

ASX / MEDIA ANNOUNCEMENT

29 November 2013

## FLAGSHIP ACQUISITION

### EXTENSIVE NORTHERN TERRITORY EXPLORATION TENEMENT PORTFOLIO TO BE ACQUIRED FROM ABM RESOURCES

**Clancy Exploration Limited** (ASX: CLY) is pleased to advise that it has entered into an agreement with ABM Resources NL (ASX: ABU) (ABM) whereby Clancy will have the option to acquire 100% of ABM's interests in the North Arunta Project Region (the **Projects**) in the Northern Territory. The agreement is subject to due diligence.

Clancy's Managing Director, Mr Gordon Barnes said "the transaction will deliver an exciting portfolio of advanced prospects and greenfields exploration targets within a land package covering more than 10,000km<sup>2</sup> in the highly prospective North Arunta region of the Northern Territory."

"ABM and previous explorers have defined extensive gold systems at the Barrow Creek and Reynolds Range projects with strike lengths in excess of 10 kilometres. Limited drilling to date has demonstrated the potential of these systems with near surface gold intercepts at Kroda of 57m @ 3.83g/t Au and at Sabre of 17m @ 3.93g/t Au. Mineralisation at both prospects is open at depth and along strike and we are confident that further drilling has the potential to grow the mineralisation into JORC compliant gold resources. We anticipate completing the transaction ahead of the 2014 field season and aim to commence drilling in April 2014," Mr Barnes said<sup>1</sup>.

#### Background to the Transaction

Clancy has for the past two years sought to acquire a flagship project with existing mineralised drill intersections to create value for its shareholders. The search has taken some time, but the Board considers that this transaction brings a particularly attractive combination of immediate targets for resource estimation drilling, well-defined targets ready for initial drill testing, and an extensive portfolio of greenfield opportunities.

The Barrow Creek project includes the Kroda prospect which has been subject to a drilling program by ABM. Significant drill intercepts from Kroda include 57m @ 3.83g/t Au (Figure 3)<sup>2</sup>. A concerted drilling campaign has the potential for further discovery of other high-grade breccia pipes within the Kroda mineralised trend, which extends for 14km.

At Reynolds Range, ABM drill tested four targets in the Stafford Gold Zone with the best intercept from the Sabre prospect of 35m @ 2.02g/t Au including 17m @ 3.93g/t Au<sup>3</sup>. Further reconnaissance work at Stafford Gold Zone also revealed high grade copper and silver rock chip samples from the Reward Prospect (~9km SE of Sabre) with 20.3% Cu and 271g/t Ag<sup>4</sup> near a down-dip EM conductor identified by an airborne

<sup>1</sup> There has been insufficient exploration to estimate a gold resource at this time and it is uncertain if further exploration will result in the estimation of a gold resource.

<sup>2</sup> Refer to ABM ASX release dated 27 September 2011.

<sup>3</sup> Refer to ABM ASX release dated 24 May 2010.

<sup>4</sup> Refer to ABM ASX release dated 13 May 2010.

electromagnetic survey in 2012. These very encouraging results have not been followed up to date, due to ABM's focus on its Old Pirate trial mining program. The location of the projects is shown in Figures 1 and 2.

Clancy will, subject to due diligence and completion of the acquisition, immediately undertake a detailed review of the previous technical data and will formulate a drilling program for Kroda and Reynolds Range with the aim of delineating a JORC compliant resource within 6 to 12 months of completing the acquisition.

ABM shareholders will maintain exposure to the exploration upside of these exciting projects through a substantial shareholding in Clancy<sup>5</sup>.



