

ASX / MEDIA ANNOUNCEMENT

20 January 2012

CONDOBOLIN PROJECT YIELDS VISIBLE GOLD AND POTENTIAL ALLUVIAL GOLD

Clancy Exploration Limited (ASX: CLY) is pleased to announce the first round of results from recent diamond and aircore drilling at its 100% owned Condobolin gold and base metals project (EL7748) in central New South Wales. First testing of the Meritilga Prospect with aircore drilling has identified the potential for alluvial gold, as well as supergene basement visible gold occurrences.

Highlights

- Detailed aeromagnetics flown in 2011 identified a significant palaeochannel at the Meritilga Prospect, considered highly prospective due to numerous historic workings. Aircore drilling testing for alluvial potential has returned gold in a number of holes, including **1m @ 28.4 g/t gold from 4m** in COAC012.
- Aircore drilling to test the basement beneath the palaeochannel at Meritilga has returned significant gold, including
 - **2m @ 3.99 g/t Gold** from 28m in COAC005; and,
 - **1m @ 4.75 g/t Gold** from 44m in COAC009.
- Aircore hammer testing of the Mt Tilga Gold Mine and Eureka Mine (Meritilga Prospect) has revealed primary and supergene basement gold occurrences. Supergene **visible gold** was intersected in the weathered zone near the Eureka Mine, returning **1m @ 1.86 g/t gold** from 40m in COAC027.
- The first diamond hole at the Phoenix prospect intersects gold and base metal bearing lodes:
 - **5m @ 0.27 g/t Gold 1.55% Zinc**, 0.15% Copper and 7.06 g/t Silver from 95m,
 - **2m @ 0.46 g/t Gold, 3.11% Zinc**, 0.73% Lead, 0.21% Copper and 20.25 g/t Silver from 94m,
 - **9m @ 1.35% Zinc, 0.17 g/t Gold**, 0.21% Lead, 0.11% Copper and 7.25 g/t Silver from 91m
- Results for five subsequent diamond holes are pending.

Clancy's Managing Director, Mr Gordon Barnes, said that the drilling had confirmed the basement and alluvial gold potential at the Meritilga Prospect.

"The drilling intersected numerous basement gold hits over a gram per tonne and visible gold near the old Eureka Mine. Several holes intersected quartz-carbonate veins with arsenopyrite in the basement, which are classic indicators of gold. And all this in area with hardly any previous drilling," said Mr Barnes.

"The alluvial gold potential was recognised after an aeromagnetic survey identified buried channels that drain the hills around Meritilga. These hills host numerous historic workings that produced high-grade gold. The aircore drilling intersected the channels beneath shallow soil cover and they contain quartz-rich alluvial gravel up to 8m thick. The results confirm that gold-bearing quartz is clearly present in the gravel," Mr Barnes said.

"The Meritilga Prospect will be the focus of upcoming round of RC drilling which will commence in February 2012."



Figure 1 - Visible Gold slug in weathered epithermal vein fragment from 40m in COAC027. Slug measures 3mm across.

Aircore Drilling Program

Detailed aeromagnetics data acquired by Clancy in 2011 revealed a wide palaeochannel just north of the Meritilga Prospect. It was considered prospective for alluvial gold due to the number of historic gold workings present within the hills surrounding the channel.

A 23-hole aircore program was designed to test the palaeochannel for alluvial gold, and an additional 5 aircore hammer holes designed to test basement structures and extensions of lodes at two of the largest gold workings at Meritilga, the Mt Tilga Gold Mine and the Eureka Mine (Figure 2).

Two holes into the upper reaches of the palaeochannel have returned elevated gold results:

- **1m @ 28.4 g/t Gold** from 4m in COAC012, and
- **1m @ 0.16 g/t Gold** from 3m in COAC004.

Alluvial gold by nature is nuggety, therefore variability in results is to be expected. Conventional riffle splitting was carried out on the current samples, however further testing of alluvial gold potential will require refinement of drilling and sampling methods. Clancy will consult with drilling and assaying experts in order to reduce the nugget effect in future sampling.

