



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING JUNE 30, 2018

July 31, 2018

ASX Code: HMX

CAPITAL STRUCTURE:

Share Price (30 June18)	\$0.024
Shares on Issue	269m
Market Cap	\$6.5m
Options Unlisted	21m

Significant Shareholders	
Deutsche Rohstoff	13.1%
Resource Capital Fund VI Management	9.3%
	8.8%

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Executive Chairman

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Mark Pitts
Company Secretary

Mark Whittle
Exploration Manager

HIGHLIGHTS

Mt Frosty Joint Venture

- Stage 2 program and budget approved for the Jubilee Copper-Gold Project (in the Mt Frosty JV with MIM Limited), following the completion of the successful Stage 1 drilling program.
- The Stage 2 program will comprise additional resource and extensional drilling, preliminary metallurgical studies and Mineral Resource estimation.
- Three (3) diamond drill holes to provide samples for the metallurgical testwork have been drilled to date.

Millennium Cobalt Joint Venture

- The 10 hole diamond drilling program was completed and results were received.
- The best cobalt intercept to date at the project was returned from in MIDD010 with 41 metres at 0.18% Co, 0.23% Cu and 0.18g/t Au from 14 metres.
- Samples are now being collected for first pass metallurgical testwork.
- Further to the letter of intent signed with JV partner GEMC to divest 100% interest in 8 non-contiguous sub blocks within Hammer's Mount Isa portfolio agreement was reached with GEMC to sell Hammer's 75% interest in the project to GEMC.
- Subject to completion of the sale transaction Hammer will hold a 19.9% interest in GEMC.

100% - Owned Tenements

- Field exploration activities ramped up during the quarter. Target evaluation activities were ongoing with a significant number of Greenfields targets field inspected and sampled. Results will be reported when available.
- Geological mapping and reconnaissance soil sampling were completed over the Mt Philp breccia target, enhancing the area for both copper-gold and Tick Hill style high grade gold mineralisation.
- Two new tenement applications were submitted over areas considered prospective for large copper-gold deposits.

Corporate

- Exploration credits were distributed to eligible shareholders through the Federal Government's Exploration Development Incentive Scheme ("EDI"). Based on the number of shares on record the EDI credit amounts to 0.067 cents per share.
- Cash balance at end June 2018 is \$1.39 million.

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). Hammer holds approximately 3,000 km² of tenure in the Mount Isa region.

Hammer is currently focusing on its 100% owned Mt Philp Breccia and Prince of Wales IOCG targets 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.

In addition to Hammer’s exploration on its 100%-owned targets, Hammer currently manages two joint ventures that cover an area of about 1% of its Mount Isa tenement holdings.

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 five granted mining leases hosting the Millennium Cobalt-Copper-Gold project. Late in the quarter Hammer reached provisional agreement with GEMC to sell its interest in the Millennium project along with several other cobalt prospects to GEMC. At the conclusion of the divestment Hammer will hold a 19.9% interest in GEMC – a focused cobalt explorer. (Refer to ASX release dated June 27th 2018 for details.)

In August 2017, Hammer finalised both the purchase of a 51% interest in EPM 14467 (Mt Frosty) and new commercial terms for the Mt Frosty Joint Venture with MIM Limited (a subsidiary of Glencore) that holds the remaining 49% interest in the Mt Frosty copper-gold project. Since the acquisition drilling at the Jubilee copper-gold prospect has returned encouraging results.

Newmont Exploration Australia Pty Ltd withdrew in June 2018 from the joint venture that encompassed the Overlander, Even Steven and Dronfield targets. Hammer will retain a 100% interest in these projects. (Refer to ASX release dated June 4th 2018 for details.) New joint venture partners are being sought to assist in progressing these targets.

MOUNT FROSTY COPPER-GOLD PROJECT

The Mount Frosty Joint Venture over EPM 14467 is located adjacent to the Mary Kathleen Uranium Mine, 60 kilometres east of Mount Isa, and covers the Mary Kathleen Shear Zone that hosts several copper-gold, uranium and REE prospects including Jubilee, Koppany and Blue Caesar. The Jubilee copper-gold prospect is located within 2 kilometres of the sealed Barkly Highway, midway between Mount Isa and Cloncurry.

Under the terms of the Joint Venture Agreement with Mount Isa Mines Limited (MIM - a 100% owned subsidiary of Glencore PLC) each Party to the Joint Venture will contribute exploration expenditure according to their participating interest (HMX - 51% / MIM – 49%). Hammer is managing the exploration activities.

