



25th May 2016

Mount Isa Exploration Update Drilling to Commence at Millennium and Scalper

Hammer Metals Limited (ASX: HMX) ("Hammer" or "the Company") wishes to update shareholders on the Company's activities.

- Drilling scheduled to commence in late June at Hammer's 100%-owned **Millennium and Scalper** prospects after hole positions are finalised and heritage clearances obtained;
- Upcoming RC drilling program at the recently purchased **Millennium copper-cobalt-gold** prospect;
 - Drilling at Millennium is designed to follow up recent high grade cobalt and copper intersections with the objective of outlining a JORC standard resource;
 - Data review indicates less than 50% of the 3km strike length of the copper-cobalt anomalous zone at Millennium has been tested by drilling;
- **Hammertime** and **Kalman South** drill planning works currently being undertaken;
- Field programs under the Farm-in and Joint Venture Agreement with Newmont to complete data acquisition and progress the copper-gold targets to the drilling stage are well under way.

As announced to the ASX on 4th May 2016 Hammer acquired five granted mining leases over the Millennium copper-cobalt-gold project near Cloncurry. The acquisition secures a prospective high-grade cobalt-copper-gold target that complements Hammer's existing tenement portfolio in the region.

The Millennium leases are situated on the northern projection of the Pilgrim Fault, approximately 50km north of the Company's Kalman deposit and 16km west of the Rocklands copper-cobalt mine. Previous drilling indicates the potential for significant copper-cobalt-gold mineralisation in the area of the historical workings including previous drill intersections of up to **19m at 1.27% Cu, 0.38% Co and 0.7g/t Au** which would equate to 18m at 4% CuEq*. (Refer to the CYU ASX release dated 4/12/2013 and the attached figures for details.) (*CuEq % = Cu % + 5.161702Co % + 0.868754Au ppm.)

Data compilation and drill hole planning are nearing completion with a preliminary program of approximately 2000m allocated to further test the higher grade sections of the lode, as well as provide an initial drill test of the extensive and as yet untested copper-cobalt soil anomaly to the north. Depending on the results of this program it is anticipated that a further program of resource definition drilling will follow.

At Scalper, a program of geological mapping and sampling, gravity and ground magnetics has outlined zones of magnetic "red-rock" altered and brecciated material coincident with the geophysical anomalies and adjacent to Hammer's previous drill intersection of 58m at 0.58% Cu and 0.13g/t Au including 12m @ 1.9% Cu and 0.13g/t Au in SCRC001. Scalper has similarities to the Overlander IOCG target where shear-related copper mineralisation occurs marginal to strong magnetic and gravity features. Drilling is planned to test for extensions to the mineralised zone in SCRC001 and also to provide an initial test of the adjacent gravity/magnetic target (Refer to the attached figures and to ASX release 19 November, 2014).

At Hammertime additional geological mapping and processing of geophysical data is being undertaken prior to finalising the drilling program for this prospect. The Kalman South high grade shoot is currently being evaluated for a step out drilling program.

Field programs are continuing under the Farm-in and Joint Venture Agreement with Newmont in order to complete data acquisition and progress the copper-gold targets to the drilling stage.



- ENDS -

For further information, please contact:

Alex Hewlett

Executive Director

info@hammermetals.com.au

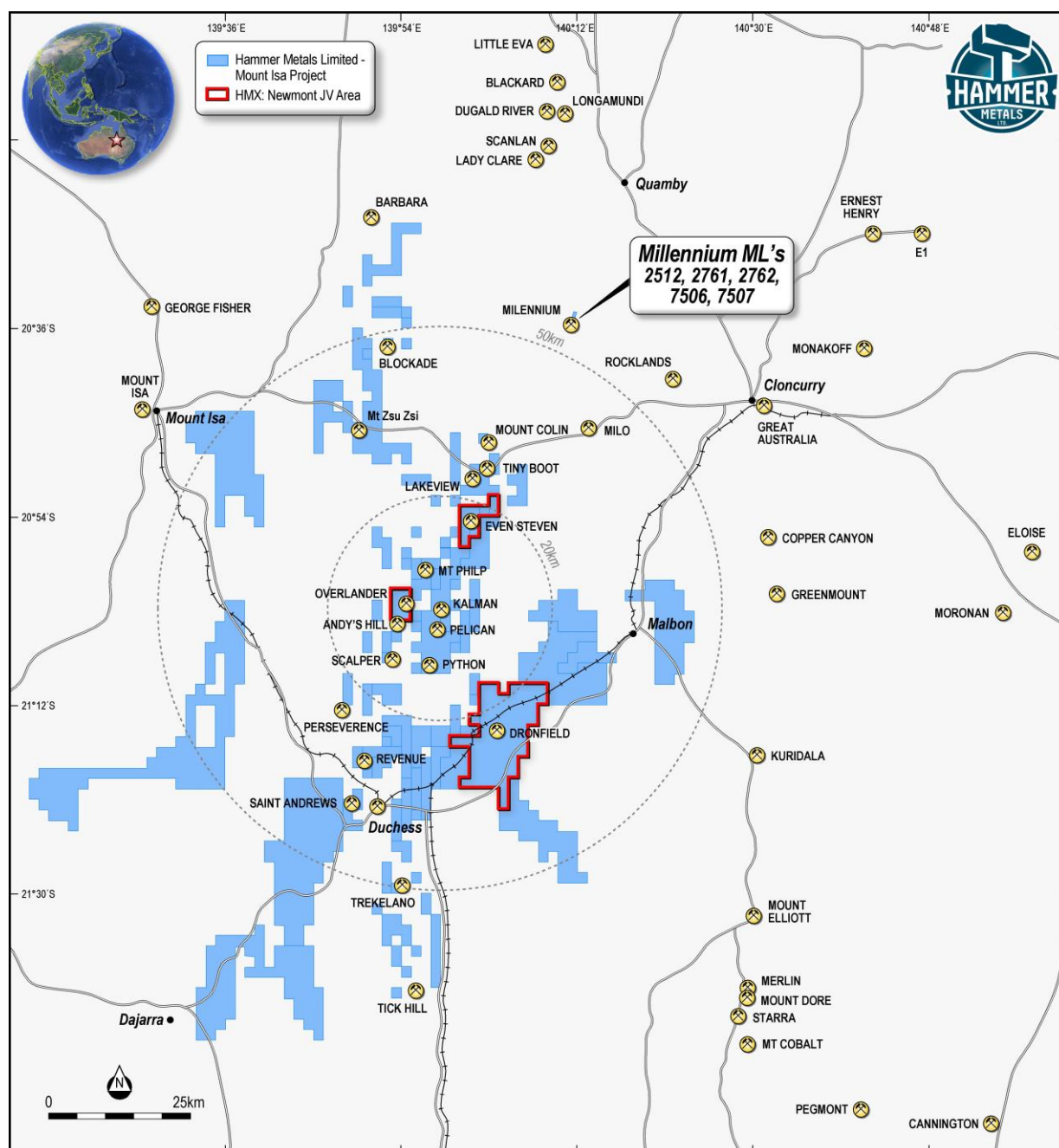
Russell Davis

Executive Chairman

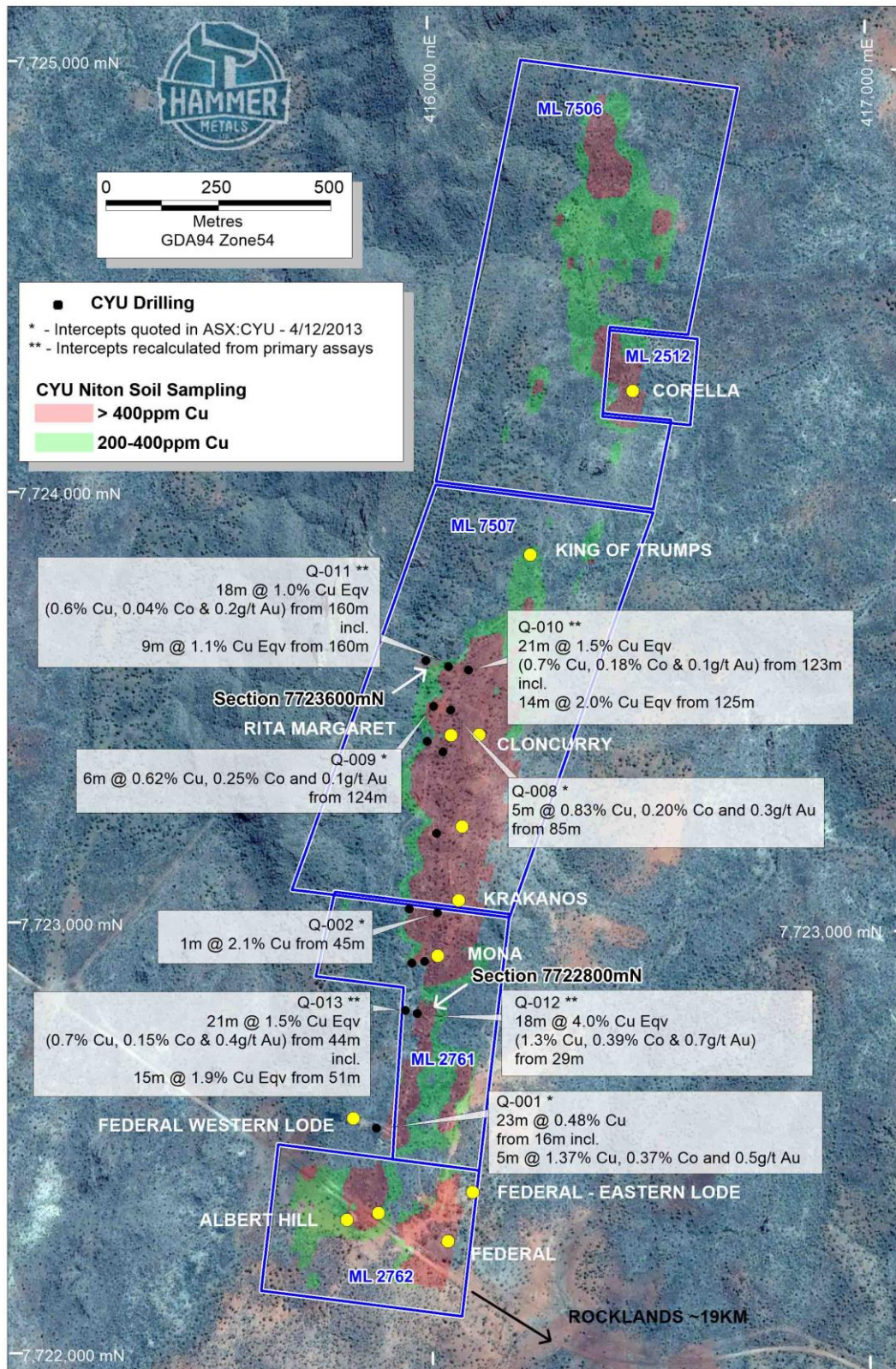
+61 (0)419195087