Basement testing below the palaeochannel was very successful, with several drill holes returning elevated gold from phyllite host rocks containing quartz veins and patchy oxides of copper:

- **2m @ 3.99 g/t Gold** from 28m in COAC005,
- **1m @ 4.75 g/t Gold** from 44m in COAC009,
- **4m @ 0.14 g/t Gold** from 10m in COAC017, and,
- **2m @ 0.11 g/t Gold** from 25m in COAC010.

Preliminary deep testing of key structures and historical workings at Meritilga have yielded significant gold results, which will be followed up with further RC drilling in February 2012.

Drilling proximal to the Eureka Mine returned visible gold at 40m (Figure 1) and elevated gold and base metals in epithermal quartz veins in altered phyllite host rocks. The sample with visible gold assayed 1.86 g/t Gold, suggesting the gold could be nuggety above the primary zone:

- **3m @ 0.75 g/t Gold** from 38m in COAC027; including,
 - **1m @ 1.86 g/t Gold**, 0.14% Lead from 40m.
- 4m @ 0.14 g/t Gold from 41m in COAC028
- 6m @ 0.12% Zinc from 4m in COAC028.

Drilling proximal to the Mt Tilga Gold Mine (Figure 2) returned elevated gold occurring in quartz-carbonate veins bearing arsenopyrite-pyrite:

- **4m @ 0.26 g/t Gold** from 44m in COAC018.

All significant intercepts are listed in Table 1.