Hammer Metals has completed the Stage 1 program which included 22 reverse circulation holes for 2061 metres. Significant intercepts from this program include:

- **5 metres at 7.34% Cu and 3.75g/t Au** from 35 metres in HJRC009 within an envelope of **8 metres at 4.72% Cu and 2.37g/t Au** from 33 metres.
- **6 metres at 2.55% Cu and 1.25g/t Au** from 60 metres in HJRC003.
- **3 metres at 4.91% Cu and 5.73g/t Au** from 26 metres in HJRC006 within an envelope of **6 metres at 2.69% Cu and 2.89g/t Au** from 23 metres.
- **4 metres at 6.27% Cu and 0.70g/t Au** from 59 metres within an envelope of **14 metres at 2.0% Cu and 0.28g/t Au** from 58 metres in HJRC020.

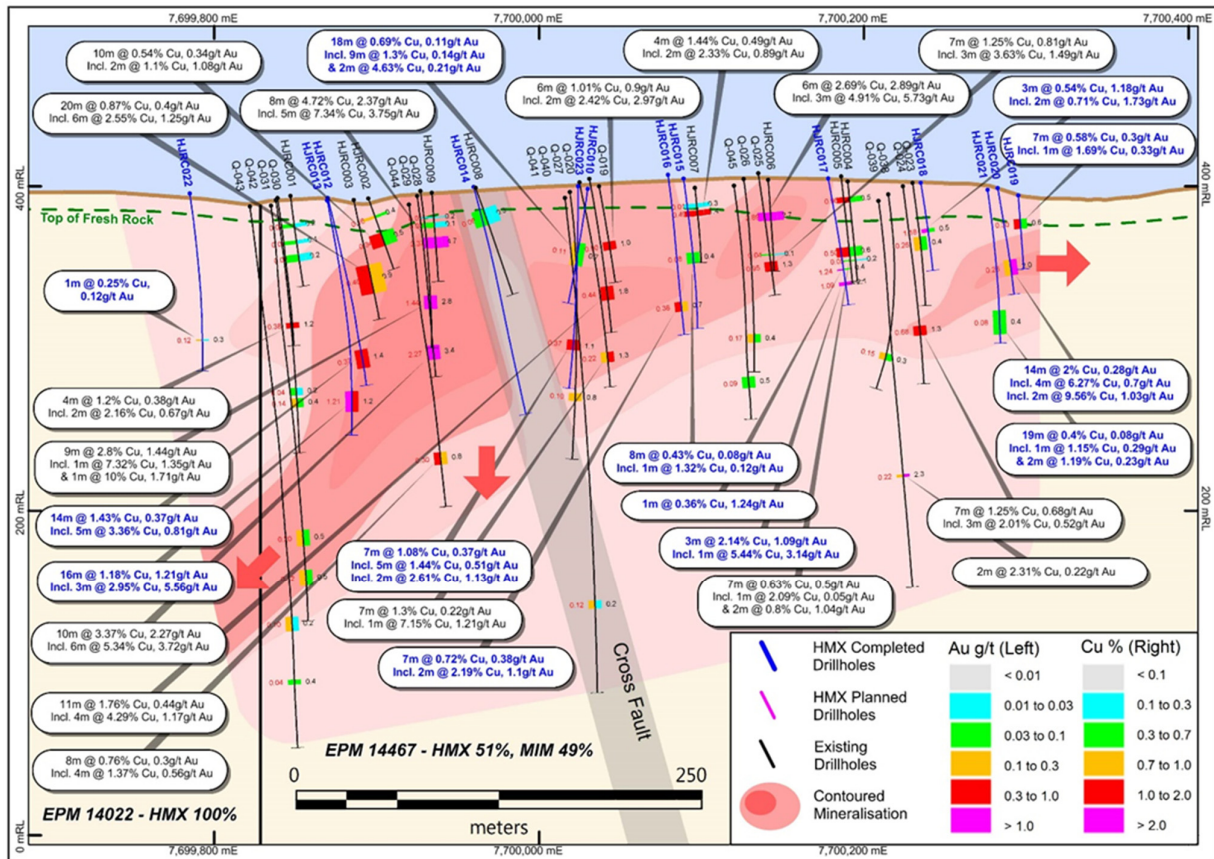
- **5 metres at 3.36% Cu and 0.81g/t Au** within an envelope of **14 metres at 1.43% Cu and 0.37g/t Au** from 113 metres in HJRC012.
- **3 metres at 2.95% Cu and 5.56g/t Au** within an envelope of **16 metres @ 1.18% Cu and 1.21g/t Au** from 141 metres in HJRC013.
- **2 metres at 2.61% Cu, 1.13g/t Au and 1093ppm Co** within an envelope of 5 metres at 1.44% Cu, 0.51g/t Au and 607ppm Co from 106 metres in HJRC023

Following these encouraging results a Stage 2 work program was approved by the JV partners. Stage 2 aims to:

- Increase the drilling density to enable a resource estimation to be completed (up to 17 holes for 1600 metres including three diamond drill holes are planned).
- Potentially extend mineralisation to the north within EPM14467 and south into the 100% Hammer-held EPM14022

To date three (3) diamond drill holes (HJDD001, 002 and 003) for 216 metres have been drilled to provide samples for metallurgical testwork.

