



April 28th 2017

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING MARCH 31st 2017

HIGHLIGHTS

Mount Isa Copper-Gold Program (Hammer 100% tenements)

- First stage of the tenement acquisition over the Elaine-Dorothy Cu-Au deposit and multiple Cu-Au targets completed. Targeting of the Elaine high-grade gold zone underway.
- The historic Trafalgar copper-gold mine 18km north of Kalman secured with a Mining Lease application. Trafalgar is untested by previous drilling.
- Three new exploration licence applications submitted over prospective structural targets generated by Hammer.
- Rock chip sampling and petrology of graphitic schist units was conducted in areas adjacent to the Millennium cobalt-copper-gold deposit, the Kalman West Zone and at the Pelican Prospect.

Mount Isa Farm-in and Joint Venture

- Dronfield RC and diamond drilling program to test the western and eastern geophysical anomalies planned to commence May 1st.
- Initial investigation of a strong potassium radiometric response north of the Dronfield IOCG target has identified an extensive zone of potassium feldspar-hematite enrichment over an area exceeding 10 square kilometres. This zone will be further investigated in the coming quarter.

Corporate

- Commercial options for the Millennium cobalt-copper-gold deposit continue to be assessed.
- The Company held \$2 million in cash at the end of the quarter.

OPERATIONS SUMMARY

MOUNT ISA PROJECT

Hammer Metals Limited (**ASX: HMX**) ("Hammer" or "the Company") is exploring its Mount Isa project for large iron oxide copper-gold (IOCG) deposits of the Ernest Henry style (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au).

Late in 2015 a Farm-in 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 250km² of Hammer's 2,600 km² Mount Isa project.

An active exploration program on the non-JV tenements is focusing on several IOCG targets including the Hammertime, Mt Philp Breccia and a range of VTEM targets generated in late 2016 along the Pilgrim Fault zone.

A systematic IOCG targeting exercise within the Mount Isa region is ongoing.

Hammer 100% - Owned Tenements

Tenement Acquisitions

Chinalco Tenements

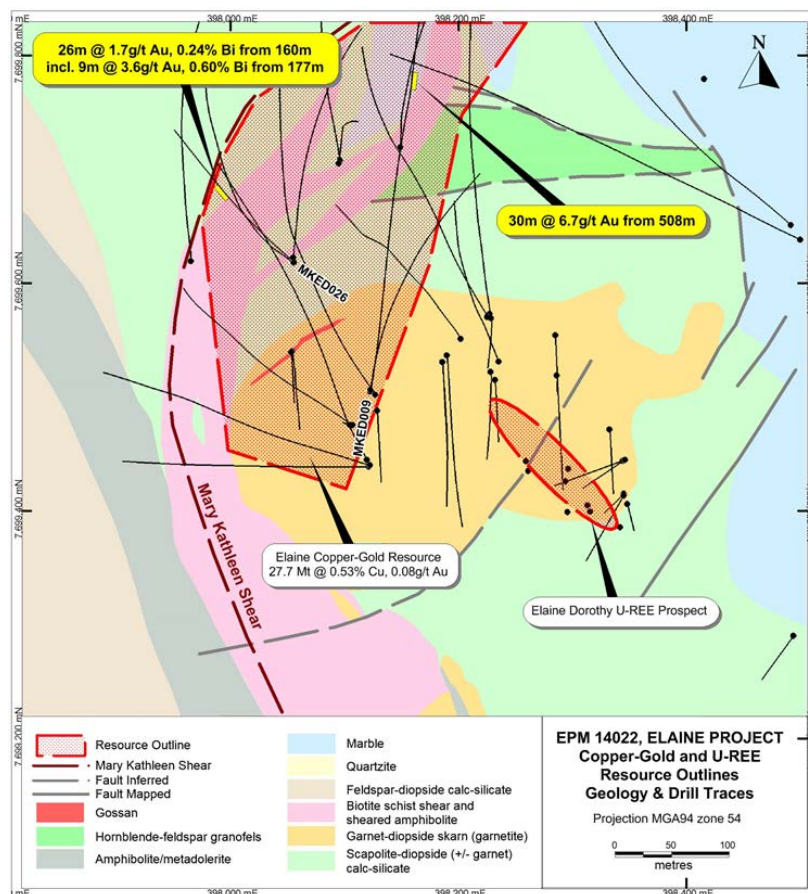
Late last quarter Hammer Metals announced an agreement to acquire 100% of Chinalco Yunnan Copper Resources Limited (**ASX: CYU**) tenement interests in the Mount Isa district. The tenements secure a number of advanced IOCG and shear-hosted copper-gold targets (including the Elaine-Dorothy copper-gold deposit) that significantly enhance Hammer's Mount Isa tenement holding. (Refer to ASX release dated December 15th 2016.)

