

16<sup>th</sup> October 2014

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## SEPTEMBER 2014 QUARTERLY ACTIVITIES REPORT HIGHLIGHTS

- Mount Isa exploration program returns very positive new copper and molybdenum results
- Kalman deposit drill hole returns highest grade intersection yet of molybdenum and rhenium of **62 metres at 0.65% Mo and 11g/t Re (62m at 4.3% CuEq\*)** and a new copper-gold zone (**11 metres at 1.2% Cu and 0.41g/t Au**) - enhancing Kalman's open pit mining potential
- Overlander North intercept of **75 metres at 1.33% Cu** indicates trend of increasing grade and thickness of copper zone with depth
- Iron Oxide Copper-Gold (IOCG) exploration regional targeting highlights Hammertime, Overlander, Mt Philp, Andy's Hill, Scalper and Dronfield as high-priority targets
- RC drilling planned to recommence mid-October at Kalman and high-priority targets Scalper, Overlander North and Revenue . Detailed gravity and magnetic/radiometric surveys due to commence at the Overlander, Andy's Hill and Dronfield IOCG targets in Q4 2014
- Infill soil geochemistry improves definition of the large Hammertime copper-gold target
- \$1.2 million capital raising completed during the quarter



**Scalper Gossan**



## OPERATIONS SUMMARY

### QUEENSLAND

During the quarter Hammer Metals Limited ("Hammer" or the "Company") completed a 10 hole RC drilling program for 1516 metres at the Kalman, Kalman North, Overlander North, , Trafalgar Extended and Even Steven targets with a number of promising results. (Refer to ASX releases dated September 15th and September 16th 2014 for details of the drilling program.) Significant assay results and hole details are tabulated in Appendix 2.

The drilling program was designed to advance Hammer's strategy of defining high-grade copper resources within trucking distance of the Company's 100% owned Kalman copper-gold-molybdenum-rhenium deposit.

Infill soil sampling was completed at one of the high-priority targets, the Hammertime copper-gold anomaly, located 3 kilometres west of Kalman. (Glencore has recently completed a drilling program over the section of the anomaly termed Orpheus 9 within the adjacent tenement.) The soil sampling improved the definition of the anomaly which has resolved into two strongly anomalous zones – both approximately 1 kilometre in length.

Data compilation and assessment continued with new targets being constantly generated by the review. For example shallow copper-gold intersections from historical drilling at the Revenue prospect including 5 metres at 2.85% Cu and 0.31g/t Au from 98 metres in SA4 and 11 metres at 1.1% Cu and from 48 metres in SA3 which have yet to be followed up. Revenue is considered to have excellent potential for additional open-pittable material to augment the Kalman and Overlander deposits.

The similarities between the Pilgrim Fault-Kalman district and the Selwyn-Mt Dore district (located approximately 100km to the southeast) in terms of the deposit types, mineralogy, structural framework and lithologies are also becoming more clearly drawn as further research into the IOCG potential of the Mount Isa project is done. The Selwyn-Mt Dore district with the Mt Elliott, Swan, Mt Dore, Merlin and Starra deposits has a global inventory of approximately 3.6 million tonnes of contained copper metal, 6 million oz of gold, 90,000 tonnes of molybdenum and 150 tonnes of rhenium, highlighting the unrealised potential of Hammer's Mount Isa project area for further discoveries. To facilitate drill targeting for these attractive deposits programs of high resolution aeromagnetism and radiometrics as well as detailed gravity over the high-priority IOCG target zones at Overlander, Andy's Hill and Dronfield are planned for the December quarter.

A new tenement application was submitted for copper and gold prospective areas in the Tick Hill – Duchess area adjacent to the Pilgrim Fault during the quarter.

### Kalman Deposit

The Kalman copper-gold-molybdenum-rhenium deposit is located 60 kilometres southeast of Mount Isa and is 100% owned by Hammer Metals Limited.

The Kalman Mineral Resource Estimate was updated in March 2014 in accordance with the JORC Code (2012 Edition). The Resource comprises a combined **30 million tonnes at 1.3% copper equivalent (CuEq\*)** at 0.54% Cu, 0.28% Au, 0.08% Mo and 2.2 g/t Re in the Inferred category. (Refer to the ASX Release dated 19<sup>th</sup> March 2014 for full details of the Resource Estimate.)(\*Refer to Appendix 3 for details on CuEq)

Two holes were drilled in the Kalman area (K131 and K132). K132 was designed to infill a poorly tested section of the upper part of the main ore shoot and K131 to test for potential strike extensions at the northern end of the deposit.



K132 intersected the thickest and highest grade molybdenum-rhenium intersection yet from the deposit and a new near-surface copper-gold zone located outside the current resource model was intercepted in the same drill hole. The horizontal width of the mineralized intervals are approximately 40% of the down-hole reported width.

The intersections extend the top of the high-grade central shoot closer to surface – enhancing the open pit mining potential. The intersection in K132 also contains elevated levels of silver and uranium. Results from K132 include:

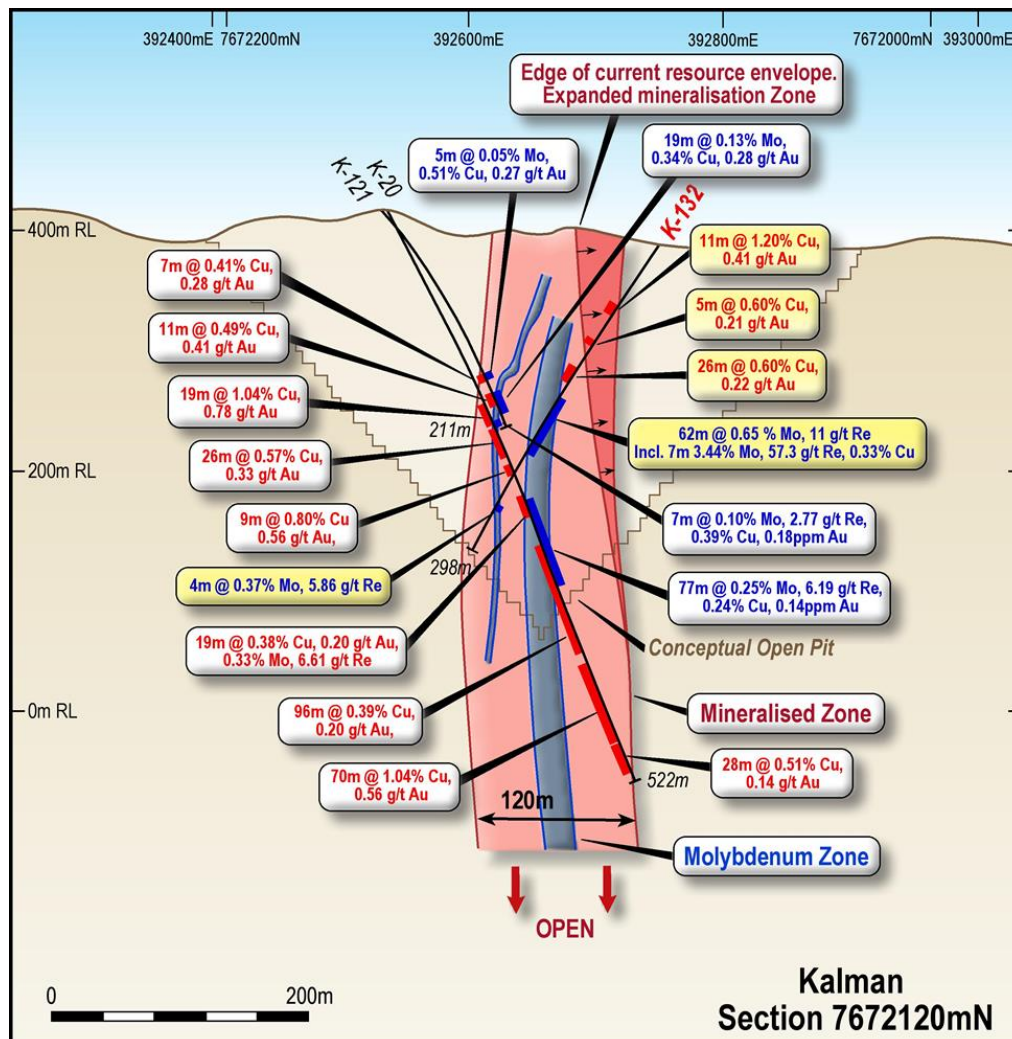
- **62 metres at 0.65% Mo, 11.4g/t Re, 0.16% Cu, 0.07g/t Au and 1.5g/t Ag (62 m at 4.3% CuEq\*)** from 152 metres,
  - including **7 metres at 3.44% Mo, 57g/t Re, 0.33% Cu, 0.16g/t Au and 5.5g/t Ag (7 m at 21.8% CuEq\*)** from 206 metres
- **11 metres at 1.20% Cu and 0.41g/t Au** from 55 metres
- 26 metres at 0.60% Cu and 0.22g/t Au from 112 metres
- 4 metres at 0.37% Mo and 5.9g/t Re from 268 metres

There is considered to be good potential to extend this zone of enhanced metal content both laterally and up dip with further definition drilling. A follow-up six-hole program of infill and extensional drilling will form part of the current RC drilling program planned for October.

Hole K131 at the northern end of the deposit returned low level copper anomalism but did not return any intervals greater than 1% Cu.

Data from a previous detailed heli-magnetic survey flown in the 1990's that covered the Kalman deposit and sections of the Hammertime copper-gold anomaly were located and reprocessed. After processing it became clear that the Kalman deposit has a subtle but distinct magnetic signature that was not observable in the images derived from the earlier (and coarser) magnetic data. The detail of the structural framework of the survey area was also enhanced, including the sense and extent of the movement of the mineralized zone across the fault that terminates the northern end of the deposit. To date no geophysical technique was known to have detected the Kalman mineralisation and with the recognition of the direct applicability of detailed magnetics as a targeting tool additional helimag will be undertaken in due course along strike of Kalman to assist in the targeting of new deposits.





**Kalman Drill Section**

### Kalman North

One RC hole (K133) for 100 metres was targeted at a manganese rich section of the Pilgrim Fault approximately 2km to the north of the Kalman deposit. No significant results were returned.

### Overlander North

The 100% owned Overlander project is a high-priority target area for both shear-hosted copper mineralisation at Overlander North and Overlander South as well as IOCG mineralisation associated with the adjacent Overlander West magnetic anomaly and the Overlander East rhyolite breccia (**117 metres at 0.35% Cu from 43 metres depth in OVRC024**). (Refer to previous ASX announcements dated 3<sup>rd</sup> June 2014 and 14<sup>th</sup> July 2014)

Hammer recently announced a combined Mineral Resource Estimate for the Overlander North and Overlander South copper deposits of **1,157,000 tonnes at 1.2% Cu** at a 0.7% Cu cut-off grade in the Inferred category. (Refer to ASX release dated 24<sup>th</sup> July 2014.)

In the most recent program one drill hole (OVRC029) was drilled to 268 metres depth to test for down plunge extensions of the Overlander North deposit and below the boundary of the July 24<sup>th</sup> 2014 resource model. The drill hole returned the best copper intersection at Overlander to date indicating the trend of the mineralized zone to be increasing in grade and width with depth.