A first pass RC drilling program is planned at Lakeview, located 4 kilometres along strike to the south of Jubilee (within 100% HMX owned EPM16726).



Long section looking west showing significant intersections and planned drill holes.

MILLENNIUM COBALT PROJECT

The Millennium cobalt-copper-gold project is currently a joint venture with TSX listed Global Energy Metals Corporation (GEMC). Hammer operates the joint venture. The project is located to the northwest of Cloncurry less than 20 kilometres from the Rocklands Cu-Co-Au deposit.

A 10-hole, 1141-metre diamond drilling program (MIDD001 – MIDD010), was recently completed at the Millennium project with further drilling and metallurgical studies planned. (Refer to ASX release dated June 19th 2018 for further details.)

During the quarter Hammer also negotiated and entered into a binding term sheet for the sale of its 75% interest in the project to GEMC. Consideration for the sale is the issue to Hammer of GEMC ordinary shares whereby Hammer will own a 19.9% interest in TSX-listed GEMC following the acquisition plus board representation. (Refer to ASX Release dated June 27th 2018 for full details of the proposed transaction.)

Under the terms of the Agreement GEMC will purchase the remaining 75% interest in the project along with the cobalt targets at Mt Dorothy and Cobalt Ridge. The sale is contingent on a number of approvals being received and completion of the final sale documentation (“Definitive Agreement”).

Given Hammer’s technical and jurisdictional expertise, it will remain as operator of the Property until at least the first anniversary of the date of the Definitive Agreement, with such engagement to be reviewed and renewed on an annual basis thereafter. Hammer shall receive an operator’s fee of 10% of the expenditures carried out on the Property. Hammer will also have a right to appoint a representative to the GEMC board of directors.

Hammer will also co-operate with GEMC with a view to identifying and acquiring additional cobalt assets in the Mount Isa region.

The work program that just concluded at Millennium, continues to highlight the potential for the project to be part of a much larger regional cobalt venture across the Mount Isa region of Northwest Queensland. With the proposed agreement Hammer will have the opportunity to have a significant interest in a focused cobalt explorer and developer, while retaining exposure to longer term value creation that the Millennium and other Mount Isa cobalt projects will offer. The sale to a focused cobalt explorer in GEMC will allow Hammer to concentrate on its other advanced copper-gold exploration programs in the Mount Isa mining district.

MILLENNIUM DIAMOND DRILLING

A 10-hole, 1141-metre diamond drilling program (MIDD001 – MIDD010) was completed at Millennium during the quarter and all assays were received. (Refer to ASX releases dated April 20th, June 6th and June 19th for details of the program and results.)

The drilling program was designed to test the up-dip continuity at the northern end of the Millennium deposit. Drilling results generally agree with the previous deeper drilling with the further delineation of wide zones of cobalt and copper mineralisation.

Detailed logging of the drill core has permitted an enhanced understanding of the nature of the mineralisation and the geology of the deposit. All mineralisation intercepted in the program to date is un-oxidised primary sulphides, indicating a thin zone of oxidation to 10-15 metres depth.

The best cobalt intercept to date at the project was returned from in MIDD010 with 41 metres at 0.18% Co, 0.23% Cu and 0.18g/t Au from 14 metres.

