

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 the past four years to consist of highly prospective copper-gold projects in the Lachlan Fold Belt of NSW and base metal projects in the Mount Read Volcanic Belt of Tasmania.

Clancy's competitive advantages include support from major shareholder, Geoinformatics Exploration Inc (TSX-V), having one of the largest ground positions of any explorer in the prospective Macquarie Arc (>1850km²), and the innovative use of digital geological and geophysical data in probability based targeting.

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. The exploration activities are well-funded and substantial upside exists with the potential addition of resources.

Additionally, Clancy has established joint ventures with Gold Fields Limited on three projects in NSW (managed by Clancy) and with Bass Metals Limited (ASX: BSM) on the Tasmanian tenement package (managed by Bass Metals). Clancy, in conjunction with its JV partners, has spent significant funds on the projects to date, with a combined \$7.4 million to be spent on the Company's tenement package within two years of listing.

A six month drilling program commenced in October with a healthy exploration budget and a well-credentialed team in place to advance several 'drill-ready' targets.

Quarterly Activities Report

For the Period Ending 31 December 2007

Overview

The Board of Clancy Exploration Limited is pleased to release its quarterly activities report for the period ending 31 December 2007.

During the quarter, Clancy commenced diamond drilling at the Gobondery project located in the Macquarie Arc in the Lachlan Fold Belt of NSW. Two previously reported IP anomalies are being tested.

Drilling at Gobondery is now up to the third hole. The first hole tested the Allandale IP anomaly, and the second and third holes are testing the Forest View IP anomaly. The third hole is currently in progress. Core samples have been submitted for analysis.

Clancy was also able to secure a second air core drilling rig which commenced drilling in January 2008 at Cowal East. The rig is contracted for a minimum of 11,000 metres of drilling over the next couple of months.

Activities in the quarter also include IP surveys on Gobondery and Wellington North as well as trial 2D IP lines at Cowal East, Fairholme and Goobang.

Highlights

- Two drilling rigs now active on the Clancy tenement portfolio in New South Wales.
- Two new exploration geologists and another field assistant employed, increasing the Orange exploration team to 3 geologists and 2 field assistants
- Continuation of IP surveys on several tenements.
- Commencement of diamond drilling on the Gobondery tenement to test the IP anomalies at Allandale and Forest View.
- Completion of the first diamond drill hole at the Forest View IP anomaly at a depth of 303.5m with the top 200m composed of hematite-altered breccia.
- Completion of the first diamond drill hole at the Allandale IP anomaly at 378.2m with variably altered breccia over 80% of the hole.
- A second air core rig secured and drilling started at Cowal East in January 2008 to drill a minimum of 11,000 metres.
- Two soil anomalies identified at Orange East, one with values up to 0.95g/t gold and the other with values up to 1265ppm arsenic, 8440ppm copper and 584ppm zinc. Both are open along strike.



Lachlan Fold Belt Projects – New South Wales

Diamond drilling commenced at the Gobondery JV on 22 October 2007, where the third hole is currently in progress. A second drilling contract was executed with Australia Mineral and Waterwell Drilling Pty Ltd for the provision of an aircore drilling rig. The drilling commenced on 7 January 2008 and will continue for two months with approximately 11,000m of aircore to be drilled. An IP crew has been active on various Clancy projects since mid-September 2007 and will continue into the next Quarter.

With all the field activity, Clancy is pleased to announce that two additional exploration geologists and another field assistant have been recruited, bringing the number of Orange-based full-time exploration employees to three geologists and two field assistants, plus contract personnel as required.

Gobondery EL6534 (Clancy 100%, Gold Fields earning 80%)

Diamond drill hole FVD001 at the Forest View IP anomaly was completed at 303.5m. The top two thirds of the hole is composed of hematite-altered breccias. The hematite alteration varies in intensity and zones of silicification occur throughout. Only trace amounts of sulphide were intersected. Substantial amounts of specular hematite have been noted which may be affecting the IP response. The significance of the specular hematite is being investigated. Specular hematite breccia has been noted at some porphyry prospects (e.g. in British Columbia, Canada) and it tends to be gold-rich. Geological logging of FVD001 has been completed and the core has been sent for analysis with results expected in about one month.

