ASX Announcement (ASX: HMX)

15th December 2014

Hammer outlines new IOCG targets at Dronfield

- **Geophysical modelling at Dronfield has defined overlapping zones of high density and magnetism supported by surface geochemical anomalism and alteration indicative of a large magnetite-rich IOCG alteration system;**

- **These results are in addition to the positive results from the recent surveys at the Andy's Hill and Overlander IOCG prospects and further enhances the prospectivity of Hammer's Mount Isa Project.**

Hammer Metals Limited (**ASX: HMX**) ("Hammer" or "the Company") wishes to announce the results of recent detailed ground magnetic and gravity surveys at its Dronfield Prospect 80km to the south east of Mount Isa and 75km southwest of Cloncurry. The Dronfield Prospect is within the company's Mount Isa Project – an area of tenements spanning 2000km^2 located in the Mount Isa Mining district.

The Dronfield magnetic and gravity anomalies are located on EPM18084, which is subject to a farm-in agreement with Kabiri Resources Pty Ltd.

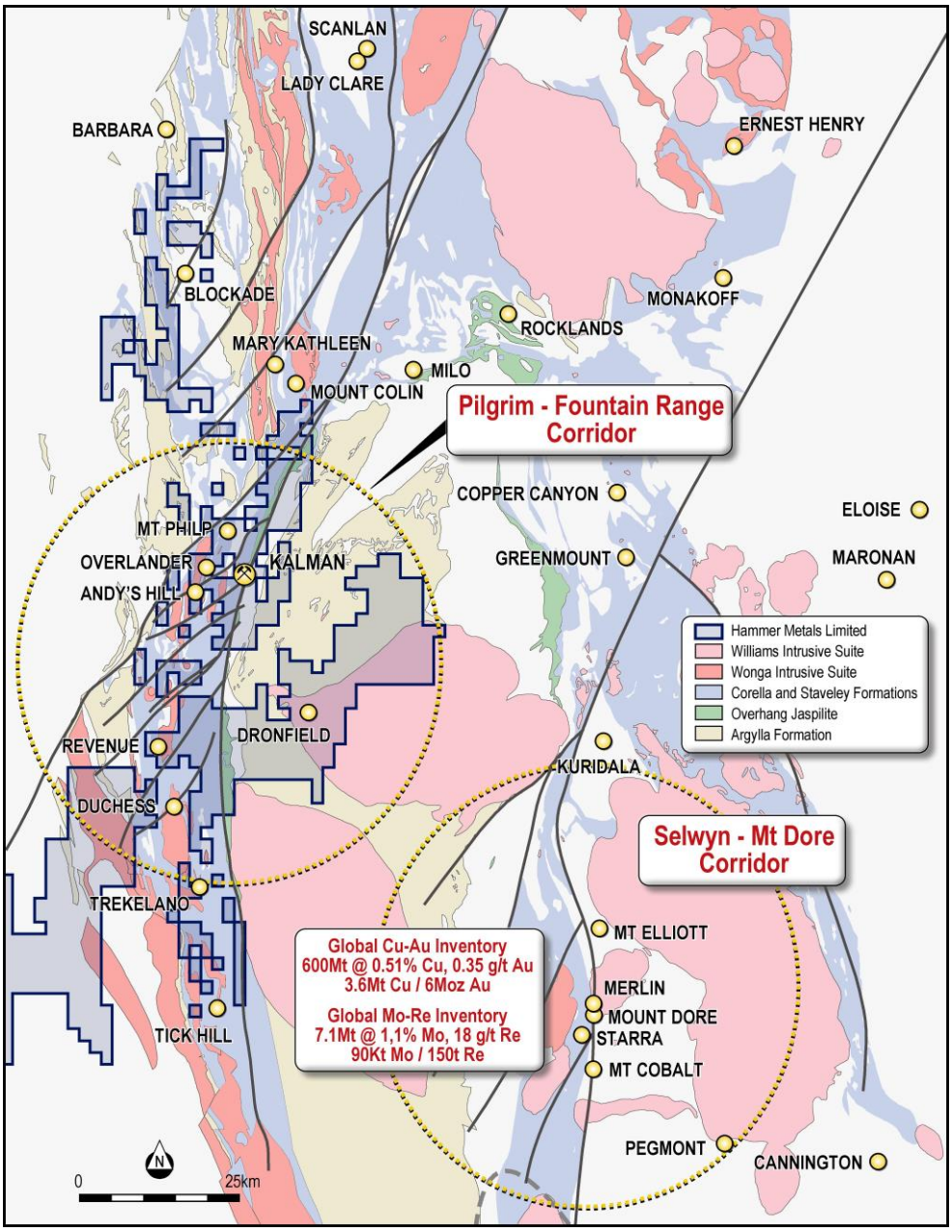
In the Dronfield region, Hammer has previously conducted drilling at the Trackside and Rainbow Ridge prospects (Refer to ASX release dated 16th September 2014). The drilling targeted shear-hosted copper-gold mineralisation but significantly it indicated the presence of extensive "red-rock" and magnetite alteration associated with the mineralisation which warranted further investigation.

