



31 October 2018

ASX Code: HMX

CAPITAL STRUCTURE:

Share Price (29/10/18)	\$0.032
Shares on Issue	278m
Market Cap	\$8.9m
Options Listed	165m
Options Unlisted	21m

Significant Shareholders	
Deutsche Rohstoff	13.0%
Resource Capital Fund VI	9.3%
Management	8.8%

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DIRECTORS / MANAGEMENT:

Russell Davis
Executive Chairman

Nader El Sayed
Non-Executive Director

Ziggy Lubieniecki
Non-Executive Director

Mark Pitts
Company Secretary

Mark Whittle
Chief Operating Officer

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING SEPTEMBER 30 2018

Copper-Gold Exploration

Perentie

- Surface prospecting finds new outcropping copper-gold systems at the Perentie Project.
- High-grade copper and gold values in rock chips of up to 31% Cu, 19g/t Au and 240g/t Ag.
- Two structural trends over 5km long now identified with first pass ground geophysics (SAM) and RC drilling planned for the 4th Quarter.
- Other similar demagnetised zones concealed under thin cover yet to be evaluated.
- New tenement applications were made to secure all available ground surrounding discovery.

Toby and Charlie

- Field prospecting following up VTEM anomalies locates two new zones of base metal and gold mineralisation 8km north of Kalman.
- Infill rock chip sampling and mapping underway with results to date including 18.4g/t Au, 76g/t Ag and 15% Cu.

Mt Frosty Joint Venture (Hammer 51% and operator)

- Results from three diamond drill holes drilled at **Jubilee** return significant results including:
 - 5.5m at 6.9% Cu and 14.5g/t Au from 74m in HJDD003.
 - 5.6m at 1.43% Cu and 0.24g/t Au from 36m in HJDD02.
- Metallurgical sulphide flotation test work and the maiden Mineral Resource Estimate for the deposit are in progress with results expected later in the 4th Quarter.

Millennium Cobalt Joint Venture

- First pass metallurgical sulphide flotation test work nearing completion.
- Project sale to GEMC pending completion of final agreements.

Corporate

- Fully underwritten non-renounceable option entitlement offer and strategic share placement raises \$1 million before costs.
- Cash balance at end September 2018 is \$1.6 million
- Ziggy Lubieniecki previously Exploration Director at Gold Road Resources Limited joined the board as a Non-Executive Director as part of a board and management restructure.

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.

During the quarter Hammer focused on a new discovery of outcropping copper-gold mineralisation at Perentie, part of its 80% owned Dronfield tenement (EPM 18084). Exploration on its 100%-owned Mt Philp Breccia Project and a range of VTEM targets generated in late 2016 along the Pilgrim Fault zone also produced encouraging results from rock chip soil geochemical sampling. A systematic IOCG targeting exercise within the Mount Isa region is ongoing.

At the Millennium Cobalt-Copper Project in Joint Venture with Global Energy Metals Corporation (GEMC), a Vancouver-based exploration company, core samples of the sulphide material were submitted for first pass metallurgical test work. (Late in the previous 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.)

The Jubilee copper-gold deposit within EPM 14467, forms part of the Mt Frosty Joint Venture with MIM Limited (a subsidiary of Glencore) (51% Hammer). Hammer’s drilling has returned encouraging results and first pass metallurgical test-work and the maiden resource estimate for the deposit are in progress.

PERENTIE

Perentie is a new discovery located in the Dronfield region of the Mount Isa Project. Reconnaissance rock chip sampling has identified mineralisation associated with demagnetised zones in the Wimberu Granite. (Refer to ASX announcements dated August 15th, August 22nd, September 3rd and September 28th.)

