



Date: 16 July 2014

MT PHILP DEPOSIT SALE UPDATE

Hammer Metals Limited ("Hammer") (ASX: HMX) is pleased to announce that Developed Iron Ore Pty Ltd ("**DIO**") has confirmed to Hammer that it has satisfactorily completed its due diligence in respect of the Mt Philp project ("**the Project**"), and intends to proceed to acquiring the Project

It was announced on December 9th 2013 that Hammer Metals had received a cash offer for its 100% interest from DIO comprising a purchase price of \$1.5 million in staged payments and a royalty comprising 0.5% of gross proceeds of the sale of iron extracted from the project. The purchase was subject to completion of due diligence. The initial exclusivity period ended on April 14th 2014. (Refer to ASX release dated December 9th 2013)

As announced on April 15th 2014 the 90 day exclusivity period for DIO to complete due diligence on the Mt Philp Iron Ore deposit was extended for up to three months on a month by month basis, with DIO to pay \$25,000 per month in advance. (Refer to ASX release dated April 15th 2014) The extension to the extended exclusivity period ended on July 14th 2014, and all monthly exclusivity payments have been received by Hammer.

Hammer and DIO are in the process of finalizing formal sale documentation recording the terms and conditions on which DIO It (or its nominee) will acquire the Project, and Hammer will retain all rights to minerals other than iron ore. It is expected that such formal sale documentation will be finalized by the end of July 2014.

The principal terms and conditions of the acquisition of the Project by DIO are:

1. the purchase price for the acquisition of the Project by DIO is \$1,500,000 (exc GST):
 - a. \$500,000 (exc GST) to be paid by no later than 29 August 2014; and
 - b. \$1,000,000 (exc GST) to be paid no later than six months after the date of the payment referred to in (a) above;
2. A royalty comprising 0.5% of gross proceeds of the sale of iron extracted from the Project will be granted in favour of Hammer.
3. Upon payment of the purchase price in full all right, title and interest in the Project (in respect of iron ore only) will be assigned to DIO.

Hammer will provide updates to shareholders as this transaction progresses.

For further information, please contact:

Alex Hewlett | Executive Director