Hammer Metals Ltd

HAMMER TO SELL 70% INTEREST IN THREE SUB-BLOCKS AT MOUNT HOPE TO CARNABY RESOURCES FOR UP TO $20 MILLION

Transaction provides non-dilutive liquidity injection, positioning Hammer to accelerate copper exploration in North Queensland

- **Total consideration payable by Carnaby Resources Limited (ASX: CNB) to Hammer of up to $20 million.**
- **Hammer to retain 30% equity** and to be free-carried by Carnaby to production from the three Sub-Blocks.
- **Consideration from the initial tranche of payments comprises $4 million in cash and $5 million in Carnaby shares**. This will provide funding for Hammer to intensify exploration drilling with a view to increasing its Mount Isa regional copper resource inventory (see ASX Announcement 8 May 2023).
- **A further $5 million in cash will be payable to Hammer upon a Mount Hope open pit decision to mine** (including if this decision relates to ML90240 (100%-owned by Carnaby)).
- **A final payment of $6 million in cash will be made upon a final investment decision for any separate new development on the Sub-Blocks** (which could include prospects such as South Hope, Mount Hope U/G Extensions and The Stubby).

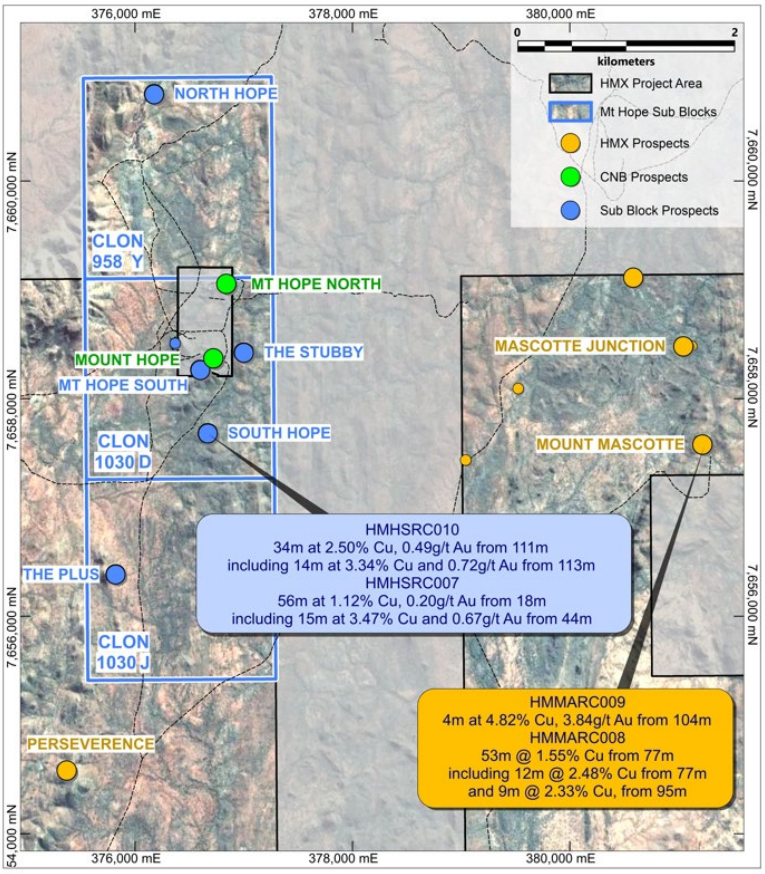

Figure 1. *Mount Hope Sub-Blocks subject to partial divestment. (see ASX Announcements: 14 July 2023 and 5 December 2023)*

ASX RELEASE
2 April 2024

DIRECTORS / MANAGEMENT

Russell Davis
Chairman

Daniel Thomas
Managing Director

James Croser
Non-Executive Director

David Church
Non–Executive Director

Mark Pitts
Company Secretary

Mark Whittle
Chief Operating Officer

CAPITAL STRUCTURE

ASX Code: HMX

Share Price (28/03/2024)	$0.038
Shares on Issue	886m
Market Cap	$34m
Options Unlisted	23.1m
Performance Rights	12m
Cash (31/12/2023)	$1.8m

Commenting on the Transaction, Daniel Thomas, Managing Director of Hammer, said:

"The Transaction delivers very positive outcomes for both parties. We are extremely pleased to have realised this strong valuation outcome of up to $20 million for the three Sub-Blocks as part of this landmark transaction with our neighbour, Carnaby Resources. We see this as a good example of the emerging mining sector working collaboratively to deliver value to shareholders through a pragmatic and commercial approach to the advancement of copper-gold assets.

"With a material equity position in these Sub-Blocks, Carnaby will be well placed to progress the Scoping Study for the Greater Duchess Project, without the previous constraint of the lease boundary at Carnaby's key Mount Hope Central tenement.