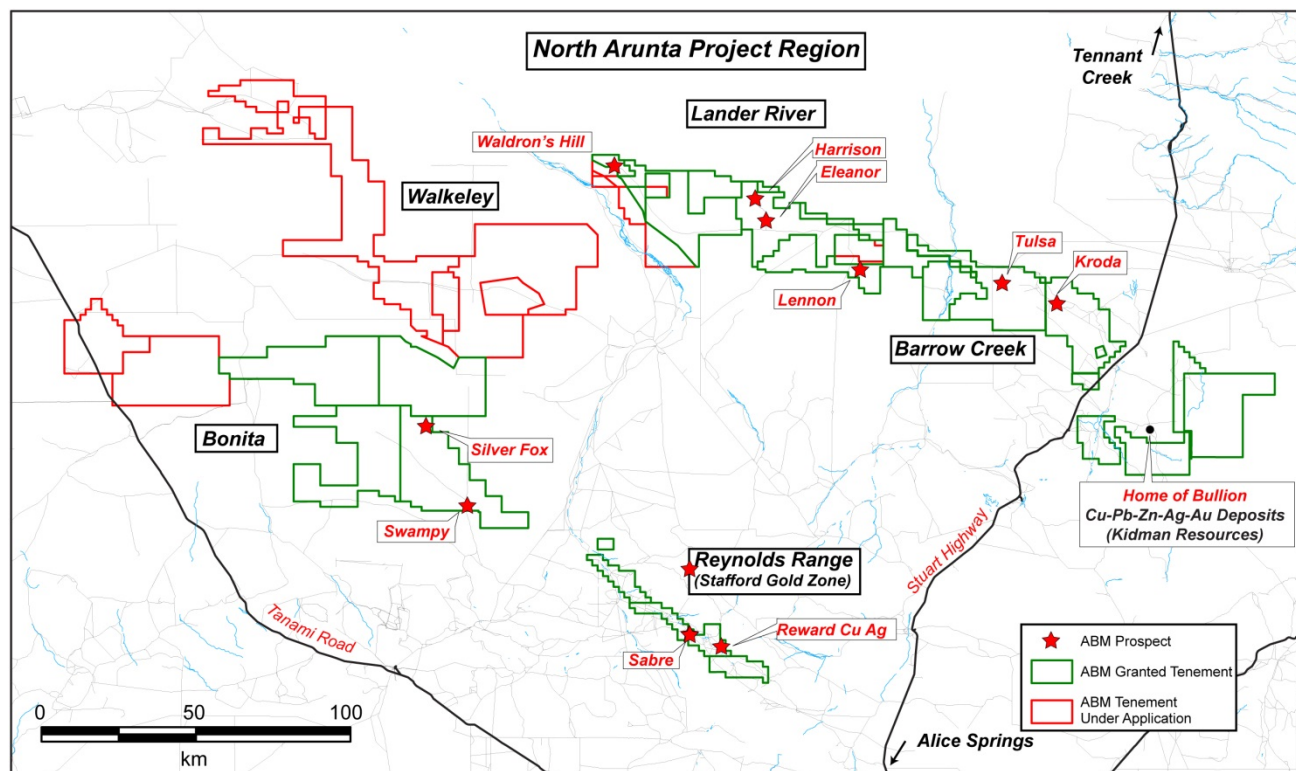
**Figure 1** – Map of ABM's tenements in the Northern Territory. The North Arunta Project Region is shown in the red oval (Source: ABM 2013 annual report).

### Acquisition of 100%

Clancy has paid an option fee of \$250,000 for the exclusive option to complete due diligence on the Projects. ABM will also be entitled to perform due diligence on Clancy. The option fee is refundable in certain circumstances should the acquisition not proceed. Due diligence investigations will commence immediately.

<sup>5</sup> Further details of the impact of the transaction on the capital structure of CLY are set out in Table 1.

ABM has agreed, subject to the conditions below, to transfer 100% of its legal and beneficial interest in the Projects to Clancy.



**Figure 2** – Map of North Arunta Project Region showing the ABM tenements that will be acquired by Clancy (Source: ABM).

As consideration for this acquisition, Clancy will:

- issue to ABM, 125 million fully paid shares in the capital of Clancy<sup>6</sup>;
- issue to ABM, 175 million unlisted options to acquire an equivalent number of fully paid shares in the capital of Clancy<sup>6</sup>, exercisable in whole, or in three tranches of 58.333m options within three years of issue;
- transfer its entire shareholding in Genesis Resources Limited (ASX: GES) being 8,157,000 fully paid ordinary shares, or an agreed cash equivalent, to ABM;
- offer ABM the right to initially have one nominee (but ultimately two nominees subject to the exercise by ABM of the first tranche of options) appointed to the Board of Clancy; and
- pay to ABM an option exercise fee of \$150,000 and an acquisition fee of \$200,000 in cash.