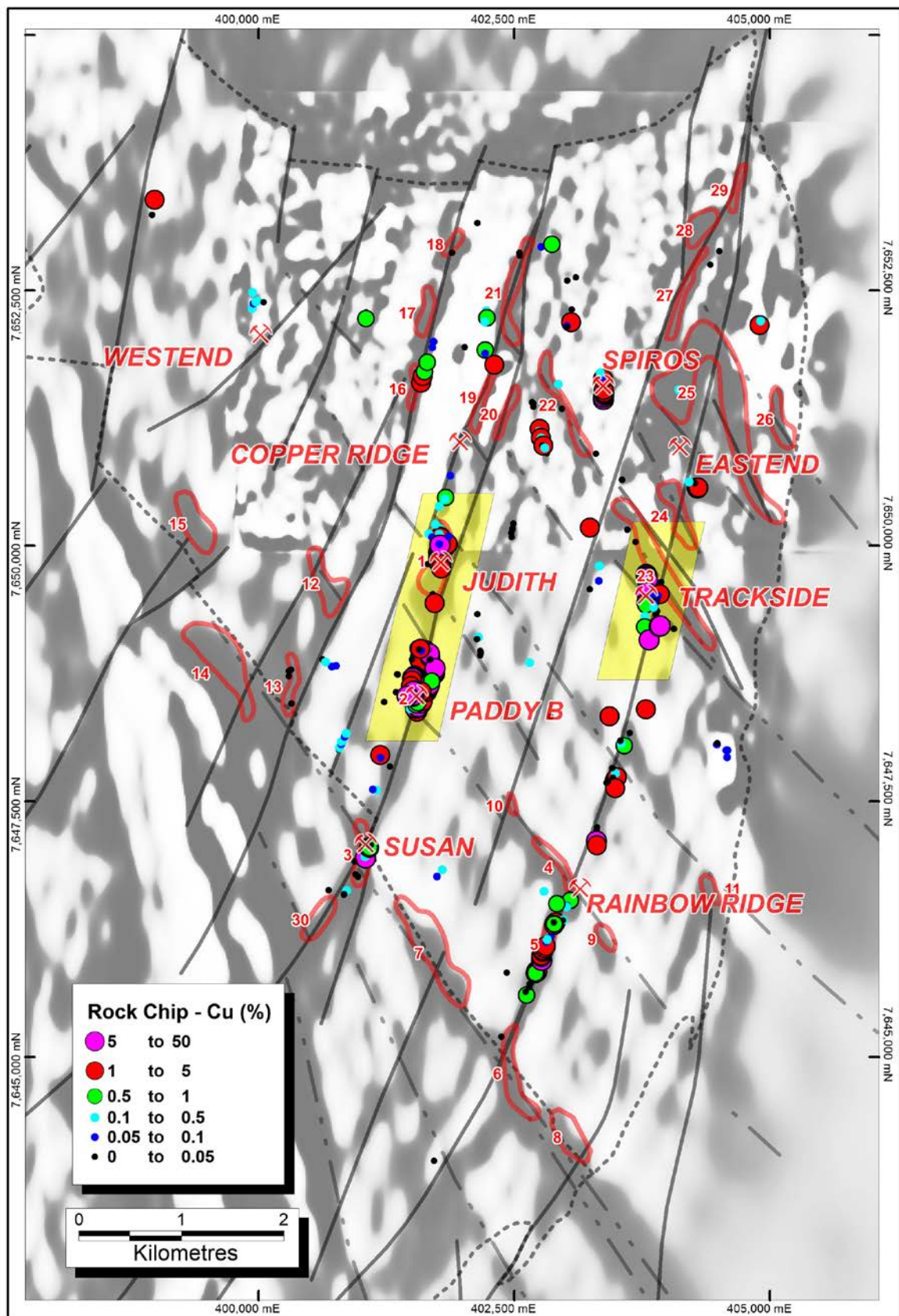
Mineralisation is associated with zones of magnetite destruction and hematite enrichment and is composed of carbonate-hematite breccias and veins with chalcocite-chalcopyrite and malachite. Grades of up to 31% Cu, 19g/t Au and 240g/t Ag have been reported in rock chips.

A SAM geophysical survey and RC drilling is planned at three of the prospects. Paddy B, Judith and Trackside. At Paddy B and Judith mineralised trends have been defined over 650m and 450m respectively within a 5.5km long structure. The zones can be up to 30m in thickness. On the Trackside – Rainbow Ridge trend mineralisation has been traced over a 5km strike length.

The discovery of multiple mineralised systems at Perentie is an exciting development and highlights the prospectivity of the Mount Isa Project.



Chalcocite-malachite mineralisation from the Susan Prospect



The Perentie region showing the location of Judith, Paddy B and Trackside and the extent of the planned SAM geophysical program (yellow shaded areas)

MT PHILP BRECCIA

The Mt Philp Breccia project covers an area of approximately 7km by 3km and is one of the largest areas of breccia in the Mount Isa inlier.

After a period of ground consolidation over the target area Hammer has completed staged programs of geological mapping, reconnaissance soil sampling and high resolution aeromagnetic and radiometric surveying. Multiple geochemical anomalies have been identified along with areas of strong alteration and brecciation with hallmarks of an IOCG alteration zone identified by the mapping. Additionally, zones of mylonite and strong silicification were found which are considered to have potential for Tick Hill style gold mineralisation.

Hammer commissioned U-Pb titanite dating of the matrix of the Mt Philp Breccia and intrusives within the breccia. The resulting dates indicate that both the Mt Philp Breccia and nearby intrusives appear to be 200 million years younger than previously thought. The resulting 1500mya ages are in line with intrusives spatially associated with IOCG deposits in the Cloncurry region.

Ground based follow up by rock chip sampling and mapping will be progressively undertaken.