Hammer will initially focus on assessing the potential of several high-grade gold intercepts within the Elaine-Dorothy deposit to form higher grade internal lodes. (Refer to CYU ASX releases dated November 7th 2011 and June 13th 2012 for details of the intersections.)

Significant gold intercepts from previous diamond drilling include:

- **30m @ 6.73g/t gold** from 508 metres in MKED009 and
- **26 metres at 1.7g/t gold, 0.24% bismuth** from 160 metres, including **9 metres at 3.63g/t gold and 0.60 % bismuth** from 177 metres in MKED026.

The second stage of the acquisition that includes CYU's 51% interest in EPM 14467 (Mt Frosty), located adjacent to the Mary Kathleen uranium mine and which covers the Blue Caesar, Jubilee and Koppany copper prospects remains under negotiation and is contingent on Hammer reaching agreement with Glencore on acceptable revised commercial terms to the current JVA.



Elaine Dorothy – Plan

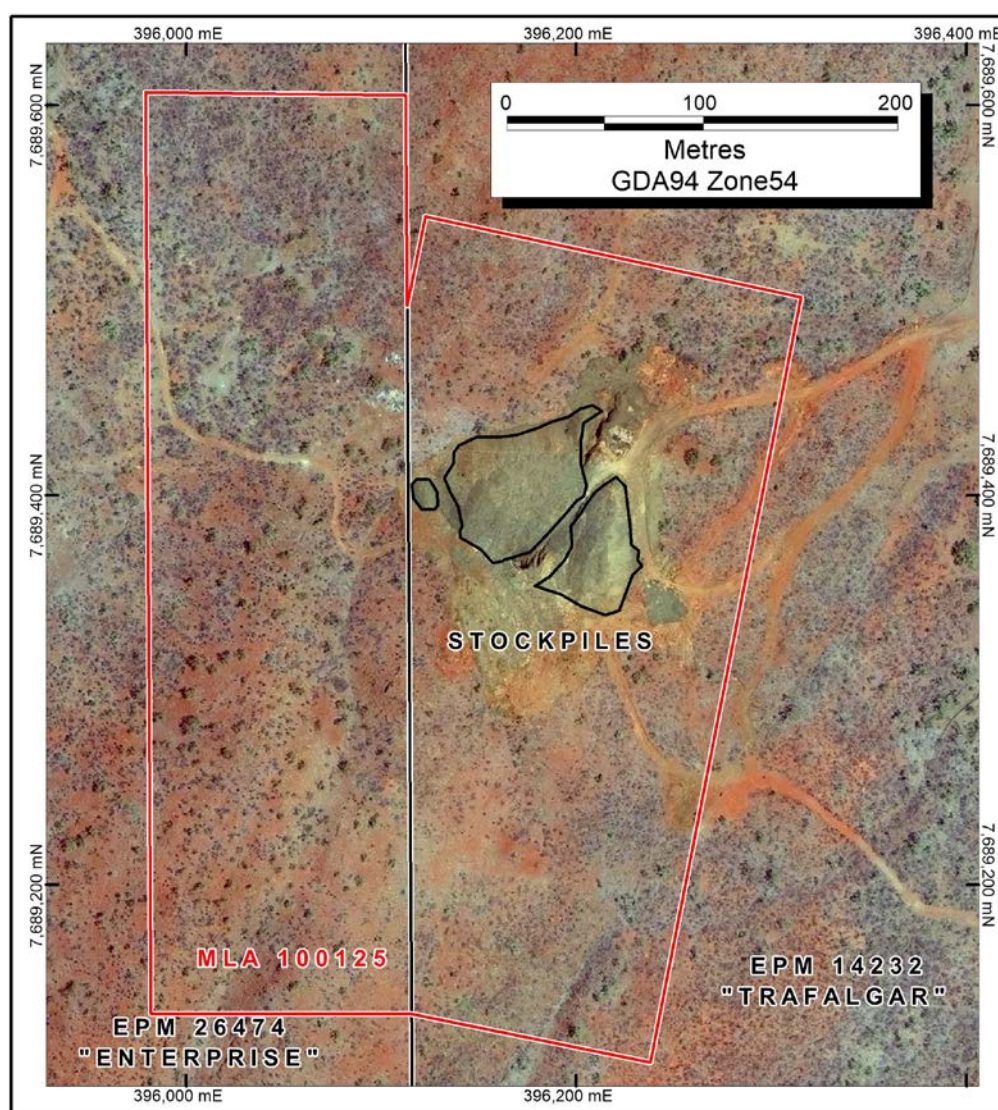
Exploration Permit Applications

Three new exploration permit applications (Enterprise, Black Angel and Sling Shot) were submitted to secure several structural and geophysical targets generated by Hammer's targeting exercise in the Mount Isa region. The areas applied for are considered to be prospective for copper-gold deposits and cover a combined area of approximately 200km².

