Clancy's financial resources.

The Lachlan Fold Belt is host to the Cadia Valley, Northparkes and Cowal mines as well as the recent McPhillamys discovery.

Clancy's competitive advantages also include having one of the largest ground positions of any explorer in the prospective Macquarie Arc (~2900km²), and the innovative use of digital geological and geophysical data in probability based targeting.

By continuing active and aggressive exploration programs, Clancy shareholders retain exposure to a substantial upside in valuation with exploration success.

Quarterly Activities Report

For the Period Ending 30 September 2010

The Board of Clancy Exploration Limited is pleased to release its Quarterly Activities report for the period ending 30 September 2010.

Highlights

- High-grade rock chip results returned from sampling of historic workings at **Condobolin** with values up to:
 - **26g/t gold**
 - **70g/t silver**
 - **8.5% copper**
 - **25.3% zinc**
- Diamond drilling completed at **Orange East** with narrow gold and copper intercepts identified within larger sulphide bodies:
 - 1m @ 1.13g/t gold
 - 1m @ 1.25% copper and 0.11g/t gold
 - 0.5m @ 1.24% copper
 - 0.5m @ 1.74% copper
- RC and diamond drilling in progress at the **Wellington North** and **Myall** JV's and a large aircore program is also planned for the Myall JV in the summer months.
- Preparations underway for drilling programs at **Trundle** and **Condobolin** in the December quarter.
- Ground magnetic survey commenced at **Yalgoo**, adjacent to the Golden Grove polymetallic mine in WA.
- Aeromagnetic surveys planned for **Condobolin**, **Roseholme**, **Billabong Creek** and **Currumburrumba** in the December quarter.
- Rights Issue raised \$2.2m before costs and closed in August oversubscribed.



Clancy Managed Projects

Wet weather had an adverse effect on field programs during the quarter. A total of 15 inches of rain was recorded in Orange during the recent drilling campaign at Orange East, resulting in numerous delays with the program. Work completed on the Clancy managed projects during the quarter included diamond drilling at Orange East, rock-chip sampling at Condobolin and Cundumbul and preparation for upcoming drilling programs at Trundle and Condobolin. A total of 1564m of drilling was completed on the Clancy managed projects during the quarter.

Condobolin EL6939 and ELA4103 (NSW, Clancy 100%)

Condobolin 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.

Field reconnaissance was undertaken around the historic workings at the Phoenix, Surprise, Mascotte, Julia Reuben, Piebald and Bluebell prospects, which have previously recorded production of high grade gold, copper, silver, lead and zinc. The prospects lie on a regional north-east oriented mineralised trend approximately 5km north of the township of Condobolin. A total of 12 rock chip samples were collected from mullock around the historic workings (Figure 1). Sulphide mineralisation is present in epithermal textured veins at all prospects. Results have been received and high-grade gold, copper and zinc results have been returned. Seven of the 12 samples assayed >5g/t gold and two assayed >5% copper with a maximum values of 26g/t gold and 8.53% copper respectively. One sample assayed 25.3% zinc (Table 1).

Table 1 - Condobolin rock chip results

Sample	Au (g/t)	Ag (g/t)	As (ppm)	Cu (%)	Pb (%)	Zn (%)
COR0001	22.5	58.1	855	0.42	1.15	0.05
COR0002	1.0	57.1	1490	8.52	0.95	0.28
COR0003	14.6	26.0	1105	1.49	2.72	0.09
COR0004	1.9	40.4	585	0.09	1.38	25.30
COR0005	12.2	23.1	978	0.39	2.08	0.14
COR0006	6.8	12.0	110.5	0.06	0.20	0.03
COR0007	5.3	4.8	210	0.14	0.13	0.02
COR0008	13.6	21.3	588	0.13	0.85	2.80
COR0009	26.0	27.9	1710	0.02	0.99	1.35
COR0010	1.8	18.6	646	0.02	1.21	0.04
COR0011	0.5	11.1	921	0.01	0.27	0.03
COR0012	3.6	70.0	394	7.89	0.04	0.02

Note –All samples were analysed by ALS Orange for gold by fire assay / AAS finish (method code Au-AA26), and for the other elements by ALS Brisbane by four acid digest ICP AES/OES (method code ME-MS61). Results with a dash (-) were below detection and could not be analysed with the selected analytical method. Standards and duplicates are inserted into the sample stream to monitor laboratory performance.