Hammer is actively seeking joint venture partners to assist with progressing this large and prospective IOCG target area.

PILGRIM VTEM ANOMALIES

Progressive follow-up of anomalies generated by the 2016 VTEM survey along the Pilgrim Fault Zone produced further encouraging results, with the discovery of two new outcropping zones of mineralisation at Toby and Charlie.

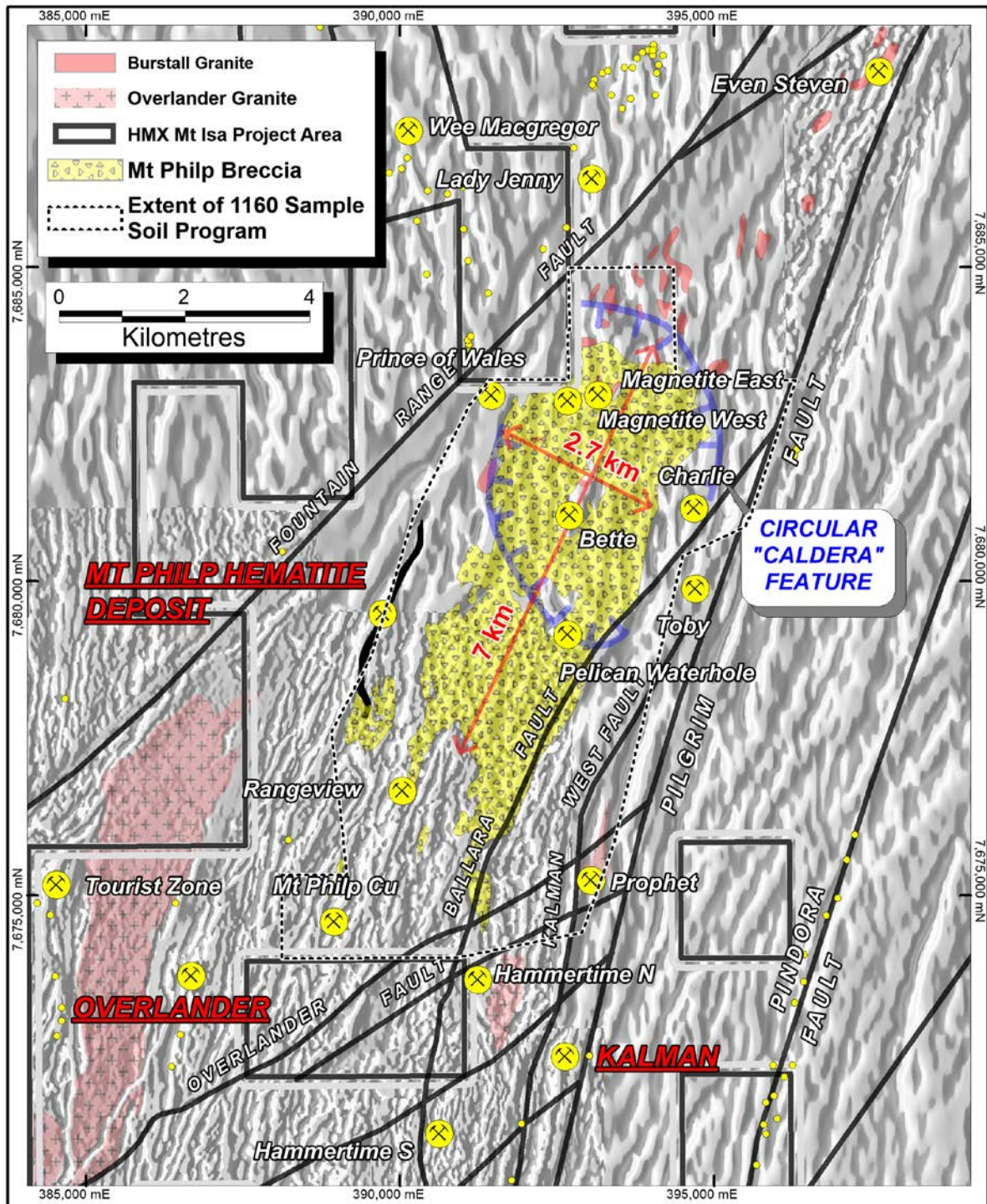
High grade rock chips with individual peak grades of up to 18.4g/t Au, 76g/t Ag and 15.15% Cu were returned from the new Toby prospect located 8km north of the Kalman deposit.

Subsequent follow-up prospecting of a smaller VTEM anomaly 500m to the northwest of Toby has identified a red-rock altered breccia zone adjacent to the Ballara Fault coincident with the anomaly. The initial samples from the (Charlie) Prospect obtained individual peak grades of up to 1.36g/t Au, 25.6g/t Ag, 1.2% Cu and 1.23% Zn.

