ASX Announcement (ASX: HMX)

25 January 2018

EXPLORATION UPDATE

Drilling Underway at Jubilee and New Results

Hammer Metals Limited (Hammer or the Company) **(ASX: HMX)** is pleased to provide an update on its exploration activities at the Mount Isa Project.

Jubilee Copper-Gold

RC drilling has recommenced at the Jubilee Copper-Gold Prospect, located within the Mt Frosty Joint Venture with MIM. The program is designed to follow-up the significant copper and gold results returned from Hammer's recent drilling program completed late 2017. *(Refer to ASX release dated December 20, 2017.)*

A program of approximately 13 holes for 1500m is planned. The program is designed to better define and extend the high-grade copper-gold mineralisation intercepted in the previous program.

Millennium Cobalt-Copper

Following recent positive drill results, a 10-hole, 1300m diamond drilling program designed to infill and extend the current resource is planned to start in February 2018. *(Refer to ASX Release dated January 17th, 2018.)* The program will also provide samples for metallurgical test work. Millennium is a joint venture with Global Energy Metals Corporation (GEMC).

Elaine Copper-Gold

Two RC holes are planned to test the near-surface zone of the Elaine deposit for the interpreted up-dip section of previously reported high-grade gold intercepts.

RC Drilling Program Results

In late 2017 Hammer completed an 11-hole RC drilling program for 1671m at the 100%-owned Hammertime, Kalman West, Serendipity and Pharaoh East prospects. Most of the gold assay results have been received, however excepting the Hammertime samples, the base metal assay results and some one metre split samples for gold are still pending. The outstanding results will be reported when they are available, and a full assessment of the drilling programs completed in late 2017 will be undertaken.

Hammertime

Hammertime is located 4km west of the Kalman deposit adjacent to the Ballara Fault. An extensive area (4km x 1km) of altered and brecciated rocks with copper and gold anomalism has been outlined in the hanging wall position of the fault. The first drill hole by Hammer (HTRC001) to test this zone returned a broad low-grade copper-gold zone of 216m at 0.17% Cu.

Two RC holes were drilled at Hammertime for 603 metres (HTRC002 and HTRC003). Both drillholes intercepted the hanging wall sequence of altered calc-silicate rocks with disseminated pyrite, chalcopyrite and magnetite, and were terminated after intercepting the Ballara Fault.

Broad low-grade copper and gold results were returned, particularly from the northern hole (HTRC002), including 254m at 0.11% Cu from 3m, including 16m at 0.34% Cu and 0.17g/t Au from 103m. The peak copper and gold values over any one metre interval were 0.53% Cu and 0.51g/t Au.

The size and extent of the alteration and disseminated copper and gold mineralisation at Hammertime underlines the potential of this target for hosting a copper deposit with significant gold credits. Hammer's focus is to locate higher grade areas within the zone.

Kalman West

The Kalman West prospect is located 1km west of the Kalman copper-gold-molybdenum-rhenium deposit and is located on a 7km long structural splay from the Pilgrim Fault. The structural zone is anomalous in copper, lead, zinc and gold over much of its length and is poorly tested.

A previous RC drilling program intercepted significant gold results including 1m at 36.9g/t Au from 101m in HKWRC001 and 1m at 3.93g/t Au from 13m in HKWRC002. *(Refer to ASX Release dated August 28th, 2017.)* In the December Quarter Hammer drilled an additional six holes for 678 metres (HKWRC003 to HKWRC008) to follow up these intersections. Low grade gold values up to 0.38g/t Au were intercepted in the anticipated mineralised position but no higher-grade values (>1g/t Au) were returned – downgrading the potential for a gold deposit at this location. Results for the base metals and other elements are pending. A full assessment of the target will be undertaken when all the assays are received.