Competent Person's Statement

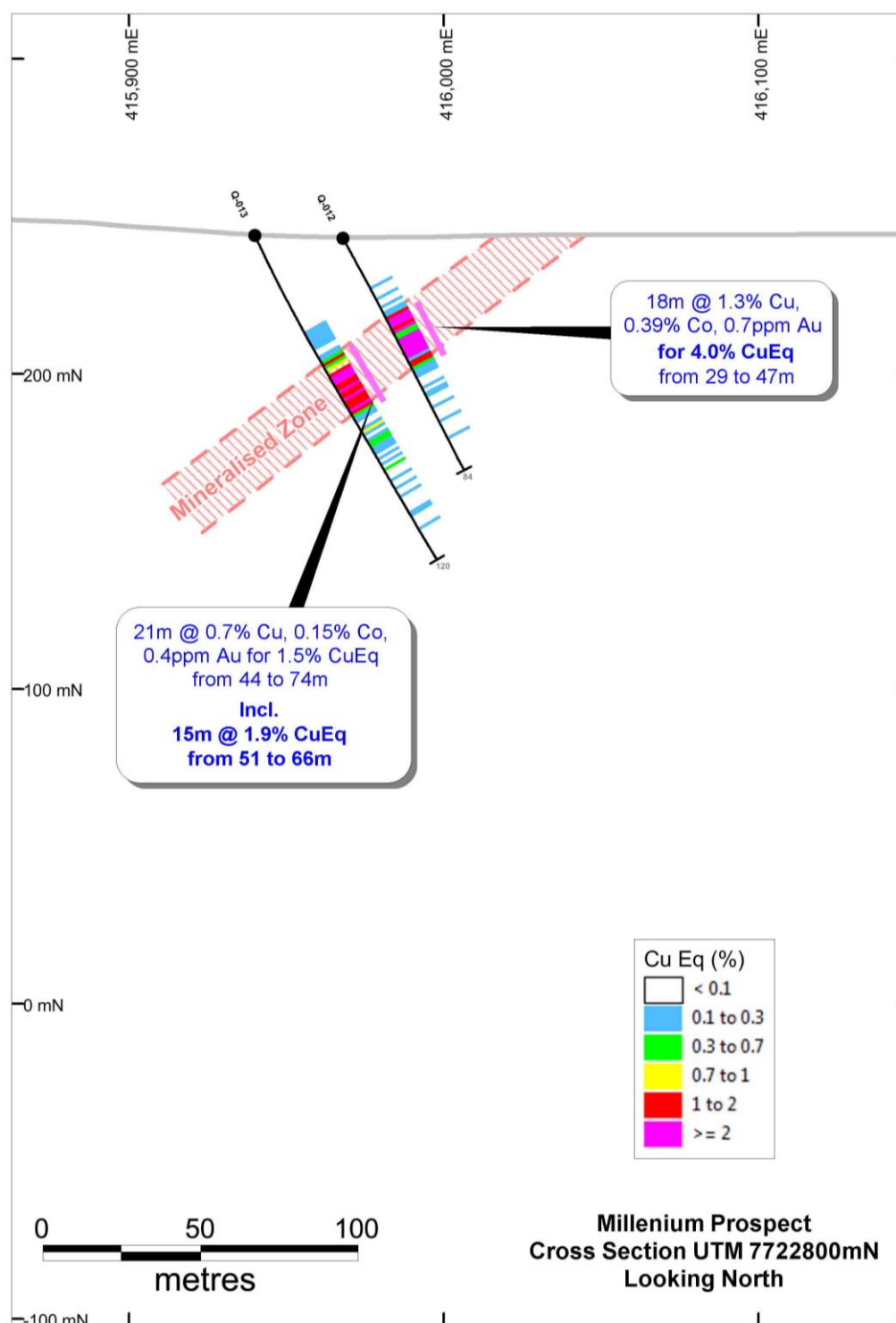
The information in this report as it relates to exploration results and geology was compiled by Mr. Mark Whittle, who is a Member of the AusIMM and a consultant to the Company. Mr. Mark Whittle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration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