Completion of the acquisition will be subject to:

- Clancy obtaining all necessary approvals including any shareholder approvals required pursuant to the Corporations Act or ASX Listing Rules and any government or third party approvals;
- ABM obtaining all necessary approvals including any shareholder approvals required pursuant to the Corporations Act or ASX Listing Rules;
- Clancy appointing an Investment bank/broker to coordinate a placement of its ordinary shares to raise gross proceeds of between \$2,500,000 and \$4,000,000;

<sup>6</sup> Consideration shares and options may be subject to restriction arrangements in accordance with ASX listing rules. The exact number of consideration shares and options to be issued will depend upon the price at which the capital raising is completed.

- ABM and Clancy entering into an agreement on terms acceptable to both Parties for ABM to provide technical exploration services to Clancy for a period of 24 months from Completion, including logistical support, geological services, Alice Springs support base and other incidental services;
- ABM obtaining the consent of the Central Land Council (**CLC**) to assign all of ABM's native title rights and Deeds for Exploration entered into with the CLC and the traditional owners relating to the Tenements, to Clancy; and
- Clancy and ABM agreeing upon a proposed work program and budget.

### **Proposed Capital Raising**

Clancy proposes to undertake a capital raising of between \$2.5 million and \$4 million to fund the planned exploration effort on the Projects. Clancy has signed a mandate with RM Corporate Finance to coordinate the capital raising. It is currently envisaged that the capital raising will be undertaken via a placement to sophisticated investors at an issue price to be mutually negotiated, but not less than \$0.02 per share. Shareholders will be advised of the final details of the capital raising in due course.

### **Shareholder Approval**

In order to complete the proposed transaction, Clancy shareholders will need to approve, among other things, the issue of the consideration shares and options to ABM pursuant to:

- Section 611 of the Corporations Act 2001, since following the issue, ABM will hold greater than 20% of the voting power in Clancy (see Table 1); and
- ASX Listing Rule 7.1 which requires shareholder approval for equity issues exceeding 15% of existing capital within a 12 month period.

The issue of shares under the proposed capital raising will require shareholder approval pursuant to ASX Listing Rule 7.1.

Following successful completion of the due diligence enquiries by both Clancy and ABM, Clancy will commission an independent expert's report on the proposed transaction for the benefit of shareholders and convene a shareholder meeting to approve the transaction.

See Annexure 1 for a proposed timetable of events following successful completion of due diligence.

### **The Projects**

The location of the projects is shown in Figures 1 and 2. A brief description of the projects is provided below<sup>7</sup>.

#### **Barrow Creek**

The Barrow Creek project consists of a 160 kilometre long gravity trend with associated metamorphosed sedimentary rocks, dolerite intrusions and large granite intrusions. The region has several known mineral occurrences including gold, copper, nickel, zinc, tin and tantalum. The main focus of work to date has been at the Kroda prospect which is located 18km west of the Stuart Highway, 30km north of the town of Barrow Creek and 200km south of Tennant Creek (Figure 2). The project consists of 4 individual prospects (Kroda 1 to 4) with a combined anomalous gold strike length of 14km. The principal target commodity is gold, however, Kroda 2 also has anomalous copper associated with the gold.

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<sup>7</sup> Sourced from ABM's 2012 and 2013 annual reports.

The Kroda prospect in the Barrow Creek project has the potential to become a flagship project for Clancy and it is the company’s view that it could be advanced to resource status with a concerted drilling campaign over a 6-12 month period. Gold mineralisation at Kroda is hosted in inter-layered dolerite and schist and is associated with quartz veins and breccia. At Kroda 3, high-grade gold is hosted by breccia pipes that are near surface, steeply plunging and are confirmed by drilling to extend beyond 200m depth<sup>8</sup>. Significant drill intercepts from Kroda 3 include 57m @ 3.83g/t Au (Figure 3). The breccia pipes defined to date are hosted by a WNW-ESE striking structure with associated gold anomalism over a 14km strike length. The potential for further discovery of other high-grade breccia pipes within the Kroda mineralised trend of 14km is considered to be significant.