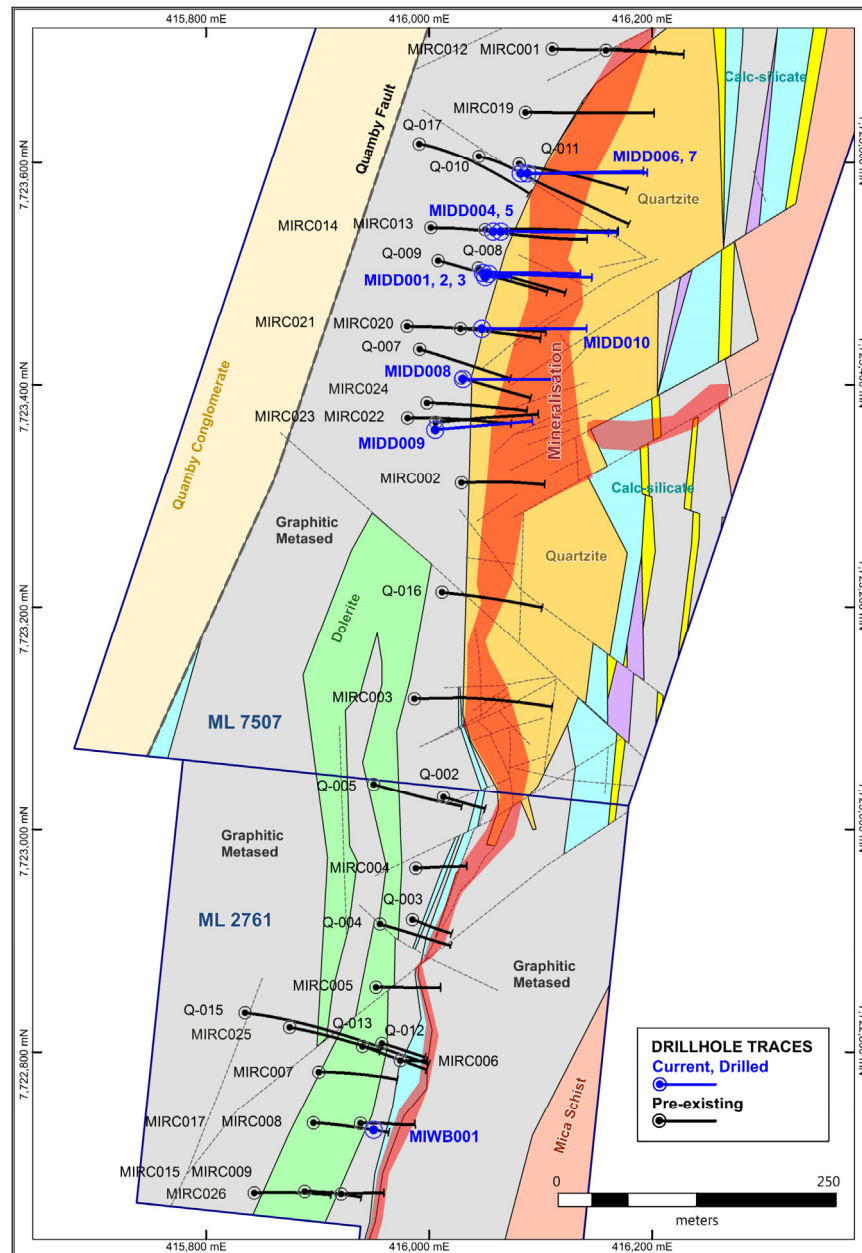
Significant results from the program include:

- **15 metres at 0.22% Co, 0.21% Cu and 0.18g/t Au** from 40 metres within a mineralised envelope of 41 metres at 0.18% Co, 0.11g/t Au and 0.23% Cu from 14m in MIDD010. **This zone includes a one metre interval of 1.85% Co (40-41m).**

- **7 metres at 0.11% Co and 0.15% Cu** from 24 metres in MIDD009 and 2 metres at 0.29% Co, 0.67% Cu and 0.24g/t Au from 70 metres in MIDD009.
- **8 metres at 0.12% Co and 0.19% Cu** from 39 metres including 3m @ 0.21% Co from 39 metres in MIDD001.
- **7 metres at 0.15% Co, 0.36% Cu and 0.12g/t Au** from 14 metres and **2 metres at 0.33% Co, 0.57% Cu and 0.11g/t Au** from 19 metres in MIDD003.

The results will now be fully assessed and interpreted followed by planning of any additional drilling required and undertaking preliminary metallurgical studies. Samples are now being collected for first pass metallurgical test work.

Following a review of the results of the program additional drilling on the generally higher grade southern portion of the resource will be planned.