The second hole at Forest View (FVD002) was collared 300m east of FVD001 and is currently at 152.6m depth. Hydrothermally altered volcanoclastic is the dominant host rock, with the alteration assemblage having less hematite and more sulphide than FVD001. Up to 3-4% disseminated pyrite and minor epidote-calcite-chalcopyrite veins have been noted. A porphyritic monzodiorite with epidote-calcite-chalcopyrite veins has been intersected at 117m, which represents the first significant identification of in-situ intrusive rocks at Gobondery. The planned hole depth for FVD002 is 400m and the hole is expected to be completed within the next two weeks.

Diamond drill hole ALRCD001 at the Allandale IP anomaly was completed at 378.2m. Over 80% of the hole was comprised of variably altered breccia (epidote, K-feldspar and hematite). Fine-grained disseminated pyrite (up to 3%) was intersected in discrete intervals and carbonate veins occur throughout. Fractionated porphyritic monzonite clasts in the breccia indicate that intrusive rocks may be present nearby. Altered breccia is a common distal component of porphyry copper-gold deposits world wide. Results for this hole are expected after the Forest View results.

Cowal East: Koobah EL6553, Wyrra EL6554 (Clancy 100%, Gold Fields earning 80%)

The Koobah and Wyrra tenements are located in the Cowal Igneous Complex, east of the Cowal gold mine and north and south of the Marsden copper-gold prospect (Figure 1). The Cowal gold deposit is a low-sulphidation carbonate-base metal gold system that is transitional between the porphyry and epithermal environments with an endowment of >4.5M oz of gold. It is being mined by Barrick Gold. Marsden is a porphyry copper-gold prospect that is currently being drilled out to resource status by Newcrest Mining. Marsden currently has an inferred resource of 800,000 oz of gold and 380,000 tonnes of copper and has yielded recent drilling intercepts such as 171m @ 0.82g/t gold and 0.7% copper. The Cowal East project is prospective for both porphyry-style (such as Marsden) and Cowal-style deposits (Figure 1).

The basement rocks of the Cowal Igneous Complex are covered by 30 to >100m of younger cover and drilling is the only practical tool available to explorers. Previous reconnaissance aircore drilling by another company identified significant copper, gold and zinc anomalism in basement rocks within Koobah and Wyrra (Figure 2). Significant intercepts such as 4m @ 2.16g/t gold and 2m @ 0.22g/t gold, 0.137% copper were never followed up with deeper drilling.

An aircore rig has been secured and aircore drilling brought forward from the planned fourth quarter commencement. The initial targets are infill drilling around previously defined anomalies as well as broader reconnaissance drilling on targets not previously tested. Drilling commenced on 7 January



2008 at Wyrra and will extend to Koobah before moving on to Currumburrama and Myall. A minimum of 11,000m of aircore drilling is planned.