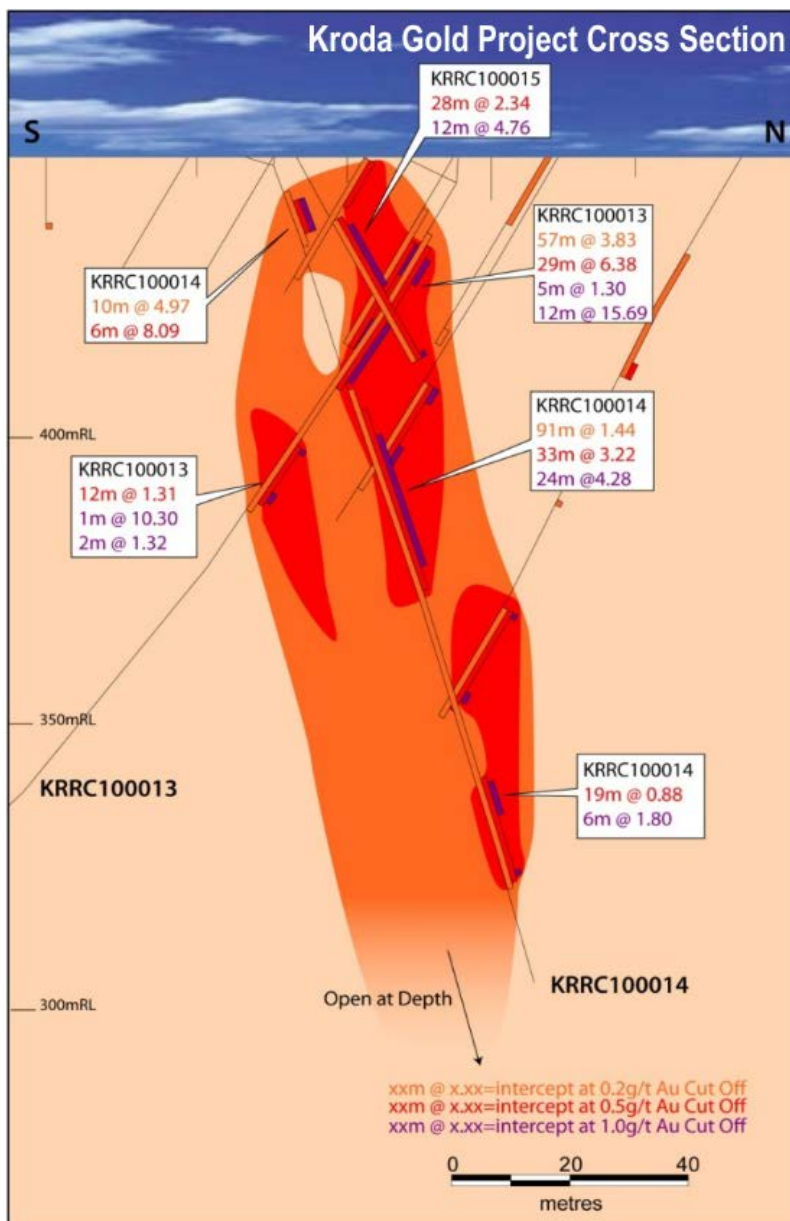


Figure 3 – Drill intercepts and cross section of the Kroda3 prospect with significant ABM gold drill intercepts labelled<sup>9</sup> (Source: ABM).

<sup>8</sup> ABM technical and corporate update presentation released to ASX on 6 September 2012.

<sup>9</sup> Refer to ABM ASX release dated 27 September 2011 for details on intercept calculations.