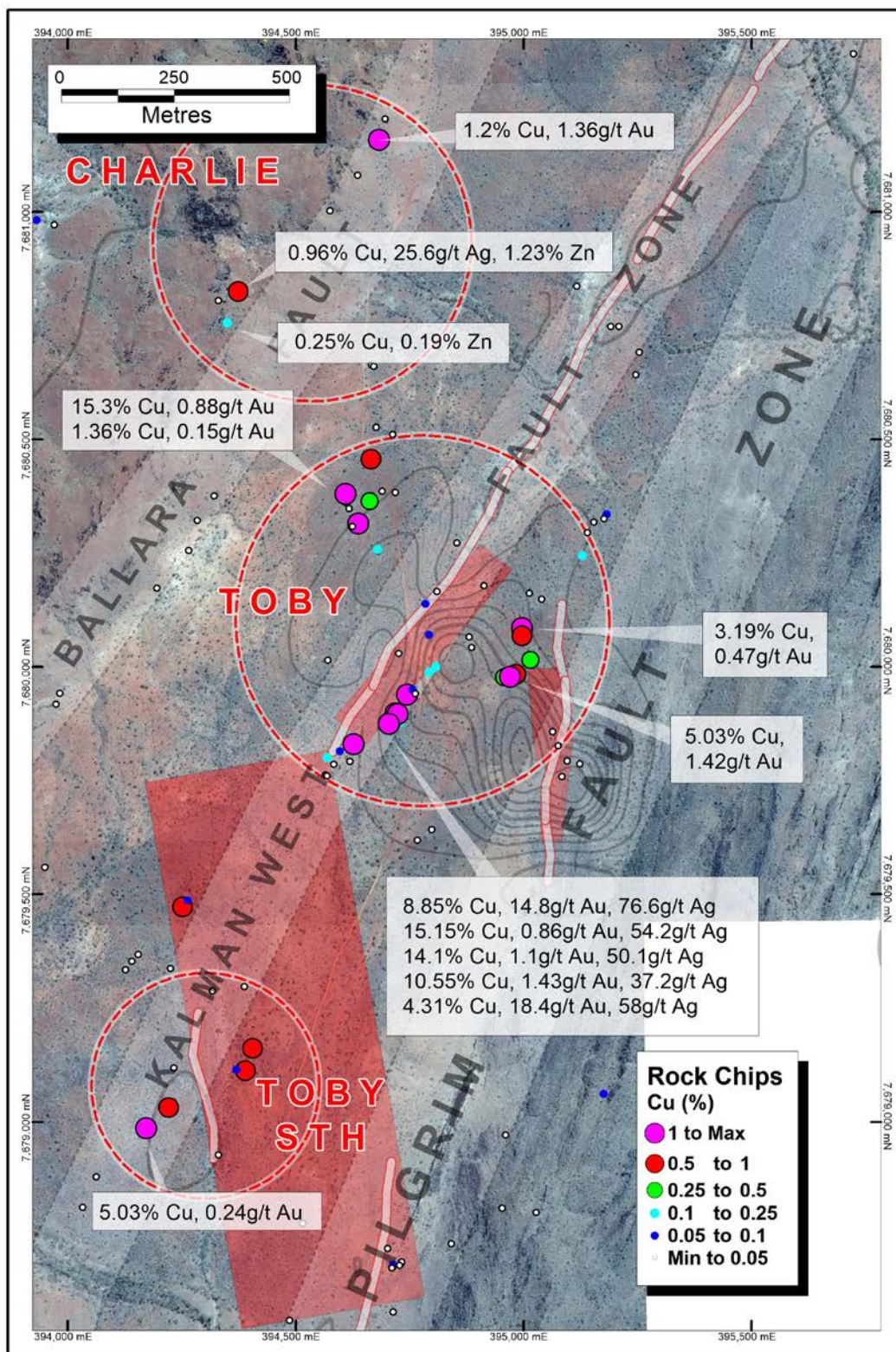
Follow-up sampling of and mapping of Toby and Charlie will be conducted prior to the end of December quarter.



Gossan from the Toby Prospect



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



Toby and Charlie Prospects

MOUNT FROSTY COPPER-GOLD PROJECT

The Mount Frosty Joint Venture over EPM 14467 is located adjacent to the Mary Kathleen Uranium Mine, 60km east of Mount Isa. The tenement covers a section of 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 2km of the sealed Barkly Highway, midway between Mount Isa and Cloncurry.