Trafalgar Mining Lease

During the quarter Hammer announced the pegging of MLA 100125 "Trafalgar" which covers the historic Trafalgar copper mine located 57km to the east-southeast of Mount Isa and 18km north of Kalman. The application is surrounded by Hammer's tenements. (Refer to ASX Release dated March 2nd 2017).

The Mining lease application covers an area of 13 hectares and is located adjacent to the regional-scale Fountain Range Fault. No previous drill testing is known to have been undertaken within the application area. Oxidised copper – mineralised material mined by a previous operator from around the main shaft is stockpiled at surface. Drill testing of the old mine will be undertaken upon grant of the lease as will assessment of the stockpiles to determine if they can be economically treated in the region.

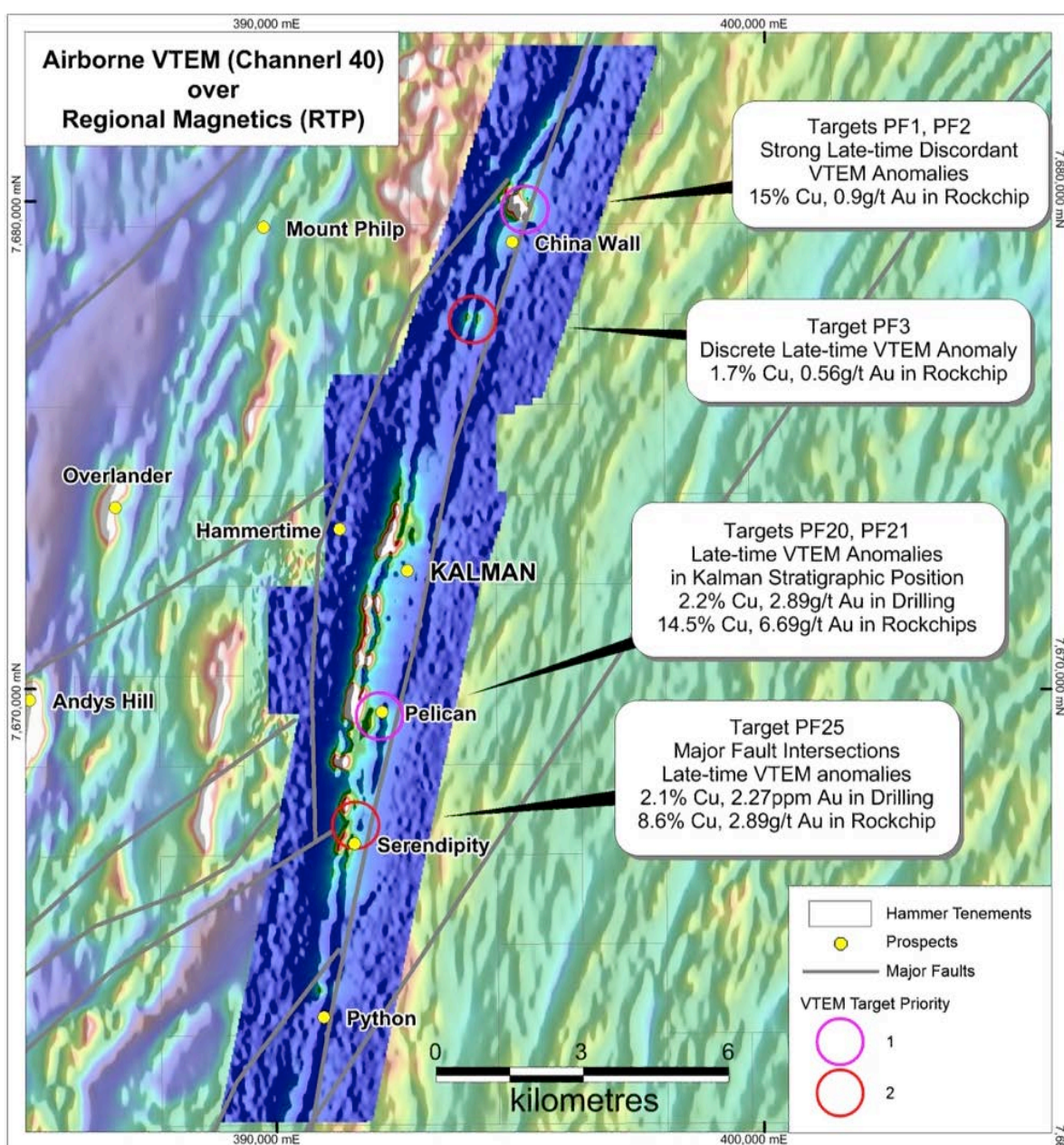


Trafalgar Plan

Pilgrim Fault VTEM 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 in late 2016.