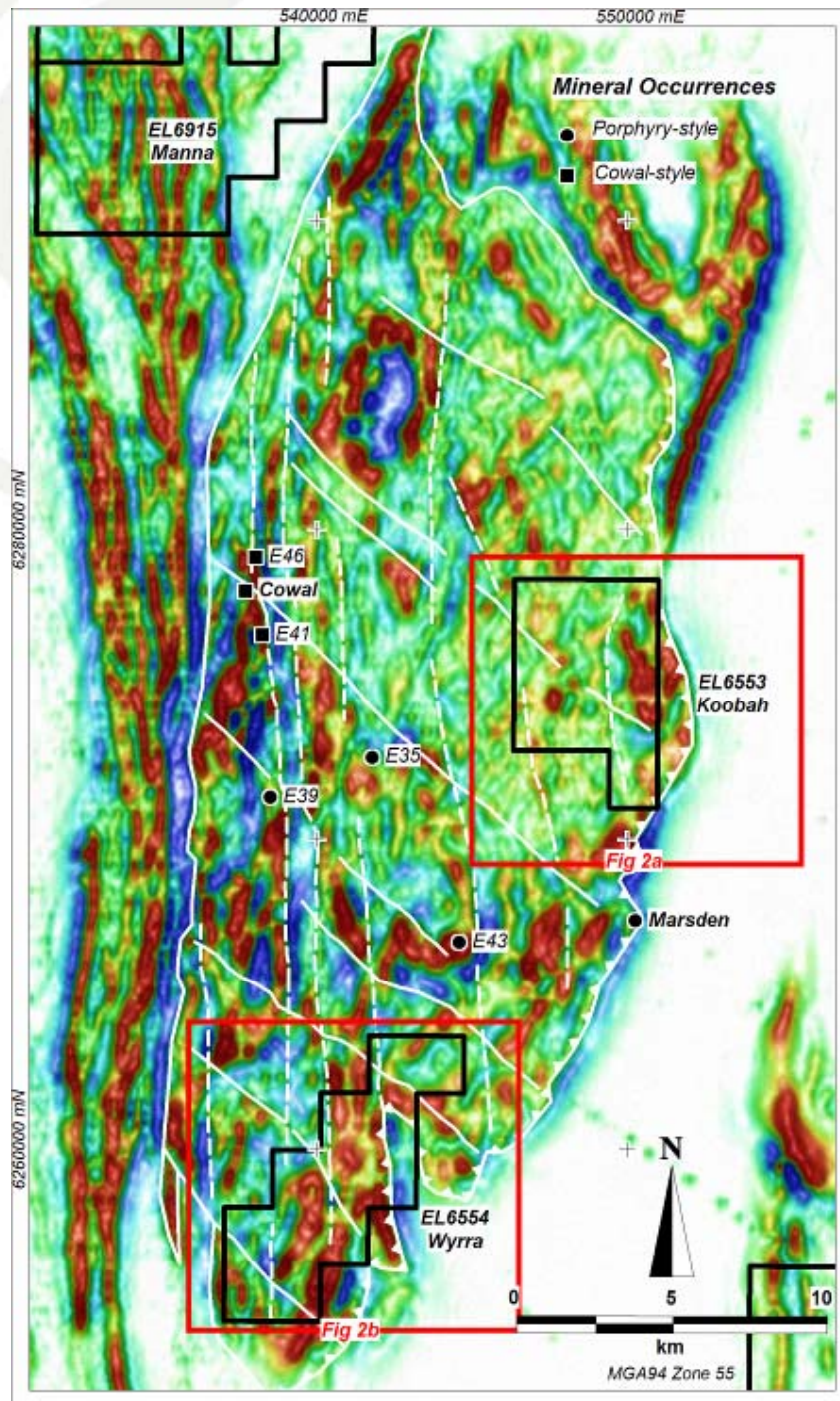


Figure 1 – Magnetic image (first vertical derivative of the Reduced to the Pole (RTP) magnetics) showing the Cowal Igneous Complex and the location of Clancy tenements EL6553 and EL6554. Major interpreted structures are shown in white and the insets (red) are shown in Figure 2.

Progress to date has been slow due to difficulties with penetrating the cover and recent wet weather. However, basement rocks intersected to date are encouraging with diorite in several holes and strong silica-sericite-pyrite alteration in one hole. Results are anticipated in 6-8 weeks.

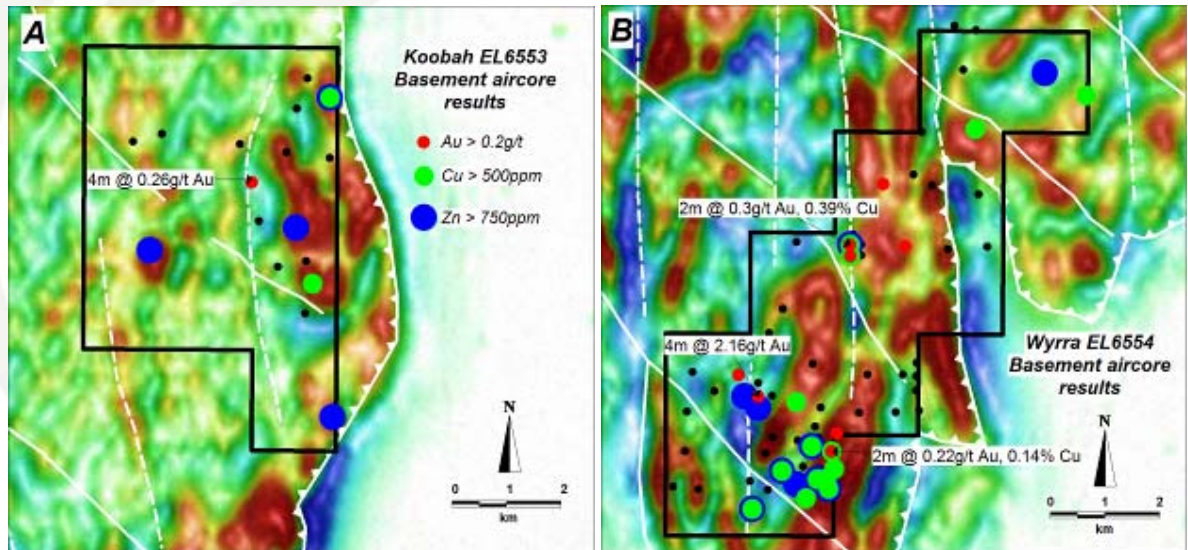


Figure 2 – Compilation of previous basement aircore drilling results by a previous explorer at: (A) Koobah EL6553; and (B) Wyrra EL6554. The image is a first vertical derivative of the RTP magnetics. The significant basement gold intercepts are labelled, none of which have been followed up with deep drilling.

