



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING JUNE 30th 2017

HIGHLIGHTS

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

- Drilling program commenced at the Kalman West and Revenue copper-gold prospects.
- Term Sheet signed with TSXV-listed Global Energy Metals Corporation (GEMC) to earn an interest in Hammer's Millennium Cobalt-Copper-Gold Project.
 - Staged earn-in with GEMC having the right to earn 75% by spending a minimum of CAD\$2,700,000 (A\$2,700,000) including CAD\$250,000 in cash payments.
 - Hammer to manage the project for the first two stages of the JV until GEMC earns a 65% interest.
 - Agreement subject to completion and signing of a Definitive Agreement
- Ground follow-up of VTEM anomalies identifies range of drilling targets including a significant gold target at Serendipity.
- Data compilation and tenement acquisition opens up a new exploration search space for IOCG deposits at Mount Philp.

Mount Isa Farm-in and Joint Venture

- The Dronfield RC and diamond drilling program to test the western and eastern geophysical anomalies was completed and final assays received. Strong magnetite veining and alteration with sporadic low grade copper mineralisation intersected in each hole coincident with the geophysical anomalies.

Corporate

- The Company held \$1.2 million in cash at the end of the quarter.
- Exploration credits were distributed to eligible shareholders through the Federal Government's Exploration Development Incentive Scheme.

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 3,200 km² Mount Isa project. In May, 2017 an Option Agreement was signed with Global Energy Metals Corporation (GEMC), a Vancouver-based exploration company with a focus on energy metals to progress exploration and potential development of the **Millennium Cobalt-Copper-Gold** 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

Planned RC Drilling Program

As announced to the ASX on 28 July RC drilling commenced at the Kalman West Cu-Au-Pb-Zn(-graphite) Prospect and the Revenue Cu-Au Prospect southeast of Mount Isa.

Revenue is located 30km southwest of Kalman in a similar geological and structural position as Overlander 28 km to the north. Up to three holes are planned to test a zone of Cu-Au mineralisation.

Kalman West is located approximately 1km west of the Kalman Cu-Au-Mo-Re Deposit. Geochemical sampling has outlined a multi-element soil anomaly partially coincident with a zone of graphitic schist and a high priority VTEM target. Up to five holes are planned at the prospect to test a combined soil anomaly which has peak values of 210ppb Au, 900ppm Cu, 1100ppm Zn and 2000ppm Pb.

Initial assay results are expected to be received in mid to late August.

The planned RC drilling at Hammertime has been deferred whilst an assessment of the broader Mount Philp breccia project which encompasses Hammertime is conducted.

Exploration Permit Applications

No new exploration permit applications were submitted during the quarter.

Tenement Acquisitions

Chinalco Tenements

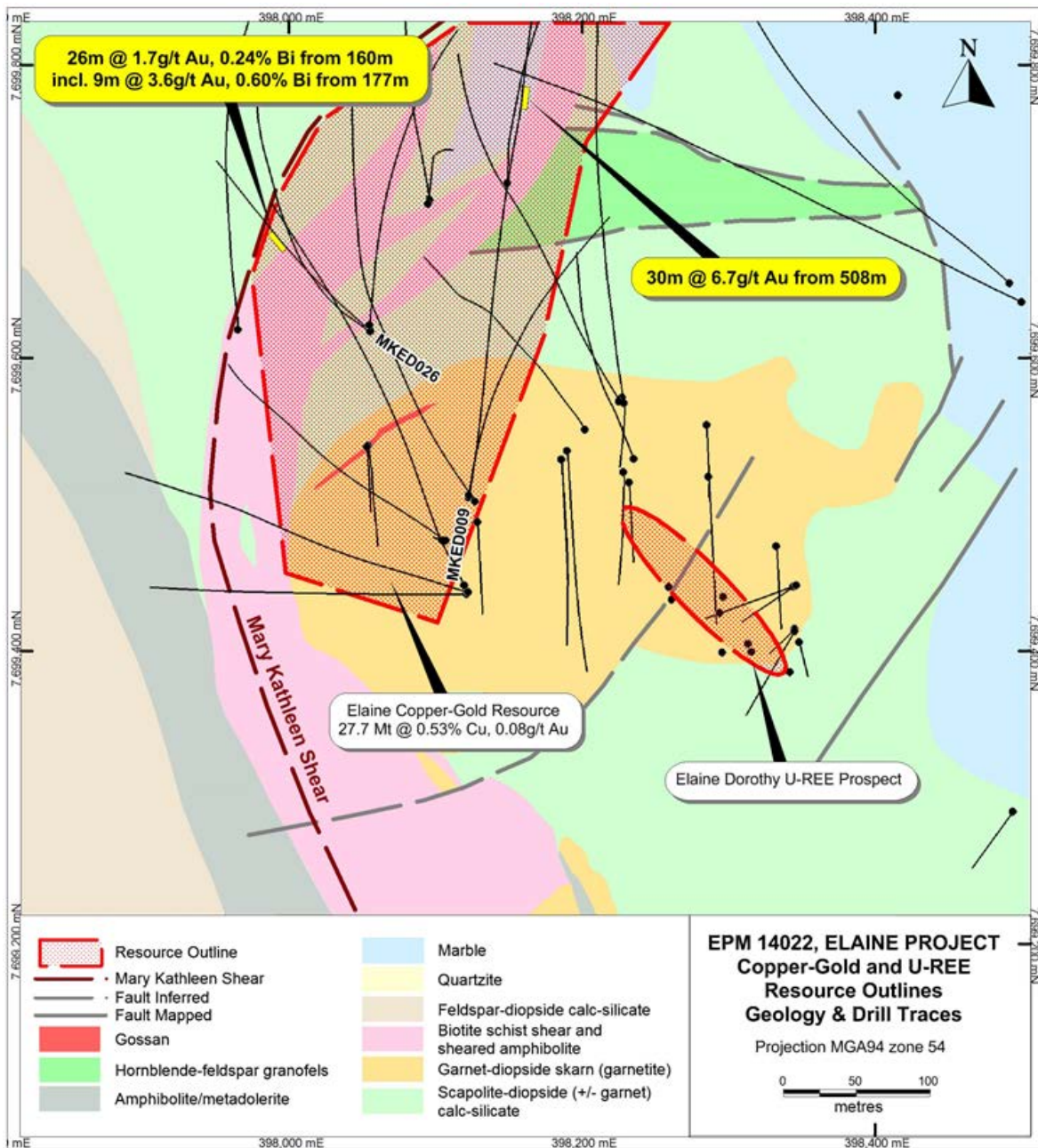
As reported last quarter Hammer Metals finalized the first stage of an agreement to acquire 100% of Auking Mining Limited (formerly Chinalco Yunnan Copper Resources Limited) (**ASX: AKN**) tenement interests in the Mount Isa district. The tenements secure a number of advanced IOCG and shear-hosted copper-gold 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.*)

