ASX Announcement (ASX: HMX)

19th May 2017

Coarse Flake Graphite Identified at Kalman West

Hammer Metals Limited (**ASX:HMX**) ("Hammer" or "the Company") wishes to report the initial results of some recent rock chip sampling and petrology on a graphite rich unit at Kalman West that was highlighted by the recent VTEM survey.

The rock chip samples were submitted for analysis at ALS for Total Graphitic Carbon and to Teale & Associates Pty Ltd for petrological investigation of polished thin sections. Assay results are tabulated below.

Table 1: Samples from Kalman West Outcrop

Area	Sample	TGC %	E_GDA94	N_GDA94
Kalman West	E36456	9.92	391705	7669938
	E36457	7.42	391705	7669938
	E36458	9.47	391740	7670035
Minimum		7.42		
Maximum		9.92		
Average		8.94		

A petrological sample sourced from the same location as the rock chip samples was reported as containing abundant coarse grained flake graphite which can be up to 1.2mm in length. The graphite is often folded and "shredded". Recrystallized much finer grained graphite is rare and makes up a minor percentage of the overall graphite content. The flake graphite in the sample averages 0.4mm in length and was noted as being inclusion free. The "shredded" graphite is present as very thin grains with extreme length to width ratios. The graphitic unit is proximal to anomalous base metal mineralisation at Kalman West.

Figure 1: Hand Specimen

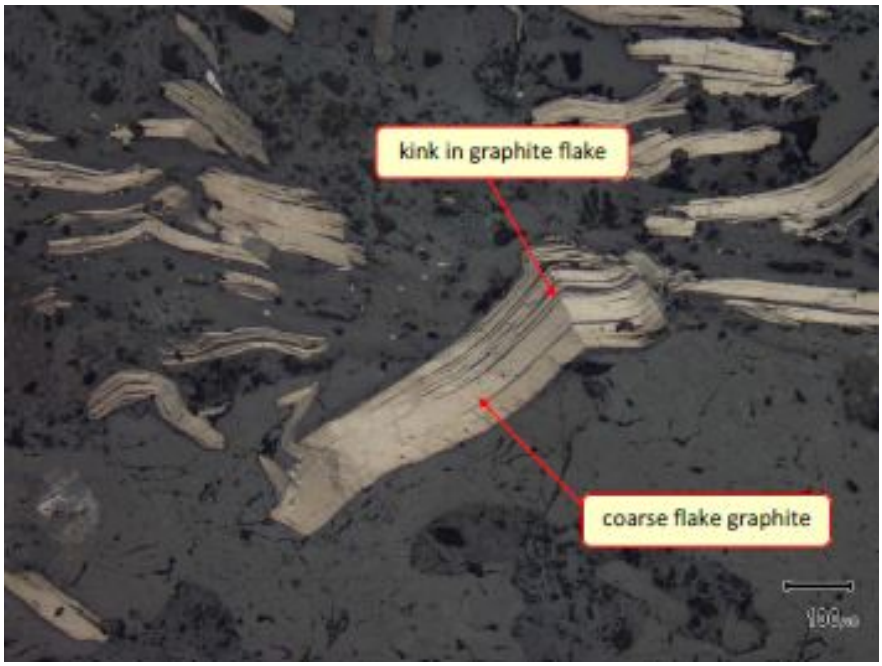

Figure 2: Polished thin section photo showing graphite flake size distribution

The initial sampling indicates that good quality graphite is present at Kalman West and the results are considered sufficiently encouraging to map out and sample the thicker graphitic zones which may correspond to VTEM conductors. The conductors occur along approximately 7.5km of the 15km total length of the Kalman West structure. Initial discussions with a graphite-experienced metallurgist are planned in the near future.

If it is considered that sufficient tonnages are present a first pass drilling program will be planned.

