ASX Announcement (ASX: HMX)

15th March 2016

Mount Isa Exploration Update

HIGHLIGHTS

Mount Isa Farm-in and Joint Venture

- Field programs commenced in mid-January under the Farmin and Joint Venture Agreement signed with Newmont Exploration Pty Ltd ("Newmont") to explore three of Hammer's IOCG prospects near Mount Isa – **Overlander, Even Steven and Dronfield**;
- Newmont may earn up to 75% by spending US$10,500,000 (A$15,000,000) with Hammer managing the first two stages of the JV until Newmont earns a 65% interest;
- Gravity, ground magnetics, geological mapping and geochemical sampling programs are well underway;
- Processing and modelling of the geophysical data is in progress utilizing Newmont's in-house technical support;
- It is anticipated that drilling may commence in the second quarter.

Copper-Gold Targeting Program (Hammer 100% tenements)

- Focus is on generating and securing high potential copper-gold targets with new tenement applications;
- Target definition at the **Scalper and Hammertime** projects is enhanced by results of high resolution gravity and magnetic surveys;
- Review of previous exploration data supports project's potential for Tick Hill style gold deposits.

MOUNT ISA PROJECT

Hammer Metals Limited (**ASX: HMX**) ("Hammer" or "the Company") is targeting the large iron oxide copper-gold (IOCG) alteration systems the Company has outlined within its Mount Isa project.

Late in 2015 a Farmin and Joint Venture Agreement was executed with Newmont Exploration Pty Ltd ("Newmont") encompassing three of Hammer's IOCG prospects – **Overlander, Even Steven and Dronfield**, covering approximately 250km^2 of Hammer's 2011km^2 Mount Isa project. The joint venture is targeting an Ernest Henry style of IOCG copper-gold deposit (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au).

The first JV program and budget for the period January to March 2016 was prepared and approved with field work commencing in mid-January. Work is focusing on completing the coverage of the three prospects with gravity and magnetic surveys along with geological mapping and geochemical programs where necessary to improve target definition prior to drilling. Newmont's substantial in-house technical expertise will be utilised in conducting the joint venture programs.

The gravity surveys are now completed with the soil sampling and ground magnetic surveys at Even Steven underway. Processing and modelling of the data is in progress.

Concurrently with the exploration on the joint venture prospects copper-gold targeting activities are progressing on the 100% owned Hammer tenements with a focus on the Hammertime, Scalper and Kalman West prospects. Detailed gravity surveys have been completed over the alteration zones at Hammertime and Scalper as well as infill ground magnetics at Hammertime to assist with target definition.