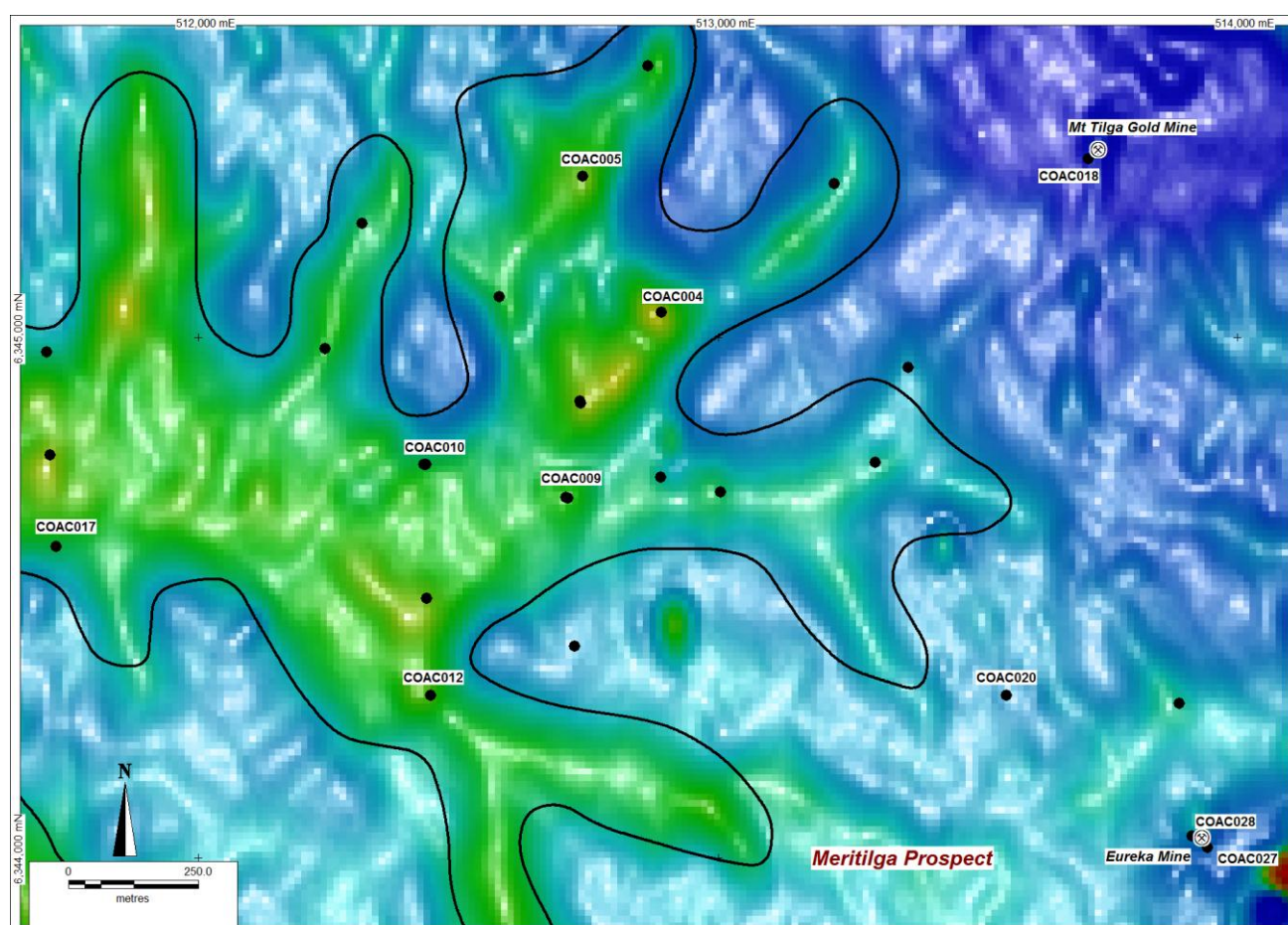


Figure 2 – Aircore program drill holes which returned elevated gold in assay. Background image is 50m-line spaced 1km residual RTP magnetics. Drill hole collars are shown as black dots. Coordinates are in MGA94 Zone 55.

Diamond Drilling Program

Following the successful RC program in February 2011, 6 diamond holes were designed to follow up on results obtained at the Phoenix and Mascotte prospects.

To date, the results for the first hole COD001 have been received. This hole was drilled at the Phoenix prospect, as a fence beneath the gold and base metal lodes which run an average of 8m @ 3.7 g/t Gold with varying content of silver, lead, copper and zinc.

Hole COD001 intersected several mineralised shear zones which present as milled breccias (Figure 3). These shears are heavily quartz veined with massive pyrite, sphalerite and galena. On a broad scale, these are thought to represent dilational zones similar to those which occur at Mineral Hill, some 60km north of Condobolin, which are also zoned with respect to gold and base metals.

Crucial to Clancy's understanding of the Condobolin Mineral Field is the fact that the host rock sequence is most likely Silurian in age, consisting of foliated thick packages of volcanic sediments. This would indicate that the host rock sequence at Condobolin, and therefore most likely the mineralisation, is the same age as Mineral Hill.

Best intercepts from COD001 are:

- **5m @ 0.27 g/t Gold 1.55% Zinc**, 0.15% Copper and 7.06 g/t Silver from 95m,
- **2m @ 0.46 g/t Gold, 3.11% Zinc**, 0.73% Lead, 0.21% Copper and 20.25 g/t Silver from 94m,
- **9m @ 1.35% Zinc, 0.17 g/t Gold**, 0.21% Lead, 0.11% Copper and 7.25 g/t Silver from 91m,
- **1m @ 0.94 g/t Gold, 18.6ppm Molybdenum**, 0.13% Zinc and 3.69 g/t Silver from 107m,
- **2m @ 0.37 g/t Gold** from 204m, and
- **3m @ 0.11 g/t Gold** from 211m.

All significant intercepts are listed in Table 1. The results for the other five diamond holes drilled are pending.