None of the prospects have been properly drill tested. As reported in the previous quarter, Gold Fields drilled two RC holes at one of the above prospects, Mascotte, during the JV option period. Earlier explorers had intersected significant gold intercepts in shallow RC drilling such as **6m @ 4.59 g/t Au** from 25m and **5m @ 2.05 g/t Au** from 28m. The Gold Fields drilling attempted to test the down-dip position of the shallow RC intercepts, but the holes deviated significantly due to the strong penetrative foliation in the country rocks. The first hole was abandoned and the second hole hit patchy pyrite mineralisation with traces of galena within phyllite and quartz veins. Some narrow low-grade gold

intercepts were returned from the second hole (MARC002), including 1m @ 0.32g/t Au from 118m and 1m @ 0.67g/t Au from 155m.

Given the very large hole deviation experienced in the Gold Fields drilling, it is unlikely that the earlier shallow RC drilling (generally <50m deep) was straight and there is no record of the earlier holes being properly surveyed. It is unclear if the Gold Fields drilling has adequately tested the down-dip potential of previous intercepts at Mascotte (6m @ 4.59 g/t Au and 5m @ 2.05 g/t Au). It seems likely then that the shallow RC drilling by previous explorers at the other prospects was inadequate.

The rock chip results confirm that the area has potential for shallow, high grade mineralisation. Historic records suggest that mineralised veins are within 100m of the surface and so can be tested with relatively shallow RC or diamond drilling, however care will have to be taken to ensure appropriate directional control. The epithermal veins may indicate the presence of a larger system at depth. A drilling program to follow-up these highly encouraging results will be conducted in the December quarter. An aeromagnetic survey is also planned for the December quarter.