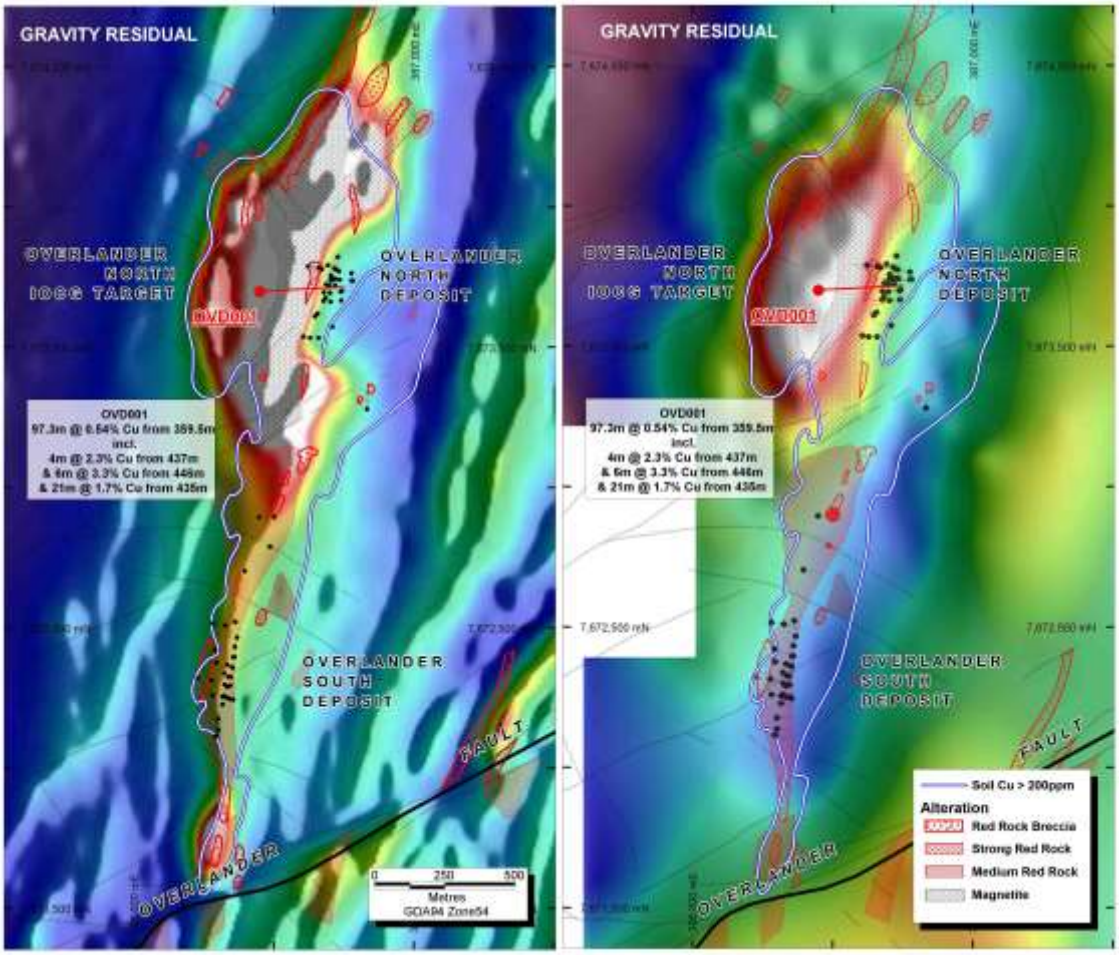
Mount Isa Farmin and Joint Venture

Overlander

The Overlander area is a regionally significant zone of alteration with IOCG style, shear-hosted and breccia-hosted copper mineralisation located 8km west of the Kalman deposit. The copper-in-soil anomaly at Overlander that encompasses this zone as defined by the 200ppm contour is over 3km long and up to 1000 metres wide. Previous exploration by Hammer has outlined a copper resource at Overlander totaling 1.77 million tonnes at 1.2% Cu. (Refer to ASX release dated August 26th 2015 for details of the Overlander resource estimate.) This resource is excluded from the Joint Venture.

Geological mapping and gravity, magnetic, IP and geochemical surveys completed by Hammer on the Overlander IOCG target have confirmed the presence of overlapping IP, gravity and magnetic anomalies coincident with a "red-rock" – magnetite alteration zone. The first drill hole to test this target (OVD001) intersected strong albite – magnetite IOCG-style altered sediments and volcanics with disseminated copper mineralisation on the flanks of the gravity and magnetic inversion shells.

Current work is focused on the IOCG target and comprised detailed alteration and geological mapping, and rock chip sampling, completion of the sampling and assaying of OVD001, collection of infill gravity data and inversion modeling of the updated geophysical datasets. It is anticipated that drilling will be undertaken on the target later in the first half of 2016 on completion of the modelling.