Fairholme: Fairholme EL6552, Manna EL6915 (Clancy 100%)

The Manna tenement has now been granted as EL6915. A 2.9km long trial 2D pole-dipole IP line (100m dipole spacing) at Fairholme was completed. There is highly conductive overburden with low model sensitivity at depth indicating that the array was not seeing far into bedrock. Inversion models demonstrate the channeling of current along the surface in the low resistivity zone. Chargeability values are low but variable. There is a low amplitude chargeable body within the model section, however the data fit is poor. The trial IP survey has shown that IP is not a suitable exploration technique at Fairholme and therefore gradient array IP and/or 3D IP surveys are not warranted.

Interpretation and modeling of the spectra collected from core in the previous quarter will be a priority for the expanded exploration team.

Myall EL6913 (Clancy 100%)

The Myall tenement has now been granted as EL6913. Re-logging of previous drill core and aircore chips continued during the quarter. Coincident zones of elevated basement copper-gold from previous drilling and magnetic lows, which may represent magnetite destructive alteration, have been targeted for follow-up aircore drilling. Aircore drilling is planned for later in the year.

Orange East EL6181 (Clancy 100%)

Soil sampling over the Silurian gold target in the southern part of the lease was completed with 746 samples collected (inclusive of standards). Two anomalies have been identified to date, with the first a discontinuous 1.4km long N-trending zone of elevated arsenic and zinc that encloses two single point gold values of 0.95g/t and 0.19g/t. This anomaly is open to the north where values up to 609ppm zinc occur (Figure 3). The second anomaly is a coincident arsenic-copper-zinc anomaly with significant maxima of 1265ppm arsenic, 8440ppm copper and 584ppm zinc on the southwest edge of the grid, which is open to the south (Figure 3). A single point gold value of 0.62g/t in the eastern part of the grid is also open to the north. The soil sampling grid terminates against surface property boundaries and extension soil sampling along strike will be undertaken once access to neighbouring properties has been granted.