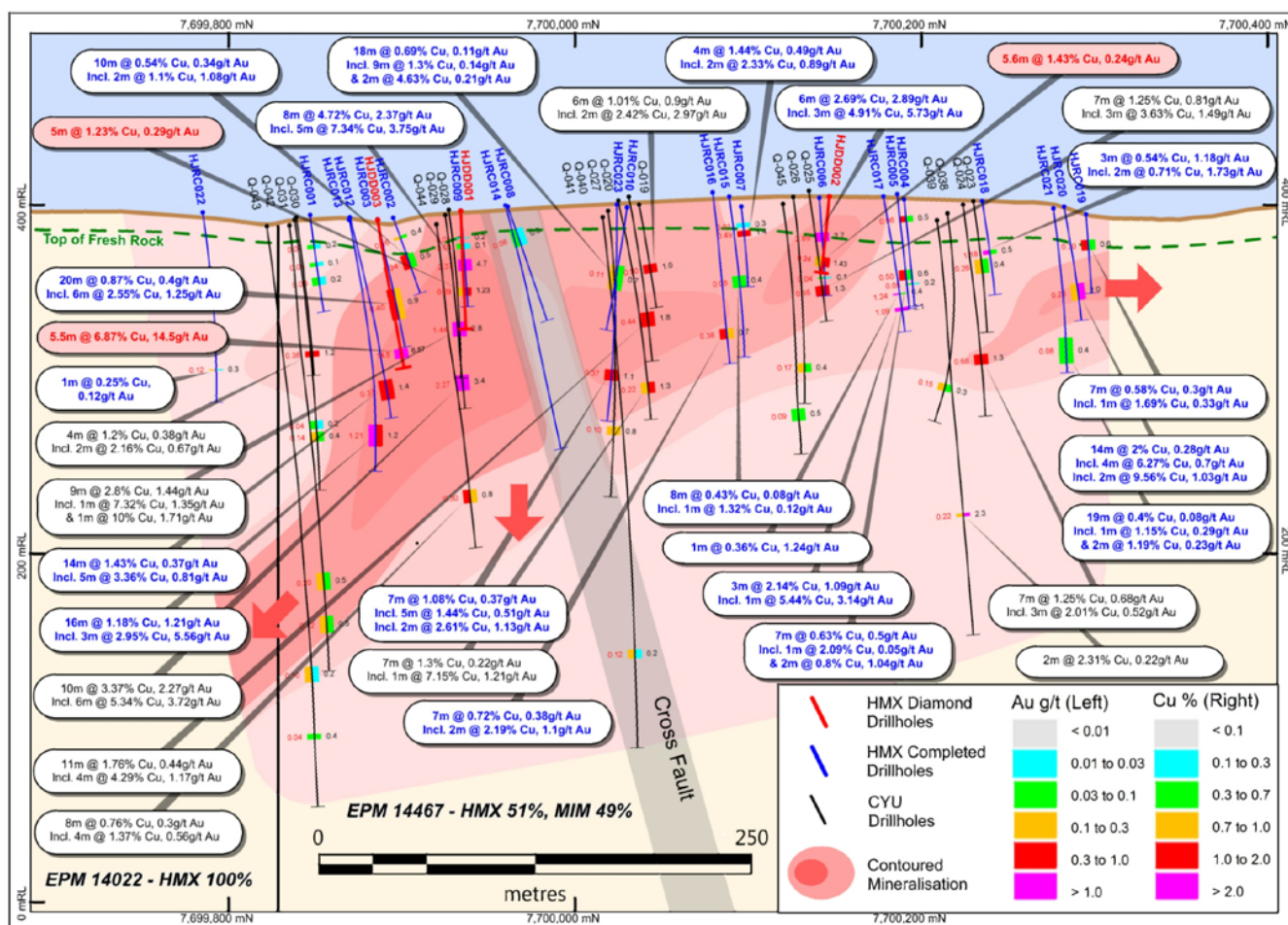
Under the terms of the Joint Venture Agreement with Mount Isa Mines Limited (MIM - a 100% owned subsidiary of Glencore PLC) each Party to the Joint Venture will contribute exploration expenditure according to their participating interest (HMX - 51% / MIM – 49%). Hammer is managing the exploration activities.

Results for the three (3) diamond drill holes (HJDD001, 002 and 003) drilled to provide primary sulphide samples for first pass metallurgical flotation test work were received and a composite sample submitted to ALS in South Australia to conduct the tests.

Significant assay results from the diamond drilling include:

- 5.5m at 6.9% Cu and 14.5g/t Au from 74m in HJDD003
- 5.6m at 1.43% Cu and 0.24g/t Au from 36m in HJDD02.

A consultant was also engaged to commence the maiden Mineral Resource Estimate for the deposit.



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.)