Overlander Magnetic and Gravity Imagery

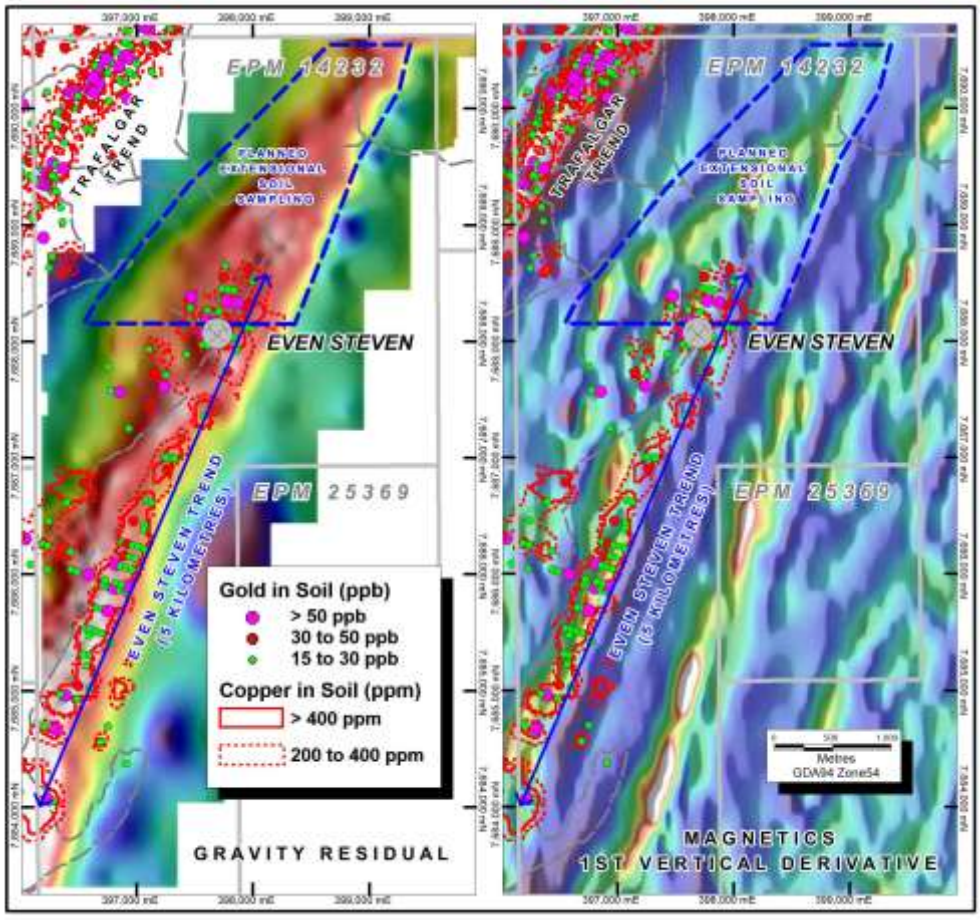
Even Steven

The Even Steven prospect is located approximately 15km to the northeast of the Kalman deposit in a similar structural position immediately west of the Pilgrim Fault.

The prospect is characterized by a 6km long zone of linear magnetic and gravity highs that coincide with outcropping feldspar – magnetite ("red-rock") alteration and breccia and anomalous gold and copper soil geochemistry. The prospect has been drilled in only one location (at the historical Even Steven workings) where 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 were returned.

Hammer drilled another two holes at the Even Steven workings in 2014 that 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 including **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.** (Refer to ASX release dated 16th September 2014) for details of the drilling.)

In addition to the extensive area of alteration and soil anomalism present at Even Steven the high gold/copper ratio of the mineralisation intercepted to date is considered an encouraging characteristic of this prospect. Detailed (100m spaced) gravity surveying has been completed over the zone and a ground magnetic survey and further soil sampling over the northern end of the zone is currently in progress.



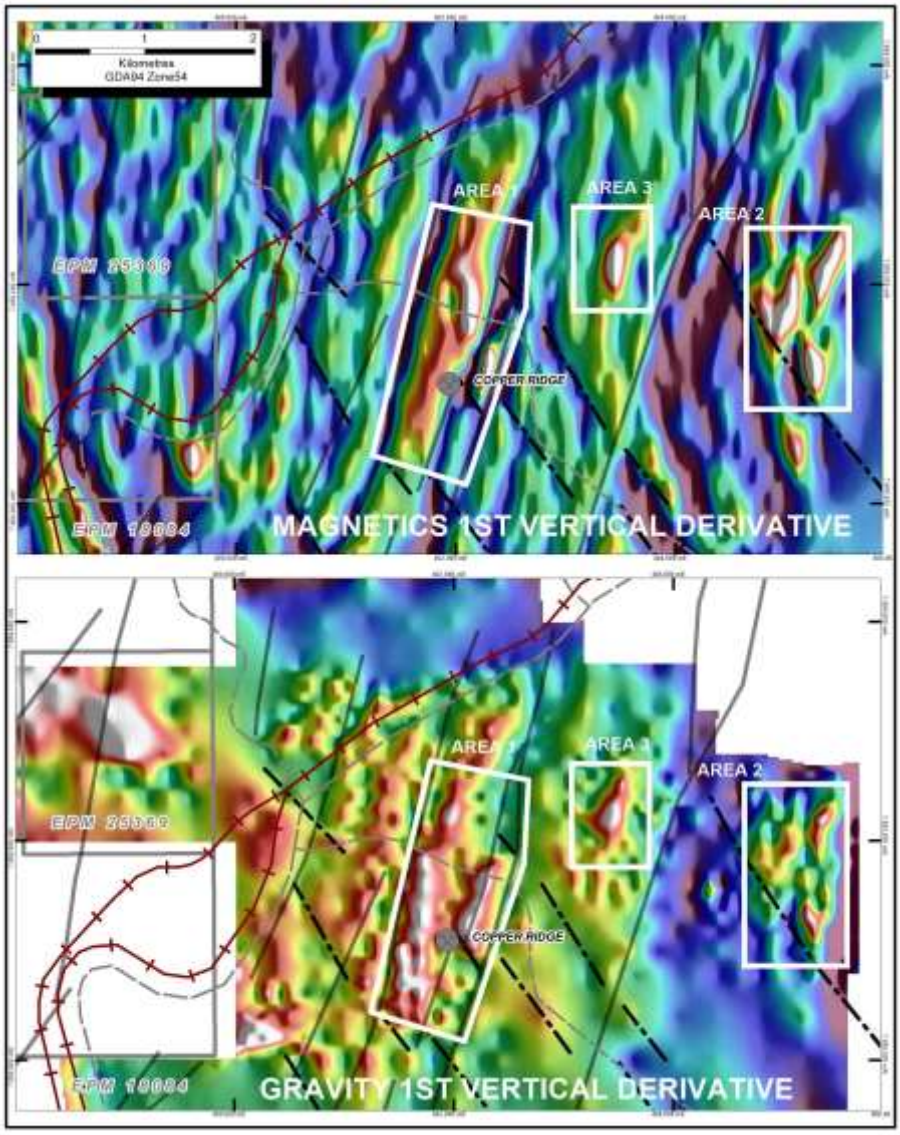
Even Steven Magnetic and Gravity Imagery

Dronfield

The Dronfield magnetic and gravity anomalies are located 25km southeast of Overlander on EPM 18084 which is subject to a farm-in agreement with Kabiri Resources Pty Ltd. Hammer has the right to earn up to an 80% interest in EPM 18084 from Kabiri by spending $250,000 on exploration. It is anticipated that this commitment will be met by mid-2016.