Serendipity

Copper and gold anomalism in soils and rock chips is widespread in this geological position adjacent to the Pilgrim Fault, 6km south of Kalman. Two RC holes for 288 metres (HSRC003 – HSRC004) were drilled. Gold results have been received but the base metal results are pending. No gold values >1g/t Au have been returned to date although several anomalous four metre composite samples have been split and gold assays for the one metre intervals are pending.

Pharaoh East

One RC hole for 102m (K141) was drilled to test a combined geochemical and VTEM anomaly approximately 3.5km along strike to the north of Kalman. No significant gold results were returned. Base metal values are pending.

Exploration Permit Applications

One new exploration permit application (EPM26994 – Mt Philp) was submitted over key parts of the Mt Philp Breccia complex, including the eastern sections of the Bette copper workings. Hammer now holds 100% of the mapped area of the Mt Philp Breccia unit.

New Aeromagnetic and Radiometric Data

New high-resolution aeromagnetic and radiometric data that covers some of Hammer's key target areas including the Mt Philp Breccia Zone have been received. Following processing, structural and geological interpretation will commence.

Hammer Metals Limited (ASX: HMX) holds a strategic tenement position covering approximately 3000km^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.

For further information, please contact:

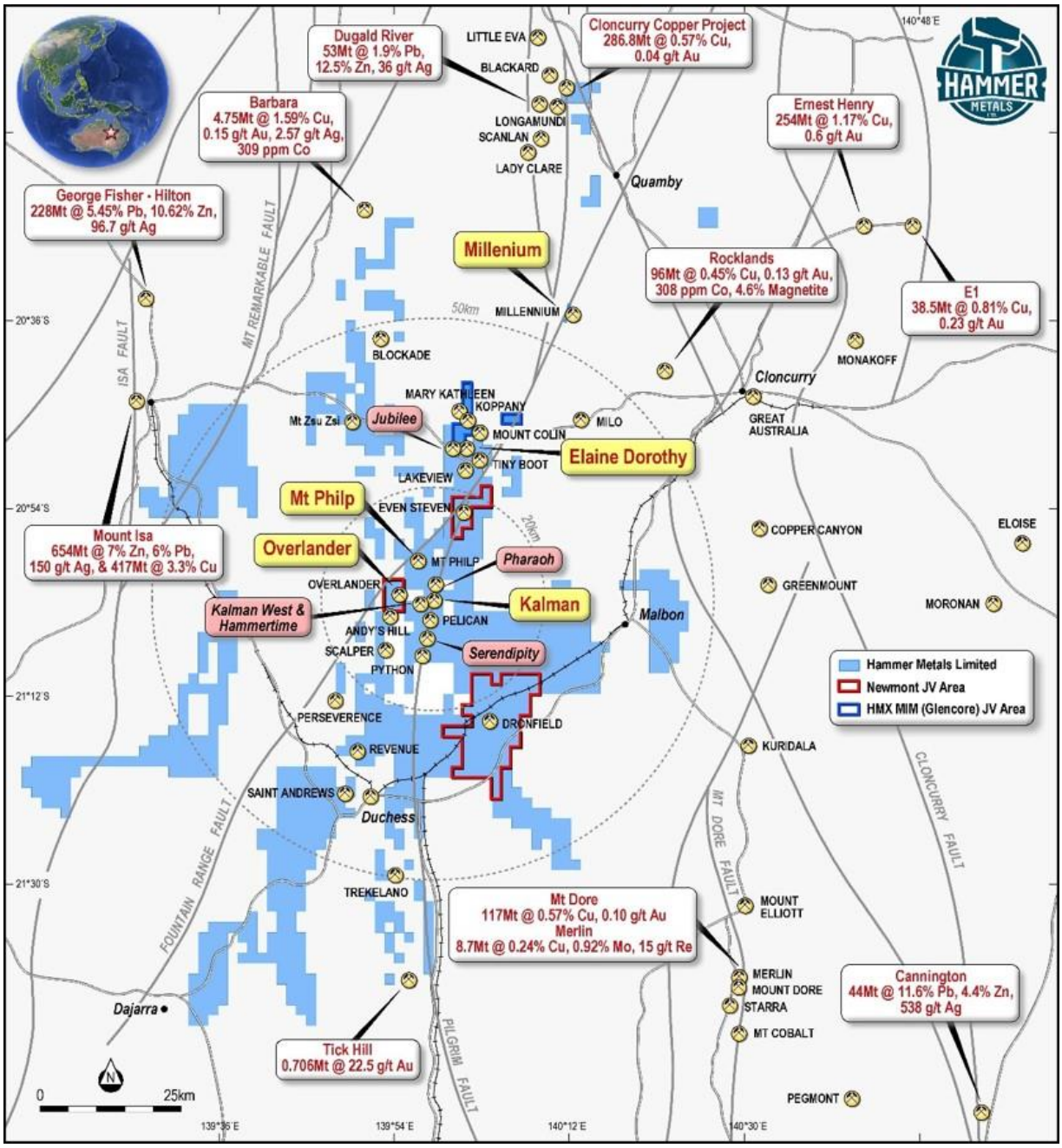
Alex Hewlett | Executive Director & CEO
info@hammermetals.com.au