Preliminary three dimensional modeling has been completed on these data sets and has delineated two zones of interest for IOCG style mineralisation.

The first is a north-south trending area of overlapping magnetics and gravity anomalism within the Wimberu Granite close to its northern contact with felsic volcanics and sediments of the Argylla Formation. The geophysical trend is bounded by two faults.

The second zone is an overlapping gravity and magnetic anomaly located on a north-south trending structure close to the unconformable margin of the Proterozoic basement and the Cambrian Georgina Basin. Previous geochemical sampling has located areas of copper and gold anomalism in the Dronfield area but no systematic assessment of these targets has been undertaken to date.

Hammer considers the targets to be highly prospective for IOCG mineralisation with further modelling and field evaluation planned for early 2015.



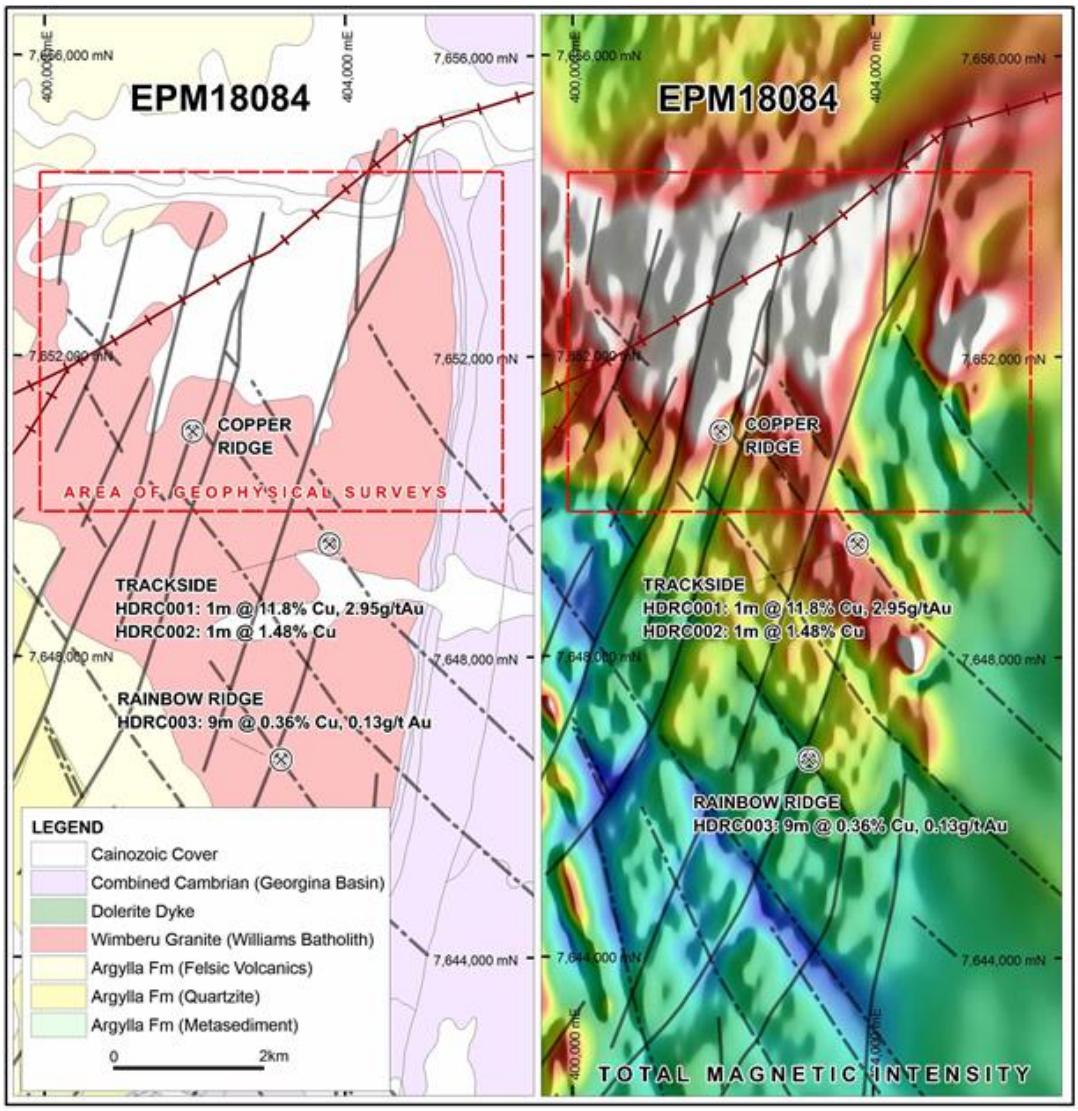
Project Location
(Resource inventory sourced from public sources)