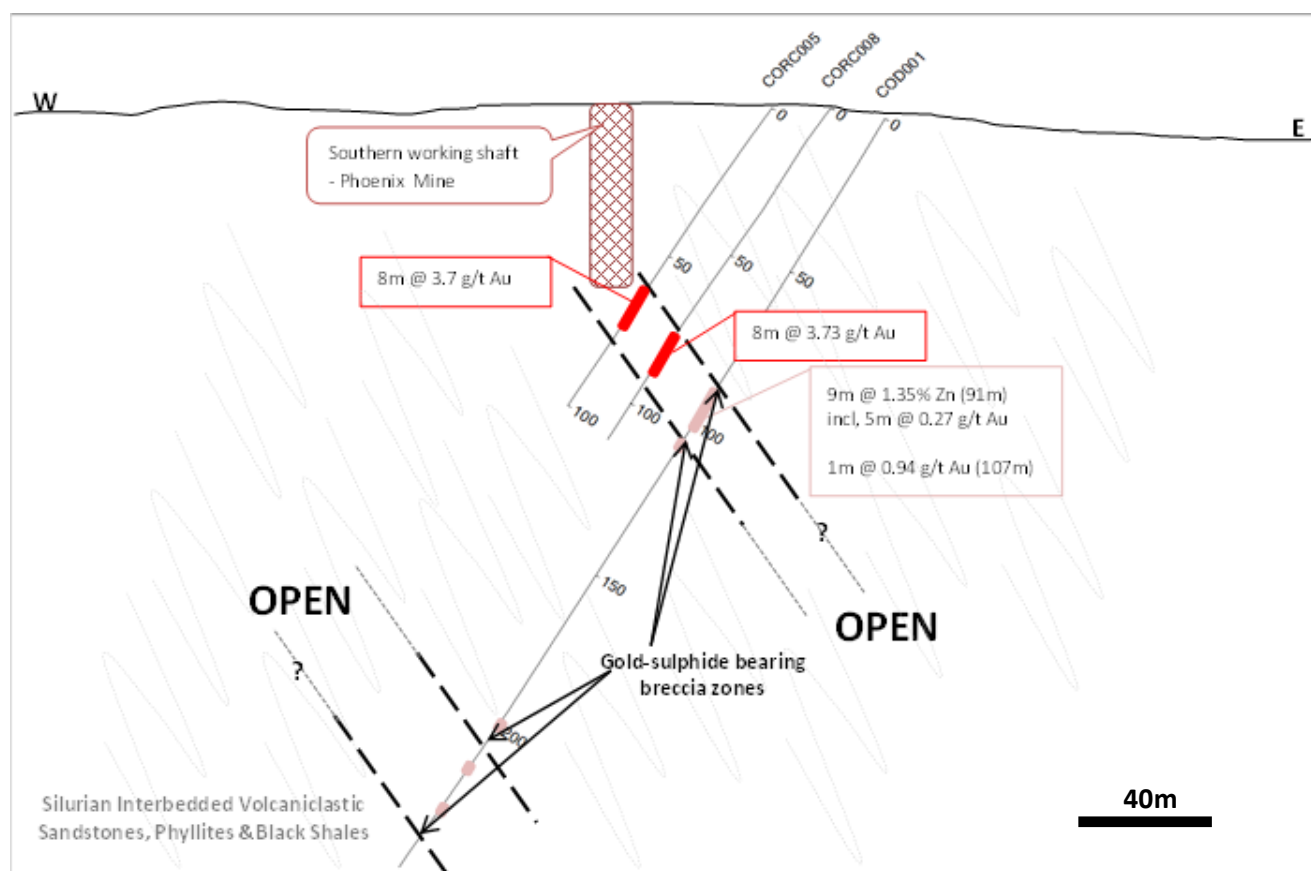


Figure 3 – Section looking north, showing intercepts and significant mineralised zones in COD001.

Table 1 – Significant intercepts for Condobolin AC and Diamond Drilling

Hole ID	Interval (m)	Au (g/t)	Cu %	Ag (g/t)	Pb%	Zn%	From (m)
COAC004 ¹	1	0.16					22
COAC005 ²	2	3.99		1.87			28
COAC009 ²	1	4.75		1.72			44
COAC010 ¹	2	0.11					25
COAC012 ¹	1	28.4					4
COAC012 ¹	2	0.16					16
COAC017 ¹	4	0.14					10
COAC017 ¹	1	0.29		2.01			27
COAC018 ¹	4	0.26					44
COAC020 ¹	12	0.17					20
COAC027 ²	1	0.9					17
COAC027 ¹	1	0.25				0.1	21
COAC027 ²	3	0.75		3.17			38
Including ²	1	1.86			0.14		40
COAC027 ¹	2	0.16		2.38			54
COAC027 ⁴	1			1.55		0.1	56
COAC027 ⁴	1			4.12		0.15	63
COAC028 ¹	4	0.14					41
COAC028 ⁴	6					0.12	4
COD001 ⁴	9	0.17	0.11	7.25	0.21	1.35	91
COD001 ³	2	0.46	0.21	20.25	0.73	3.11	94
COD001 ¹	5	0.27	0.15	7.06		1.55	95
Including ²	1	0.9	0.14	12.55	0.19	2.18	95
COD001 ⁴	1					0.24	103
COD001 ²	1	0.94		3.69		0.13	107
COD001 ⁴	1					0.13	126
COD001 ⁴	2					0.12	167
COD001 ⁴	1					0.16	181
COD001 ¹	1	0.21					199
COD001 ¹	2	0.37					204
Including ²	1	0.58		1.44			204
COD001 ¹	3	0.11					211
COD001 ¹	1	0.12					220

Samples are 1m riffle split AC samples for holes prefixed with COAC and are 1m half core for hole prefixed with COD.