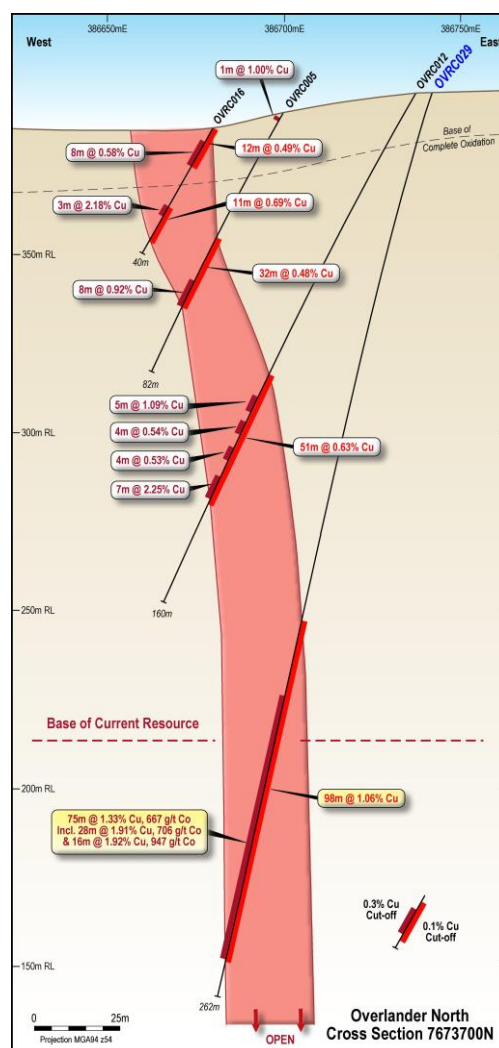
Results from OVRC029 include:

- **75 metres at 1.33% Cu and 667ppm Co from 176 metres at a 0.3% Cu cut-off including:**
  - **28 metres at 1.91% Cu and 706 ppm Co from 189 metres and**
  - **16 metres at 1.92% Cu and 947 ppm Co from 226 metres**

The true width of the above intersection is estimated to be approximately 20 - 25 metres.

Any potential relationship between this mineralisation and the Overlander West IOCG target has yet to be determined.

A down-hole EM survey (DHEM) to assist in targeting follow up drilling is in progress.



**Overlander North Drill Section 7673740N**

## Dronfield

A three hole RC drilling program for 240 metres (HDRC001-HDRC003) was undertaken at the Trackside and Rainbow Ridge prospects within EPM 18084 at Dronfield.

The drilling program was designed to provide an initial test of shallow copper-gold workings at the eastern edge of a large magnetic anomaly within the Wimberu Granite. The Wimberu Granite is of the same age as the Williams Granite believed to be associated with the formation of the Ernest Henry IOCG deposit.

The holes intercepted strongly “red-rock” altered granite with abundant magnetite and low-level copper anomalism with thin high grade intervals of copper-gold sulphide mineralisation.

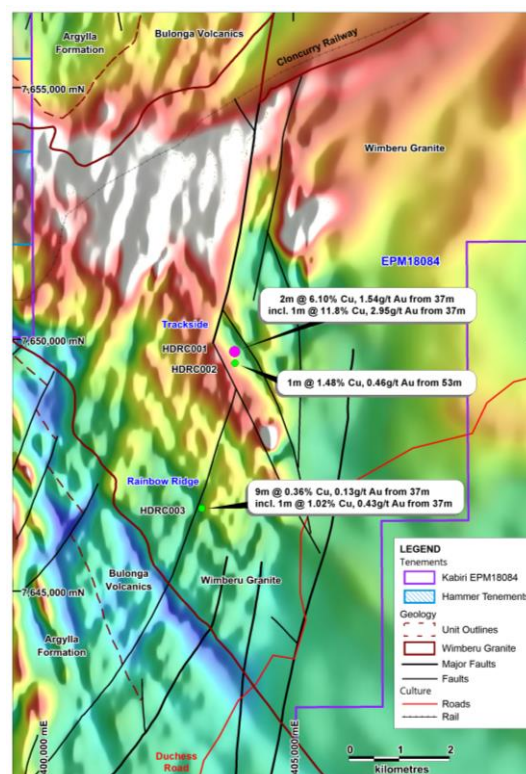
Results include:

- **2 metres at 6.1% Cu and 1.54g/t Au from 37 metres including 1 metre of 11.8% Cu and 2.95 g/t Au from 37 metres in HDRC001 at Trackside**
- **1 metre at 1.48% Cu and 0.46g/t Au from 53 metres in HDRC002 at Trackside**
- **9 metres at 0.36% Cu and 0.13g/t Au from 37 metres including 1 metre at 1.02% Cu and 0.43g/t Au from 37 metres in HDRC003 at Rainbow Ridge**

The intersections also contained anomalous levels of the light rare earth element lanthanum (up to 110ppm La), molybdenum (up to 133ppm Mo) and uranium (up to 180ppm), each of which is considered a key pathfinder element for IOCG mineralisation.

The results of this initial work is considered highly supportive of the potential of the Dronfield project for the IOCG deposits. A broader program of gravity and magnetics data collection is now planned.

Hammer has the right to earn up to an 80% interest in EPM18084 from Kabiri Resources Pty Ltd by spending \$250,000 on exploration.



