



**ASX / MEDIA ANNOUNCEMENT
 10 April 2018**

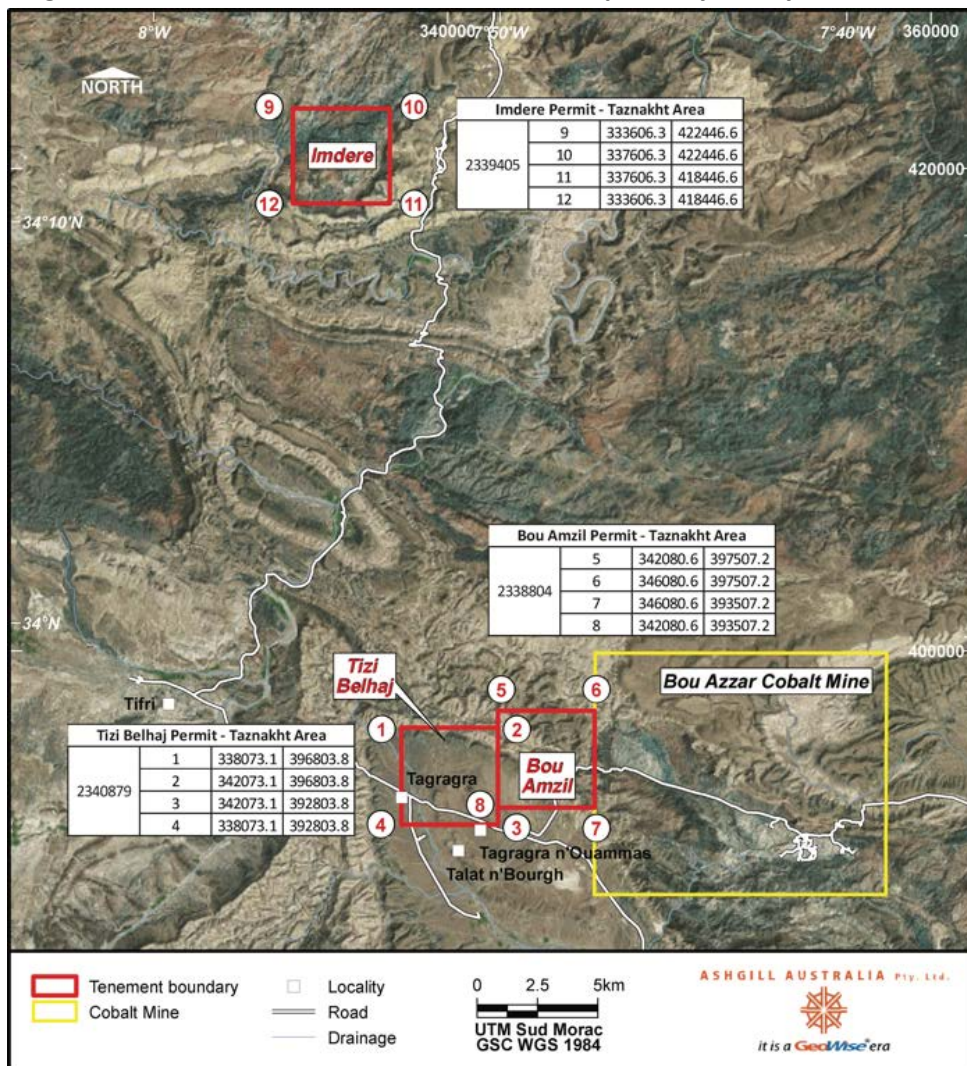
**CLANCY SECURES KEY COBALT LICENCES NEXT TO FAMOUS BOU AZZER COBALT MINE
 -MOROCCO-**

Highlights:

- Clancy signs deal to acquire up to 100% of key cobalt licences immediately adjacent to the world famous Bou Azzer (also referred to as Bou Azzar) Cobalt mine in Morocco.
- The Bou Azzer Cobalt Mine is famous for being a primary cobalt producer and high-quality cobalt cathode and has been in operation since the 1930's.

David Lenigas, Clancy's Chairman commented; *"This is an extraordinary and tremendous opportunity for Clancy to acquire a big package of prime exploration tenements for cobalt, nickel, copper and gold in Morocco. To sign this deal for 32 km² right next to the world famous Bou Azzer Cobalt Mine is a significant deal for Clancy. We plan to start exploration work immediately as part of our due diligence and we already have an experienced in-country exploration team on the ground."*

Figure 1: Location of the three licences to be acquired by Clancy in Morocco.