Russell Davis | Executive Chairman
M: +61 (0) 419195087

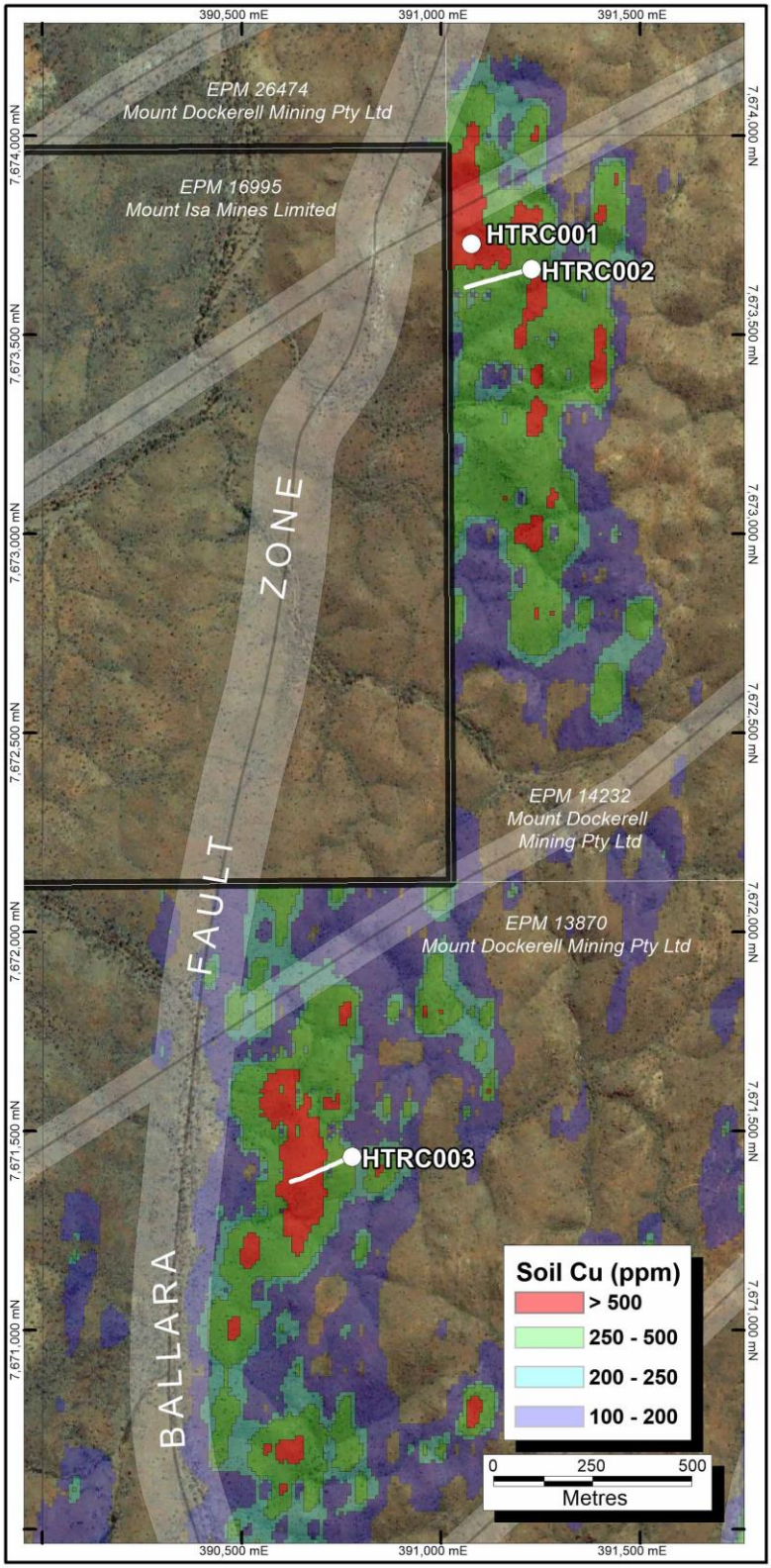
Competent Person's Statement:

Exploration Results

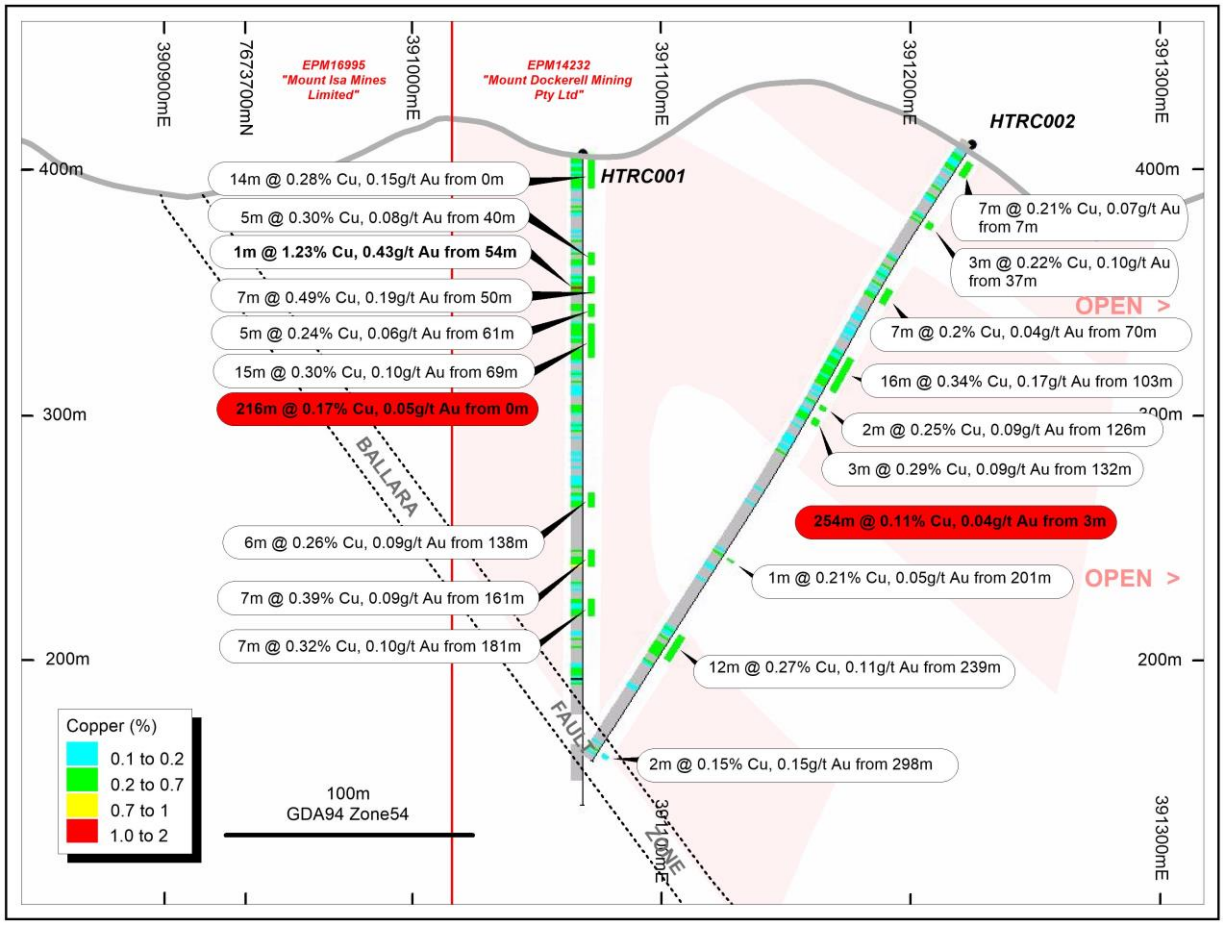
The information in this report as it relates to exploration results and geology was compiled by Mr. Mark Whittle, who is a Member of the AusIMM and a consultant to the Company. Mr. Whittle who is a shareholder and option-holder, has sufficient experience which is relevant to the style of mineralisation 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.