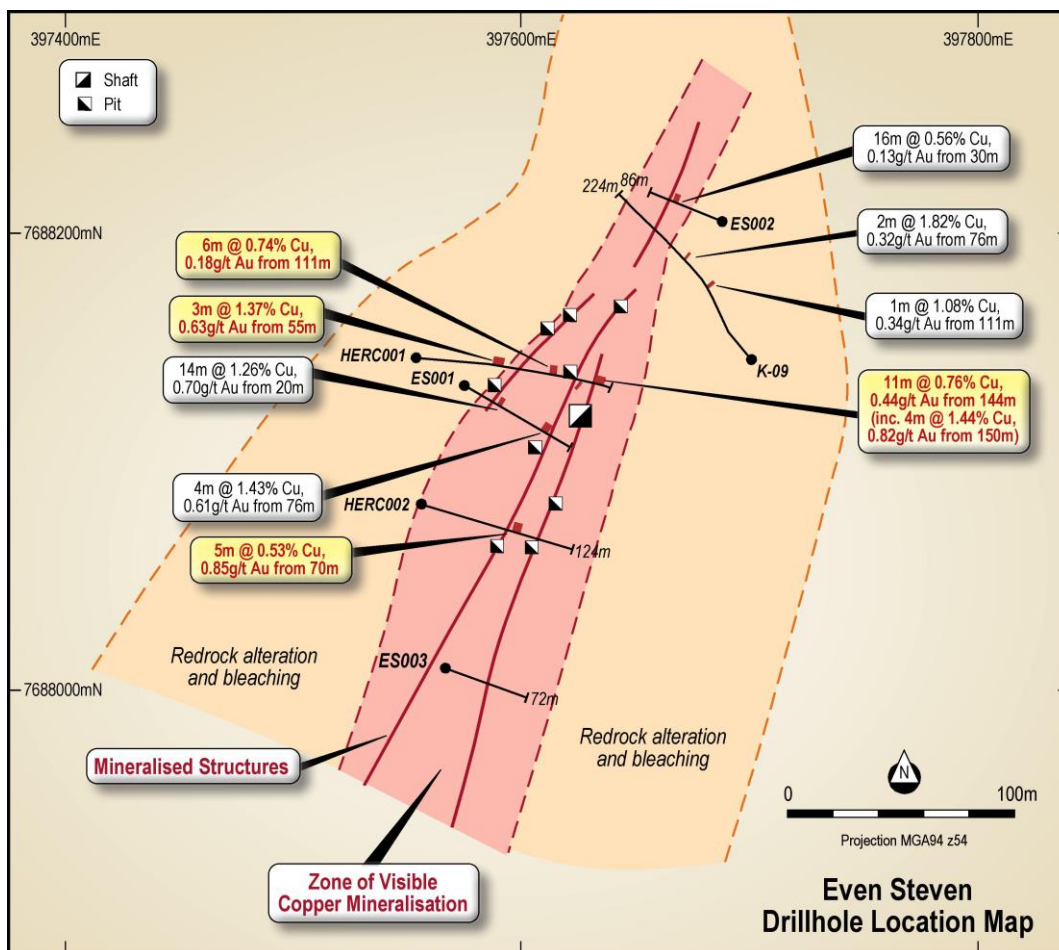
**Dronfield IOCG Target on Magnetics**

## Even Steven

Even Steven is located 15 kilometres north of Kalman in a similar structural position immediately west of the Pilgrim Fault. There is an extensive zone of mapped redrock alteration at Even Steven co-incident with a magnetic high and anomalous copper soil geochemistry that extends for approximately 2 kilometres to the south of the historic Even Steven workings. Previous drilling by CRAE in the early 1990's returned intercepts of up to **14 metres at 1.26% Cu and 0.7g/t Au from 20 metres and 4 metres at 1.43% Cu and 0.61g/t Au from 76 metres** in ES001.

Hammer drilled two holes in the area of the Even Steven workings for 296 metres. The holes intercepted strongly altered mafic metavolcanics and granite with broad zones of elevated copper mineralisation (+1000ppm Cu) with narrower intervals of high grade copper and gold. The main altered and mineralised zone in HERC001 averaged 114 metres at 0.25% Cu from 41 metres. Results include:

- **3 metres at 1.37% Cu and 0.63g/t Au from 55 metres and 6 metres at 0.74% Cu and 0.18g/t Au from 111 metres and 11 metres at 0.76% Cu and 0.44g/t Au from 144 metres including 4 metres at 1.44% Cu and 0.82g/t Au from 150 metres in HERC001**
- **5 metres at 0.53% Cu and 0.85g/t Au from 70 metres in HERC002**



## Even Steven Prospect



### Trafalgar Extended

One RC hole for 64 metres was drilled at the Trafalgar Extended prospect to provide an initial test of an outcropping magnetite ironstone and associated copper workings adjacent to the Fountain Range Fault.

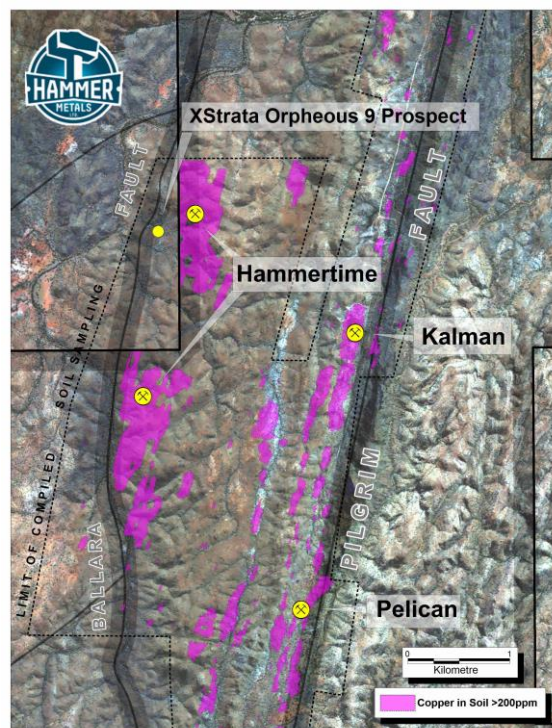
The mineralised zone was intersected close to surface due to the shallower than expected dip of the mineralised zone and as a result the hole did not provide an effective test of the zone. Nevertheless a broad zone of elevated copper anomalism including 4 metres at 0.51% Cu and 0.26g/t Au was intercepted. Lanthanum was also strongly anomalous within the drill hole (up to 390 ppm La).