The data has now been processed and interpreted by Hammer's geophysical consultants – Southern Geoscience. Several conductors of interest have been identified, some of which are associated with geochemically anomalous zones and known mineralisation such as at Kalman West, and these are currently being investigated in the field. Three dimensional modelling is underway on the higher priority anomalies.



Pilgrim Fault survey VTEM channel 40 image overlaid on reduced to pole, total magnetic intensity image showing major targets

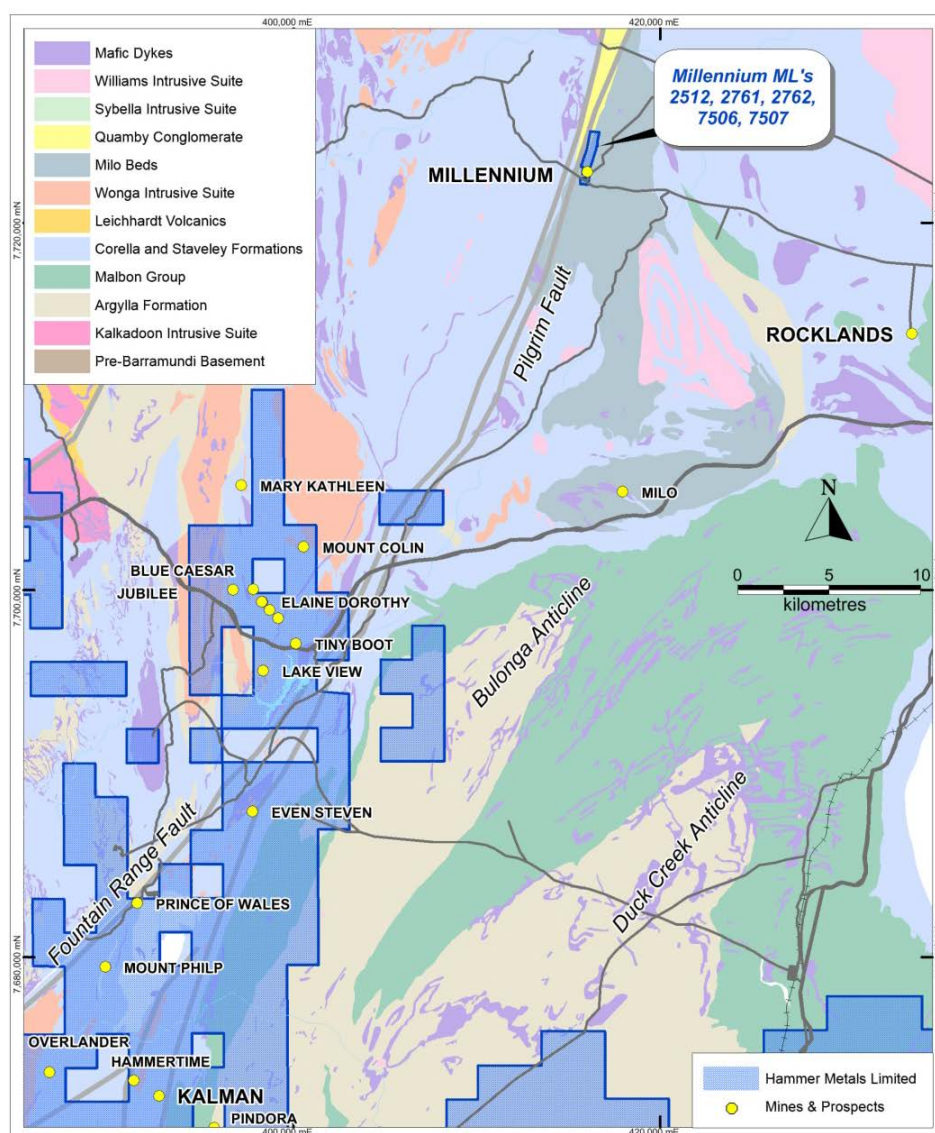
Millennium Copper-Cobalt-Gold Deposit

The maiden Mineral Resource Estimate for the Millennium deposit of **3.07 Mt at 0.14% Co, 0.35% Cu and 0.12g/t Au (1.29% CuEq)¹** in the Inferred category was announced late in 2016. (Refer to ASX release dated December 6th 2016.) Millennium is located 34 kilometres northwest of Cloncurry on granted mining leases.