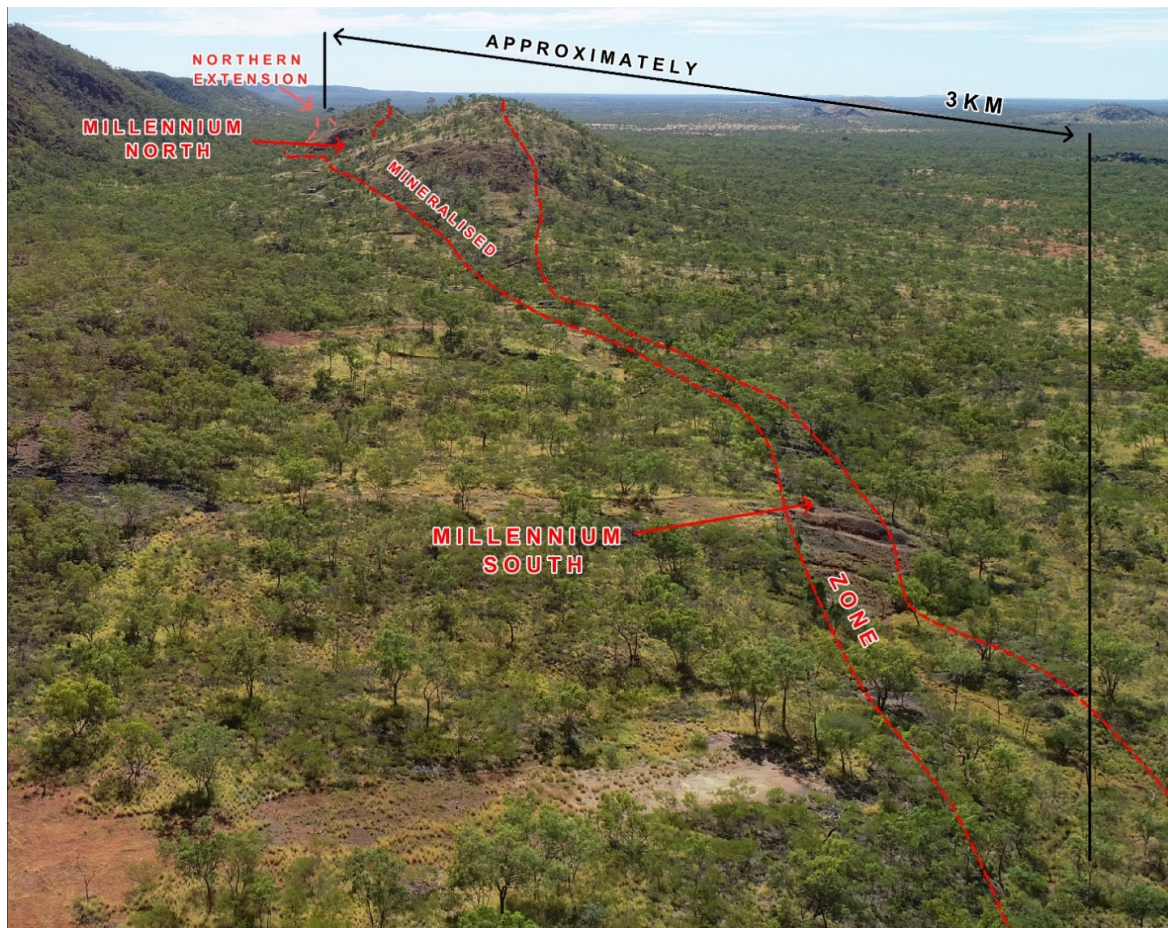
Millennium Drill Hole Locations

MILLENNIUM ROCK CHIP SAMPLING

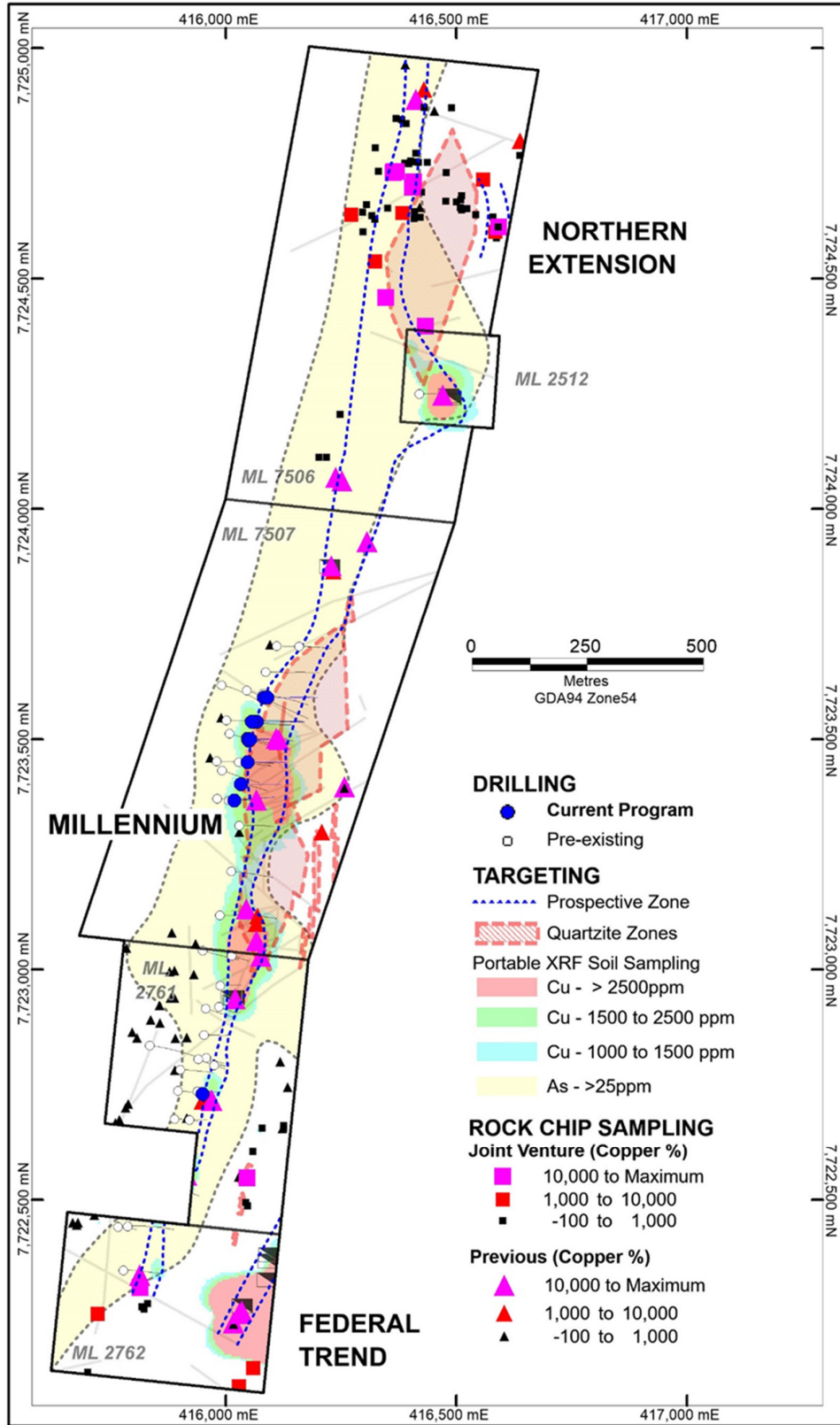
Rock chip sampling was conducted to test for additional zones of cobalt and copper mineralisation along the Millennium trend and in particular the northern strike extension where similar host rock units and strong soil geochemical anomalies are located. This zone is located approximately 1 kilometre north of the current Millennium resource as defined.