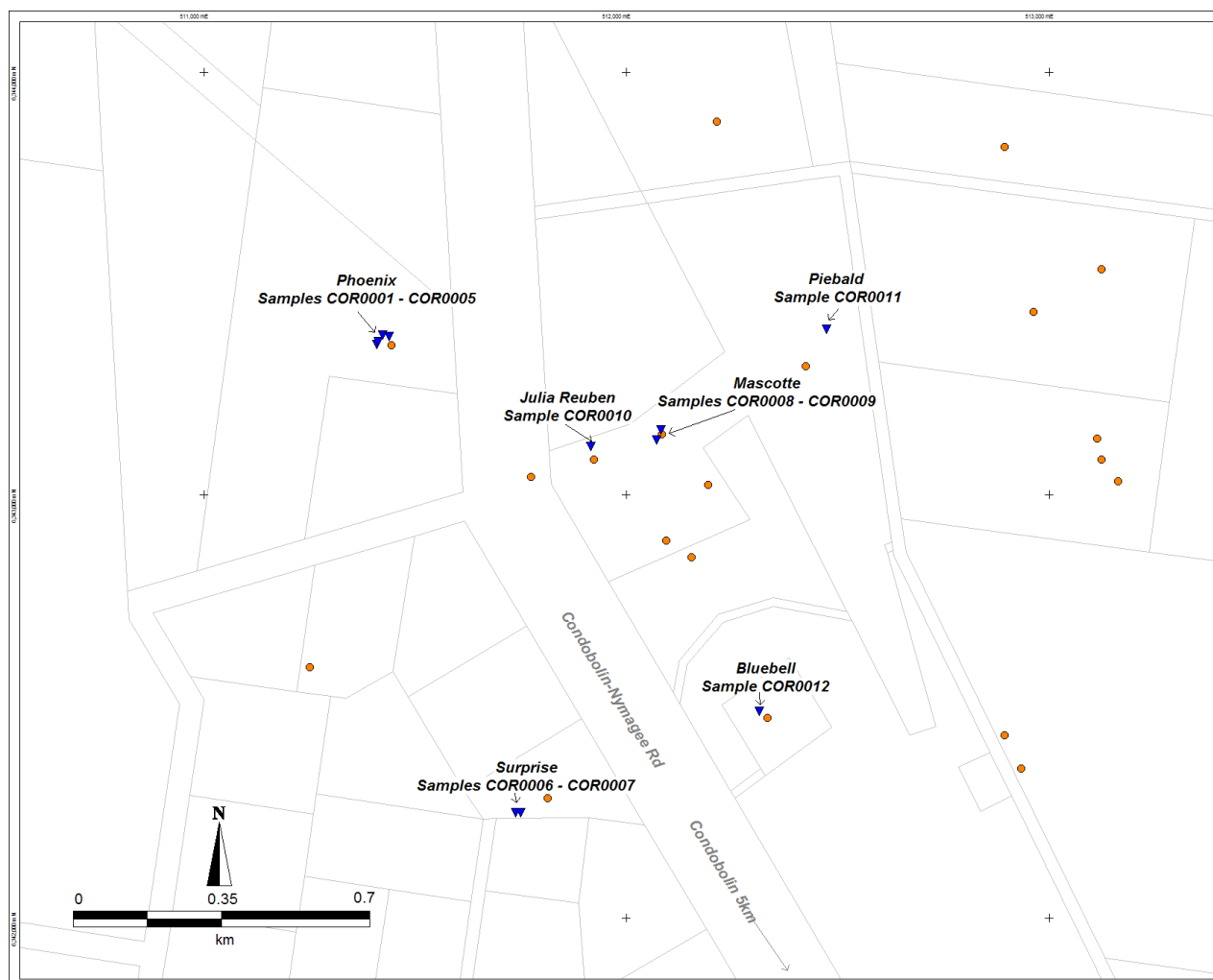


Figure 1- Condobolin EL6939 rock chip localities. Coordinates GDA94 Zone 55.

Orange East EL6181 (NSW, Clancy 100%)

EL6181 is located east 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 focussed along regional-scale structures, such as the Lucknow and Godolphin faults. Eight diamond holes (1564m) were drilled in the south of the tenement to test several strong induced polarisation (IP) chargeability anomalies. The IP anomalies have now been confirmed as large sulphide-bearing bodies with strong associated hydrothermal alteration and quartz-veining.

Results have been received and were released to the market on 27 October . The sulphide bodies contain narrow intersections of low to moderate grade gold and copper mineralisation, including (hole number):

- 1m @ 0.67g/t Au from 98m (OED011)
- 1m @ 1.13g/t Au from 113m (OED011)
- 1m @ 1.25% Cu and 0.11g/t Au from 52m (OED013)
- 1m @ 1.11g/t Au from 1m (OED016)
- 1m @ 0.84 g/t Au from 29m (OED016)
- 1m @ 0.55% Cu from 118m (OED016)
- 0.5m @ 1.24% Cu from 96m (OED018)
- 0.5m @ 1.74% Cu from 121m (OED018)

Three distinct alteration-mineralisation styles have been intersected: (i) massive biotite with pyrrhotite-chalcopyrite veins and disseminations; (ii) quartz-carbonate-fuchsite-sulphide-gold veins; and (iii) quartz-sulphide-gold veining with intense albite alteration. The strong biotite alteration is interpreted to be related to a proximal potassic intrusion, the location of which has yet to be determined. Further work is required to locate it and determine whether it could host large bodies of a high grade mineralisation such as that mined in the mid to late 1800's at Carangera. The quartz-carbonate-gold and quartz-sulphide-gold veining were previously unreported from this area. The significance of the diverse alteration styles and their relationship to mineralisation is currently under investigation. Work will continue in the December quarter with soil and rock chip sampling also planned at the Favell prospect.