"Importantly, Hammer shareholders maintain upside exposure to the future development of the three Sub-Blocks through the equity we will retain as well as the potential to receive future cash payments linked to a decision by Carnaby to mine at the Mount Hope Central and Mount Hope North deposits (part of Carnaby's Greater Duchess project) and a decision to progress open cut or underground operations from within the Sub-Blocks themselves.

"The consideration payable to Hammer has been designed to materially improve our liquidity position, with the receipt of upfront cash, along with shares in Carnaby and the prospect of further cash from achievement of project milestones. Hammer will now use its enhanced cash position to intensify our exploration efforts both at Kalman as well as at our other exciting copper prospects such as Hardway, Bullrush and Mascotte, as we look to add to our existing copper inventory strategically located in the Mt Isa district of North Queensland."

Hammer Metals Ltd (**ASX: HMX**) ("**Hammer**" or "**the Company**") is pleased to announce that it has executed a binding agreement to divest equity in three Sub-Blocks at Hammer's Mount Hope South tenement in the Mt Isa region of Queensland to Carnaby Resources Limited ("**Carnaby Resources**" or "**Carnaby**") for total consideration of up to $20 million (the "**Transaction**").

The three Sub-Blocks (CLON 958Y, CLON 1030D and CLON 1030J) comprise legally defined portions of Hammer's lease EPM 26777. All of the Sub-Blocks are immediately adjacent to the Mining Lease owned by Carnaby (ML90240) on which Carnaby's Mount Hope Central discovery is located.

The map below illustrates the location of the tenements owned by both Hammer and Carnaby in the area as well as the location of the three Sub-Blocks which are the subject of the Transaction.

Key terms

Key terms of the Transaction are as follows:

- Carnaby will acquire an initial 51% interest in the Sub-Blocks for consideration comprising $4 million in cash and $5 million in Carnaby scrip, with the Carnaby shares to be escrowed for 12 months. The Carnaby shares will be issued to Hammer at a deemed price of $0.55 per share. Based on Carnaby's current share register, Hammer will become Carnaby's largest shareholder with a shareholding of approximately 5.6%.
- Upon a decision to mine at either of Carnaby's Mount Hope Central or Mount Hope North open pits, Carnaby will pay an additional $5 million in cash to Hammer and Carnaby's interest in the Sub-Blocks will increase to 70%.
- Profit generated from any ore mined within the Mount Hope Central or Mount Hope North open pits that is derived from within the Sub-Blocks will be shared based on the 70%/30% ownership interests of the parties in the Sub-Blocks pursuant to a standard profit-sharing agreement.
- Upon a positive final investment decision in respect of a separate new open pit or underground development to mine ore within the Sub-Blocks (Sub-Block FID), Carnaby will pay Hammer an additional $6 million in cash. Carnaby's interest in the Sub-Blocks will remain at 70%. Carnaby will free-carry Hammer through to production from any new Sub-Block development.

- From the commencement of production from any separate new Sub-Block development, Hammer can elect to either contribute in-line with its participating interest or otherwise dilute its participating interest. In the event Hammer's participating interest in the Sub-Block falls to 10% or less, Hammer's participating interest will be automatically reduced to nil and convert to a 1.5% net smelter return royalty payable by Carnaby from production from the Sub-Blocks (and Carnaby's interest in the Sub-Blocks will increase to 100%).

