



December 22nd, 2016

Exploration Update

Hammer Metals Limited (**ASX: HMX**) wishes to update shareholders on its recent exploration activity with the completion of field activities for 2016.

Millennium Cobalt-Copper-Gold Project

The maiden Mineral Resource estimate for the deposit of **3.07 Mt at 0.14% Co, 0.35% Cu and 0.12g/t Au (1.29% CuEq)** in the Inferred category was announced. (Refer to ASX release dated December 6th 2016.) Millennium is located 32 kilometres northwest of Cloncurry on granted mining leases. The resource model will now be used as the basis for metallurgical and mining studies. Petrology and mineral liberation analysis is being undertaken on a range of the mineralised drill samples. There is significant potential to increase the size of the deposit to the north with additional drilling.

Overlander (Newmont Farm-In and Joint Venture)

Assay results have now been received from the two diamond holes completed to date (OVD002 for 458.4 metres and OVD003 for 585.8 metres) on the Overlander gravity/magnetic target. Both holes displayed broad zones of strong magnetite, chlorite and "red-rock" alteration with zones of disseminated sulphides, including chalcopyrite, with a peak value of 0.9% Cu over a one metre interval. Gold values were low. A decision on further drilling will be made by the joint venture after the alteration patterns and assay results indicated by the drilling to date are assessed.

Dronfield (Newmont Farm-In and Joint Venture)

Newmont completed the NEWDAS (IP) survey at the eastern gravity/magnetic target. Drill testing of the western geophysical target is anticipated to commence in the first quarter of 2017.

Kalman South Drilling

One diamond drill hole (K140) targeted on potential extensions of the high grade copper-gold mineralisation at Kalman South as intersected in hole K106 was completed at 904 metres depth. The drill hole tracked close to the planned target zone, intercepting visually identified disseminated copper mineralisation but no significant zones of copper mineralisation of the tenor seen in K106. The core is currently being assayed with results expected early in 2017. A down-hole EM survey was subsequently completed down the hole and the data is being processed. Further testing of this target is possible next year - drilling one or more wedge holes from K140.

Pilgrim Fault VTEM Max Survey

An airborne VTEM Max (Versatile Time Domain EM) and magnetic survey over a 23 kilometre strike length of the Pilgrim Fault corridor extending from China Wall in the north to Python in the south was completed by Geotech International. The objective of the survey is to locate (conductive) copper-gold mineralisation elsewhere along the fault corridor.

Preliminary images have been received from the contractor. Several strong conductors have been identified, some of which are associated with geochemically anomalous zones and known mineralisation such as at Kalman West. Follow-up will commence when the data processing and imaging is completed in early 2017.



New Copper-Gold Project Acquisitions

Hammer Metals announced an agreement to acquire several tenements from Chinalco Yunnan Copper Resources Limited (ASX: CYU). The tenements secure a number of advanced IOCG and shear-hosted copper-gold targets (including the Elaine-Dorothy copper-gold deposit) that significantly enhance Hammer's Mount Isa tenement holding. (Refer to ASX release dated December 15th 2016.)

Exploration Targeting Exercise

Regional and prospect scale data collection and compilation are continuing. A targeting exercise (incorporating the projects recently acquired from CYU) is planned for early 2017 to decide on the exploration priorities and program for 2017.

Golden Peaks (JV)

Two diamond drill holes for 450 metres were drilled at the Golden Peaks project to test VTEM anomalies at Mt Dick North and Plummys. The drill hole at Mt Dick North intercepted zones of strong alteration with disseminated sulphides however no significant base metal sulphides were visually identified. Selected samples were submitted for analysis.