The second stage of the acquisition that includes AKN'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 is considered to be close to completion of final documentation after agreement in principal was reached with Glencore Copper on revised commercial terms to the current JVA.

A review of the near-surface gold potential of the Elaine deposit is underway. The gold zone is interpreted as a flattened, steeply plunging pipe within the copper body. The near surface zone has previously been modelled as an isolated body but could represent a fault-displaced portion of the main pipe. Drilling is planned to test the depth and lateral extent of this zone.

Previous reported gold drill intersections at Elaine include:

- **30 metres at 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.



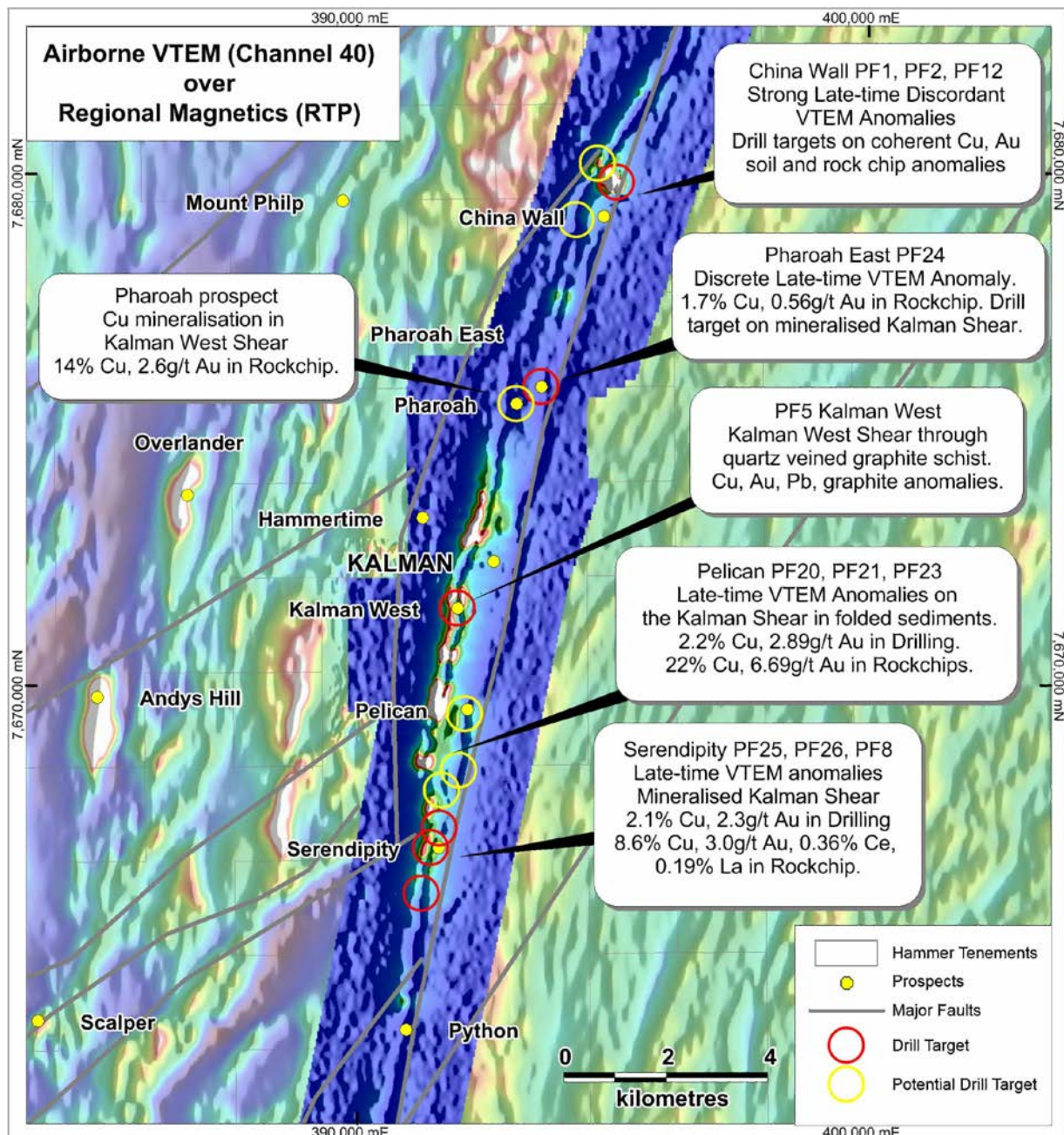
Elaine Dorothy – Plan

Pilgrim Fault VTEM Survey – Target Review

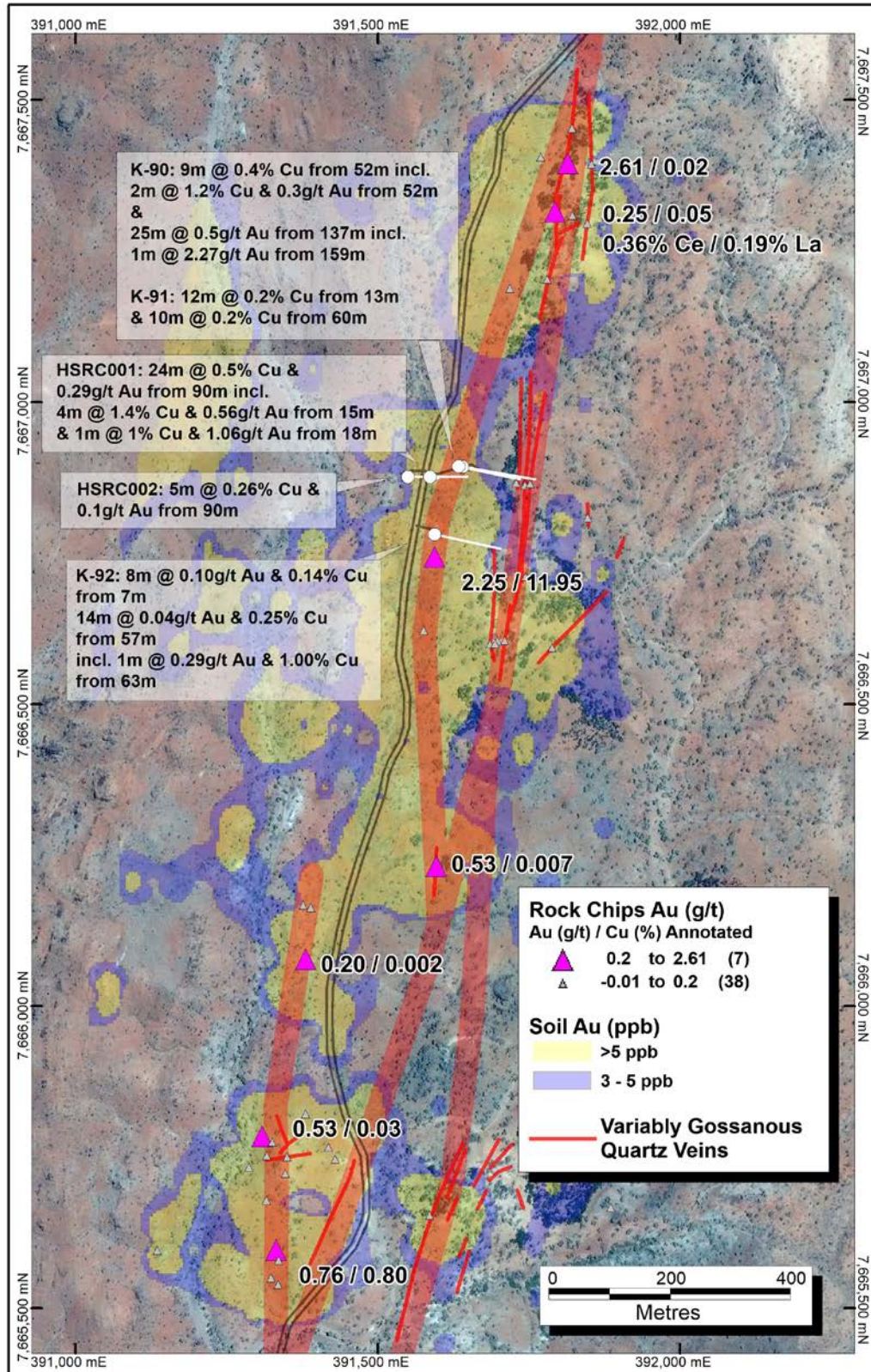
An airborne VTEM Max (Versatile Time Domain EM) and magnetic survey over a 23 kilometre strike length of the Pilgrim Fault corridor extending from China Wall in the north to Python in the south was completed by Geotech International in late 2016.