Trundle EL4512 and EL7187 (NSW, Clancy 100%)

Trundle consists of two exploration licences EL4512 and EL7187 and is located 25km west of the Northparkes copper-gold mine (Rio Tinto) and bears many similarities to Northparkes. Work continued on resolving the 3D geometry of the skarn mineralisation at Trundle Park. An assessment of the results of previous explorers was completed and a number of shallow copper-gold drill targets have now been defined at Trundle Park including:

- a 150m diameter copper-gold porphyry target with average bottom of hole (BOH) RAB results of 0.35g/t Au and 0.11% Cu, which has not been drilled below 35m
- aircore hole TR143 which intersected 11m @ 1.2g/t Au and 0.36% Cu from 8m (BOH) associated with a discrete magnetic high that remains untested
- diamond hole CHEP1 which intersected 25.45m @ 0.71g/t Au from 14.85m that remains open to the north, south and at depth
- aircore hole TR490 which intersected 1m @ 0.19% Cu (BOH) associated with a discrete magnetic low that remains untested

Most of these targets have been idle for over a decade. The skarn at Trundle Park is similar to the Big Cadia skarn near the giant Cadia Valley porphyry copper-gold deposits. Mining of the skarn deposits at Cadia commenced in the mid 1800's, and was important to the recognition of the large Cadia porphyry system, however the porphyry deposits at Cadia remained undiscovered until the 1990's. A previous diamond hole (TD002) intersected fractionated intrusives and quartz-calcite-pyrite-chalcopyrite-molybdenite veins beneath the Trundle Park skarn, confirming that porphyry-style mineralisation is present in the area. RC drilling will follow-up these targets in the December quarter.

Cundumbul EL6661 and EL7399 (NSW, Clancy 100%)

The Cundumbul project covers 204.9km² of prospective arc units in the Molong Volcanic Belt between Molong and Wellington. Assays were received for rock chip samples collected in the previous quarter and include the following significant results:

- CNR0062 – 1.06 g/t Au, 650ppm Cu
- CNR0079 – 793ppm Cu, 0.15% Ba, 52ppm Sb

Sample CNR0062 is a quartz vein with malachite from mullock at the 'Mullingin Reef' historic gold workings. A sample by a previous explorer from the same site in 1999 returned 3.5g/t Au. Sample CNR0079 is a weathered volcanoclastic sandstone/conglomerate with silica alteration and quartz

veining. Further mapping and rock chip sampling is planned and the commissioning of a high-resolution aeromagnetic survey is also being considered.