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Hammer Metals Limited (ASX: HMX) Hammer Metals holds a strategic tenement position covering approximately 3,200km^2 within the Mount Isa mining district, with 100% interests in the Kalman (Cu-Au-Mo-Re) deposit, the Overlander North and Overlander South (Cu-Co) deposits, the Millennium (Cu-Co-Au) deposit as well as the recently acquired Elaine-Dorothy (Cu-Au) deposit. Hammer is an active mineral explorer, focused on discovering large copper-gold deposits of the Ernest Henry style and has a range of prospective targets at various stages of testing.

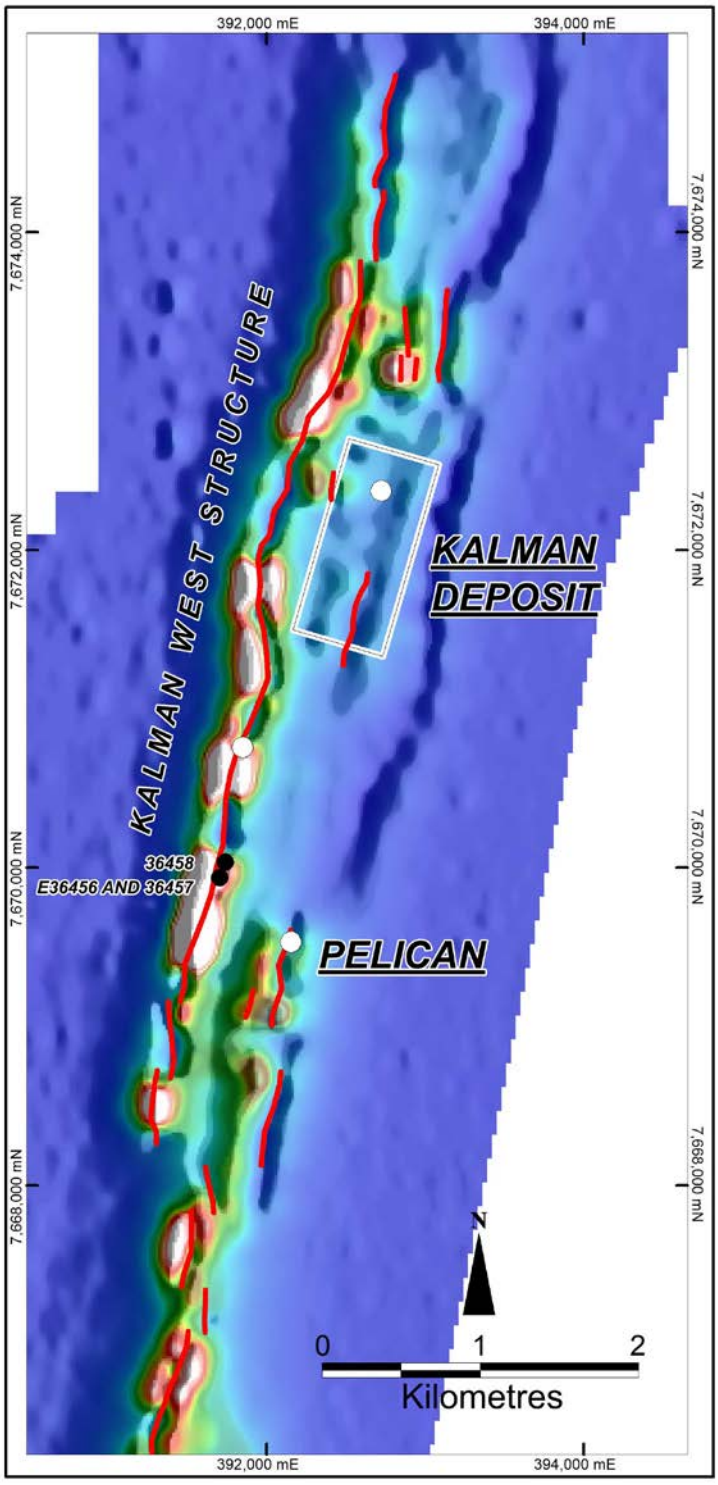

Figure 3: Kalman West Structure with Channel 35 VTEM Imagery and identified conductor axes (red lines). Kalman West Samples are shown.