Field investigation of the anomalies interpreted by Southern Geoscience is now complete with several of the target areas considered sufficiently prospective to warrant either drilling or further definition and assessment.

Twelve areas are currently considered potential drill targets. Additional targets are prospective but require further sampling and assessment due to subtle anomalism or alluvial / colluvial cover. Most of these targets could be tested with angled RC drillholes of between 100m and 250m depth. Of particular interest is the Serendipity area where rock chip sampling has outlined a 1.2km zone of anomalous gold adjacent to the Pilgrim Fault. (Refer to ASX release dated July 28th 2017.)



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



Serendipity area – VTEM targets PF25, 8 & 26. Soil and rock chip sampling has outlined a 1.2km anomalous gold trend.

Kalman West Graphite

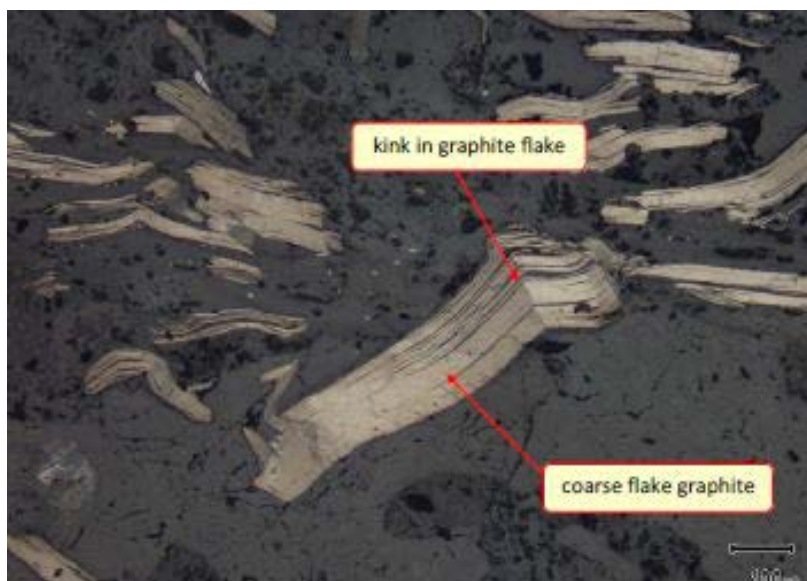
Rock chip sampling and petrology of a graphite rich unit at Kalman West was undertaken in the course of the field investigation of the VTEM anomalies, identifying the presence of coarse flake graphite. (Refer to ASX release dated May 19th 2017.)

The rock chip samples were submitted for analysis at ALS for Total Graphitic Carbon and to Teale & Associates Pty Ltd for petrological investigation of polished thin sections. Assay results from the Kalman West graphitic zone are tabulated below.

Area	Sample	TGC %	E_GDA94	N_GDA94
Kalman West	E36456	9.92	391705	7669938
	E36457	7.42	391705	7669938
	E36458	9.47	391740	7670035
	E36567	9.8	391709	7669946
	E36568	10.95	391553	7669509
	E36569	10.3	391525	7669526
	E36570	9.21	391779	7670492
	E36571	7.7	391751	7670495
	PF0787	9.12	391497	7669331
	PF1157	9.22	391739	7670473
	PF1161	8.02	391766	7670460
Minimum		7.42		
Maximum		10.95		
Average		9.19		

Table 1: Samples from Kalman West Graphite Zone

A petrological sample sourced from the Kalman West Graphite Zone was reported as containing abundant coarse grained flake graphite which can be up to 1.2mm in length. The graphite is often folded and “shredded”. Recrystallized much finer grained graphite is rare and makes up a minor percentage of the overall graphite content. The flake graphite in the sample averages 0.4mm in length and was noted as being inclusion free. The “shredded” graphite is present as very thin grains with extreme length to width ratios. The graphitic unit is proximal to anomalous base metal mineralisation at Kalman West.