Features such as, the continuation of elevated soil arsenic and copper geochemistry, presence of anomalous cobalt and copper in rock chip samples and analogous geology between the Millennium resource and the extension zone indicate that this area is a priority target for further investigation.

Peak values in the 71 rock chip samples taken were 0.12% Co, 0.21g/t Au, 42.6g/t Ag, 45.3% Cu, 0.16% Pb and 0.25% Zn. (Refer to ASX release dated June 5th 2018.)



Oblique Photo of the Millennium Mineralised Zone



Millennium Rock Chip and Soil Sample Geochemical Plan

100% - OWNED HAMMER TENEMENTS

MT PHILP BRECCIA

The Mt Philp Breccia project covers an area of approximately 10 kilometres by 4 kilometres and is one of the largest areas of breccia in the Mount Isa inlier.

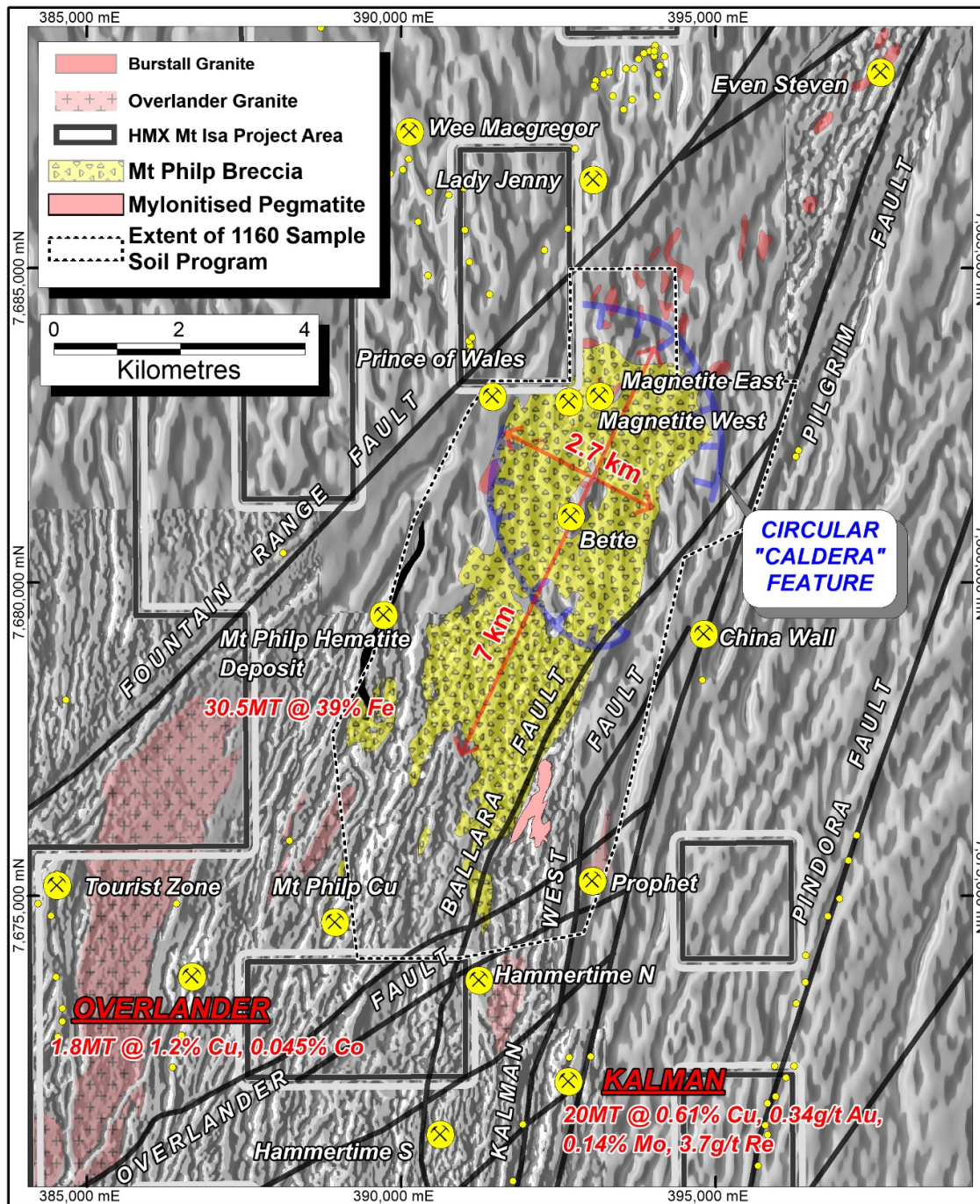
During the quarter an experienced consultant geologically mapped the breccia body and its immediate surrounds between the Fountain Range Fault and the Pilgrim Fault. The mapping highlighted several areas of strong alteration and brecciation with hallmarks of an IOCG alteration zone. Additionally zones of mylonite and strong silicification were found which are considered to have potential for Tick Hill style gold mineralisation.