### Hammertime

Hammertime, located about 3 kilometres west of Kalman, is a 4 kilometre long alteration zone with disseminated magnetite and visible copper oxides co-incident with a copper-gold soil anomaly.

Hammer completed a program of infill soil sampling along 100 metre spaced lines between the pre-existing 200 metre spaced sample lines. The sampling resolved the anomaly into two strong copper-gold anomalies (as defined by the 300ppm Cu and 10ppb Au contours) that are both approximately one kilometre in length and parallel to and slightly east of the Ballara fault. The anomalies are consistent in size and strength with the copper and gold soil anomalies over the Kalman deposit.

The central section of the anomalous zone is within a tenement held by Glencore Copper. Glencore has recently drilled three holes into their section of the alteration zone termed Orpheus 9 within metres of the tenement boundary.



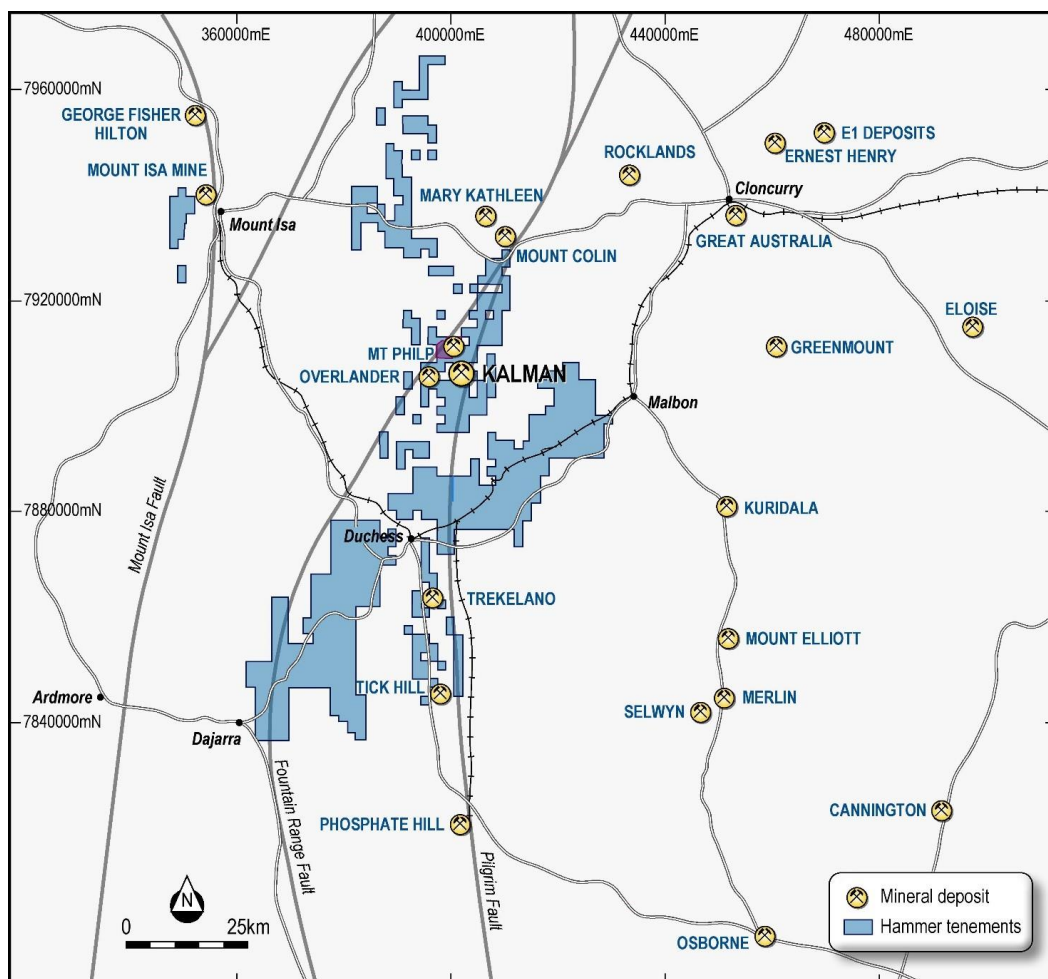
**Hammertime Copper Soil Geochemistry**



### Upcoming Exploration Activity at Mount Isa

Hammer's exploration and tenement acquisition strategy is focussing within a 20km radius of the Kalman deposit where exploration is designed to add additional higher grade open pittable copper resources to the inventory within trucking distance of the deposit.

Ongoing early stage mining studies at Kalman are evaluating the potential of the development of an open pit mine followed by an underground development on the deeper higher grade sections of the deposit. The relatively shallow high grade molybdenum and copper intersections from K132 provide further impetus to complete additional extensional and infill drilling in the near surface sections of the deposit as more such intersections may positively impact on the economics of an open pit development.