GEOPHYSICAL SURVEY AREAS AND PROCESSING.

Gravity and magnetics data are key tools used in the exploration for IOCG deposits due to the geophysical properties of this deposit style and have been instrumental in the discovery of world-class IOCG deposits such as Olympic Dam and Ernest Henry.

The gravity and magnetic surveys at Dronfield were designed to examine the northern contact of the Wimberu Granite – an A-Type granite of similar age to the Williams Batholith near the Ernest Henry IOCG deposit. Regional geophysical imagery indicated that this northern contact displayed elevated magnetic and density characteristics that required more detailed evaluation.

The gravity survey was conducted over this area with readings being taken at 400 metre centres with zones of 200m and 100m infill in key areas. Surface ground magnetic data was acquired on 100m spaced lines with readings being taken at 1 second intervals. The data were modelled by Southern Geoscience, the Company's geophysical consultants. The gravity data were filtered in order to remove the deeper, northwest trending elevated gravity response thereby concentrating on shallow, more discrete (kilometer-scale) anomalous zones.

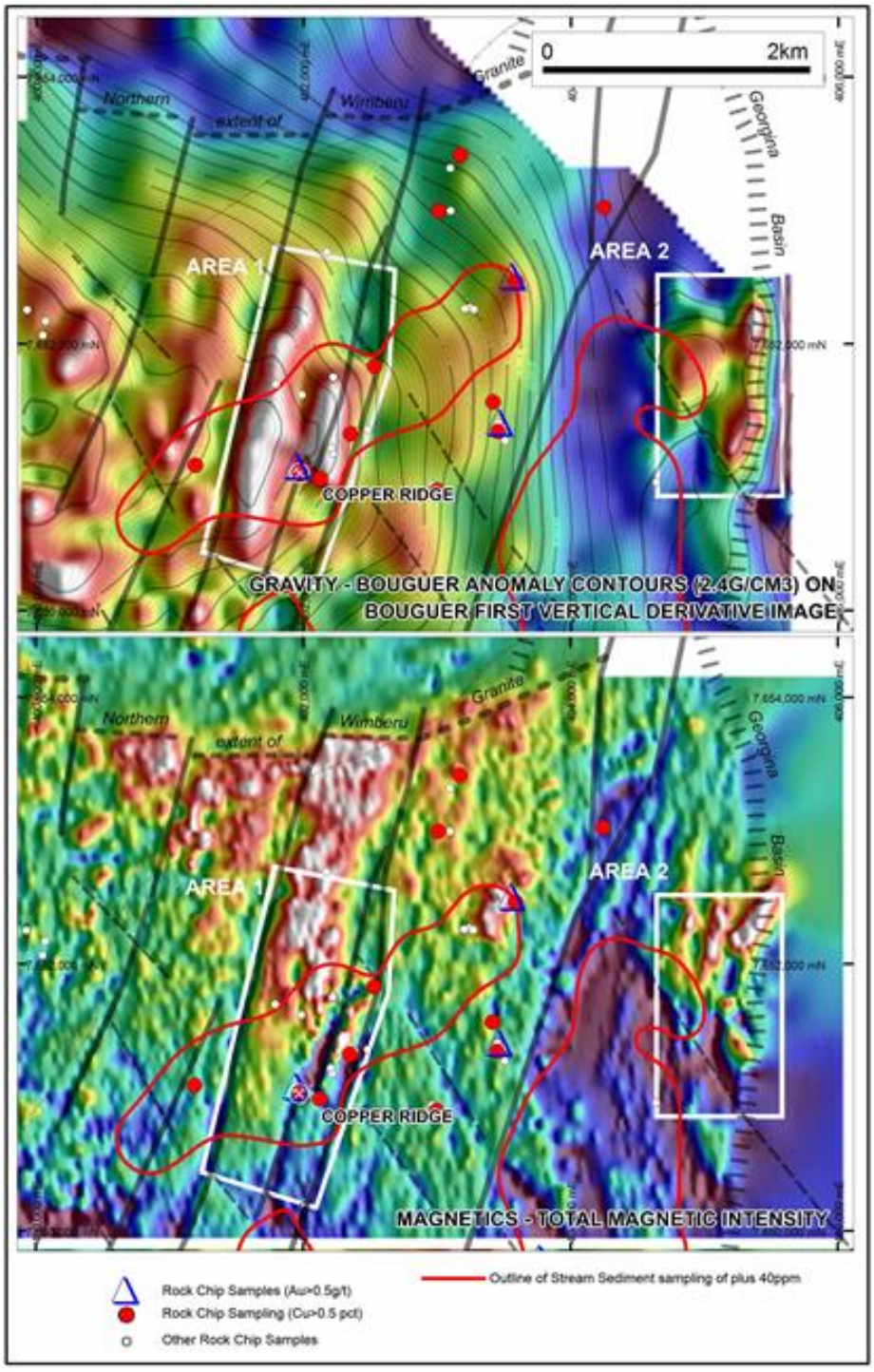


Dronfield Survey Area

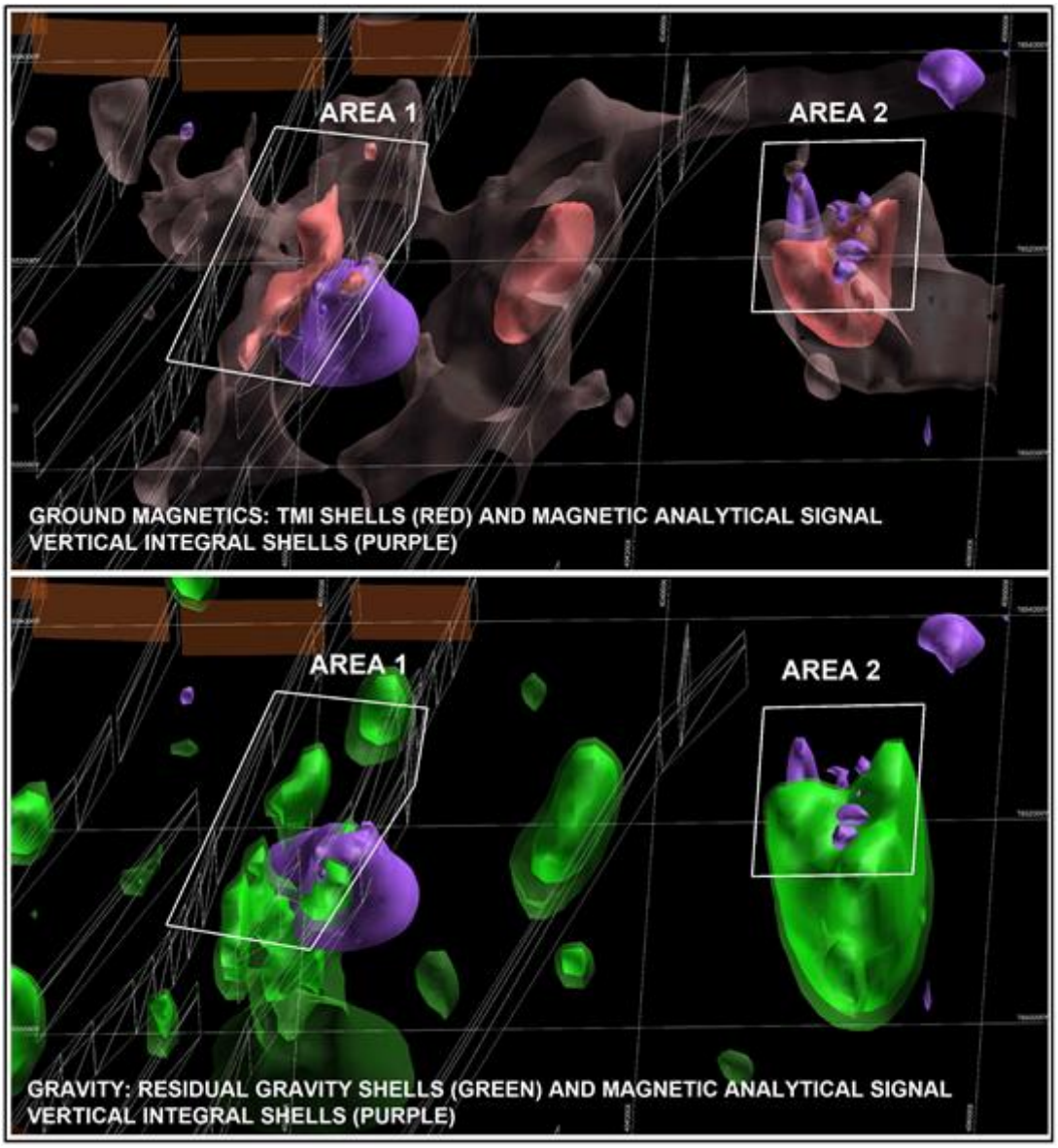
The surveys highlighted two zones of interest. The first (Area 1) is a fault bounded zone located close to the northern margin of the Wimberu Granite. The geometry of the three dimensional models and the spatial relationship with the bounding faults and granite margin suggest that Area 1 may represent a large structurally controlled alteration zone.