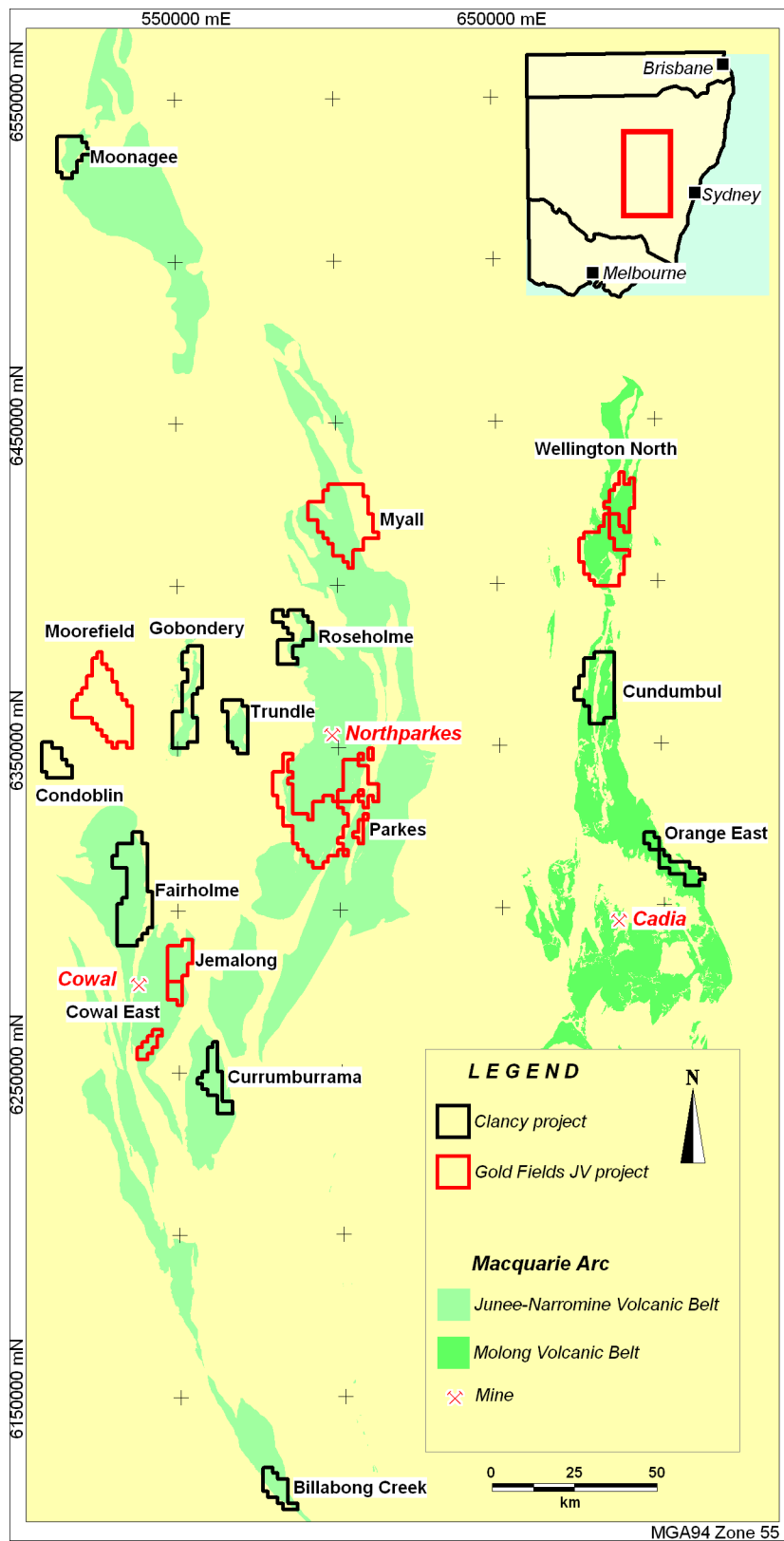


Figure 2 – Map showing the Clancy projects in the Macquarie Arc of Lachlan Fold Belt. Inset – the location within NSW.

Billabong Creek EL6802, Roseholme EL6822 and Currumburrama EL6784 (NSW, Clancy 100%)

Aeromagnetic surveys over porphyry and epithermal targets at the Billabong Creek, Roseholme and Currumburrama projects are planned for the December quarter (Figure 2). Roseholme is located at the northern end of the Northparkes Igneous Complex 29km NNW of Rio Tinto's Northparkes copper-gold mine. Billabong Creek is located 40km east of Wagga Wagga on the Gilmore Fault, a major regional NW-trending composite structure that marks the southern boundary of the Macquarie Arc. Currumburrama is located 40km east of West Wyalong, north of the Goldminco's Silverstone and Imola porphyry prospects. Results from the aeromagnetic surveys will be reported in the following quarter.

Yalgoo E59/1302 (WA, Clancy 100%)

The Yalgoo project is located 370km NNE of Perth adjacent to the Golden Grove zinc-copper-gold-silver mine in the Murchison Province of Western Australia. Two discrete aeromagnetic anomalies are present in the tenement area. The anomalies have similar scale and tenor to the magnetic anomaly at Gossan Hill, one of the polymetallic deposits at Golden Grove. Depth to magnetic source modeling suggest a depth to magnetic source of 65-75m deep and dip to the east. The source of anomalies remains unknown. A ground magnetic survey is underway to further constrain the magnetic anomalies.

Gold Fields Managed JV Projects

Record rainfall in the district severely curtailed drilling and field-related activities on all JV projects during the September quarter. As a consequence only 249m of drilling to finish the diamond drilling program at the Cowal East JV could be completed during the quarter. Results were received for diamond drilling at the Cowal East and Myall JV's. Drilling is currently in progress at the Wellington North and Myall JV's and will continue into the next quarter. Drilling is also planned for the Parkes JV's in the December 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. Land access negotiations continued with close to 80% of the project area now available for the summer field season. Results were received for six diamond holes completed in the previous quarter at the Kingswood prospect. Low-grade copper mineralisation was intersected in several, with the best intersection in MYACD184 below:

- MYACD184: 103m @ 0.18% Cu from 182m, incl.
 - 5m @ 0.20g/t Au & 0.45% Cu from 220m.

Completion of the Kingswood diamond drilling program is underway with a diamond hole in progress. Results will be reported in the next quarter. Plans are well advanced for a substantial aircore drilling program to complete the regional drilling coverage over the summer months.