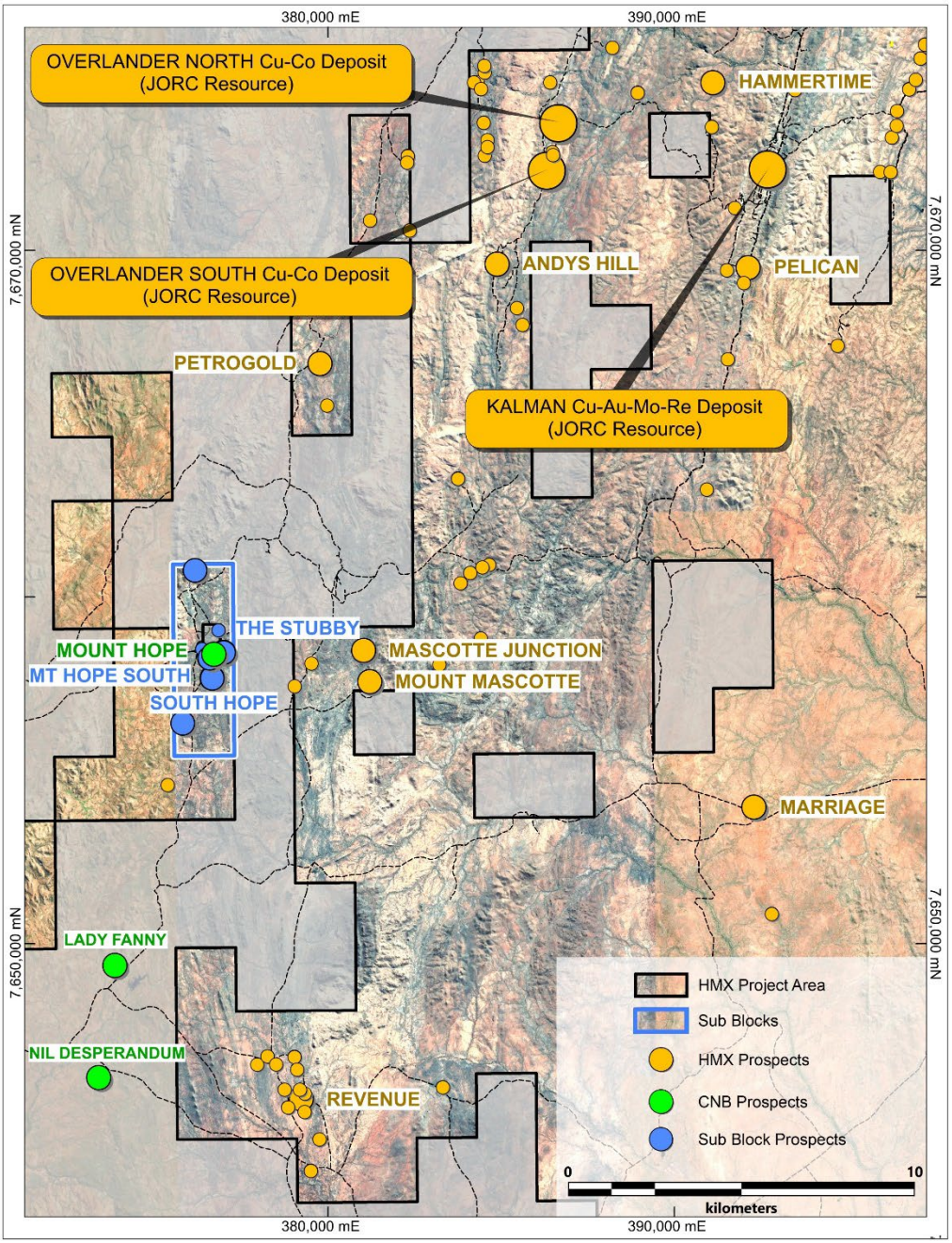

Figure 2. *Mount Hope Region*

Expected timing for completion of the Transaction.

Conditions to completion are standard for a transaction of this nature and include receipt of required regulatory approvals. The Transaction is expected to be completed before the end of April 2024.

Following receipt of the $4 million cash component of the initial tranche of payments, Hammer's cash position is expected to be approximately ~$5 million with a Research and Development Tax Refund still due of ~$1.2million.

Next steps and discussions regarding potential corporate transaction with Carnaby

Hammer looks forward to advising the market with respect to the completion of the Transaction and timing as to when funds from the initial tranche of the consideration are received and the 9.1 million shares in Carnaby are issued to Hammer.

As a consequence of entering into the Transaction, the discussions regarding a potential corporate transaction between Hammer and Carnaby referred to in the Company's ASX release dated 14 February 2024 have now concluded.

Blue Ocean Equities is acting as financial adviser and Thomson Geer as legal adviser to Hammer with respect to the Transaction.

Expected Newsflow

- **April** – Yandal Reverse Circulation Drilling Program drill results.
- **April** – Mount Isa East Joint Venture Drilling Program drill results– Shadow South/ Mount Philp copper/gold.
- **April –** Mount Isa Drilling Program results – Hardway (Cu/REE) RC drilling.
- **May –** Hardway Diamond Drilling Program, Mascotte RC Drilling program plus others.

This announcement has been authorised for issue by the Board of Hammer Metals Limited in accordance with ASX Listing Rule 15.5.

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About Hammer Metals

Hammer Metals Limited (ASX: HMX) holds a strategic tenement position covering approximately 2,800km^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 Lakeview (Cu-Au) deposit and the Elaine (Cu-Au) deposit. Hammer also has a 51% interest in the Jubilee (Cu-Au) deposit. Hammer is an active mineral explorer, focused on discovering large copper-gold deposits of Ernest Henry style and has a range of prospective targets at various stages of testing. Hammer also holds a 100% interest in the Bronzewing South Gold Project located adjacent to the 2.3 million-ounce Bronzewing gold deposit in the highly endowed Yandal Belt of Western Australia.

Competent Person Statement

Where the Company references Mineral Resource Estimates and exploration results previously announced, it confirms that it is not aware of any new information or data that materially affects the information included in those announcements and all material assumptions and technical parameters underpinning the resource estimates and exploration results in the relevant market announcements continue to apply and have not materially changed.