Previous surface geochemical sampling above the anomaly has delineated a zone of elevated copper geochemistry and surface examination of the Wimberu Granite indicates that it has been subject to strong red rock and magnetite alteration. The zone as modelled is approximately 2km long by 1.5km wide, steeply dipping, extending to 300 to 500 metres depth with a >5000nT magnetic peak and discrete 1.3 milligal amplitude local residual gravity peaks.

The second anomaly (Area 2) of interest is located further to the east close to the margin of the younger Georgina Basin sediments. Again previous surface sampling has delineated a zone of copper anomalism which impinges on the area of interest. The anomaly is approximately 1km by 2.2km with a +3500nT magnetic peak and a local residual gravity peak of 1.5 milligals.



Dronfield Survey Area – Gravity and Magnetics Imagery showing the two zones of interest



Dronfield Oblique view (looking north)

SIGNIFICANCE OF RESULTS AND FUTURE PROGRAM

The Dronfield gravity and magnetic anomalies are located within the Wimberu Granite of the Williams Intrusive Suite. The Williams Group of A-Type Intrusives are interpreted to be related to many of the IOCG deposits in the Mount Isa region. The limited previous exploration in the area has focused on shear-hosted mineralisation however it is possible that this style of mineralisation may be part of a larger IOCG alteration system that has not been specifically targeted.

These results in conjunction with the results of the Overlander and Andy's Hill surveys further enhances the IOCG prospectivity of the Hammer Metals Mount Isa project area. The Dronfield targets are currently being refined and will be followed up in more detail in early 2015.

- ENDS -

For further information, please contact:

Alex Hewlett
Executive Director
Hammer Metals
Tel: +61 8 9271 0149

Media:

Karen Oswald
Marko Communications
Tel: + 61 423 602 353

Competent Person's Statements:

Historic Exploration Results

The information in this report as it relates to exploration results and geology first reported prior to 1 December 2013 was reviewed by Mr John Downing, who is a Member of the Australian Institute of Geoscientists and a consultant 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 2004 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.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Exploration Results – Overlander, Andy's Hill and Dronfield

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 consultant 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.

JORC Code, 2012 Edition

Table 1 report – Dronfield Geophysical Modelling

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.*	• The primary subject of this release is to report on the results of geophysical modelling over The Dronfield Prospect. The modelling builds on the acquisition of gravity and magnetics data which was completed during November. • The ground Gravity Survey was conducted on 400 metre centres with 200 metre infill and select zones of 100 metre detailed readings to enable depth modelling. The gravity was undertaken by Haines Surveys Pty Ltd utilising a Scintrex CG-5 Autograv Gravity meter which has an accuracy of 0.01 mgal. Locations were captured using a Trimble 5000 GPS receiver and post processed to achieve 5cm vertical and horizontal accuracy. • The Magnetics Survey is a merge of a previous survey conducted by Arimco Mining Pty Ltd in 1995 and recent extensions (commissioned by Hammer Metals Limited and) undertaken by Terra Search. The details of the Arimco survey are discussed below under *"Exploration done by other parties".* • Terra Search used a Gemsus Overhauser GSM-19 Magnetometer with an onboard GPS. Data was collected at 1 second intervals along 100m lines. The new survey was merged with the older Arimco data and levelled using regularly spaced tie lines and a 200m data overlap.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast,*	• Not Applicable