Polished thin section photo showing graphite flake size distribution



The initial sampling indicates that good quality graphite is present at Kalman West and the results are considered sufficiently encouraging to map out and sample the thicker graphitic zones which may correspond to VTEM conductors. The conductors occur along approximately 7.5km of the 15km total length of the Kalman West structure. Initial discussions with a graphite-experienced metallurgist are planned in the near future.

If it is considered that sufficient tonnages are present a first pass drilling program will be planned.

Millennium Copper-Cobalt-Gold Deposit

During the quarter Hammer Metals signed a term sheet with Global Energy Metals Corporation (GEMC) to advance the Millennium Cobalt Project, located 34 kilometres northwest of Cloncurry. *(Refer to ASX release dated May 1 2017.)*

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.)*

Material Details of the Agreement

Tenements included in the term sheet are granted ML's 2512, 2761, 2762, 7506 and 7507 held 100% by Element Minerals Pty Ltd a 100% owned subsidiary of Hammer Metals Limited.

The term sheet outlines the principal terms and conditions to enter into a three-year option to purchase a staged interest of up to 75% interest upon making project related expenditures to further advance the property. Total consideration for the option is CAD \$2,700,000. An initial non-refundable deposit of CAD \$50,000 was payable upon signing of the term sheet. On completion of due diligence the parties will enter into a definitive agreement, subject to standard conditions and any regulatory approvals that may be required.

Before the third year anniversary of signing a definitive option agreement, GEMC must expend a minimum of CAD \$2,500,000 in project exploration and development work on Millennium as follows:

- \$500,000 within 6 months for 25% interest;
- \$1,000,000 within 18 months for 65% cumulative interest; and
- \$1,000,000 within 36 months for cumulative 75% interest

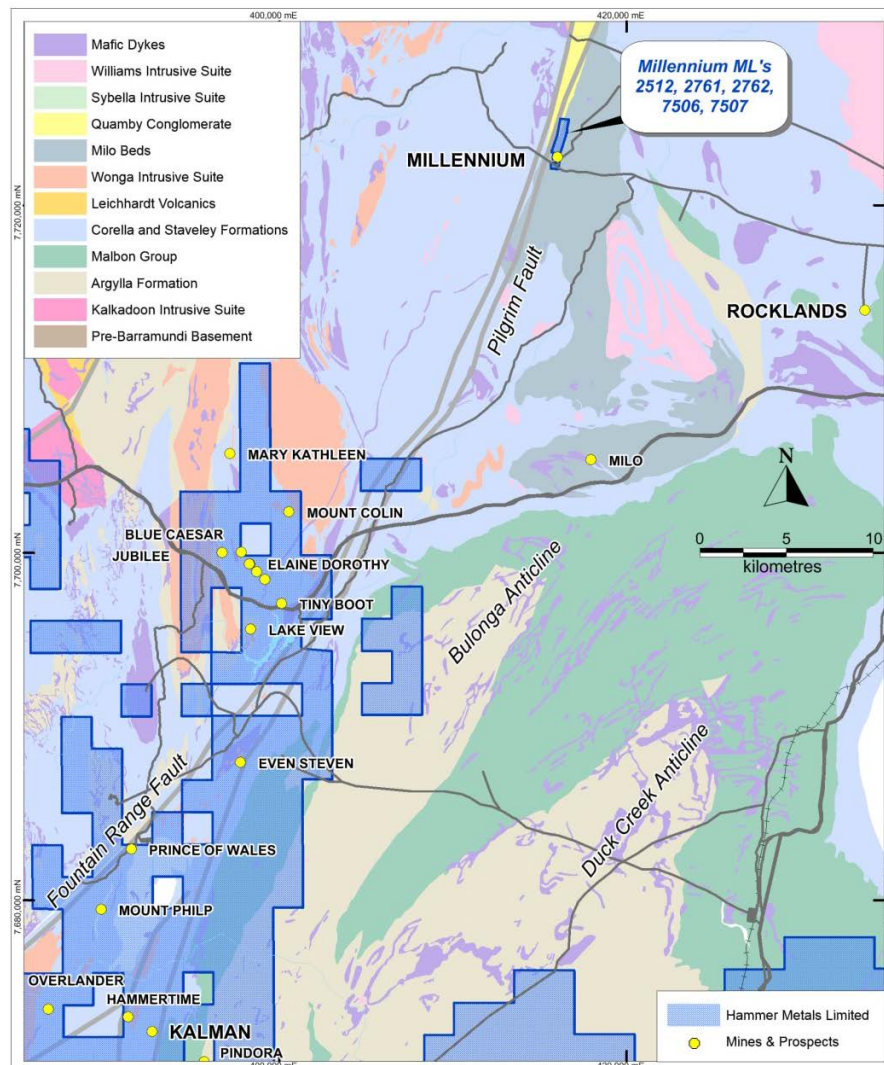
GEMC will also pay to Hammer a total of CAD \$200,000 in cash in two equal payments of \$100,000, the first upon signing the definitive agreement and the second on the 6 month anniversary of the first payment.