There is significant potential to increase the size of the deposit in untested, geochemically anomalous zones to the north with additional drilling.

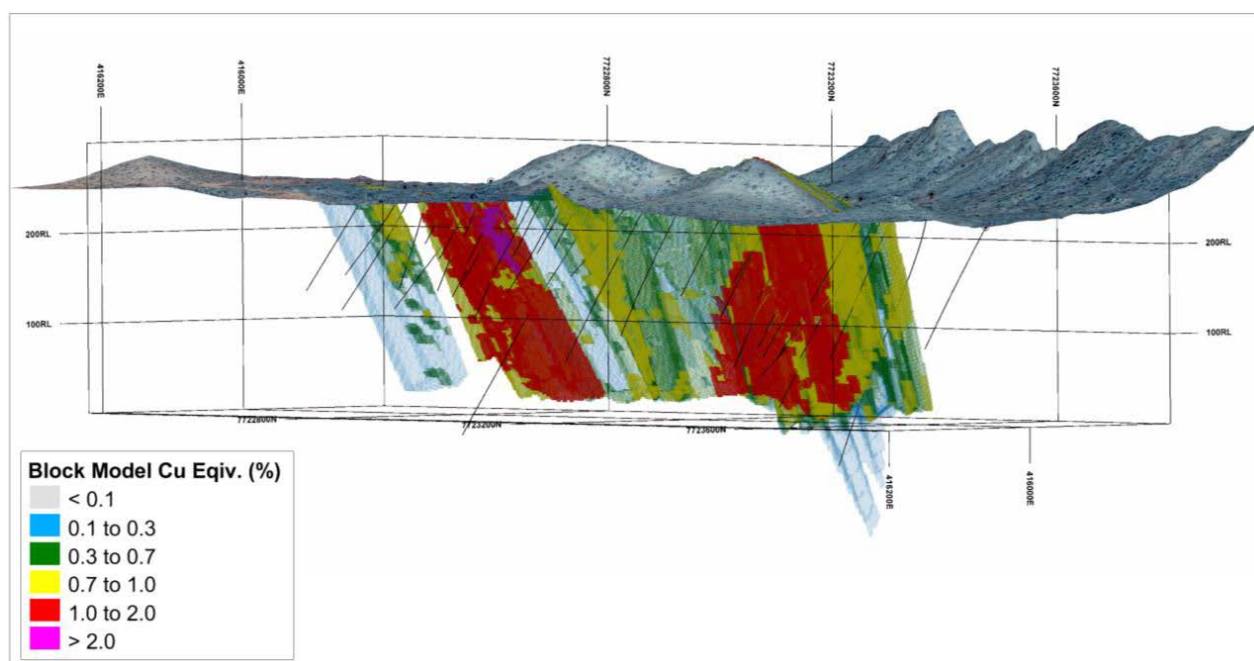
During the quarter rock chip sampling of a strongly graphitic units adjacent to the cobalt deposit was completed.

Commercial options for the Millennium project continue to be assessed.



Location of Millennium in relation to Kalman

¹ $CuEq = Cu_{pct} + (Co_{pct} * 5.9) + (Au_{ppm} * 0.9) + (Ag_{ppm} * 0.01)$



Millennium Long Section (looking southwest)

Mount Isa Farmin and Joint Venture

Dronfield

Preparatory work for drilling at Dronfield was completed during the quarter with heritage surveys and access tracks completed.

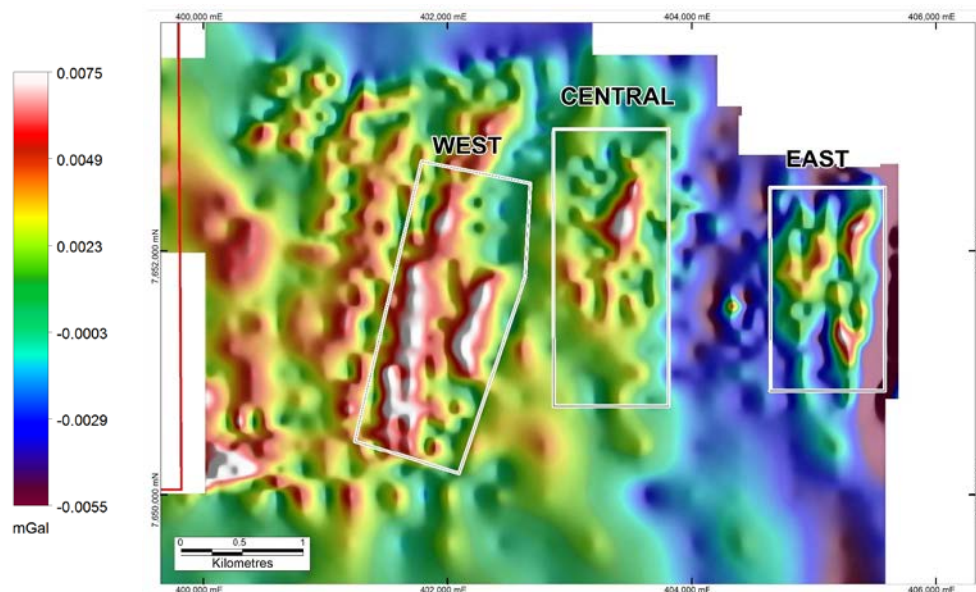
The Dronfield targets are located 25 kilometres southeast of Overlander on EPM 18084, which is subject to a farm-in agreement with Kabiri Resources Pty Ltd. Hammer has earned an 80% interest in EPM 18084 from Kabiri by spending \$250,000 on exploration.