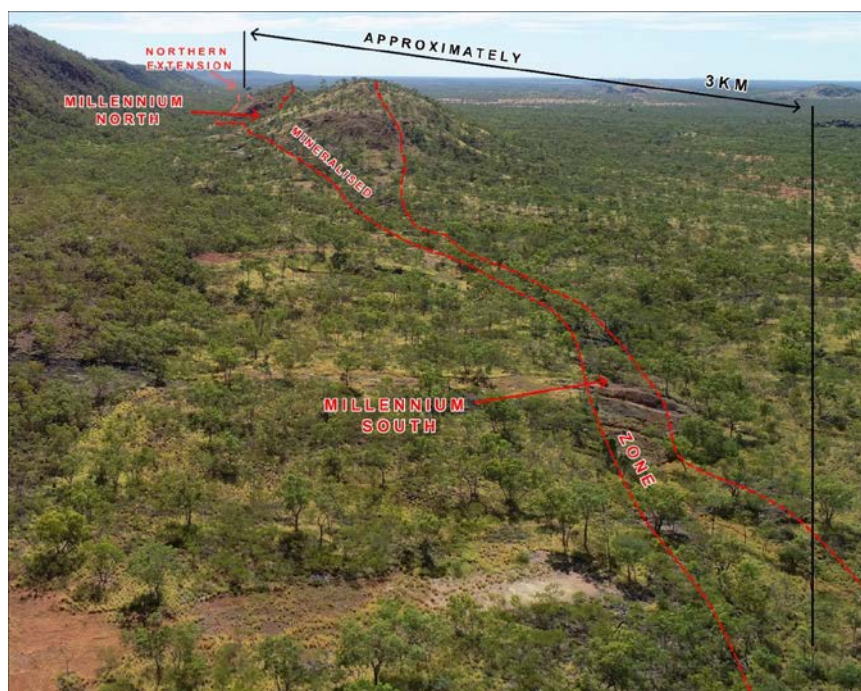
During the previous quarter Hammer also negotiated and entered a binding term sheet for the sale of its 75% interest in the project to GEMC. Consideration for the sale is the issue to Hammer of GEMC ordinary shares whereby Hammer will own a 19.9% interest in TSX-listed GEMC following the acquisition 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”).

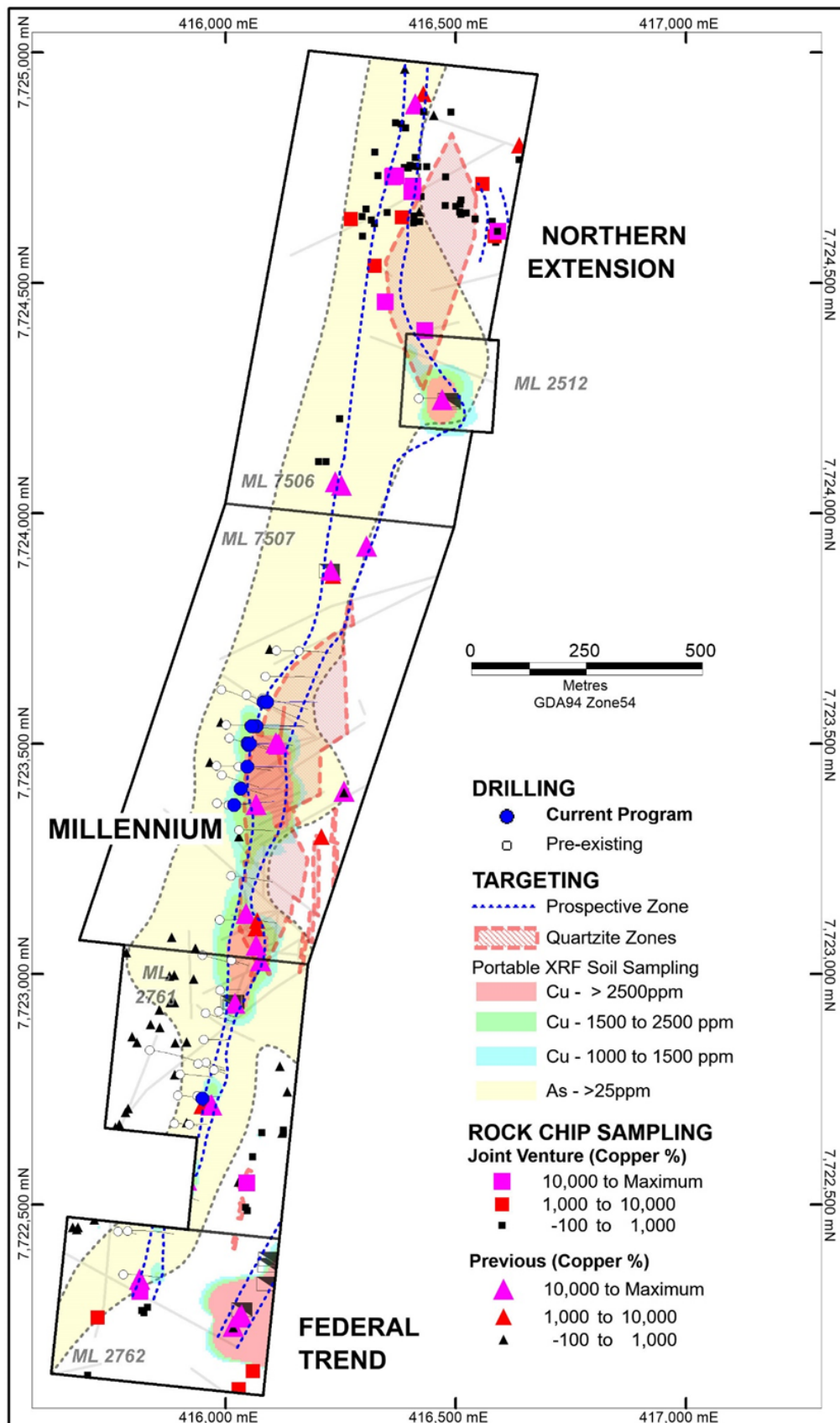
Hammer will also co-operate with GEMC with a view to identifying and acquiring additional cobalt assets in the Mount Isa region.