For further information, please contact:

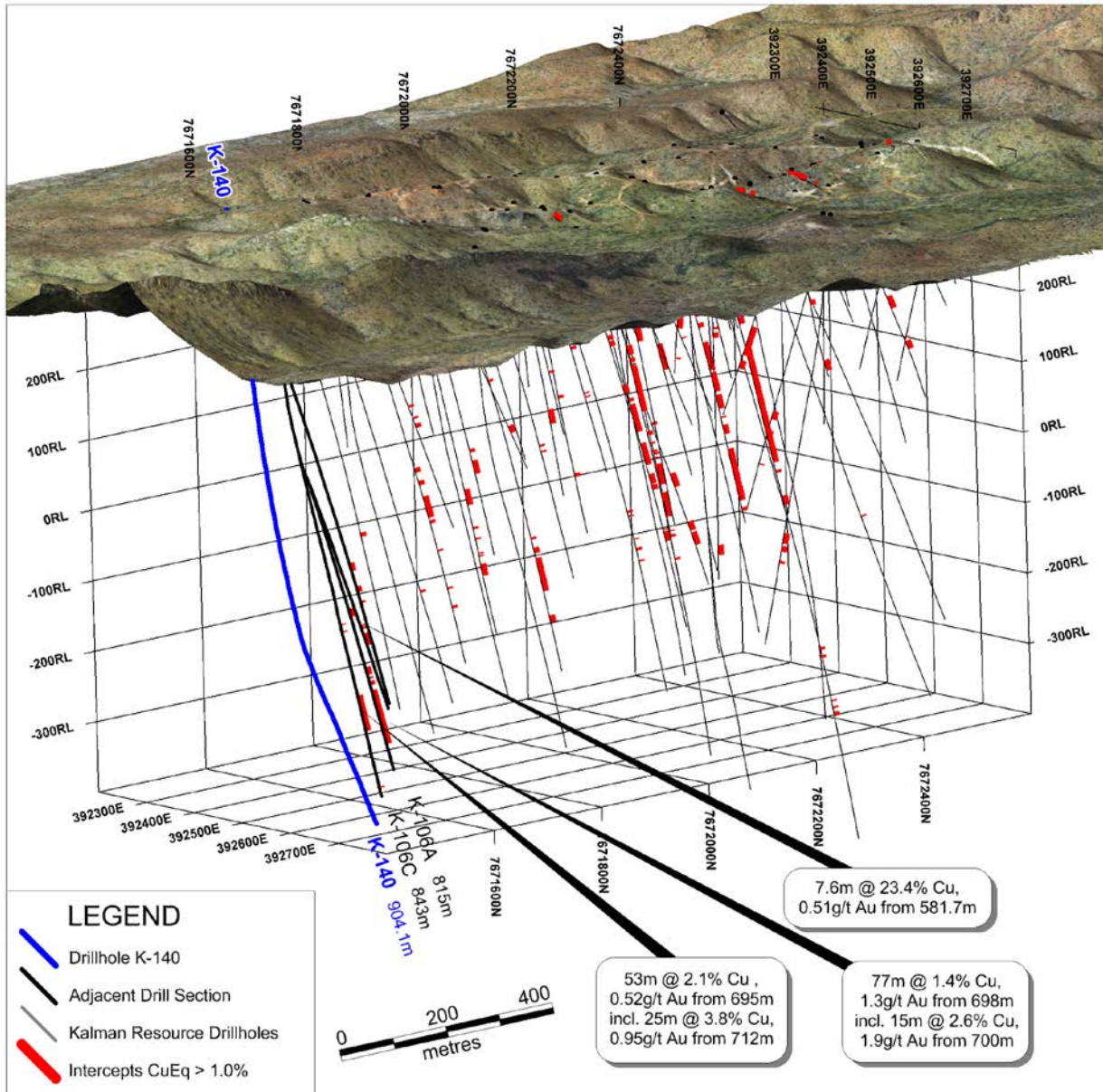