The high priority drill target is the western chargeability anomaly. This target is located along a conductive axis and interpreted to represent sulphide mineralisation located within a fault or alteration zone. This drilling will be partially subsidised by a Collaborative Drilling Initiative ("CDI") Funding Grant from the Queensland Department of Natural Resources.

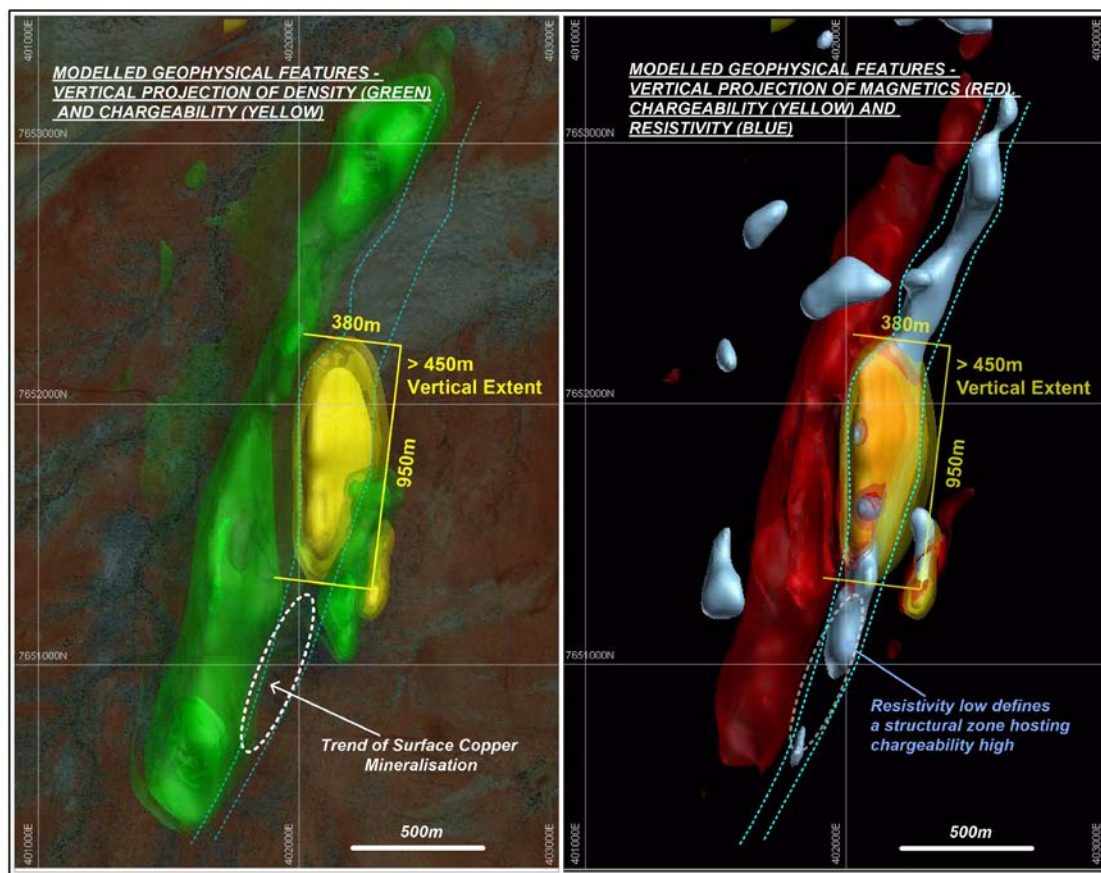
Drill testing of the western target is planned to commence May 1st.

Overlander and Even Steven

No field work was undertaken at Overlander or Even Steven during the quarter.