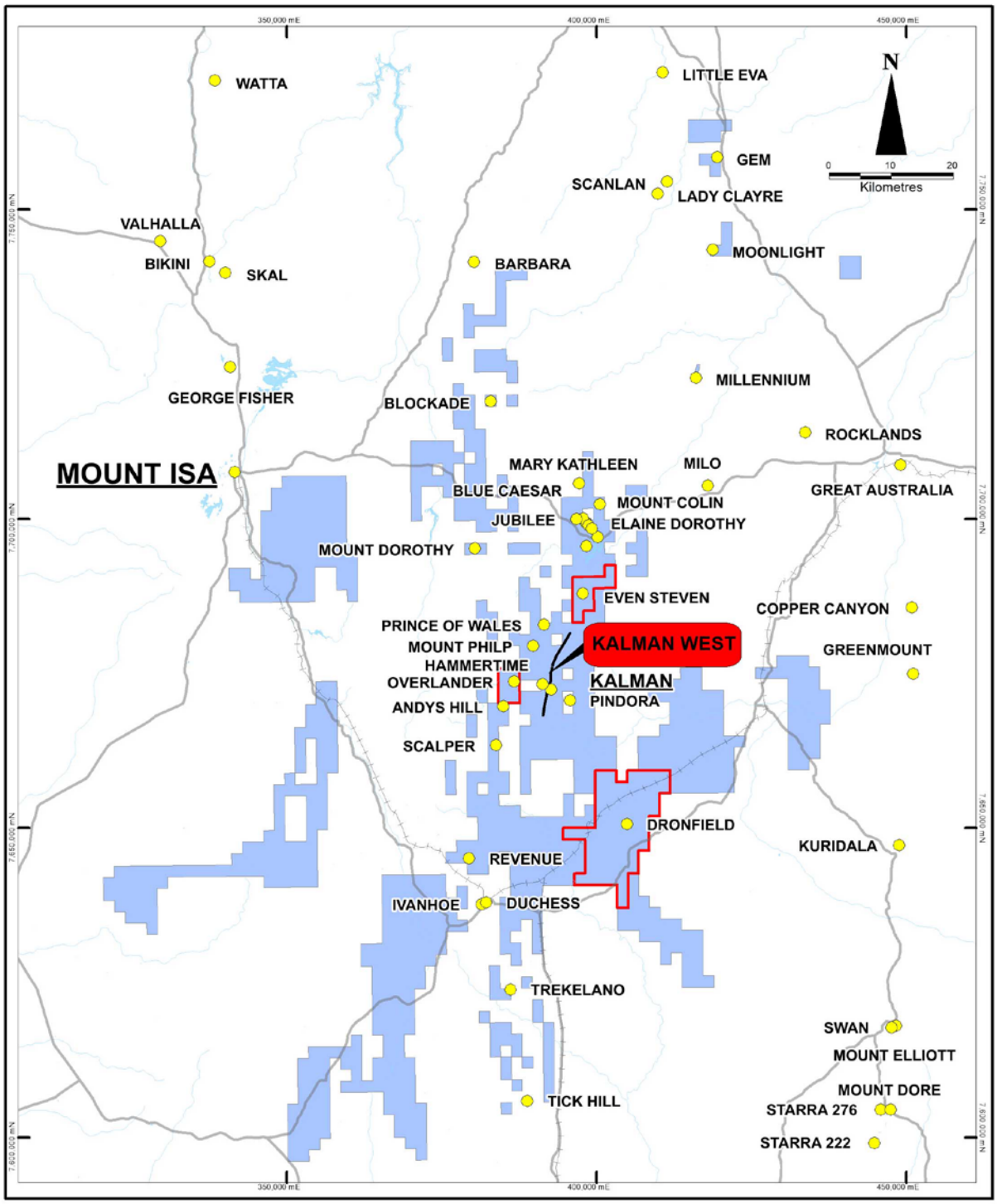

Figure 4: Project Location with the trace of the Kalman West structure shown

Competent Person's Statement:

Exploration Results

The information in this report as it relates to exploration results and geology was compiled by Mr Mark Whittle, who is a Member of the AusIMM and a consultant to the Company. Mr Mark Whittle 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 Whittle consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

JORC Code, 2012 Edition

Table 1 report – Kalman West Graphite Project

This release outlines the results of initial rock chip sampling and petrology conducted at one site on the Kalman West Prospect. Kalman West is located approximately 61 kilometres southeast of Mount Isa in Northwest Queensland.