Criteria	JORC Code explanation	Commentary
	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).	
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.*	• Not Applicable
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.*	• Not Applicable
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.*	• Not Applicable
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*	• Not Applicable • The gravity was undertaken by Haines Surveys Pty Ltd utilising a Scintrex CG-5 Autograv Gravity meter which has an accuracy of 0.01 mgal. Locations were captured using a

Criteria	JORC Code explanation	Commentary
	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.*	Trimble 5000 GPS receiver and post processed to achieve 5cm vertical and horizontal accuracy. Control points in the areas surveyed were established from existing trig stations and benchmarks. Where this was not possible the Geoscience Australia AUSPOS processing facility was used for control. Gravity control was established relative to local control stations. Haines Surveys conducted repeat readings at a minimum frequency of 2%. • The Magnetics Survey is a merge of a previous survey conducted by Arimco and extensions undertaken by Terra Search. The details of the Arimco survey are discussed below under *"Exploration done by other parties".* • Terra Search used a Gemsus Overhauser GSM-19 Magnetometer with an onboard GPS. Data was collected at 1 second intervals along 100m lines. The new survey was merged with the older Arimco data and levelled using regularly spaced tie lines and a 200m data overlap. A base station (Geometrics G-856 magnetometer) continuously collected data during the survey to enable diurnal variation correction.
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.*	• Gravity: All readings were transferred to Haines personnel on a daily basis for review. The data was also transferred to Southern Geoscience Consultants and Hammer Metals for further examination and verification. • Magnetics: Data verification was conducted daily. Data was also transferred to Terra Search in Townsville, Southern Geoscience consultants in Perth and the office of Hammer Metals Limited in Perth.
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*	• Gravity Station locations were captured using a Trimble 5000 GPS receiver and post processed to achieve 5cm vertical and horizontal accuracy. • Magnetics data capture is discussed above. Locational error is +-1m for the

Criteria	JORC Code explanation	Commentary
	control.	new survey and +/- 25 metres for the 1995 survey
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.*	• The ground gravity survey was conducted on 400 metre centres with 200 metre infill and select zones of 100 metre detailed readings to enable depth modelling • The ground magnetic data was collected at 1 second intervals along 100m spaced lines. • The geophysical data density is considered appropriate to the target type being sought.
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 ground magnetic line direction and gravity station layout was oriented perpendicular to major structural features.
Sample security	• *The measures taken to ensure sample security.*	• Gravity data was transferred daily to Haines Surveys and then onto Southern Geoscience for independent review. Data was also transferred daily to Hammer personnel for digital storage. • Magnetic data was transferred daily to Terra Search in Townsville and then onto the offices of Hammer Metals Limited and Southern Geoscience Consultants in Perth.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• As mentioned above as gravity data was collected, daily data review was conducted by Southern Geoscience Consultants for independent review during the execution of the program.

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,*	• The survey was conducted over EPM18084 which is the subject of a farm-in with Kabiri Resources Pty Ltd. Hammer Metals can earn an 80% interest in the tenement through

Criteria	JORC Code explanation	Commentary
	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.*	expenditure of $250,000. • The above-mentioned tenement is in good standing with the Qld DME
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• At Dronfield the core of the detailed ground magnetics (depicted in the report figures) was conducted by Arimco Mining Pty Ltd in 1995. The digital data from this program has been reviewed and modelled. The Arimco program was undertaken using a Geometrics G-856 magnetometer with a reading spacing of 25m on 100m East-West oriented lines. A second Geometrics unit continuously collected base station readings to enable correction for diurnal variation. • Surface soil and rock chip sampling shown in the attached figures was conducted by Arimco Mining Pty Ltd.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The mineralisation style discussed in this release is Iron-Oxide Copper Gold (IOCG). The closest example of this style is the Ernest Henry Deposit to the north of Cloncurry. • At Dronfield the host is strongly red rock-magnetite altered granite of the Wimberu Granite (Williams Suite).
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.*	• Not Applicable

Criteria	JORC Code explanation	Commentary
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.*	• Not Applicable
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').*	• Not Applicable.
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 compiled rock chip sampling is shown on the attached figures and significant results are highlighted. • Similarly compiled soil sampling is shown in its entirety.
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.*	• Refer to the release.
Further work	• *The nature and scale of planned further work (eg tests for lateral*	• It is envisioned that these areas will be further examined with a view to

Criteria	JORC Code explanation	Commentary
	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.*	defining drill targets as soon as possible.