The favourable alteration, copper-gold anomalism and the strong overlapping gravity and magnetic features are considered highly supportive of the potential of the Dronfield project for IOCG deposits.

The joint venture has completed a 1060 station infill gravity program along with mapping and rock chipping of the limited rock exposures. Newmont's proprietary deep-sensing geochemical technique has also been trialed over the prospect. Due to the size of the gravity and magnetic features at Dronfield additional infill geochemistry and/or IP is planned to improve target definition.



Dronfield Magnetic and Gravity Imagery

Mount Isa Copper – Gold Targeting Program – 100% Hammer

Since late 2013 Hammer has been undertaking a systematic targeting exercise for large IOCG deposits within under-explored sections of the Mount Isa Inlier. As part of the IOCG targeting exercise three new copper-gold targets on vacant land were recently identified and secured with tenement applications - Cathay, Resolve and El Questro. (Refer to the December 2015 Quarterly Report for details.)

Hammer's project also covers a significant section of the Pilgrim Fault structural corridor that hosts the (500,000 ounce) Tick Hill gold deposit located south of Duchess. An initial review of previous exploration data for gold has highlighted several anomalies within Hammer tenements and further assessment of these targets will be undertaken.

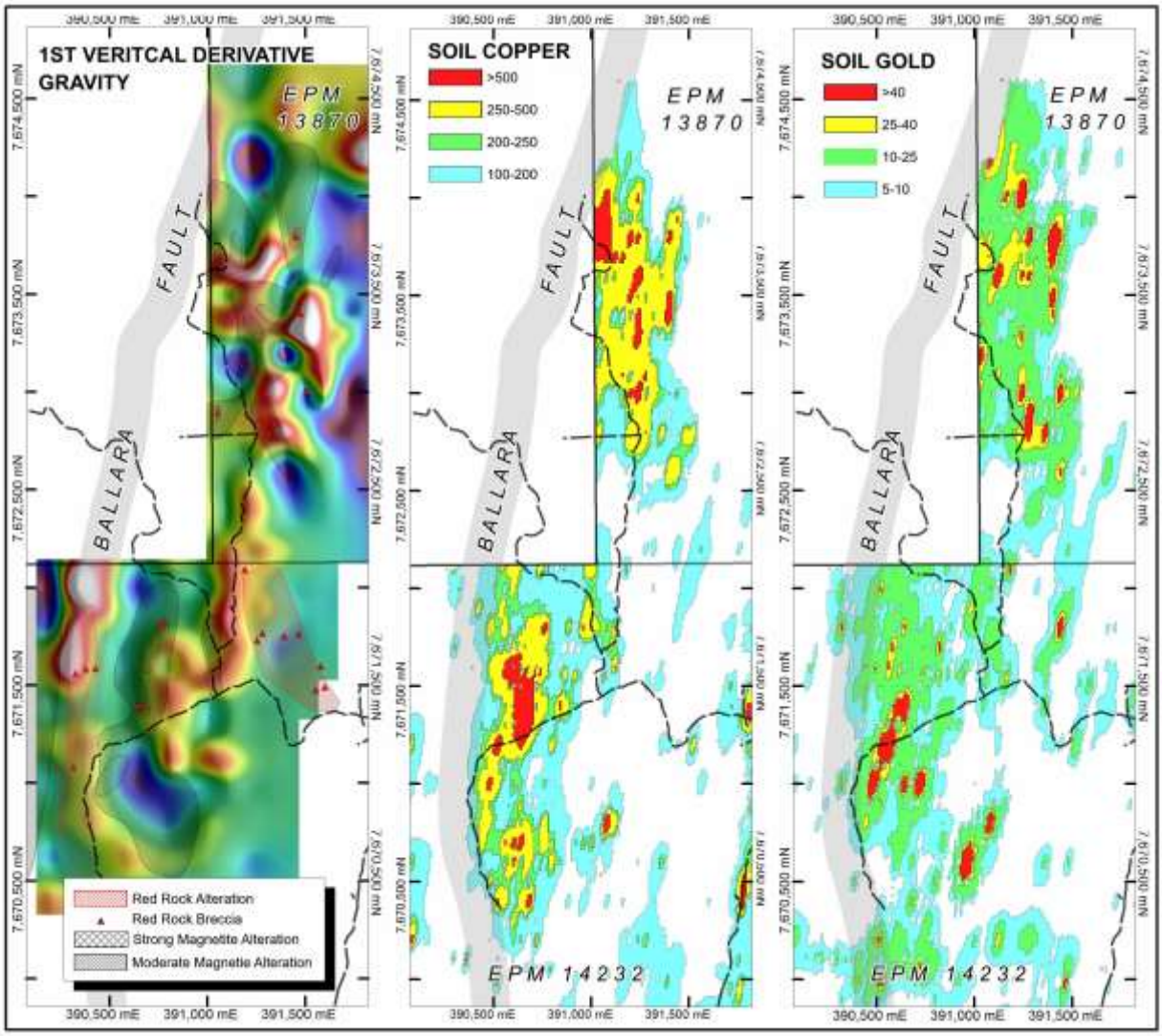
Concurrent with the joint venture activities Hammer has continued with field work on its more advanced 100% - owned targets, with a focus on Hammertime, Scalper and Kalman West.