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections in this information release.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has*	• Samples were selected using geological criteria (visual inspection). • Samples were taken from outcrop over a distance of up to three metres in a direction perpendicular to the trend of the outcrop. • Samples were submitted for assay through ALS. Samples were crushed to 70% passing 6mm. 1kg was riffled split and pulverised to 80% passing 75 micron. • The samples were subject to HCl digest, roasting and Carbon determination via the Leco method (ALS Code C-IR 18).

Criteria	JORC Code explanation	Commentary
	inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• Only rock chip sampling is referred to in this release.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Only rock chip sampling is referred to in this release.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Only rock chip sampling is referred to in this release.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Only rock chip sampling is referred to in this release. • Samples were taken from outcrop over a distance of up to three metres in a direction perpendicular to the trend of the outcrop. • Samples were crushed to 70% passing 6mm. 1kg was riffled split and pulverised to 80% passing 75 micron. • The samples were subject to HCl digest, roasting and Carbon determination via the Leco method (ALS Code C-IR 18).

Criteria	JORC Code explanation	Commentary
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• The laboratory method utilised is appropriate for the determination of total graphitic carbon. • The sample size of 3-5kg is appropriate for reconnaissance rock chip sampling and the commodity being sought.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• All results were checked by alternative company personnel. • Three samples were taken from the outcrop area to determine the repeatability of the analysis method and the uniformity of the graphite content. The three samples are reported in the body of this release. • Assay files are received electronically from the laboratory. Repeat results are tabulated and are not averaged. Below-detection limit (BDL) results are saved in the database as -BDL values. BDL results are converted to half the detection limit value on export from the database.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Sample locations were measured using a hand-held GPS unit with an estimated positional accuracy of approximately 5 metres. • Datum used is UTM MGA 94 Zone 54.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.*	• The samples are taken from a relatively small area along the Kalman West Structure. • This sample spacing and distribution can only be used as a basic guide. It is entirely insufficient to establish tenor continuity over deposit sized distances.

Criteria	JORC Code explanation	Commentary
	• *Whether sample compositing has been applied.*	
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• The rock chip samples were collected along a direction perpendicular to the strike of the lithological unit.
Sample security	• *The measures taken to ensure sample security.*	• Pre-numbered bags are used and transported by company personnel to the ALS Laboratory in Mount Isa. ALS transports samples to its laboratories in Townsville or Brisbane as required.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No audits or reviews have been undertaken.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The rock chip samples are located on EPM13870 held by Mt Dockerell Mining Pty Ltd, a 100% owned subsidiary of Hammer Metals Limited. • EPM13870 is located within the Kalkadoon Native Title claim area. • EPM13870 is in good standing with the Queensland Department of Mines.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No companies have previously examined the graphite potential of the Kalman West structure.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Mineralisation is hosted by a variably graphitic unit of the Corella Formation located within a shear zone termed the Kalman West structure. This structure is a splay structure off the Pilgrim Fault – a large regional structure which hosts the Kalman Cu-Mo-Re-Au deposit.

Criteria	JORC Code explanation	Commentary
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• See the attached tables which show the location of the samples.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• No data aggregation was conducted.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• Sampling was conducted at right angles to the interpreted strike of the lithological unit.

Criteria	JORC Code explanation	Commentary
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• See attached figures
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All samples taken have been reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• The release also refers to Petrological observations conducted on a sample sourced from the same areas as the rock chip samples. • The release also refers to a helicopter-borne electromagnetic survey conducted by Hammer Metals Limited in 2016. • The EM method can be used to locate base metal sulphide mineralisation. It is also used to locate graphitic lithologies.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• It is envisioned further sampling, geological mapping and possibly drilling will be conducted in the area to determine the extent of the graphitic units.