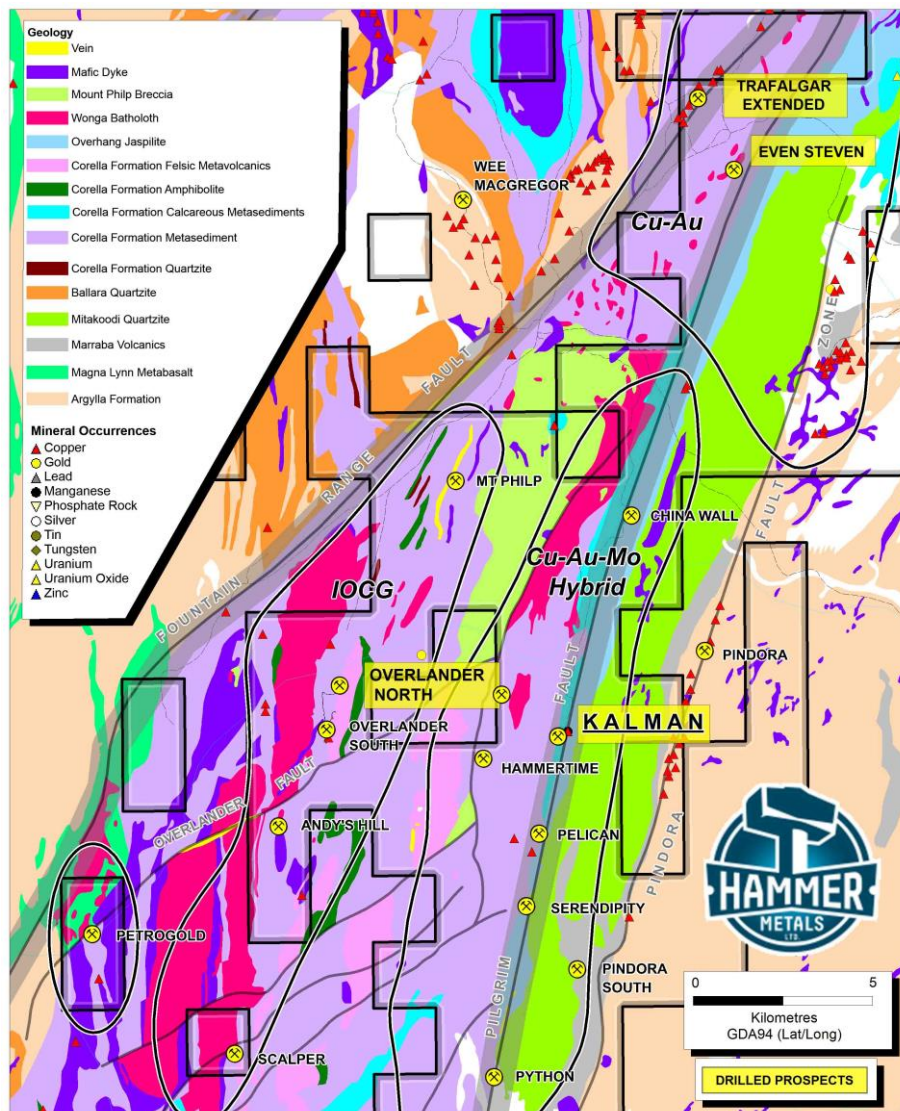


**Mount Isa Project Tenements**

A drilling program of approximately 1500 metres is planned to commence during the December Quarter at Kalman, Overlander, Scalper and possibly Revenue if clearances are finalised.

Ground and airborne geophysical surveys are also being planned for key sections of the Dronfield prospect and the Overlander – Andy's Hill IOCG trend to better define targets before drilling.

Compilation and assessment of the drilling, geochemical and geophysical datasets will continue.



**Overlander – Kalman Projects**

### Mt Philp Iron Ore Project

As announced to the ASX on 16<sup>th</sup> July 2015 Developed Iron Ore Pty Ltd (“DIO”) confirmed that it has satisfactorily completed its due diligence in respect of the Mt Philp project, and signed a letter confirming that DIO proposes to acquire the Project. It was proposed that DIO and Hammer would then enter into formal sale documentation recording the terms and conditions on which DIO (or its nominee) will acquire the Project.

Both Hammer and DIO were to use their best endeavours to have the formal sale documentation finalized as executed as soon as practicable however as advised to the ASX on August 26<sup>th</sup> 2014 the parties have been unable to finalise negotiations and as a consequence preparation of the formal sale documentation for the Project is not complete. There was no change to the status of the Project at the end of the quarter however DIO no longer has exclusivity to acquire the Mt Philp Iron project



## **Mount Morgan Region**

### **Golden Peaks Project**

The Golden Peaks Project is located to the southeast of the Mount Morgan gold-copper mine in Central Queensland which produced over 8 million ounces of gold and 387,000 tonnes of copper.

Hammer Metals has a joint venture with Perilya Limited over EPM15810 and MDL13 and holds a 100% interest in EPM19831. The tenements cover significant sections of the prospective volcanic sequences that host the Mount Morgan deposit.

Of current interest is a group of VTEM anomalies at Mount Dick North in a previously untested area close to the UNMC prospect. A ground FLEM (Fixed Loop Electromagnetic) survey was conducted at Mount Dick in order to ground truth and better define the VTEM anomalies. Zones of weak to moderate conductivity were located by the FLEM in the area of the VTEM anomalies.

## **WESTERN AUSTRALIA**

### **GOLD PROJECTS**

#### **Sunset Project-Leonora**

Work to convert the Mining Lease currently securing the Prospero gold deposit to a retention license is in progress.

## **BASE METALS**

### **PATERSON PROVINCE**

As announced previously Midas entered into a Joint Venture agreement with Encounter Resources Limited (ASX: ENR) on E45/3768 and E45/4091. A specified 316km<sup>2</sup> area covering the McKay and Vines Fault copper corridors within these tenements is covered by the new agreement.

Encounter has flown a VTEM survey over prospective Broadhurst Formation within the JV area. A conductive zone has been outlined west of the Lookout Rocks prospect where 1980's RAB drilling intersected anomalous copper oxide mineralisation.

## **IRON ORE**

### **Pilbara Project**

E08/1997, containing the West Pilbara iron ore resource, was converted to Mining Lease M08/506. The new mining lease is currently in application.

## **CORPORATE**

During the quarter the Company raised \$1.2 million before costs from a range of institutional and sophisticated investors in accordance with ASX Listing Rule 7.1 and 7.1A. Lead manager for the raising was DJ Carmichael Pty Ltd. (Refer to ASX release dated September 3<sup>rd</sup> 2014.)