Other emerging prospects within the Barrow Creek project include the Tulsa prospect where geochemical sampling by ABM has uncovered another 10km trend of surface gold anomalism similar to Kroda which remains untested by drilling<sup>10</sup>.

### Reynolds Range

The Reynolds Range project has had a considerable amount of shallow RAB and vacuum drilling completed by previous explorers, which has defined large, low-level gold anomalies (+5ppb Au). Around 3300 holes have been drilled and the average hole depth is 9.8m. The fresh-rock beneath the depleted surface cover is largely untested, with just 5 diamond holes completed to a maximum depth of 156m in the entire project area<sup>11</sup>. ABM's assessment of the previous work highlighted the Stafford Gold Zone with a strike length of over 20km and 10 individual prospects with target area in excess of 80km<sup>2</sup>. The Sabre and Falchion prospects were targeted by ABM for follow-up and drilling by ABM at the Sabre prospect intersected 35m @ 2.02g/t Au including 17m @ 3.93g/t Au<sup>12</sup>. Further reconnaissance work at Stafford Gold Zone also revealed high grade copper and silver rock chip samples from the Reward Prospect (~9km SE of Sabre) with 20.3% Cu and 271g/t Ag near a down-dip EM conductor identified by an airborne electromagnetic survey in 2012. A rock sample grading 1.79g/t Au was also returned from the Pine Hill Prospect (~3.5km SE of Reward). Shortly after this work was completed in the June 2010 quarter, the drill rig was shifted to ABM's Twin Bonanza project, which incorporates the Old Pirate and Buccaneer deposits where ABM's focus has remained since. Consequently these very encouraging results have not been followed up.

### North Arunta

The remainder of the North Arunta project is at an early stage of exploration. The Bonita tenements have been recently granted and the Walkeley tenements are still under application (Figure 2). The project covers ~60km of strike length of the Trans-Tanami structure and a 6km diameter magnetic anomaly known as the Swampy target has been defined at the intersection of tectonic scale geological structures within the Bonita tenements.

### Capital Structure

The impact of the acquisition on the capital structure of Clancy is set out in Table 1.

**Table 1 – Capital structure**

	No. of Shares to be issued	Cumulative Total Shares on Issue	Shares Held by existing CLY shareholders	%	Shares Held by ABM	%	Held by New Placees	%
Current	-	206,254,392	206,254,392	100.0	-	0.0	-	0.0
Issued to ABM	125,000,000	331,254,392	206,254,392	62.3	125,000,000	37.7	-	0.0
Issued to Placees	125,000,000	456,254,392	206,254,392	45.2	125,000,000	27.4	125,000,000	27.4
Conversion of options – tranche 1	58,333,333	514,587,725	206,254,392	40.1	183,333,333	35.6	125,000,000	24.3
Conversion of options – tranche 2	58,333,333	572,921,059	206,254,392	36.0	241,666,667	42.2	125,000,000	21.8
Conversion of options – tranche 3	58,333,333	631,254,392	206,254,392	32.7	300,000,000	47.5	125,000,000	19.8

<sup>10</sup> ABM 2012 annual report.

<sup>11</sup> ABM ASX release dated 18/01/2010.

<sup>12</sup> ABM ASX release dated 24/05/2010.

**Assumptions:**

- Capital raising of \$2.5 million is completed at an issue price of 2 cents per share. If the capital raising is completed at a price other than \$0.02 per CLY share, the Consideration Shares and Consideration Options issued to ABM will be increased or decreased as necessary to ensure that ABM's percentage interest in CLY on the Settlement Date is at the level it would have been if the pricing of the CLY shares was \$0.02 per share. If the amount raised exceeds \$2.5 million, ABM's percentage interest will decrease.
- There are no other capital raisings or share issues in the three years after completion of the acquisition.

**Financial Impact**

If the transaction proceeds, Clancy will issue to ABM 125 million fully paid shares, 175 million unlisted options, transfer 8,157,000 shares in Genesis Resources Limited (or an agreed cash equivalent) and make two cash payments for a total of \$350,000 (for total cash of \$600,000 including the option fee paid). The number of Clancy shares and options to be issued may vary as noted above, depending on the amount and the pricing of the capital raising.