¹ - Intercepts based on 0.1g/t Au cutoff with a maximum internal dilution of 2 times the minimum sample (2m).

² - Intercepts based on 0.5g/t Au cutoff with a maximum internal dilution of 2 times the minimum sample (2m).

³ - Intercepts based on 0.1% Cu cutoff with a maximum internal dilution of 2 times the minimum sample (2m).

⁴ - Intercepts based on 0.1% Zn cutoff with a maximum internal dilution of 2 times the minimum sample (2m).

Intercepts >0.5 g/t Au or >0.5% Cu or >0.5% Pb or >0.5%Zn in bold text. Au was analysed by ALS Orange by fire assay / AAS finish, and for the other elements by ALS Brisbane by four acid digest ICP AES/OES. Standards and duplicates are inserted into the sample stream to monitor laboratory performance. Refer to Table 2 for collar location data.

Table 2- Condobolin EL6939 drill hole collars.

Hole ID	Easting (m)	Northing (m)	RL (m ASL)	Dip (Deg)	Azimuth - Mag (Deg)	Depth (m)
COAC001	513302	6344761	240	90	0	19
COAC002	513005	6344704	237	90	0	24
COAC003	513223	6345297	245	90	0	18
COAC004	512890	6345049	239	90	0	30
COAC005	512739	6345311	247	90	0	30
COAC006	512864	6345523	257	90	0	30
COAC007	512578	6345079	240	90	0	25
COAC008	512735	6344875	235	90	0	41
COAC009	512710	6344692	234	90	0	45
COAC010	512438	6344757	232	90	0	39
COAC011	512439	6344500	230	90	0	33
COAC012	512446	6344313	230	90	0	48
COAC013	512243	6344979	233	90	0	39
COAC014	512314	6345220	241	90	0	21
COAC015	511708	6344973	229	90	0	39
COAC016	511714	6344775	226	90	0	42
COAC017	511726	6344599	226	90	0	42
COAC018	513713	6345344	256	90	0	55
COAC019	513366	6344943	242	90	0	35
COAC020	513554	6344313	245	90	0	36
COAC021	512707	6344693	234	90	0	18
COAC022	512433	6344757	231	90	0	18
COAC023	512734	6344878	235	90	0	18
COAC024	512889	6344732	235	90	0	30
COAC025	512723	6344407	234	90	0	24
COAC026	513887	6344297	236	90	0	40
COAC027	513941	6344020	243	90	0	64
COAC028	513912	6344042	242	90	0	45
COD001	511468	6343289	227	60	280	247.4

Coordinates are MGA94 Zone 55.

--ENDS--

Please direct enquiries to:

Gordon Barnes
 Managing Director
 Phone: +61 2 6361 1285
 Email: info@clancyexploration.com
 Web: www.clancyexploration.com

Shane Murphy
 FTI Consulting
 Phone: +61 8 9386 1233
 Mobile: +61 (0)420 945 291

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.

About Condobolin

Located north of the township of Condobolin, NSW, EL7748 spans two target styles including narrow structurally-hosted high grade gold-base metals, as well as epithermal gold-copper. Numerous old workings cross the area in a general north-east oriented trend. The area has been mined at various times since the early 1890's, producing high-grade gold, copper, silver, lead and zinc.

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, base metal and tin projects in the Mount Read Volcanic Belt of Tasmania, Nadbuck near Broken Hill in NSW and Yalgoo, adjacent to the Golden Grove mine in Western Australia.

In NSW, Clancy has 12 wholly owned and managed projects and 7 joint venture projects which are managed by Gold Fields Australasia Pty Ltd. In Tasmania, Clancy has 2 base metal joint venture projects with Bass Metals and 2 tin joint venture projects with TNT Mines Pty Ltd (a wholly owned subsidiary of Minemakers 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