Mount Philp Breccia Rock Sample

A program of soil geochemical sampling was also completed over the area on a nominal 200 x 200 metre staggered pattern. A total of 1161 samples were collected. The samples are currently being analysed using a portable pXRF and will subsequently be submitted for multi-element analysis including gold.

The new high resolution aeromagnetic and radiometric data is undergoing re-processing as the quality of the initial images provided were unacceptable.



The Mt Philp Breccia showing extent of breccia body and soil sampling program

OVERLANDER / EVEN STEVEN / DRONFIELD

Following a negotiated conclusion to the joint venture with Newmont Exploration Australia Pty Ltd Hammer will retain a 100% interest in the three former farm-in areas of Overlander, Even Steven and Dronfield. (Refer to ASX Release dated June 4th 2018.)

Hammer will continue to progress exploration on several of the targets identified during the joint venture period that did not meet Newmont's target size criteria. Amongst these opportunities are the partially

tested IOCG potential at Overlander North, the Overlander cobalt potential and the copper-gold potential of the Tourist Zone. Additional copper-gold targets generated at Even Steven and Dronfield also warrant drill testing.

New partners are being sought to assist with progressing these prospects.

TARGET EVALUATION AND GENERATION ACTIVITIES

Field target evaluation activities were ramped up during the quarter with a significant number of Greenfields targets field inspected and sampled. Results will be reported when available.

Of particular interest are multiple zones of variably mylonitised pegmatites which have textural similarities to sheared pegmatites intersected in HKWRC001 (101-102m - 30.5g/t Au) at Kalman West. These zones have been rock chip sampled and results will be reported in the near future.

EXPLORATION PERMIT APPLICATIONS

During the quarter two new exploration permit applications (EPM 26902 and EPM 26904) were submitted. The tenements are considered highly prospective for copper-gold mineralisation of the IOCG style.

ML100125 "Trafalgar" over the historic Trafalgar copper mine was abandoned. The area covered by the Mining Lease application was included into the surrounding exploration permits held by Hammer Metals.

FUTURE ACTIVITIES AT MOUNT ISA

Field activities during the September 2018 Quarter will focus on:

- RC drilling at Jubilee and Lakeside.
- Metallurgical sampling and testwork for Jubilee and Millennium.
- Interpretation of the new high-resolution aeromagnetic and radiometric data that covers the area between Mary Kathleen to Kalman.
- Submittal for assay of the Mt Philp soil samples and review
- Continuation of field mapping and target reviews.

CORPORATE

Exploration credits were distributed to eligible shareholders through the Federal Government's Exploration Development Incentive Scheme ("EDI"). Based on the number of shares on record the EDI credit amounts to 0.067 cents per share.

The Company held \$1.39 million in cash and on deposit at the end of the quarter.

A search process for a strategic partner(s) and/or further joint venture partners is underway.