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.

During the quarter composite samples of the primary sulphide material from the recently completed diamond drilling program were submitted to ALS in South Australia for first pass flotation test work. Results are expected before the end of the next quarter.



Oblique Photo of the Millennium Mineralised Zone



Millennium Rock Chip and Soil Sample Geochemical Plan

TARGET EVALUATION AND GENERATION ACTIVITIES

Field evaluation activities continued during the quarter producing several significant outcropping zones of previously unknown base metal and gold mineralization as discussed above. Results will continue to be reported as they become available.

EXPLORATION PERMIT APPLICATIONS

During the quarter, 2 new exploration permit applications (EPM 26904 and EPM 27018) were submitted. The tenements are considered highly prospective for copper-gold mineralisation of the IOCG style.

Hammer Metals is progressing through a tenement amalgamation process. This process will result on 18 of its tenements being amalgamated into 3 (EPM 26775, EPM 26776 and EPM 26777). This process will result on cost savings for both Hammer Metals and the Queensland Department of Natural Resources and Mines.

FUTURE ACTIVITIES AT MOUNT ISA

Activities during the December 2018 Quarter will focus on:

- SAM geophysical surveying and RC drilling at Perentie.
- Reporting of results of the metallurgical sampling and testwork for Jubilee and Millennium.
- Reporting of the maiden Mineral Resource Estimate for Jubilee.
- Continuation of field mapping and target reviews.

CORPORATE

The Company held \$1.6 million on deposit at the end of the quarter.

In September a non-renounceable option entitlement offer and strategic share placement raised \$1 million before costs.