Hammertime

Hammertime is located on the eastern side of the Ballara Fault 1.5km west of Hammer's Kalman copper-gold-molybdenum-rhenium deposit. The Ballara Fault is a splay off the sub-parallel and regional scale Pilgrim Fault. Previous soil sampling had defined a +4km long zone of elevated copper and gold which has now been further investigated through detailed geological mapping and sampling.

The geological mapping defined three zones of strong magnetite and red rock alteration typical of IOCG systems within calcareous sediments of the Corella Formation. The alteration zones are up to 1.1km in length and 300m wide. Rock chip sampling of these zones has returned grades in excess of 2.4g/t Au and 29.3% Cu. (Refer to ASX release dated September 1 2015 for details.) Petrological studies indicate the presence of potassic feldspar – magnetite - amphibole breccias indicative of proximal IOCG alteration.

Hammer has just completed a detailed gravity survey over the alteration zone and additional detailed ground magnetics to complete the high-resolution magnetic coverage is in progress. After processing the new data will be used to improve target definition prior to drilling.

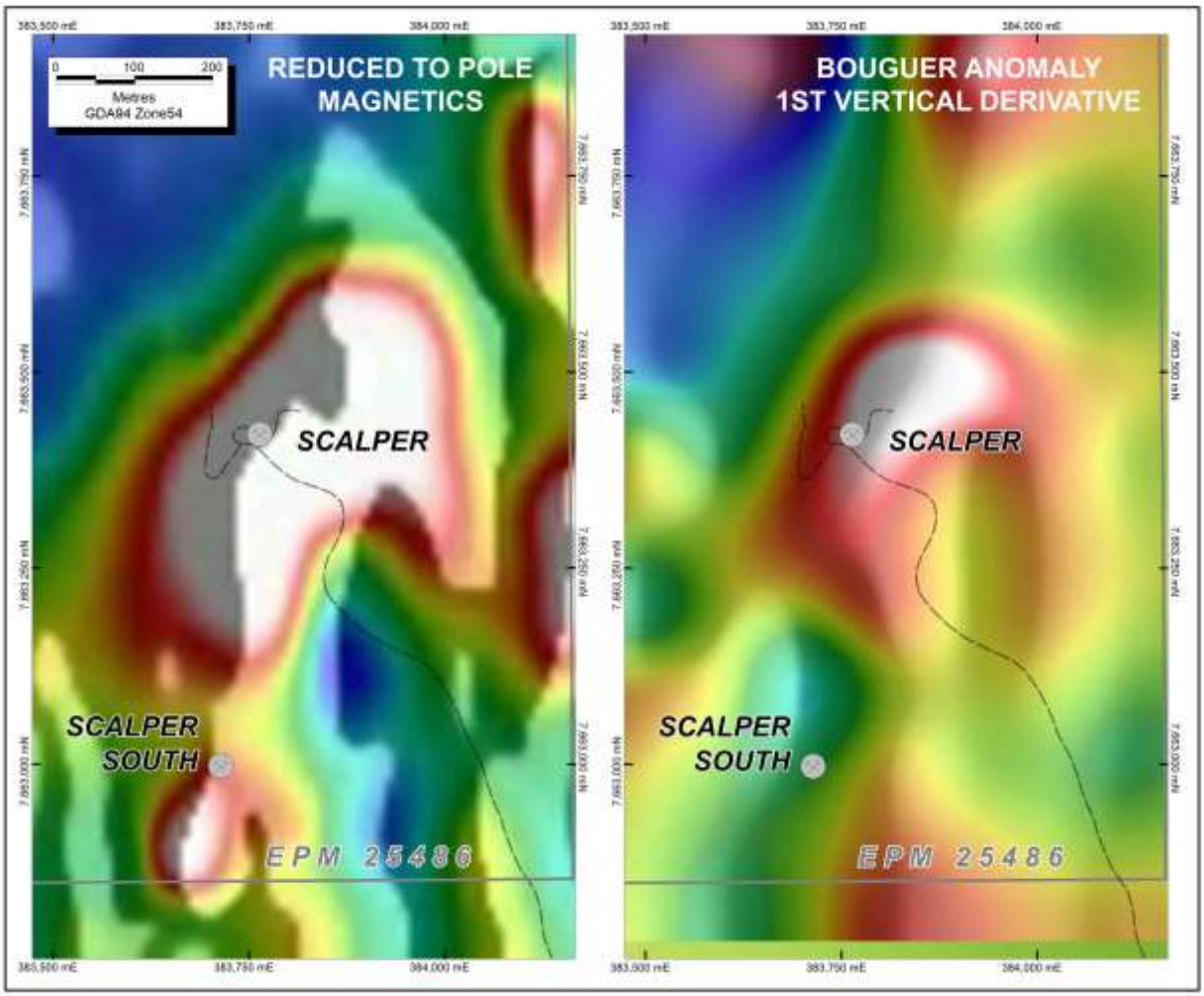


Hammertime Gravity and Soil Gold and Copper Imagery

Scalper

Scalper is located in the same stratigraphic position as the Overlander and Andy's Hill IOCG targets 6-10km to the north. Hammer has drilled one RC hole at the Scalper prospect that returned 23 metres at 1.1% Cu and 0.27g/t Au (HSRC001) within strongly altered and brecciated sediments. (Refer to ASX release dated November 19 2014 for details.) Most of the alteration zone and magnetic anomaly has not been tested nor the old copper workings in similarly altered material located 500m to the south.

A detailed gravity survey completed over the prospect in February has identified a gravity high coincident with the northern magnetic target enhancing the prospectivity of this zone. Modelling of the geophysical data is in progress.



Scalper Magnetic and Gravity Imagery

Future Activities at Mount Isa

Field programs will continue on both the JV and non-JV tenements.

Results will be progressively released as the programs are completed.

- ENDS -

For further information, please contact:

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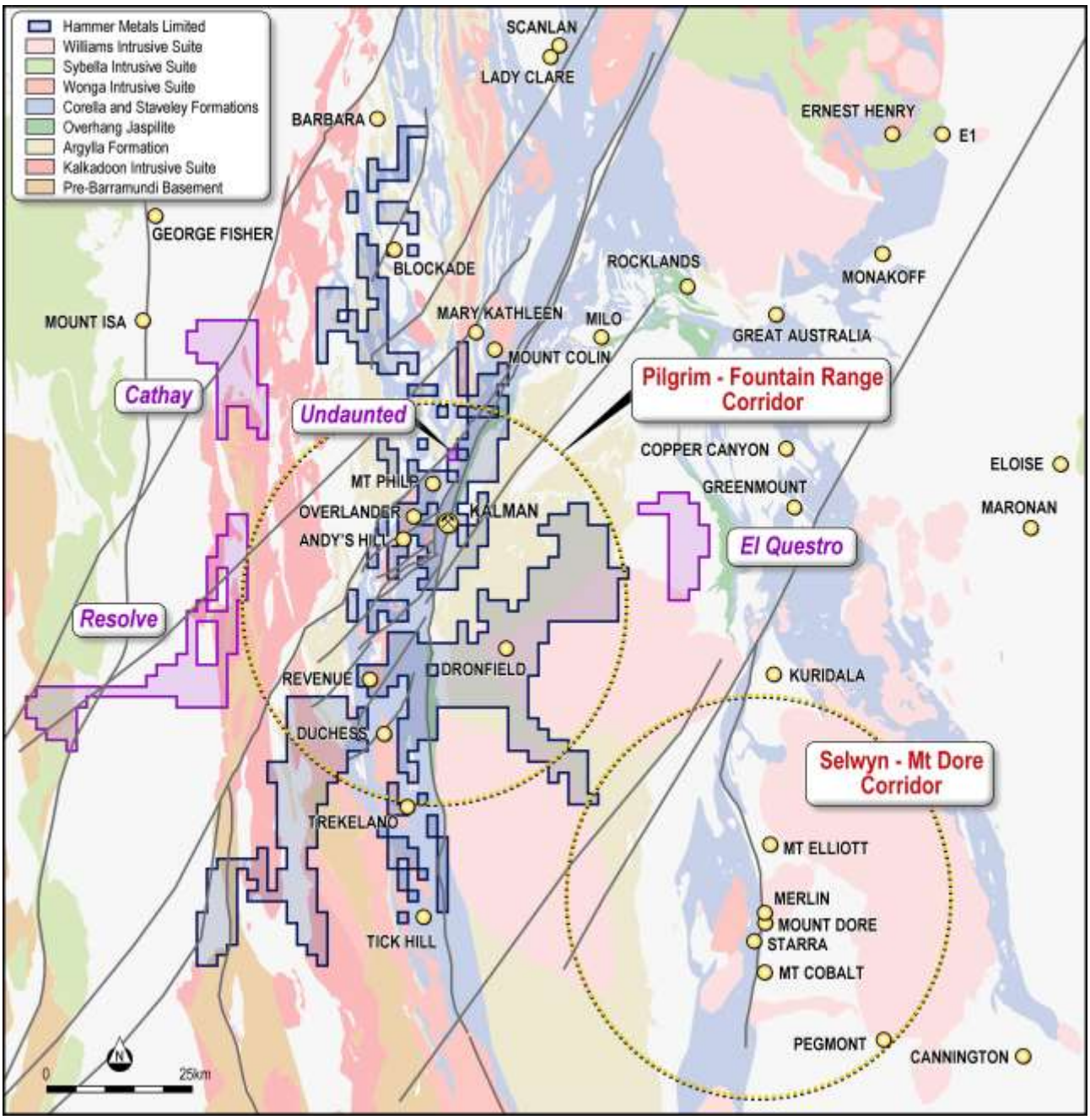