For further information contact:

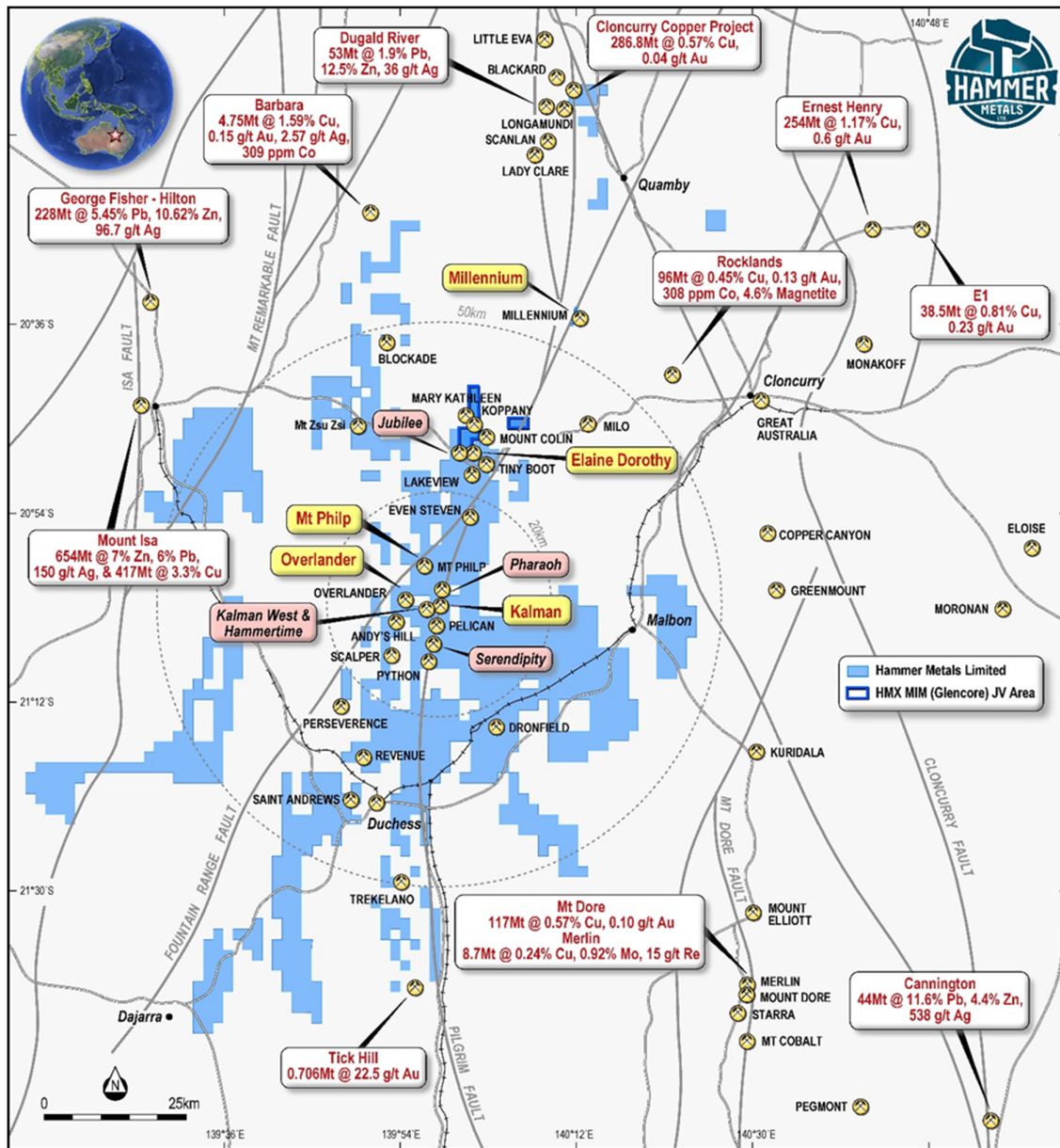
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Mt Isa Project

Competent Person’s Statement:

Exploration Results

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 and a consultant to the Company. Mr. Whittle who is a shareholder and option-holder, 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.

APPENDIX A

Tenement Interests at the end of June 2018 as per Listing Rule 5.3.3

PROJECT	TENEMENT	STATUS	INTEREST %	Acquired during quarter	COMMENT
Pilbara Iron Ore - WA	E08/1997	Granted	100%	No	Converting to Retention Licence
Mt Isa Project - QLD	EPM 12205	Granted	100%	No	
	EPM 13870	Granted	100%	No	Subject to 2% NSR
	EPM 14019	Granted	100%	No	
	EPM 14022	Granted	100%	No	
	EPM 14232	Granted	100%	No	
	EPM 14467	Granted	51%	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	
	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 26126	Granted	100%	No	
	EPM 26127	Granted	100%	No	
	EPM 26128	Granted	100%	No	
	EPM 26130	Granted	100%	No	
	EPM 26172	Granted	100%	No	
	EPM 26306	Granted	100%	No	
	EPM 26392	Granted	100%	No	
	EPM 26474	Application	100%	No	
	EPM 26511	Application	100%	No	
	EPM 26512	Application	100%	No	
	EPM 26628	Application	100%	No	
	EPM26994	Application	100%	Yes	
	EPM26809	Application	100%	Yes	
	EPM 26902	Application	100%	Yes	Application submitted during Quarter
	EPM 26904	Application	100%	Yes	Application submitted during Quarter
	ML 100125	Application	100%	No	Application abandoned during Quarter
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		