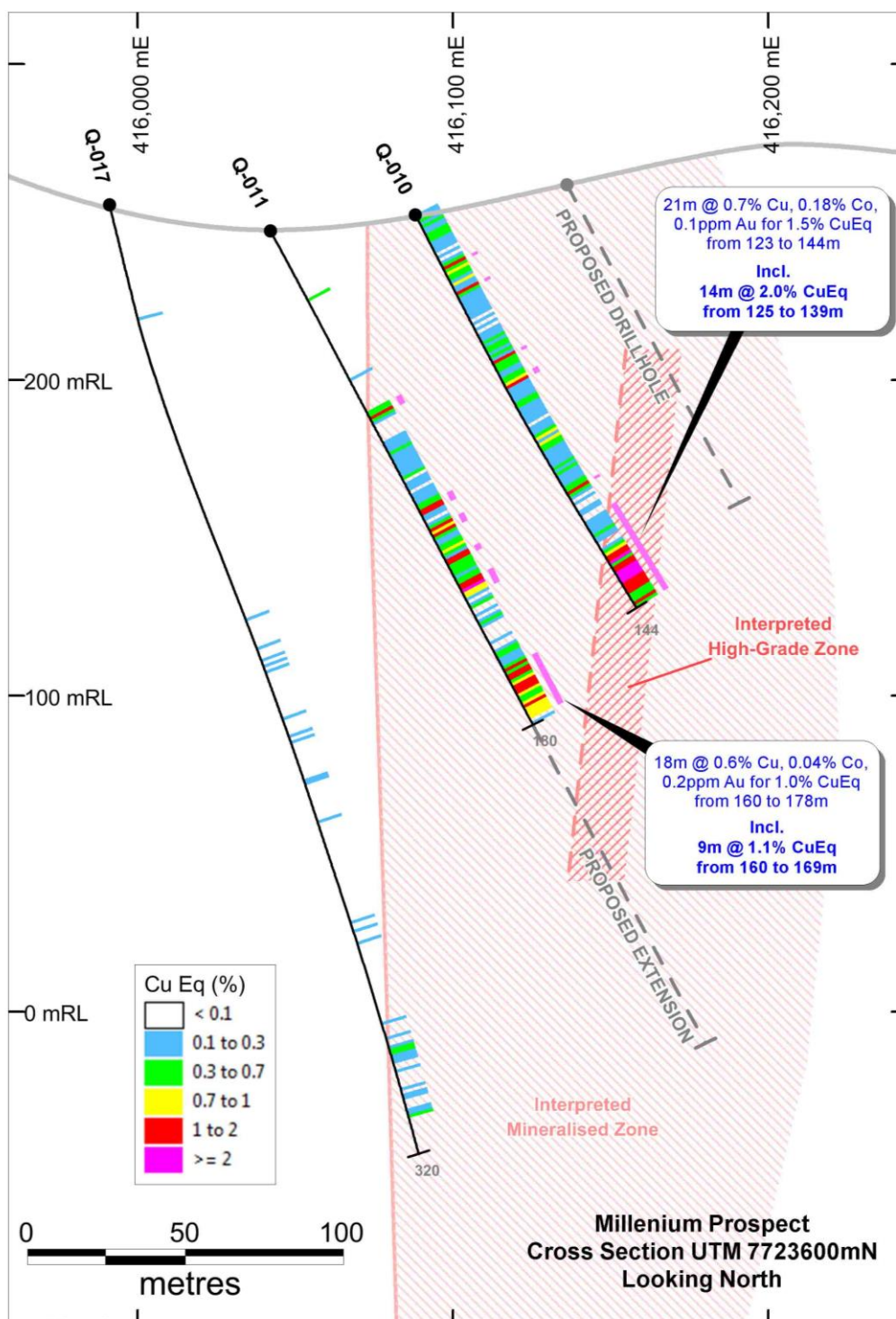
Mount Isa Project Area



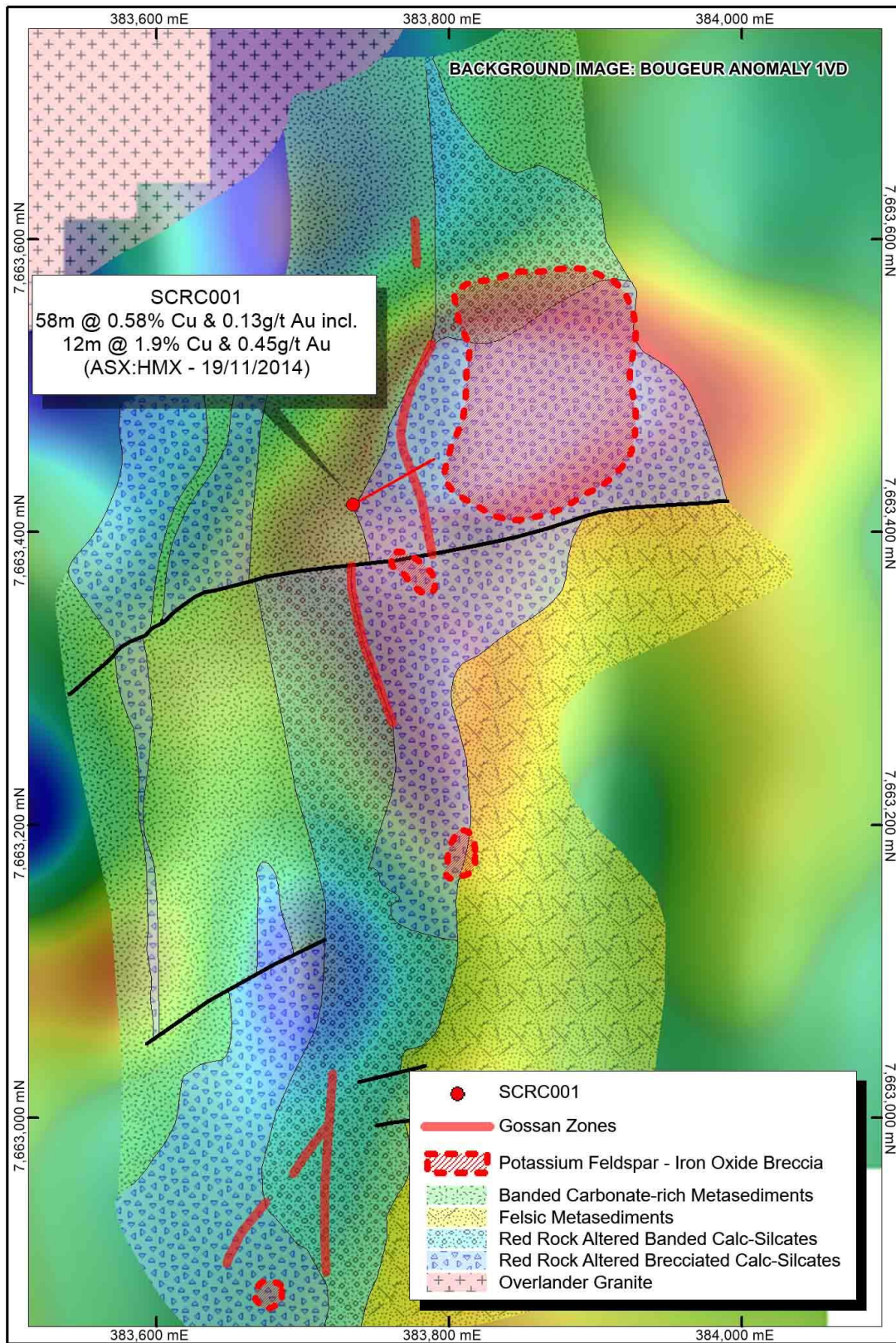
Millennium - Significant Intersections



Millennium Cross Section 7722800mN



Millennium Cross Section 7723600mN



Scalper Plan



Scalper Cross Section showing magnetic and gravity modelling



JORC Code, 2012 Edition

Table 1 report – RC Drilling Scheduled

The attached release informs the market that it is the intention of Hammer Metals to begin drilling on its two of its prospects during June. With Scalper, in addition to recent geophysical inversions of magnetics and gravity data, the information presented shows drill data which has been previously released (ASX:HMX – 19 November 2014).

With Millennium, the information presented draws on data which has been previously released by Chinalco Yunnan Copper Resources Limited (ASX:CYU - 24 October 2014 and 4 December 2013). The drilling was conducted in the fourth quarter of 2013.

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	<ul style="list-style-type: none"> <i>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.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> <i>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.</i> 	<ul style="list-style-type: none"> Geophysical data pertaining to recent gravity and magnetic data processing is presented in this release. The modelling builds on the acquisition of gravity and magnetics data which was completed during March 2016. The ground gravity survey was conducted on 100 metre centres 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 GPS RTK system which after AUSPOS processing provided control to +/-5cm. <p>The Magnetism modelling data was sourced by a survey conducted by Fugro Airborne Surveys using a Diamond DA-42 aircraft, housing a Scintrex CS-3 caesium vapour magnetometer. Horizontal locational accuracy of 1-2cm was achieved using GPS post processing. Vertical accuracy of <5m was achieved using a radar altimeter. Data was collected at 7m spacing along lines spaced 50m apart.</p>
Drilling techniques	<ul style="list-style-type: none"> <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details</i> 	<ul style="list-style-type: none"> For Millennium, the drilling method was reverse circulation utilising a face sampling bit. Schramm 610 with

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	<i>(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).</i>	100cjm @450psi air. <ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014 For Millennium drilling see ASX:CYU, 4 December 2013
<i>Logging</i>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014 For Millennium drilling see ASX:CYU, 4 December 2013
<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014 For Millennium drilling see ASX:CYU, 4 December 2013
<i>Quality of assay data and laboratory tests</i>	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014 For Millennium drilling see ASX:CYU, 4 December 2013 <p>At Scalper, the gravity was undertaken by Haines Surveys Pty</p>