If the proposed transaction and a \$2.5 million capital raising proceed, CLY's annual exploration expenditure would be \$2,550,000, comprising \$260,000 on CLY projects in NSW, and \$2,290,000 on the Projects.

If the proposed transaction and a \$4 million capital raising proceed, CLY's annual exploration expenditure would be \$3,750,000, comprising \$260,000 on CLY projects in NSW, and \$3,490,000 on the Projects.

It should be noted that the majority of CLY's current exploration expenditure on its NSW projects is funded by joint venture partners Mitsubishi and HPX. CLY does not expect its other annual expenditure amounts to alter to any significant extent as a result of the transaction with ABM proceeding.

If the proposed transaction does not proceed, the proposed capital raising would also not proceed and CLY's annual exploration expenditure would be approximately \$260,000, which would all be spent on CLY projects in NSW which can be funded out of CLY's current cash reserves without the need for an equity raising.

Without the funds from the proposed capital raising, CLY would have insufficient funds to explore its existing projects and the Projects.

**Next steps**

If the results from the 30 day due diligence process are positive from both parties' perspectives, Clancy will appoint an independent expert and send appropriate materials to shareholders to obtain approval to complete the acquisition, raise the necessary capital and to consider any other matters that may be required for approval by shareholders. Shareholders will be kept informed as to the outcome of the due diligence process and the planned acquisition. A proposed timetable setting out a schedule for completion of due diligence and holding a shareholder meeting is set out in Annexure 1 to this announcement.

Clancy looks forward to undertaking due diligence and commencing work on the Project.

**About ABM Resources**

ABM is an exploration company developing several gold discoveries in the Central Desert region of the Northern Territory of Australia. The company has a multi-tiered approach to exploration and development with a combination of high-grade potentially short-term production scenarios such as the Old Pirate High-Grade Gold Project (currently undergoing Trial Mining), large scale discoveries such as Buccaneer, and regional exploration discoveries in the Central Desert Region such as Hyperion. In addition, ABM is committed to regional exploration programs throughout its extensive holdings.

Dr Mike Etheridge, the Chairman of Clancy, is also the Chairman of ABM Resources NL. Consideration of the proposed transaction at board level in both companies was undertaken by board sub-committees of which Dr Etheridge was not a member.

## **About Clancy Exploration**

Clancy is an Australian-focused copper, gold, base metals and tin explorer. The Company's existing 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. Details of Clancy's projects can be found at the Company's website: [www.clancyexploration.com](http://www.clancyexploration.com)

### **Competent Persons Statements**

*The information in this report that relates to Exploration Results or Mineral Resources on the ABM Projects is based on information compiled by Mr Darren Holden who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Holden is a full time employee of ABM Resources NL 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 Exploration Results, Mineral Resources and Ore Reserves". Mr Holden consents to the inclusion in the documents of the matters based on this information in the form and context in which it appears.*

*The information in this report that relates to CLY's opinion of the prospectivity of the ABM Projects is based on information compiled by Mr Gordon Barnes who is a Member of The Australian Institute of Geosciences. 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 Exploration Results, Mineral Resources and Ore Reserves". Mr Barnes consents to the inclusion in the documents of the matters based on this information in the form and context in which it appears.*

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

Gordon Barnes

Managing Director

Phone: +61 2 6361 1285

Email: [info@clancyexploration.com](mailto:info@clancyexploration.com)

Web: [www.clancyexploration.com](http://www.clancyexploration.com)



**Annexure 1: Proposed Indicative Timetable**

<b>Milestone</b>	<b>Date</b>
Due Diligence Completion	December 2013
Option Exercise Date	December 2013
Experts to be Commissioned	December 2013
Complete Expert Reports and Notice of Meeting	February 2014
Shareholders Meetings to be held	Mid-March 2014
Placement to be Completed	Late-March 2014
Final Conditions to be Satisfied	Late-March 2014
Completion of Acquisition	Late-March 2014

**Note:** - The dates in this timetable are indicative only and may be subject to change.