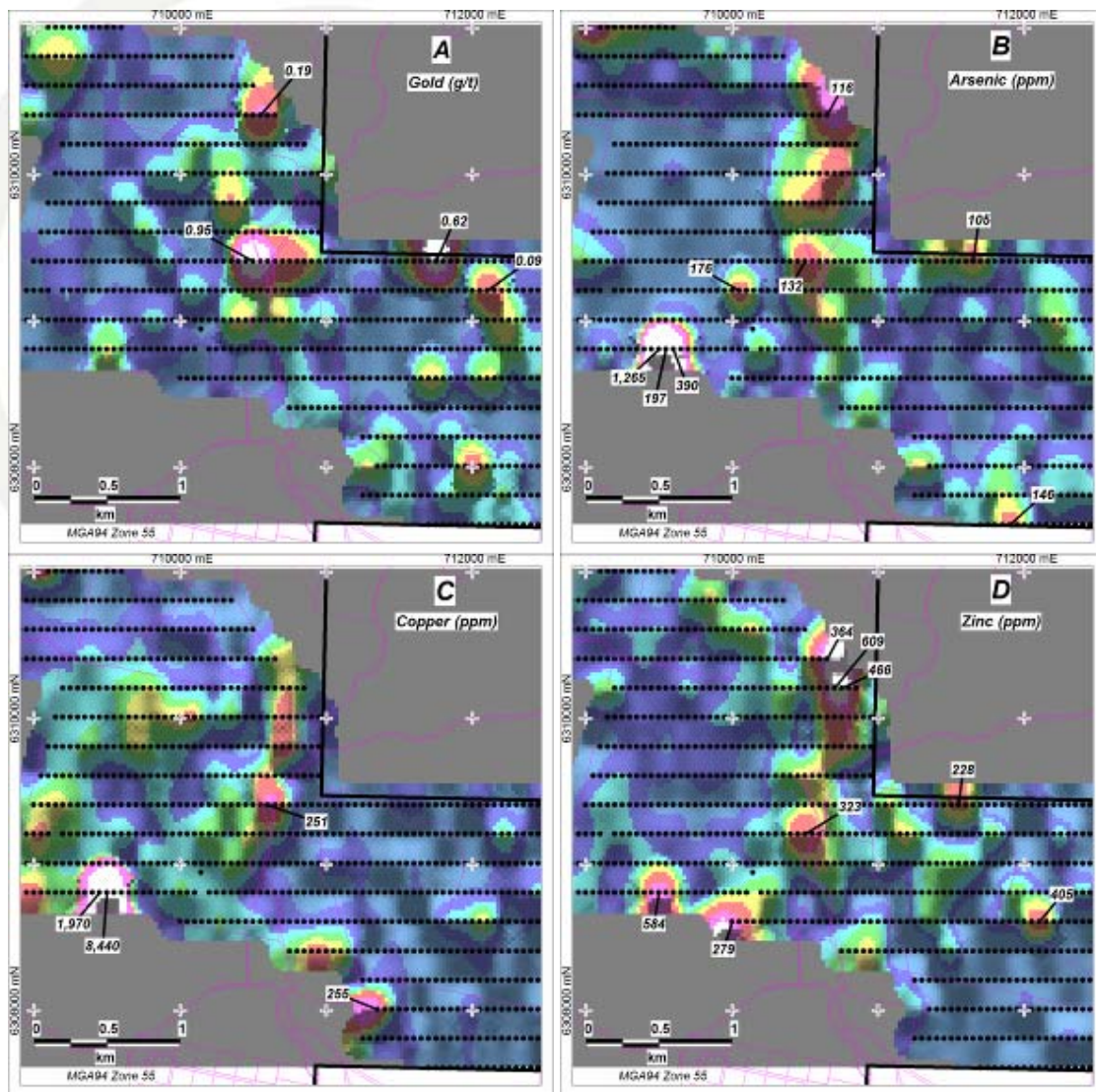


Figure 3 – Orange East EL6181 auger soil geochemistry – raw gridded values for: (A) – gold; (B) – arsenic; (C) – copper; and (D) – zinc. Showing high values (labelled in ppm), sample location (black dots) and surface property boundaries (magenta lines).

Wellington North: Duke EL6178, Hillcroft EL6328, Yarindury EL6662 (Clancy 100%, Gold Fields earning 80%)

Gradient array IP and 2D IP surveys are in progress at Wellington North. Gradient array IP surveys have been completed at Glenrowan, Roselawn and Rose Hill, and 2D follow-up IP lines have been completed at Glenrowan. Gradient array IP will commence shortly at Dunbell and follow-up 2D IP is planned for Roselawn and Rose Hill. Processing and interpretation of the IP data has commenced and will be completed in the first quarter of 2008.

Goobang EL6537 (Clancy 100%)

A 2.7km long trial 2D IP line was completed. The overburden is highly conductive but there appears to be some depth penetration into the basement, possibly up to 100m vertical. However, there is very little signal beyond this, indicating that IP is not a suitable exploration tool at Goobang.



Spring Creek EL6536 and Illabunda EL6535 (Clancy 100%)

Drilling planned for December 2007 has been rescheduled to the first quarter of 2008 due to the diamond drilling at Gobondery being brought forward.

Cundumbul: Cundumbul EL6661 and Bakers Swamp EL6912 (Clancy 100%)

The Bakers Swamp tenement has now been granted as EL6912. IP gradient array surveys will commence in February 2008.

Currumburrama EL6784 (Clancy 100%)

Aircore drilling of the target area is planned for the first quarter of 2008.

Corporate Activity

During the quarter, Clancy conducted a number of investment Roadshows to interested market participants in Sydney & Melbourne. The Roadshows were intended to widen the potential audience of Clancy investors, following the initial IPO for the Company. Clancy will be continuing to actively engage with market participants in forthcoming quarters.

The latest Investor Fact sheet and Roadshow presentation may be found at Clancy's website, www.clancyexploration.com.

Clancy owns 1,161,250 shares in Bass Metals Limited and 56,250 listed options exercisable at \$0.40, expiring on 30 April 2010. In addition, Clancy holds the right to receive 250,000 performance shares for every 500,000 ounces of gold or gold equivalent discovered by Bass Metals on its Tasmanian portfolio up to a maximum of 5 million shares. Consequently, any success that Bass Metals has, including at its Hellyer project, has the potential to increase Clancy's shareholding in Bass Metals substantially. Bass Metals continues to explore our joint venture tenements in Tasmania.

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.