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	<p><i>parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></p> <ul style="list-style-type: none"> <i>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.</i> 	<p>Ltd utilising a Scintrex CG-5 Autograv Gravity meter which has an accuracy of 0.01 mgal. Locations were captured using a GPS RTK system 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 3%.</p>
Verification of sampling and assaying	<ul style="list-style-type: none"> <i>The verification of significant intersections by either independent or alternative company personnel.</i> <i>The use of twinned holes.</i> <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014. For Millennium drilling see ASX:CYU, 4 December 2013. No twinned holes have been conducted. Scalper 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	<ul style="list-style-type: none"> <i>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.</i> <i>Specification of the grid system used.</i> <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014 For Millennium drilling see ASX:CYU, 4 December 2013 Gravity Station locations were captured using a GPS RTK system and post processed to achieve 5cm vertical and horizontal accuracy.
Data spacing and distribution	<ul style="list-style-type: none"> <i>Data spacing for reporting of Exploration Results.</i> <i>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.</i> <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> The ground gravity survey was conducted on 100 metre station spacing. 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.



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<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014 For Millennium drilling see ASX:CYU, 4 December 2013 The magnetic line direction and gravity station layout was oriented perpendicular to major structural features.
<i>Sample security</i>	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014 For Millennium drilling see ASX:CYU, 4 December 2013 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.
<i>Audits or reviews</i>	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> For Scalper drilling see ASX:HMX, 19 November 2014 For Millennium drilling see ASX:CYU, 4 December 2013 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
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> For Scalper, the survey was conducted over EPM25486. For Millennium the work was conducted over ML's 2512, 7506, 7507, 2761 and 2762. All tenements are in good standing with the Qld DME
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> At Scalper little or no work was conducted by previous parties. At Millennium, the work conducted by

Criteria	JORC Code explanation	Commentary
		CYU was designed to test work conducted during the 1970's and early 1980's.
Geology	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • The Millennium mineralisation occurs in close proximity to the regional scale Pilgrim and Fountain Range Faults. The fault zone is a major crustal feature in the Mount Isa Inlier separating the Wonga and Quamby-Malbon sub-provinces. Other deposits in comparable locations are the HMX Kalman Cu-Au-Mo-Re Deposit. • Scalper occurs close to the eastern margin of the Overlander Granite in altered Corella Formation sediments. The Scalper mineralisation shares many features with the HMX Overlander Deposit.
Drill hole Information	<ul style="list-style-type: none"> • <i>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:</i> <ul style="list-style-type: none"> ○ <i>easting and northing of the drill hole collar</i> ○ <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> ○ <i>dip and azimuth of the hole</i> ○ <i>down hole length and interception depth</i> ○ <i>hole length.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • For Scalper drilling see ASX:HMX, 19 November 2014 • For Millennium drilling see ASX:CYU, 4 December 2013
Data aggregation methods	<ul style="list-style-type: none"> • <i>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.</i> • <i>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</i> 	<ul style="list-style-type: none"> • For Scalper drilling see ASX:HMX, 19 November 2014 • For Millennium drilling, Hammer Metals has utilised Copper Equivalent data compositing. • The copper equivalence calculation is: $Cu_Eq = Cu \% + (Co \% \times 5.161702) + (Au \text{ ppm} \times 0.868754)$ • The prices employed in the calculation are in \$US - Au \$1270/oz, Cu \$4700/t, Co \$24260/t

Criteria	JORC Code explanation	Commentary
	<p>aggregations should be shown in detail.</p> <ul style="list-style-type: none"> The assumptions used for any reporting of metal equivalent values should be clearly stated. 	
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> 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'). 	<ul style="list-style-type: none"> For Geophysical modelling – Not Applicable. For Scalper – The true width is 45% of intersected length. However, it must be noted that the prospect has insufficient drilling density to characterise the mineralisation. For Millennium – The true width is 75% of the intersected length.
Diagrams	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> See attached figures
Balanced reporting	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> At Scalper only one hole has been drilled into the prospect and this has been reported to the market on 19 November 2014. At Millennium all holes were reported by CYU on 4 December 2013.
Other substantive exploration data	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Refer to the release.
Further work	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> These areas will be drilled during the second quarter of 2016.