Mount Isa Project



Location of HTRC002 and HTRC003 at Hammertime with copper soil geochemistry



Oblique cross section through HTRC001 and HTRC002.

Table 1: Hammertime – Hole listing and significant intercepts

Prospect	Hole_ID	East (1)	North (1)	RL (1)	Dip	Az_Grid	TD		From	To	Int	Au (g/t) (2)	Cu (%) (2)
Hammertime	HTRC002	391225	7673659	407.99	-55	260	303.5		3	257	254	0.04	0.11
								incl.	7	135	128	0.05	0.14
								incl.	7	14	7	0.07	0.21
								and	23	24	1	0.13	0.27
									27	28	1	0.08	0.30
									37	40	3	0.10	0.22
									58	59	1	0.09	0.35
									62	63	1	0.22	0.26
								incl.	70	119	49	0.07	0.18
								and	70	77	7	0.04	0.20
									103	119	16	0.17	0.34
								incl.	115	117	2	0.34	0.50
									126	128	2	0.09	0.25
									132	135	3	0.09	0.29
									201	202	1	0.05	0.21
									239	251	12	0.11	0.27
									255	256	1	0.05	0.23
									298	300	2	0.15	0.15
	HTRC003	390787	7671437	417.43	-55	250	300		61	62	1	0.13	0.14
									71	72	1	0.28	0.01
									144	146	2	0.03	0.23
									159	167	8	0.07	0.17
									202	203	1	0.14	0.13
									232	234	2	0.07	0.35

(1) - Positions relative to GDA94, Zone 54. RL relative to best available DEM data

(2) - Intersections calculated using 1000ppm and 2000ppm Cu envelopes as a guide. Included intercepts calculated to highlight elevated grades of both Au and Cu.