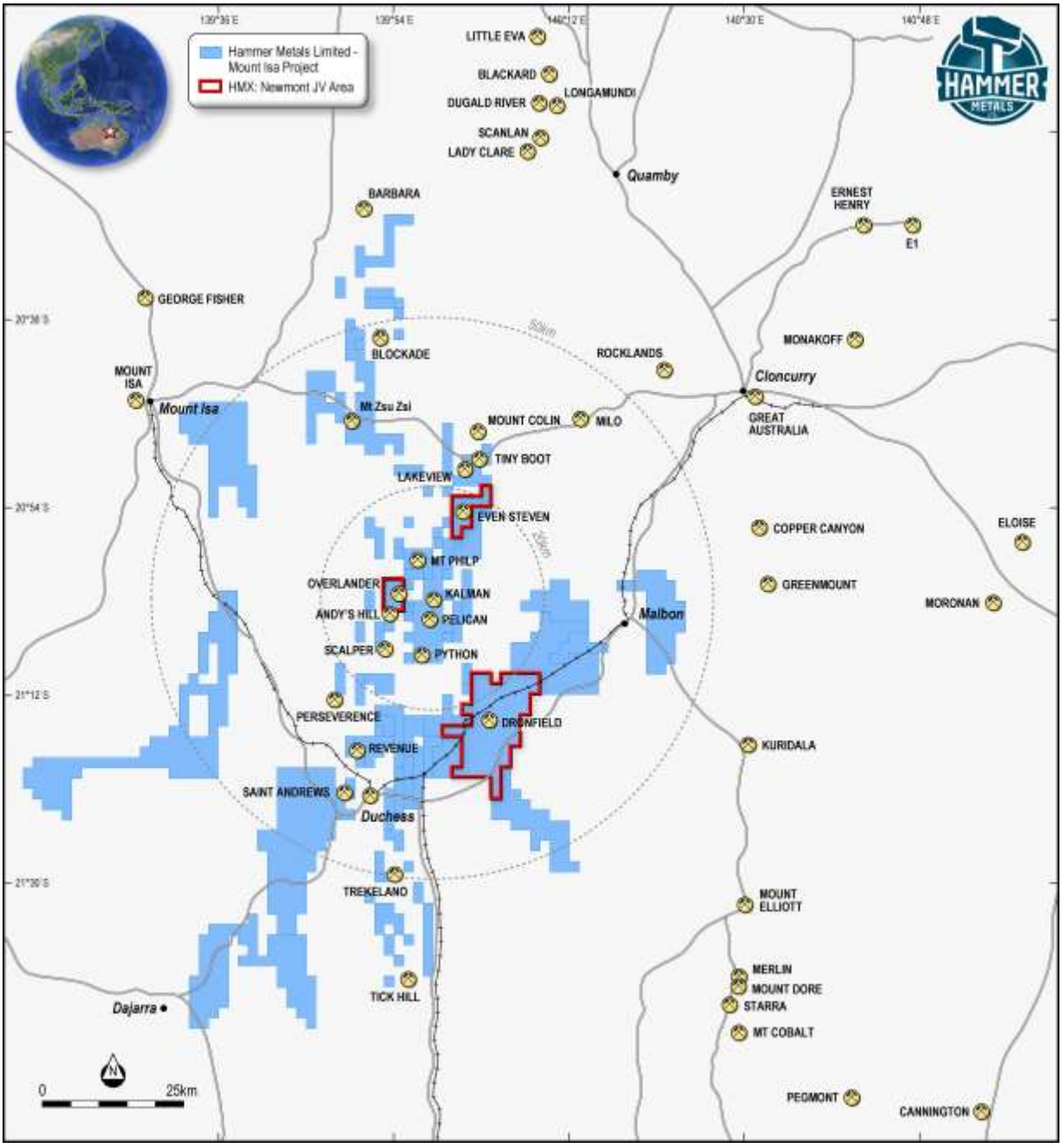
Competent Person's Statement

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.