Gravity Bouguer first vertical derivative image showing the Western, Central and Eastern Anomalies at Dronfield



Modelled geophysical features of the Dronfield Western Anomaly. The chargeability response shown in yellow (ranges between 35mv/v to +65mv/v)



Future Activities at Mount Isa

Field activities during the June quarter will focus on the Dronfield drilling program and preparation of drilling targets within Hammer's 100% owned tenements – particularly the Hammertime target and selected VTEM anomalies. Exploration and resource data from the projects recently acquired from CYU are also being compiled with a focus on the gold potential of Elaine Dorothy deposit.

Hammer's regional targeting exercise is ongoing. New targets identified to date but held by other parties and will be opportunistically acquired if they become available.

Golden Peaks (JV) – Central Queensland

No field work was completed during the quarter.

CORPORATE

The Company held \$2million on deposit at the end of the quarter.

The number of ordinary shares currently on issue is 198,309,674.

- ENDS -

For further information, please contact:

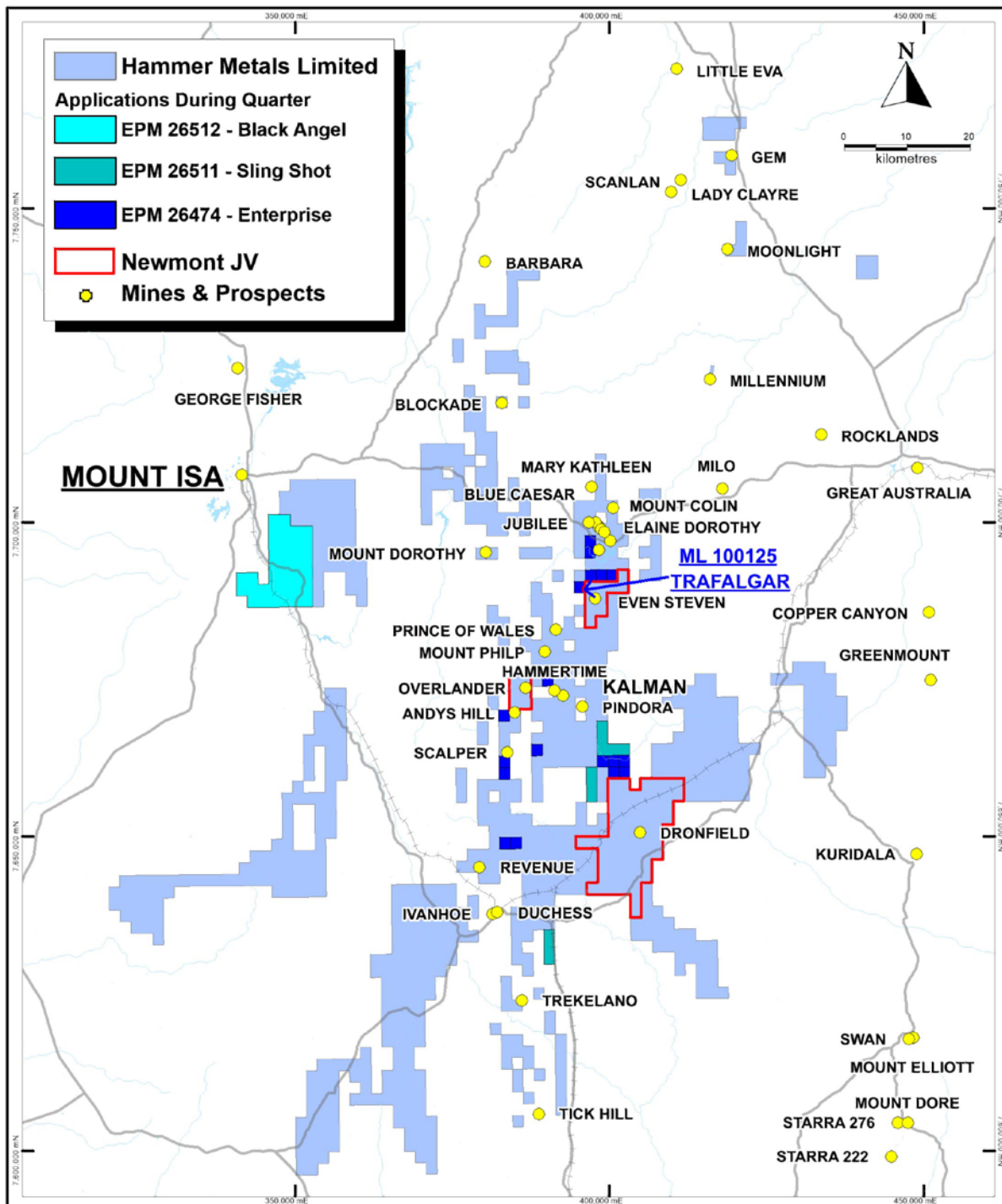
Alex Hewlett
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Competent Person's Statement

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, 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 references are made to previous ASX announcements relating to Exploration results, Mineral Resource Estimates and updates provided to the market, the Company 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 those announcements continue to apply and have not materially changed.