Table 2: Kalman West, Serendipity and Pharaoh – Hole listing and significant intercepts

Prospect	Hole_ID	East (1)	North (1)	RL (1) and (2)	Dip	Az_Grid	TD		From	To	Int	Au (g/t) (3)
Kalman West	HKWRC003	391963	7671576	409.45	-55	90	84		No Significant Intercepts			
	HKWRC004	391889	7671575	408.7	-55	86	186		28	32	4	0.16
									122	125	3	0.24
	HKWRC005	391961	7671537	411.26	-55	90	102		No Significant Intercepts			
	HKWRC006	391945	7671493	411.65	-54	90	108		76	78	2	0.24
	HKWRC007	391963	7671453	412.34	-54	87	108		4	8	4	0.15
	HKWRC008	391959	7671622	408.8	-54	90	90		No Significant Intercepts			
Pharaoh	K-141	393597	7675971	500	-55	90	102		No Significant Intercepts			
Serendipity	HSRC003	391778	7666861	408	-55	280	126		124	126	2	0.30
	HSRC004	391584	7666740	500	-55	90	162		5	8	3	0.17
									137	141	4	0.24

(1) - Positions relative to GDA94, Zone 54. RL relative to best available DEM data

(2) - Where no RL is available a default of 500 has been utilised

(3) - Gold intersections calculated using a 0.1g/t Au cut-off. Base metals assays are pending

JORC Code, 2012 Edition

Table 1 report – Exploration Drilling Update

- This table is to accompany an ASX release updating the market with results as they are reported from exploration drilling being undertaken on the Mount Isa Project.
- The drilling results reported herein are from the Hammertime, Pharaoh, Serendipity and Kalman West Prospects. The drilling was conducted in the final quarter of 2017.
- Laboratory analyses are still ongoing with split assays and base metal assay results expected in 2 weeks.

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 inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Reverse circulation (RC) drill chip samples were taken at four metre intervals but where significant mineralisation was encountered the sample length was reduced to 1m. • All samples to be submitted for assay underwent a fine crush with 1kg riffled off for pulverising to 75 micron. • Hammertime: Samples were submitted for 4-acid digest followed by flame AAS assay for gold and ICP (MS and OES) analysis for a multi-element suite including copper, silver, cobalt and molybdenum. • Other prospects: Samples were submitted for AAS assay for gold. • Assaying for Hammertime is complete. Only gold analyses have been reported for Kalman West, Pharaoh and Serendipity.
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*	• Holes were drilled by Overland Drilling utilising a UDR1200 truck-mounted rig. • Holes were drilling using reverse

Criteria	JORC Code explanation	Commentary
	tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).	circulation technique with a face sampling hammer.
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.*	• Sample recoveries were generally in excess of 90%. Exceptions being in the shallow portion of holes where recoveries could drop over short distances. • No sample recovery bias was noted.
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.*	• All drill chips were geologically logged in detail by Hammer Metals Limited Geologists. • Samples were collected for every metre, stored in chip trays and photographed. • Every drilled metre was qualitatively logged for geology and quantitatively logged using an Olympus Vanta portable XRF instrument and magnetic susceptibility meter.
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 insitu 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.*	• Samples consist of RC drill chips. • Sample collection methodology and size is considered appropriate to the target-style, and appropriate laboratory analytical methods were employed. • Standard reference samples and blanks were each inserted into the laboratory submissions at a rate of 1 per 25 samples. • Two duplicate samples (a 1m sample and a 4m composite sample) were taken from each drillhole and inserted at the end of the drillhole sample sequence. • The sample sizes submitted for analysis were appropriate for the style of mineralisation sought and for the sampled grain size.
Quality of assay data and	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and*	• Hammertime: Samples were submitted for 4-acid digest followed by flame AAS assay for gold and ICP

Criteria	JORC Code explanation	Commentary
laboratory tests	*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.*	(MS and OES) analysis for a multi-element suite including copper, silver, cobalt and molybdenum. • Other prospects: Samples were submitted for AAS assay for gold. • Assaying for Hammertime is complete. Only gold analyses have been reported for Kalman West, Pharaoh and Serendipity. • Standard reference samples and blanks were inserted at 25 sample intervals. ALS also maintained a comprehensive QAQC regime, including check samples, duplicates, standard reference samples, blanks and calibration standards. • The assaying methods are appropriate for the target metals 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 intercepts have been verified by alternate company personnel • These holes have not been twinned. • All field logging will be checked and entered into the company database. • Assay files were received electronically from the laboratory. • Intercepts which contain an analysis below the detection limit are calculated using an adjusted value which is half the listed detection.
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.*	• Drill hole collars were measured using a hand-held GPS unit with an estimated positional accuracy of approximately 5 metres. • Datum used is UTM GDA 94 Zone 54. • RL's for the drill hole collars are initially captured by GPS and subsequently adjusted. A sub-metre laser DEM survey has been conducted and drillhole RL's are reconciled to this new DEM. Where this information is not available a default RL of 500m is substituted.