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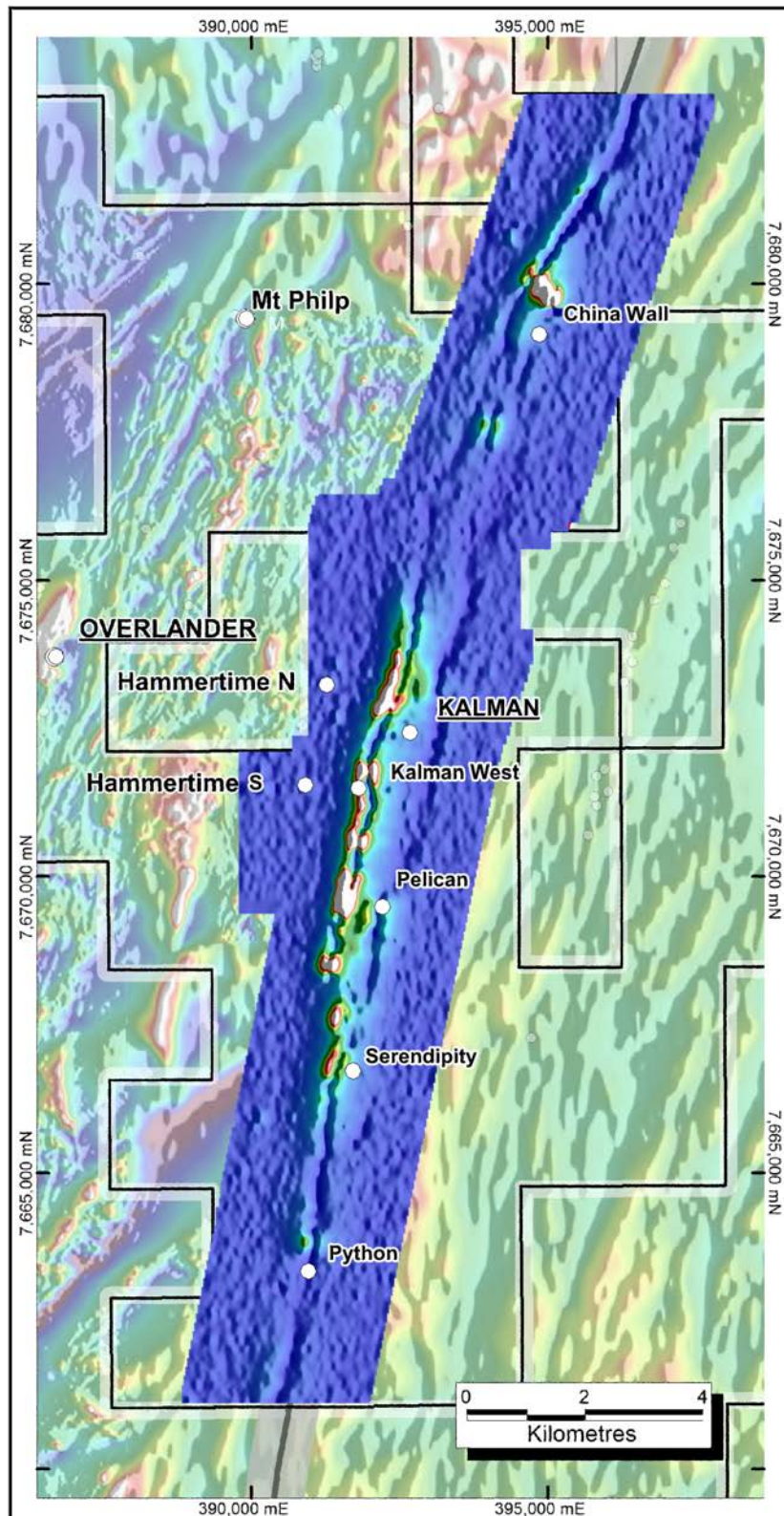
About Hammer Metals Limited:

Hammer Metals holds a strategic tenement position covering approximately 2,600km² 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.

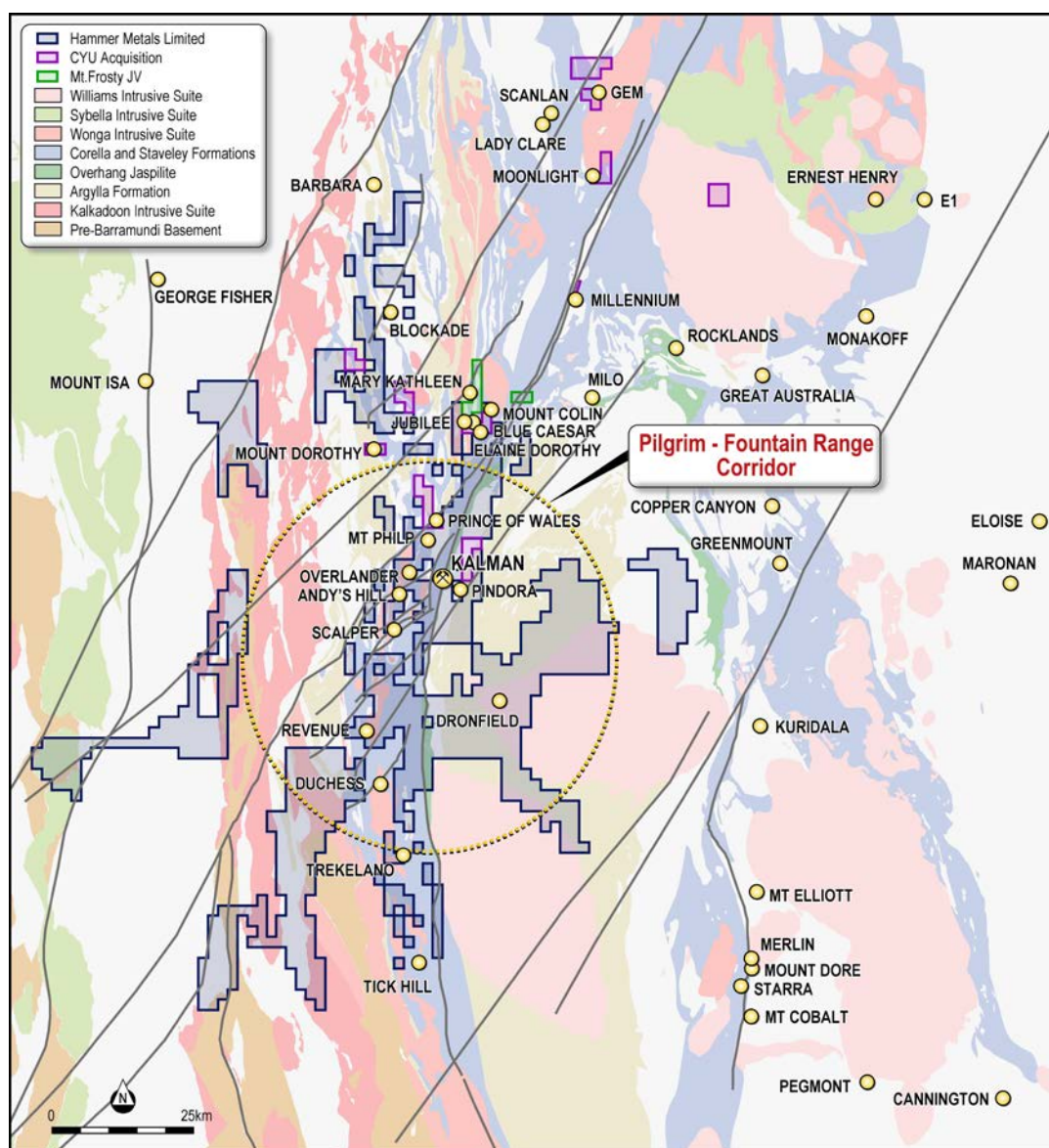
Hammer is one of Queensland's more active mineral explorers. The Company is focused on discovering large copper-gold deposits of the Ernest Henry style and has a range of prospective targets at various stages of testing.



Kalman South – Trace of Diamond Drill Hole (K140)



Pilgrim Fault Corridor VTEM Survey – Preliminary Image Channel 45



Project Locations

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, a consultant to the Company and a shareholder and option holder. 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.

Where the Company refers to the Millennium Mineral Resource Estimate in this announcement (referencing the release made to the ASX on 6 December 2016), it confirms that it is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the resource estimate with that announcement continue to apply and have not materially changed.