- ENDS -

For further information, please contact:

Alex Hewlett | Executive Director

### **Competent Person's Statements:**

#### *Exploration Results*

The information in this report as it relates to exploration results and geology was compiled by Mr John Downing, who is a Member of the Australian Institute of Geoscientists and a consulting geologist to the Company. Mr Downing 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Downing consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

#### *Kalman Resource Estimate*

Where the Company refers to the Kalman Project and the revised mineral resource estimate in this report (referencing the release made to the ASX on March 19<sup>th</sup> 2014), it confirms that it is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the resource estimate with that announcement continue to apply and have not materially changed.

#### *Overlander North and Overlander South Resource Estimates*

Where the Company refers to the Overlander North and Overlander South Mineral Resource Estimates in this report (referencing the release made to the ASX on July 24<sup>th</sup> 2014), it confirms that it is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the resource estimate with that announcement continue to apply and have not materially changed.

*List of HMX Announcements (including JORC 2012 reporting tables where applicable) lodged with the ASX and referenced in this Quarterly Report:*

- Kalman Resource Update – 19/03/2014
- Mt Philp Deposit Sale Update – 16/07/2014
- Overlander Mineral Resource Estimates – 24/07/2014
- Mt Philp Deposit Sale Update – 26/08/2014
- Placement Raises \$1.2 million – 30/09/2014
- High Grade Hits in Kalman Drilling – 15/09/2014
- Drilling at Overlander Intersects Wide Copper Mineralisation – 16/09/2014





## Appendix 1

### Tenement Interests at End of September 2014 as per Listing Rule 5.3.3

| Project                | Tenement Number | Status      | Interest at end of Quarter | Acquired during quarter | Comment                                    |
|------------------------|-----------------|-------------|----------------------------|-------------------------|--|
| Leonora - WA           | M37/1297        | Granted     | 100%                       | No                      |  |
|                        | E40/295         | Granted     | 100%                       | No                      |  |
|                        | E40/312         | Granted     | 100%                       | No                      |  |
| Pilbara Iron Ore - WA  | E08/1997        | Granted     | 100%                       | No                      | Conversion to M08/506                      |
|                        | M08/506         | Application | 100%                       | No                      | Conversion of E08/1997                     |
| Paterson Province - WA | E45/3768        | Granted     | 100%                       | No                      | Encounter Resources can farm-in to 85%     |
|                        | E45/4091        | Granted     | 100%                       | No                      | Encounter Resources can farm-in to 85%     |
| Mount Isa - Qld        | EPM 13870       | Granted     | 100%                       | No                      |  |
|                        | EPM 14232       | Granted     | 100%                       | No                      |  |
|                        | EPM15972        | Granted     | 100%                       | No                      |  |
|                        | EPM 16726       | Granted     | 100%                       | No                      |  |
|                        | EPM 16987       | Granted     | 100%                       | No                      |  |
|                        | EPM 17453       | Granted     | 100%                       | No                      |  |
|                        | EPM 17762       | Granted     | 100%                       | No                      |  |
|                        | EPM 18116       | Granted     | 100%                       | No                      |  |
|                        | EPM 18320       | Granted     | 100%                       | No                      |  |
|                        | MDL 471         | Application | 100%                       | No                      |  |
|                        | EPM 19782       | Granted     | 100%                       | No                      |  |
|                        | EPM 19783       | Granted     | 100%                       | No                      | Granted during quarter                     |
|                        | EPM 19784       | Granted     | 100%                       | No                      | Granted during quarter                     |
|                        | EPM 19785       | Granted     | 100%                       | No                      |  |
|                        | EPM 19805       | Granted     | 100%                       | No                      | Granted during quarter                     |
|                        | EPM 19818       | Granted     | 100%                       | No                      |  |
|                        | EPM 25145       | Granted     | 100%                       | No                      | Granted during quarter                     |
|                        | EPM 25369       | Application | 100%                       | No                      |  |
|                        | EPM 25402       | Granted     | 100%                       | No                      | Granted during quarter                     |
|                        | EPM 25425       | Granted     | 100%                       | No                      | Granted during quarter                     |
|                        | EPM 25452       | Granted     | 100%                       | No                      | Granted during quarter                     |
|                        | EPM 25486       | Granted     | 100%                       | No                      | Granted during quarter                     |
|                        | EPM 25523       | Application | 100%                       | No                      |  |
|                        | EPM 25666       | Application | 100%                       | No                      |  |
|                        | EPM 25686       | Application | 100%                       | Yes                     | New application                            |
|                        | EPM 18084       | Granted     | 0%                         | No                      | can earn 80% from Kabiri Resources Pty Ltd |
| Golden Peaks - Qld     | EPM 15810       | Granted     | 0%                         | No                      | can earn 60% from Perilya Limited          |
|                        | MDL 13          | Granted     | 0%                         | No                      | can earn 60% from Perilya Limited          |
|                        | EPM 19831       | Granted     | 100%                       | No                      |  |



## Appendix 2

| DATASET      | COLLAR_ID | DRILL_TYPE | MAX_DEPTH | AZ_UTM | UTM1_EAST | UTM1_NORTH | UTM1_RL | UTM1_GRID_ID |
|--------------|-----------|------------|-----------|--------|-----------|------------|---------|--------------|
| DRONFIELD    | HDRC001   | RC         | 100       | 283    | 403830    | 7649755    | 500     | MGA94_z54    |
| DRONFIELD    | HDRC002   | RC         | 70        | 274    | 403840    | 7649530    | 500     | MGA94_z54    |
| DRONFIELD    | HDRC003   | RC         | 70        | 289    | 403176    | 7646643    | 500     | MGA94_z54    |
| Even_Steven  | HERC001   | RC         | 172       | 93     | 397557    | 7688145    | 373     | MGA94_z54    |
| Even_Steven  | HERC002   | RC         | 124       | 101.5  | 397557    | 7688080    | 378     | MGA94_z54    |
| KALMAN       | K-131     | RC         | 250       | 69     | 392671    | 7672436    | 412     | MGA94_z54    |
| KALMAN       | K-132     | RC         | 298       | 296    | 392740    | 7672050    | 386     | MGA94_z54    |
| Kalman_North | K-133     | RC         | 100       | 118    | 393570    | 7674570    | 375     | MGA94_z54    |
| Overlander   | OVRC029   | RC         | 268       | 269    | 386742    | 7673700    | 381.8   | MGA94_z54    |
| Trafalgar    | HTRC001   | RC         | 64        | 98     | 396431    | 7690102    | 346     | MGA94_z54    |