Criteria	JORC Code explanation	Commentary
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.* • *Whether sample compositing has been applied.*	• It is not known at this stage whether the drill density will be sufficient to establish grade continuity. • Assays were taken on 1 and 4m sample lengths. 1m length was preferred in areas of increased mineralisation.
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.*	• Drill holes were oriented as close to perpendicular as possible to the interpreted orientation of the mineralised envelope.
Sample security	• *The measures taken to ensure sample security.*	• Pre-numbered bags were used, and sample were transported to ALS laboratory in Mt Isa by company personnel.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• The dataset associated with this drilling has been subject to data import validation. • All assay data has been reviewed by two company personnel.

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.*	• Drilling occurred on EPM13870 and EPM14232. Both EPM's are held by Mt Dockerell Mining Pty Ltd, a 100%-owned subsidiary of Hammer Metals Limited. • No royalties are applicable on EPM14232. EPM13870 is subject to a 2% NSR royalty.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No previous drilling has been conducted at Hammertime on EPM's 14232 and 13870.

Criteria	JORC Code explanation	Commentary
		• Historic drilling conducted at Kalman West by Mount Isa Mines in the early 90's was sourced from open file reports.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Drillholes are located within altered sediments of the Corella Formation. • With Hammertime the closest example of the style of mineralisation being sought is the Ernest Henry Deposit operated by Glencore Australia. • With Pharaoh and Serendipity, the closest example of the style of mineralisation being sought is the Kalman Cu-Au-Mo-Re deposit held by Hammer Metals Limited.
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:* ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *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.
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*	• Hammertime: Intercepts are quoted at a 0.1% Copper cut-off to highlight the broad mineralised intercept. Secondary intersections are quoted at a 0.2% Cu cut-off with other intersections highlighting zones of increased Copper and/or Gold grade. • At the other prospects due to the incomplete nature of the assaying, only gold intersections at a 0.1g/t Au cut-off have been quoted. Base

Criteria	JORC Code explanation	Commentary
	aggregations should be shown in detail. • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	metal analyses are pending. .
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').*	• In plan, drill-holes are oriented perpendicular to the interpreted position of the modelled structural features. • The drilling is not yet at a sufficient density to enable any grade continuity to be established. The true width of any quoted intercept is not known with any certainty.
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.*	• Hammertime: Intercepts are quoted at a 0.1% Copper cut-off to highlight the broad mineralised intercept. Secondary intersections are quoted at a 0.2% Cu cut-off with other intersections highlighting zones of increased Copper and/or Gold grade. The reader can therefore assume that any portions of a drillhole that are not quoted in the intercept tables contain grades less that the quoted cut-off. • At the other prospects due to the incomplete nature of the assaying, only gold intersections at a 0.1g/t Au cut-off have been quoted. Base metal analyses are pending. In relation to gold, the reader can therefore assume that any portions of a drillhole that are not quoted in the intercept tables contain grades less that the quoted cut-off.
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*	• Refer to the release. • Copper contours are presented in the Hammertime plan figure. These contours represent interpretation of soil samples analysed via ICP

Criteria	JORC Code explanation	Commentary
	method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	(OES) methods. The reader can assume that outside of these contoured areas the soil copper response is not considered significant.
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.*	• Further laboratory analyses from these drillholes are pending.