Global Energy Metals may exercise its right to acquire additional interest in Millennium based on future terms agreed to by both parties at that time.

GEMC completed due diligence as announced on June 9th *(Refer to ASX Release dated June 9 2017)*, and a draft definitive agreement is currently being finalized.

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

Hammer Metals Limited. ABN 87 095 092 158
Suite 1/827 Beaufort Street, Mt Lawley WA 6052 | Email: info@hammermetals.com.au | Online: hammermetals.com.au



Location of Millennium in relation to Kalman

Mount Isa Farmin and Joint Venture

Dronfield

The three hole Diamond and RC drilling program at the Dronfield copper-gold project southeast of Mount Isa was completed late in the quarter. A total of 1010 metres of diamond and 246 metres of RC were drilled in the three holes.

The Dronfield targets are located 25km southeast of Kalman 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 tenement forms part of the Farm-in and Joint Venture Agreement with Newmont Exploration Pty Ltd. This drilling will be partially subsidised by a \$100,000 Collaborative Drilling Initiative ("CDI") Funding Grant from the Queensland Department of Natural Resources.

The first two (diamond) holes tested the western geophysical anomaly and the third RC hole tested the eastern geophysical anomaly. Both diamond holes, HDD001 (537m) and HDD002 (473m) intersected strongly magnetite-actinolite and red rock altered granodiorite of the Wimberu Granite (part of the Williams Batholith) over large parts of the hole.

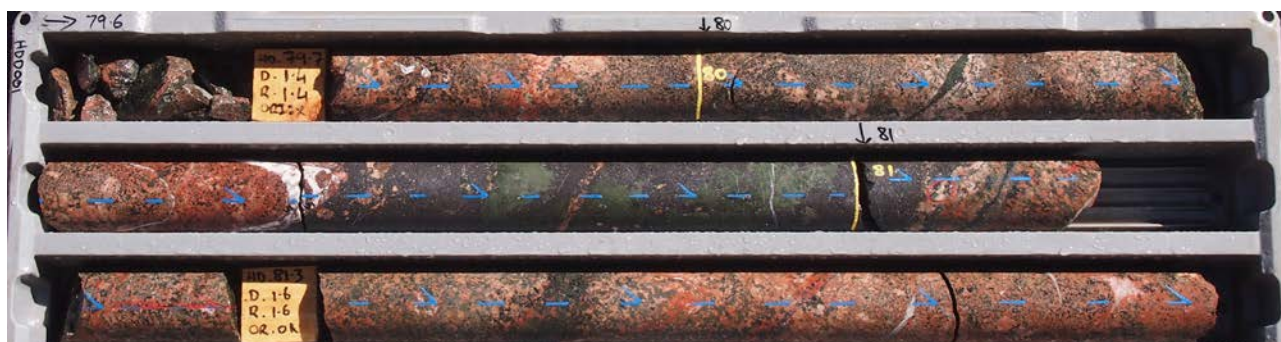
Sulphide mineralisation where present is dominantly pyrite-chalcopyrite with levels generally ranging between trace to 1% with thin zones (<5m) where the total sulphide content can approach 5% in total.

Copper results were low with a peak results from the HDD001 of 1m at 0.93 % Cu from 297 metres and 2 metres at 0.51% Cu from 307 metres. HDRC004, which was drilled into the eastern anomaly, intersected magnetite and red rock altered granodiorite with microgranite lenses. The peak copper result from HDRC004 was 1m @ 0.41% Cu from 25m. *(Refer to ASX release dated July 28th 2017 for details.)*