Clancy Exploration Limited (ASX: CLY) (“Clancy” or the “Company”) is pleased to announce the signing of an agreement by which it will acquire, subject to shareholder and regulatory approvals, up to a 100% interest in 3 licences in Morocco (“**Sale Agreement**”) through the staged acquisition of Atlas Managem S.A.R.L (“**Atlas**”) (“**Acquisition**”).

Each of the licences is 16 km² in size, two of which (the Bou Amzil and Tizi Belhaj licences) are located immediately to the west and adjacent to Managem Group’s (“**Managem**”) Bou Azzer Cobalt Mine. The third licence (the Imdere licence) is located approximately 20 km north-east of Bou Azzer.

The adjacent Bou Azzer in Morocco has Co-Ni Arsenide deposits with Au & Ag and is currently one of the world’s only operating primary cobalt mines:

- More than 50 deposits in the district, mined over 75 years with production of over 100kt of cobalt, 1,000’s of tonnes of silver and tens of tonnes of gold;
- Current production of ~2ktpa of cobalt at an estimated head grade of 1.3% cobalt and up to ~3-4 g/t gold, total current resources and reserves of 17,800 tonnes of cobalt.¹

Information on the Bou Azzer Cobalt mine is available on Managem’s website at www.managemgroup.com.

Figure 2: The Bou Azzer Cobalt Mine taken from the Bou Amzil Licence looking east.



Cobalt Market Commentary

Cobalt contributes up to 60% of the value of lithium ion batteries which in turn accounts for greater than 50% of demand for cobalt. The lithium ion battery is projected to become the world’s most significant source of power with the use in electric vehicles (“**EV**”) being the key driver. Bloomberg forecasts 35% of vehicles sold by 2040 will be electric, currently only 1% of global sales are EVs. Consequently, cobalt demand is expected to rise at 5% compound annual growth rate (“**CAGR**”) over the next 4 years. Cobalt’s other main use at 20% is in superalloys which complements the battery demand as high-tech industry grows.

Cobalt is expected to have a supply deficit as currently mining is only just meeting demand. The cobalt price has risen significantly from US\$10/lb (US\$22,000/t) to US\$41.36/lb (US\$91,000/t) over the past 2 years. Current prices are still well short of the 2008 high of US\$52/lb (US\$115,000/t) which was the last time cobalt was in deficit.

Approximately 98% of the world’s supply of cobalt comes from copper and nickel production with 15 mines representing half of the world’s supply. This makes the supply stream for cobalt highly sensitive to disruptions

¹ ASX news release by Blackstone Minerals dated 27 March 2018 – Investor Presentation – Goldman Sachs Battery Day

caused by mine related issues. Currently more than 50% of the world's supply of cobalt is a by-product of copper production from the Democratic Republic of Congo.²

Transaction Summary

Atlas is the owner of research permit no. 23408 79 ("**Atlas Permit**") and has an exclusive option to acquire 100% of the issued capital of Chater S.A.RL ("**Chater**") ("**Chater Option**"), which holds exploration licences 2338804 and 2339405 ("**Chater Licences**") (together with the Atlas Permit, the "**Licences**"). Atlas intends to exercise its right to acquire Chater, in order for Atlas to hold all 3 Licences.

Cocam Pty Ltd ("**Cocam**"), an unrelated party to Clancy, holds an exclusive option to acquire Atlas. Clancy has entered into a share sale agreement to acquire 100% of the issued capital of Cocam and thereby an indirect interest to acquire Atlas ("**Cocam Acquisition**").

In consideration for an exclusivity fee of \$25,000, Atlas has granted Clancy a 60 day exclusivity period, from the execution of the Sale Agreement, to conduct due diligence on Atlas, Chater and the Licences.