### Drill Hole Details

| PROSPECT     | HOLE ID | INTERVAL (m) | FROM (m) | Cu (%) | Au (g/t) | Ag (g/t) | Co (g/t) | Mo (%) | Re (g/t) | Mn (%) |
|--------------|---------|--------------|----------|--------|----------|----------|----------|--------|----------|--------|
| Dronfield    | HDRC001 |              | 2 37     | 6.0    | 1.6      |          |          |        |          |        |
|              |         | Incl.        | 1 37     | 12     | 3.0      |          |          |        |          |        |
| Dronfield    | HDRC002 |              | 1 53     | 1.5    | 0.46     |          |          |        |          |        |
| Dronfield    | HDRC003 |              | 9 37     | 0.36   | 0.13     |          |          |        |          |        |
|              |         | Incl.        | 1 37     | 1.0    | 0.43     |          |          |        |          |        |
| Even_Steven  | HERC001 |              | 3 55     | 1.4    | 0.63     |          |          |        |          |        |
|              |         |              | 6 111    | 0.74   | 0.18     |          |          |        |          |        |
|              |         |              | 11 144   | 0.76   | 0.44     |          |          |        |          |        |
|              |         | Incl.        | 4 150    | 1.4    | 0.82     |          |          |        |          |        |
| Even_Steven  | HERC002 |              | 5 70     | 0.53   | 0.85     |          |          |        |          |        |
| Trafalgar    | HTRC001 |              | 4        | 0.51   | 0.26     |          |          |        |          |        |
| Overlander   | OVRC029 |              | 75 176   | 1.3    |          |          | 667      |        |          |        |
|              |         | Incl.        | 28 189   | 1.9    |          |          | 706      |        |          |        |
|              |         |              | 16 226   | 1.9    |          |          | 947      |        |          |        |
| Kalman       | K-131   |              | 2 76     | 0.33   | 0.07     |          |          |        |          |        |
| Kalman       | K-132   |              | 11 55    | 1.2    | 0.41     |          |          |        |          |        |
|              |         |              | 26 112   | 0.60   | 0.22     |          |          |        |          |        |
|              |         |              | 62 152   | 0.16   | 0.07     | 1.5      |          | 0.65   | 11       |        |
|              |         | Incl.        | 7 204    | 0.33   | 0.16     | 5.5      |          | 3.44   | 57       |        |
|              |         |              | 4 268    |        |          |          |          | 0.37   | 5.9      |        |
| Kalman North | K-133   |              | 64 0     |        |          |          |          |        |          | 0.86   |

### Summary of Significant Results



## Appendix 3

### Notes on Copper Equivalence Calculation

Copper equivalent (CuEq) grades were calculated using estimated block grades for Cu, Au, Ag, Mo and Re. The CuEq calculation is based on commodity prices and metallurgical recovery assumptions as detailed in this release. Prices agreed to by Hammer were a reflection of the market as at 14/02/2014 and forward looking forecasts provided by consensus analysis, these prices have not varied significantly. Metal prices provided are:

- Cu: US\$7,165/t
- Au: US\$1,324.80/oz
- Ag: US\$22.40/oz
- Mo: US\$16.10/lb

The forward looking price for Rhenium was estimated using available historical and current prices.

- Re: US\$5,329/kg

The CuEq equation is  $\text{CuEq} = \text{Cu} + 0.594464\text{Au} + 0.010051\text{Ag} + 4.953866\text{Mo} + 0.074375\text{Re}$  and was applied to the respective elements estimated within the resource block model.

### Assumed Metallurgical Recoveries

Based on the testing completed and the current understanding of the material characteristics it has been assumed that the Kalman material can be processed using a “typical” concentrator process flowsheet. The mass balance and stage metallurgical recovery of the four major elements were based on the metallurgical test results from the molybdenum zone sample and benchmarks. The final overall recovery (Table 3) was established from the mass balance and benchmarked against other operations and projects.

**Table 3: Assumed Metallurgical Recoveries**

| Process Stage | Molybdenum Recovery (%) | Rhenium Recovery (%) | Copper Recovery (%) | Gold Recovery (%) | Silver <sup>(1)</sup> Recovery (%) |
|---------------|-------------------------|----------------------|---------------------|-------------------|------------------------------------|
| Bulk Rougher  | 95                      | 86                   | 95                  | 82                | 82                                 |
| Overall       | 86                      | 77                   | 86                  | 74                | 74                                 |

*(1) No data available for Silver recoveries so they have been assumed similar to Gold Recoveries*

It is the company’s opinion that the metals used in the metal equivalent equation have reasonable potential for recovery and sale based on metallurgical recoveries in flotation test work undertaken to date. There are a number of well-established processing routes for copper-molybdenum deposits and the sale of resulting copper and molybdenum concentrates.

Molybdenum concentrates with rhenium require roasting to capture the rhenium from the process off-gas. There are several offshore facilities that process molybdenum concentrates of which Molymet is the world’s largest molybdenum processor and the largest producer of rhenium.

Because of the relatively small market for rhenium there is limited public information available for the payment of credits for rhenium. Preliminary enquiries by the company provide the company with sufficient confidence to believe that a credit for the rhenium content of the molybdenum concentrate can be obtained.