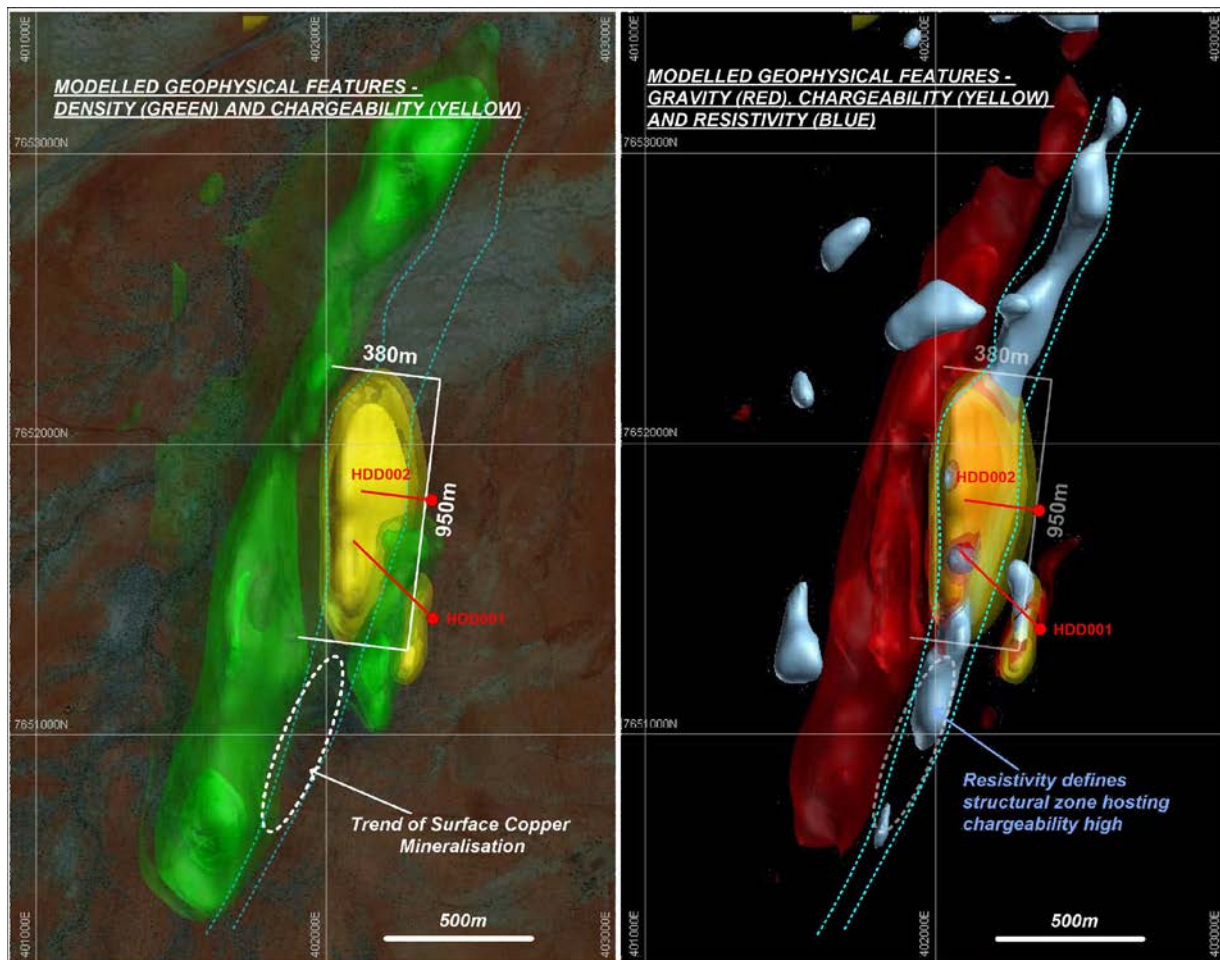
An assessment of the alteration and mineralisation will be completed with a view to vectoring to stronger mineralisation within this large alteration zone.



Drill Rig on HDD001



Semi-massive magnetite-actinolite-chlorite-hematite alteration is a common component of the Dronfield western anomaly system (HDD001, 81m).



Modelled geophysical features of the Dronfield Western Anomaly with the locations of HDD001 and HDD002. The chargeability response shown in yellow (ranges between 35mv/v to +65mv/v)

Overlander and Even Steven

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

Future Activities at Mount Isa

Field activities during the September quarter will focus on the large Mount Philp Breccia IOCG project. Data compilation and recent tenement acquisitions have opened a new coherent exploration search space at Mount Philp for IOCG deposits.

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

GOLDEN PEAKS (JV) – Central Queensland

No field work was completed and the JV agreement expired during the quarter.



CORPORATE

The Company held \$1.2 million on deposit at the end of the quarter.

The number of ordinary shares on issue at the end of the quarter was 198,309,674. 15,300,000 unlisted options to acquire ordinary shares lapsed in accordance with their terms during the quarter.

During the quarter Hammer announced that exploration credits will be distributed to eligible shareholders through the Federal Government's Exploration Development Incentive Scheme ("EDI").

- ENDS -

Hammer Metals Limited (ASX: HMX) Hammer Metals holds a strategic tenement position covering approximately 3,200km² 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 an active mineral explorer, focused on discovering large copper-gold deposits of the Ernest Henry style and has a range of prospective targets at various stages of testing.

For further information, please contact:

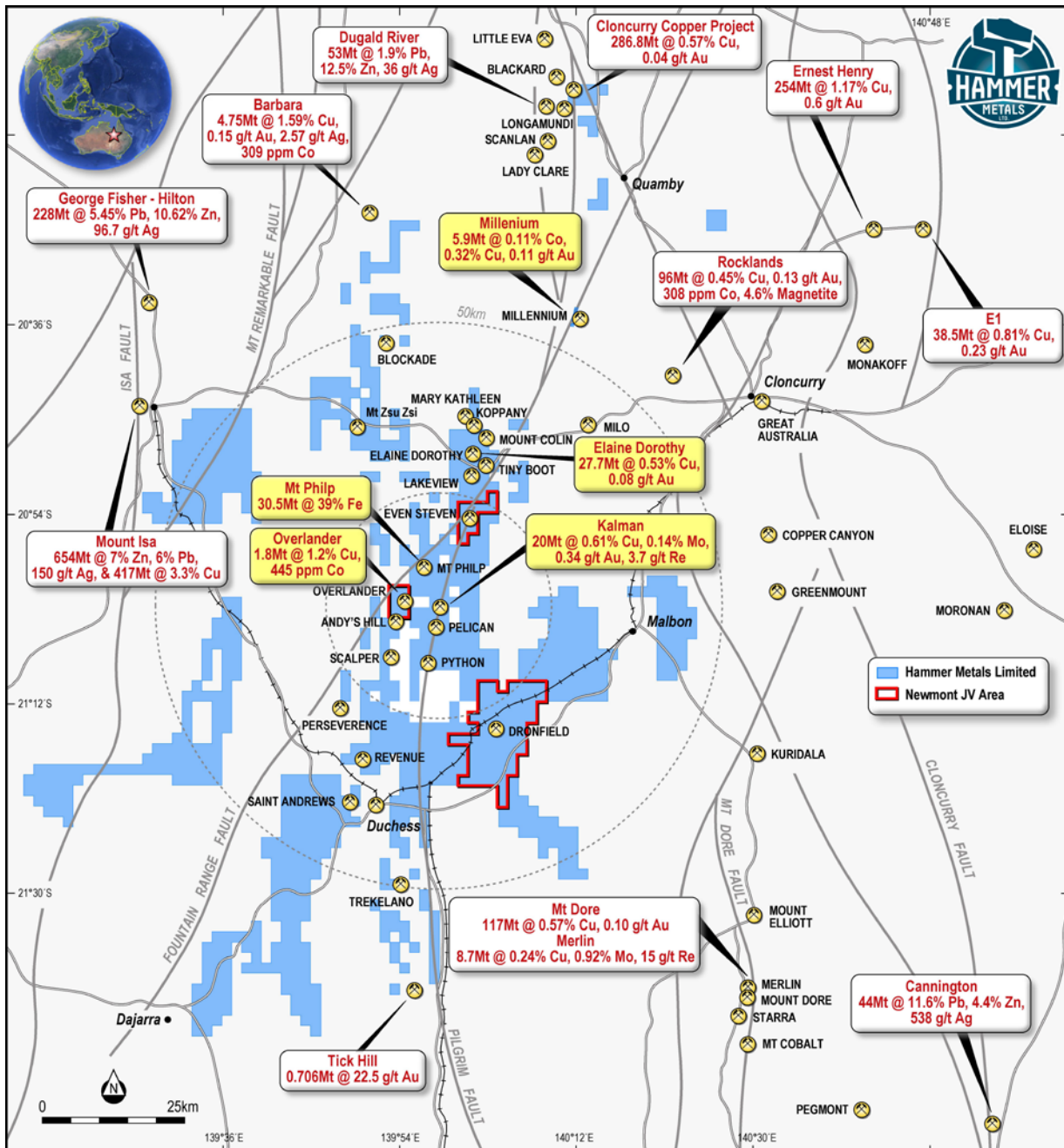
Alex Hewlett | Executive Director & CEO
info@hammermetals.com.au

Russell Davis | Executive Chairman
M: +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, 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



Tenement Interests at the end of June 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
	EPM 12205	Granted	100%	No	
Mt Isa Project - QLD	EPM 13870	Granted	100%	No	Subject to 2% NSR
	EPM 14019	Granted	100%	No	100% transfer from Chinalco to HMX in progress
	EPM 14022	Granted	100%	No	
	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 in progress
	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%	No	
	EPM 26511	Application	100%	No	
	EPM 26512	Application	100%	No	
	ML 100125	Application	100%	No	
	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	

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")

30 JUNE 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers			
1.2 Payments for			
(a) exploration & evaluation	(259)	(2,622)	
(b) development	-	-	
(c) production	-	-	
(d) staff costs	(17)	(66)	
(e) administration and corporate costs	(119)	(439)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	7	29	
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	(401)	(1,560)	
1.9 Net cash from / (used in) operating activities	(789)	(4,658)	
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 (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	(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	-	1,197
2.6	Net cash from / (used in) investing activities	-	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	-	(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	-	2,206
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,987	2,427
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(789)	(4,658)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	1,223
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,206
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,198	1,198

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	838	412
5.2 Call deposits	-	1,009
5.3 Bank overdrafts	-	-
5.4 Other – JV bank account	360	566
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,198	1,987

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
66
-

Directors remuneration payments for the quarter.

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	247
9.2 Development	-
9.3 Production	-
9.4 Staff costs	16
9.5 Administration and corporate costs	159
9.6 Other – exploration relating to farm-in	103
9.7 Total estimated cash outflows	525

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	n/a	n/a	n/a	n/a

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: 31 July 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.