In consideration for the Acquisition and Cocam Acquisition, Clancy agrees to issue to the vendors of Atlas and Cocam in aggregate, fully paid ordinary Shares in Clancy ("**Clancy Shares**") and cash consideration as follows:

- ("Stage 1"): US\$175,000 and 130 million Clancy Shares within 95 days from the date of execution of the Sale Agreement in consideration for an interest in Atlas of 20%;
- ("Stage 2"): US\$200,000 and 120 million Clancy Shares within 6 months and 5 days from the completion of Stage 1, in consideration for a further interest in Atlas of 20%;
- ("Stage 3"): US\$200,000 and 120 million Clancy Shares within 6 months and 5 days from the completion of Stage 2, in consideration for a further interest in Atlas of 20%;
- ("Stage 4"): US\$200,000 and 120 million Clancy Shares within 6 months and 5 days from the completion of Stage 3, in consideration for a further interest in Atlas of 20%; and
- ("Stage 5"): US\$200,000 and 120 million Clancy Shares within 6 months and 5 days from the completion of Stage 4, in consideration for a further interest in Atlas of 20%, such that Clancy (or a subsidiary of Clancy) will have acquired or been issued a 100% interest in the share capital of Atlas at the completion of Stage 5.

Clancy has the right to accelerate any of the above payments. Clancy will also issue (subject to shareholder approval), 10 million options with an exercise price of \$0.005 and an expiry date of 2 years from the date of issue to Contacio Pty Ltd (an unrelated party of Clancy) for facilitating the Acquisition.

The Acquisition is subject to a number of conditions, including due diligence on Atlas, Chater and the Licences (each to the satisfaction of Clancy), Atlas exercising the Chater Option and acquiring 100% of Chater, and Clancy obtaining the requisite shareholder approvals (as set out below).

Shareholder approvals being sought

It is a condition of the Acquisition that Clancy obtains shareholder approval to issue the 610 million Clancy Shares. In conjunction with shareholder approval, Clancy will seek a waiver from ASX Listing Rule 7.3.2 to issue the 610 million Clancy Shares over a period of up to 2 years and 4 months.

Concurrently with the above approvals, shareholders will be asked to approve a new remuneration package and the issue of certain performance rights for the following directors of the Company.

² ASX news release by Blackstone Minerals date 9 January 2018 – First hole intersects 3.0% Cobalt and 44 g/t Gold at Little Gem

Change of Director Role

Subject to the receipt of the above shareholder approvals, Mr David Lenigas, the Company's Chairman, will transition from Non-Executive Chairman to Executive Chairman of the Company, reflecting the increased role Mr Lenigas will take in all aspects of the Company's activities, and the increased commitment required due to the proposed Acquisition. Mr Lenigas, as Executive Chairman, will focus primarily on strategy, strategic relationships and the capital markets.

Mr Lenigas will receive monthly remuneration of A\$10,000 through a new consulting letter agreement. The arrangement can be terminated by either party on three months' notice.

Performance Rights

Subject to shareholder approval, it is proposed to issue Mr Lenigas (or his nominee) 400 million performance rights, with a further 62 million performance rights to be issued to the remaining board members (together the "**Performance Rights**").

The Performance Rights to be issued to Mr Lenigas shall vest in four tranches upon the following milestones being achieved:

- 1) Tranche 1, being 100 million Performance Rights, shall vest 12 months after the date that shareholders approve the Acquisition, provided that the holder does not resign from Clancy's board (**Board**) before the vesting date;
- 2) Tranche 2, being 100 million Performance Rights, shall vest 12 months after the date that the 10 day VWAP for the shares on the ASX is A\$0.01 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date;
- 3) Tranche 3, being 100 million Performance Rights, shall vest 12 months after the date that the 10 day VWAP for the shares on the ASX is A\$0.015 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date; and
- 4) Tranche 4, being 100 million Performance Rights, shall vest 12 months after the date that the 10 day VWAP for the shares on the ASX is A\$0.02 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date.

The vesting period for the Performance Rights is from the date of the shareholder's meeting to expiry 4 years from the date of issue. Full details of the terms of the Performance Rights will be included in the notice of meeting to be sent to shareholders. The proposed meeting date has not yet been determined.

Subject to shareholder approval, the remaining Board members will be issued Performance Rights as follows:

- 1) Messrs Scott Patrizi and Shaun Hardcastle will each be granted 25 million Performance Rights, being comprised of 4 equal tranches of 6.25 million Performance Rights; and
- 2) Mr David Scoggin will be granted 12 million Performance Rights, being comprised of 4 equal tranches of 3 million Performance Rights.

Please direct enquiries to:

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Forward-looking Statements and Disclaimer:

Forward-looking statements are statements that are not historical facts. Words such as “expect(s)”, “feel(s)”, “believe(s)”, “will”, “may”, “anticipate(s)” and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of Clancy, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to Clancy's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.