Mount Isa Project with applications lodged during the quarter



Tenement Interests at the end of March 2017 as per Listing Rule 5.3.3

PROJECT	TENEMENT	STATUS	INTEREST AT END OF QUARTER	ACQUIRED DURING QUARTER	COMMENT
Pilbara Iron Ore - WA	E08/1997	Granted	100%	No	Converting to Retention Licence
Golden Peaks - QLD	EPM 15810	Granted	0%	No	Can earn 60% from Perilya Limited
Mt Isa Project - QLD	EPM 13870	Granted	100%	No	Subject to 2% NSR
	EPM 14232	Granted	100%	No	
	EPM 15972	Granted	100%	No	
	EPM 16726	Granted	100%	No	
	EPM 16987	Granted	100%	No	
	EPM 17762	Granted	100%	No	
	EPM 18084	Granted	80%	No	80% transfer from Kabiri to HMX
	EPM 18116	Granted	100%	No	
	EPM 19783	Granted	100%	No	
	EPM 19784	Granted	100%	No	
	EPM 25145	Granted	100%	No	
	EPM 25369	Granted	100%	No	
	EPM 25425	Granted	100%	No	
	EPM 25486	Granted	100%	No	
	EPM 25523	Granted	100%	No	
	EPM 25666	Granted	100%	No	
	EPM 25686	Granted	100%	No	
	EPM 25777	Granted	100%	No	
	EPM 25866	Granted	100%	No	
	EPM 25867	Granted	100%	No	
	EPM 25892	Granted	100%	No	
	EPM 25997	Granted	100%	No	
	EPM 26127	Granted	100%	No	
	EPM 26128	Granted	100%	No	
	EPM 26126	Granted	100%	No	
	EPM 26130	Granted	100%	No	
	EPM 26172	Granted	100%	No	
	EPM 26306	Granted	100%	No	
	EPM 26392	Application	100%	No	
	EPM 26474	Application	100%	Yes	Application lodged during Quarter
	EPM 26511	Application	100%	Yes	
	EPM 26512	Application	100%	Yes	
	ML 100125	Application	100%	Yes	
	ML 2512	Granted	100%	No	
	ML 2761	Granted	100%	No	
	ML 2762	Granted	100%	No	
	ML 7506	Granted	100%	No	
	ML 7507	Granted	100%	No	
	EPM 12205	Granted	100%	Yes	Acquisition completion reported to ASX on 27/3/2017
	EPM 14019	Granted	100%	Yes	
	EPM 14022	Granted	100%	Yes	

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

HAMMER METALS LIMITED

ABN

87 095 092 158

Quarter ended ("current quarter")

31 MARCH 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers			
1.2 Payments for			
(a) exploration & evaluation	(578)	(2,363)	
(b) development	-	-	
(c) production	-	-	
(d) staff costs	(16)	(49)	
(e) administration and corporate costs	(132)	(320)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	14	22	
1.5 Interest and other costs of finance paid	-	-	
1.6 Income taxes paid	-	-	
1.7 Research and development refunds	-	-	
1.8 Other – exploration expenditure relating to farm-in	(35)	(1,159)	
1.9 Net cash from / (used in) operating activities	(747)	(3,869)	
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment	-	-	
(b) tenements (see item 10)	-	-	
(c) investments	-	-	
(d) other non-current assets	-	-	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	(1)	(4)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	30
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Cash calls received from farm-in partner	340	1,197
2.6	Net cash from / (used in) investing activities	339	1,223
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	2,250
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(8)	(44)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(8)	2,206
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,403	2,427
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(747)	(3,869)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	339	1,223
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8)	2,206
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,987	1,987

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	412	111
5.2 Call deposits	1,009	2,024
5.3 Bank overdrafts	-	-
5.4 Other – JV bank account	566	268
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,987	2,403

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
116
-

Directors remuneration payments

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	272
9.2 Development	-
9.3 Production	-
9.4 Staff costs	16
9.5 Administration and corporate costs	106
9.6 Other – exploration relating to farm-in	206
9.7 Total estimated cash outflows	600

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	n/a	n/a	n/a	n/a
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EPM26474	New Application	0%	100%
	EPM26511	New Application	0%	100%
	EPM26512	New Application	0%	100%
	ML100125	New Application	0%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 28 April 2017

Print name: Mark Pitts

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.