Cowal East EL6553 and EL6554 (NSW, Gold Fields 80%, Clancy 20%)

The Cowal East project consists of two tenements, Koobah EL6553 and Wyrra EL6554, located in the Cowal Igneous Complex, east of the Cowal gold mine and north and south of the Marsden copper-gold prospect. Diamond drilling was completed at the Eurowie prospect and results were received for diamond holes completed in the previous quarter at the Eurowie and Timberscombe prospects. The Eurowie diamond holes were following up encouraging porphyry copper-gold mineralisation in a previous hole (WYACD006: 57m @ 0.13% Cu from 170m; 27m @ 0.27% Cu & 0.15g/t Au from 362m). Moderate to strong inner propylitic and semi-pervasive potassic alteration was intersected, however, only narrow intervals of low-grade copper-gold mineralisation were intersected.

Wellington North EL6178, EL6328, EL6662, EL7200 and EL7440

(Gold Fields 80%, Clancy 20%)

The Wellington North project covers approximately 30km of strike length of the Molong Volcanic Belt immediately north of Wellington. Field Portable Xray Fluorescence (FPXRF) soil surveys were conducted at the Boda and Girraween prospects. A significant +600ppm copper anomaly at the Boda prospect is currently being followed up with a 350m deep RC/diamond hole. Results will be reported in the next quarter. A 3D IP survey is planned at the Girraween prospect in the December quarter.

Compilation of previous drilling data has been completed at the Dicks Reward prospect where numerous shallow previous intercepts have been defined, including the following:

- 0.32m @ 30.16g/t Au from 22m
- 1m @ 9.95g/t Au from 13m
- 5m @ 2.48g/t Au from 20m
- 1m @ 14.6g/t Au from 18m
- 2.2m @ 7.99g/t Au from 68.25m
- 2m @ 14.6g/t Au from 65m
- 2m @ 13.3g/t Au from 16m

The above intercepts are associated with thin laminated quartz veins with pyrite-chalcopyrite-sphalerite-galena as the sulphide assemblage, with rare ankerite-pyrite halos.

Moorefield EL6938 and ELA3999

(Gold Fields 80%, Clancy 20%)

Moorefield covers 285km² between Fifield and Condobolin in the central west of New South Wales. Field reconnaissance has identified a number of historic workings at the Carlisle Reefs prospects, with some shafts up to 30m deep. These workings do not appear on any previous maps of the area and have never been drill tested. FPXRF soil sampling is planned for the Boxdale and Carlisle Reefs prospects in the December quarter.

Parkes EL6824, EL7199, EL7271, EL6823, EL6987, ELA4003 and ELA4004

(Gold Fields 80%, Clancy 20%)

The Parkes project covers 474km² of the highly prospective Northparkes Igneous Complex. Rio Tinto's Northparkes copper-gold mine is located approximately 15km to the north of the Parkes project. Compilation of previous exploration data has been completed and a number of prospects considered prospective for porphyry copper-gold, epithermal gold and orogenic gold deposits have been identified. Follow-up drilling, mapping, rock chip sampling and an aeromagnetic survey is planned for several prospects after cereal crops have been harvested. Results from this work will be reported in the following quarter.

Corporate

Capital Raising

The rights issue which was announced in July 2010 to raise \$2.2 million (before issue costs) was completed in August 2010 and was closed oversubscribed with all shares being taken up by existing shareholders or rights holders. There was no shortfall to the issue.

New Office in Orange

After a period of close to six years in a shared office and shed in Orange, Clancy is moving into its own office/shed complex in Orange at the end of October. The new premises are within 100m of the previous office but provide more space for core layout and storage as well as room for expansion. The new address in Orange is 3 Corporation Place, Orange, NSW 2800. The PO Box, phone and fax numbers remain the same.

Presentation at the Mudgee Mines and Wines conference

Clancy Senior Exploration Geologist, David Ward, presented a technical paper at the Mines and Wines conference in Mudgee in September. The paper discussed the Trundle Copper-Gold porphyry project with particular emphasis on Trundle Park which is the focus of the next drilling campaign at Trundle in November. The paper can be viewed on the Clancy website.

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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.