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

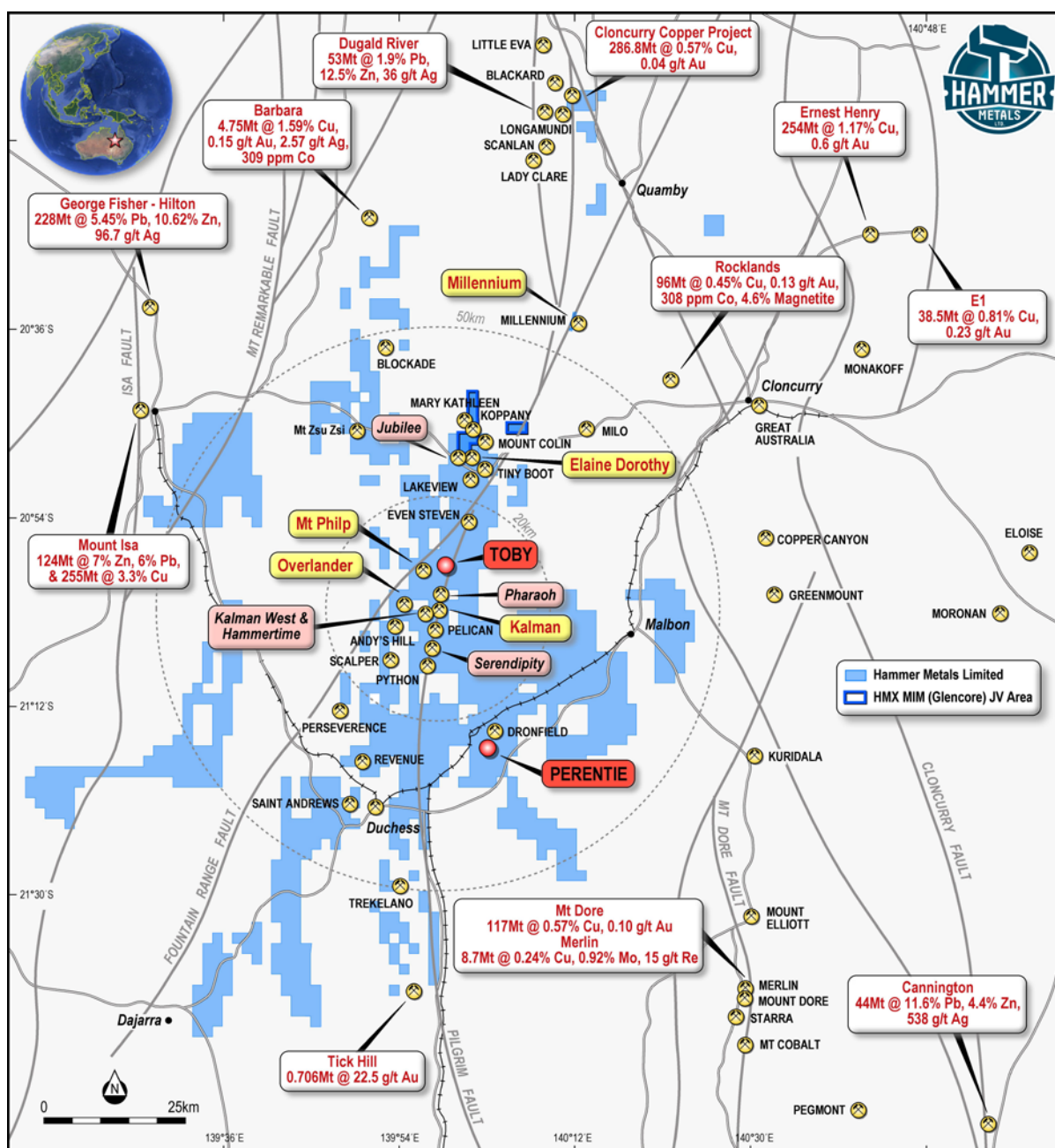
Effective October 1st 2018 Ziggy Lubieniecki previously Exploration Director at Gold Road Resources Limited joined the Board as a Non-Executive Director and Alex Hewlett and Simon Bodensteiner resigned as Directors.

For further information contact:

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About Hammer Metals

Hammer Metals Limited (ASX: HMX) holds a strategic tenement position covering approximately 3000km² 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 and the Elaine-Dorothy (Cu-Au) deposit. Hammer also has a 75% interest in the Millennium (Cu-Co-Au) deposit and a 51% interest in the emerging Jubilee (Cu-Au) project. 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.



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	
Mt Isa Project - QLD	EPM12205	Granted	100%	No	
	EPM13870	Granted	100%	No	Subject to 2% NSR
	EPM14019	Granted	100%	No	
	EPM14022	Granted	100%	No	
	EPM14232	Granted	100%	No	
	EPM14467	Granted	51%	No	
	EPM15972	Granted	100%	No	
	EPM16726	Granted	100%	No	
	EPM16987	Granted	100%	No	
	EPM17762	Granted	100%	No	
	EPM18084	Granted	80%	No	
	EPM18116	Granted	100%	No	
	EPM19783	Granted	100%	No	
	EPM19784	Granted	100%	No	
	EPM25145	Granted	100%	No	
	EPM25369	Granted	100%	No	
	EPM25425	Granted	100%	No	
	EPM25486	Granted	100%	No	
	EPM25523	Granted	100%	No	
	EPM25666	Granted	100%	No	
	EPM25686	Granted	100%	No	
	EPM25777	Granted	100%	No	
	EPM25866	Granted	100%	No	
	EPM25867	Granted	100%	No	
	EPM25892	Granted	100%	No	
	EPM25997	Granted	100%	No	
	EPM26126	Granted	100%	No	
	EPM26127	Granted	100%	No	
	EPM26128	Granted	100%	No	
	EPM26130	Granted	100%	No	
	EPM26172	Granted	100%	No	
	EPM26306	Granted	100%	No	
	EPM26392	Granted	100%	No	
	EPM26474	Granted	100%	No	Granted during Quarter
	EPM26511	Granted	100%	No	Granted during Quarter
	EPM26512	Application	100%	No	
	EPM26628	Granted	100%	No	Granted during Quarter
	EPM26694	Application	100%	No	
	EPM26775	Application	100%	Yes	Application made during quarter
	EPM26776	Application	100%	Yes	Application made during quarter
	EPM26777	Application	100%	Yes	Application made during quarter
	EPM26809	Application	100%	No	
	EPM26881	Application	100%	No	
	EPM26902	Application	100%	No	
	EPM26904	Application	100%	Yes	Application made during quarter
	EPM27018	Application	100%	Yes	Application made 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	