Mount Isa Project Locations



Mount Isa Farmin and JV Areas

JORC Code, 2012 Edition

Table 1 report – Exploration Update

- The primary subject of this release is to report on the results of ground gravity surveys over the Even Steven, Overlander, Hammertime, Scalper and Dronfield Prospects.
- The release incorporates information generated by Hammer Metals Limited. Apart from the results of the gravity surveys, other information has been previously reported to the ASX (and is cited in the release and below).
- The release also incorporates information generated by previous holders of the tenements and/or previous explorers over the areas. The details of this other work is cited below.

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 gravity surveys over Even Steven, Overlander, Dronfield, Hammertime and Scalper Prospects. • The ground Gravity Surveys were conducted on 400 metre centres with 200 metre and 100 metre infill. The surveys were 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.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast,*	• Drill intersections for Overlander were released to the ASX on 26/8/2015.

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 intersections for Even Steven were released to the ASX on 16/9/2014. • Drill results for Hammertime were released to the ASX on 1/9/2015 and soil geochemical results on 30/9/2015. • Drill results for Scalper were released to the ASX on 19/11/2014
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.*	• Please see the previous releases which detail the nature and results of drilling conducted at these prospects. • Drill intersections for Overlander were released to the ASX on 26/8/2015. • Drill intersections for Even Steven were released to the ASX on 16/9/2014. • Drill results for Hammertime were released to the ASX on 1/9/2015 and soil geochemical results on 30/9/2015. • Drill results for Scalper were released to the ASX on 19/11/2014
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.*	• Please see the previous releases which detail the nature and results of drilling conducted at these prospects.
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*	• Please see the previous releases which detail the nature and results of drilling conducted at these prospects.

Criteria	JORC Code explanation	Commentary
	sampled.	
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.*	• Not Applicable • The gravity surveys were 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. 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%.
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.
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.*	• Gravity Station locations were captured using a Trimble 5000 GPS receiver and post processed to achieve 5cm vertical and horizontal accuracy.
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 and 100 metre infill. • The geophysical data density is considered appropriate to the target type being sought.
Orientation of data in relation to	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to*	• The gravity station layout was oriented perpendicular to major structural features.

Criteria	JORC Code explanation	Commentary
geological structure	*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.*	
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.
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, 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 Even Steven, Overlander and Dronfield surveys were conducted over EPM's 14232, 14232 and 18084 respectively. The survey areas are subject to a Joint Venture Agreement with Newmont Australia Pty Ltd. The details of this agreement were released to the ASX on 15/12/2015. • The Scalper survey was conducted over EPM25486 which is 100% owned by Hammer Metals Australia Pty Ltd. • The Hammertime survey was conducted over EPM's 13870 and 14232 which are 100% owned by Mt Dockerell Mining Pty Ltd – a 100% owned subsidiary of Hammer Metals Limited. • All tenements mentioned above are in good standing with the Queensland Department of Natural Resources and Mines.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• The release mentions soil geochemical sampling at Even Steven conducted by CRA during the period 1992-1996. This work was

Criteria	JORC Code explanation	Commentary
		conducted on the now expired EPM8823 and is available on open file reports (CR25872, 26718, 26926, 26927 and 28149). These reports can be accessed through the Queensland Department of Mines and Natural Resources. • The release mentions soil sampling conducted at Overlander and Hammertime. This sampling was conducted by Kings Minerals NL and Syndicated Metals Limited with infill sampling conducted at Hammertime by Mt Dockerell Mining Pty Ltd. This sampling was conducted during the life of the current tenements and the details of the sampling have been previously released to the ASX. • The release also mentions rock chip sampling conducted at the Hammertime Prospect. This sampling was conducted by Hammer Metals Limited and has been previously released to the ASX.
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 Even Steven, Overlander, Hammertime and Scalper the host is strongly red rock and variably epidote altered metasediments of the Corella Formation. • At Dronfield the host is variably magnetite and potassium feldspar altered Granite (and granite variants) of the Wimberu Granite, part of the Williams Group of Intrusives.
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*	• Please see the previous releases which detail the nature and results of drilling conducted at these prospects. • Drill intersections for Overlander were released to the ASX on 26/8/2015. • Drill intersections for Even Steven were released to the ASX on 16/9/2014. • Drill results for Hammertime were released to the ASX on 1/9/2015 and soil geochemical results on

Criteria	JORC Code explanation	Commentary
	○ *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.*	30/9/2015. • Drill results for Scalper were released to the ASX on 19/11/2014
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.*	• Historic soil data is represented as contours which were derived by two dimensional inverse distance interpolation of the primary soil data points.
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.*	• The soil contours are derived from soil sampling data which incorporate all historic reported information.
Other substantive	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical*	• The magnetic data which is shown as imagery depicting Dronfield was derived by Hammer Metals Limited. This data has been previously

Criteria	JORC Code explanation	Commentary
exploration data	*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.*	released to the ASX on 15/12/2014
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 that these areas will be further examined with a view to defining drill targets as soon as possible.