



July 28th 2016

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING JUNE 30 2016

HIGHLIGHTS

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

- **Millennium** Cu-Au-Co mining leases acquired;
- RC drilling programs at **Millennium** and **Scalper** commenced;
- Update of the **Kalman** Mineral Resource Estimate in progress;
- **Kalman's** down plunge high grade copper-gold potential under review;
- Generative work to identify and secure high potential copper-gold targets is ongoing.

Mount Isa Farm-in and Joint Venture

- Active field exploration programs are continuing under the Farmin and Joint Venture Agreement signed with Newmont Exploration Pty Ltd ("Newmont") to explore three of Hammer's IOCG prospects near Mount Isa – **Overlander, Even Steven and Dronfield**;
- Newmont may earn up to 75% by spending US\$10,500,000 (A\$15,000,000) with Hammer managing the first two stages of the JV until Newmont earns a 65% interest;
- During the quarter gravity, magnetics, geological mapping and geochemical sampling programs were completed at **Even Steven** and geochemical sampling and ground electrical geophysical programs in progress at **Dronfield**;
- Processing and modelling of the geophysical and geochemical data is in progress utilizing Newmont's in-house technical support;
- Drill testing of specific targets is anticipated to commence during the third quarter.

Corporate

- Hammer Metals finalized a share placement at 6.5 cents per share during the quarter raising \$1,230,000 (before costs);
- 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 targeting the large iron oxide copper-gold (IOCG) alteration systems the Company has outlined within its Mount Isa project for Ernest Henry style of copper-gold deposit (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au).

Late in 2015 a Farmin 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.

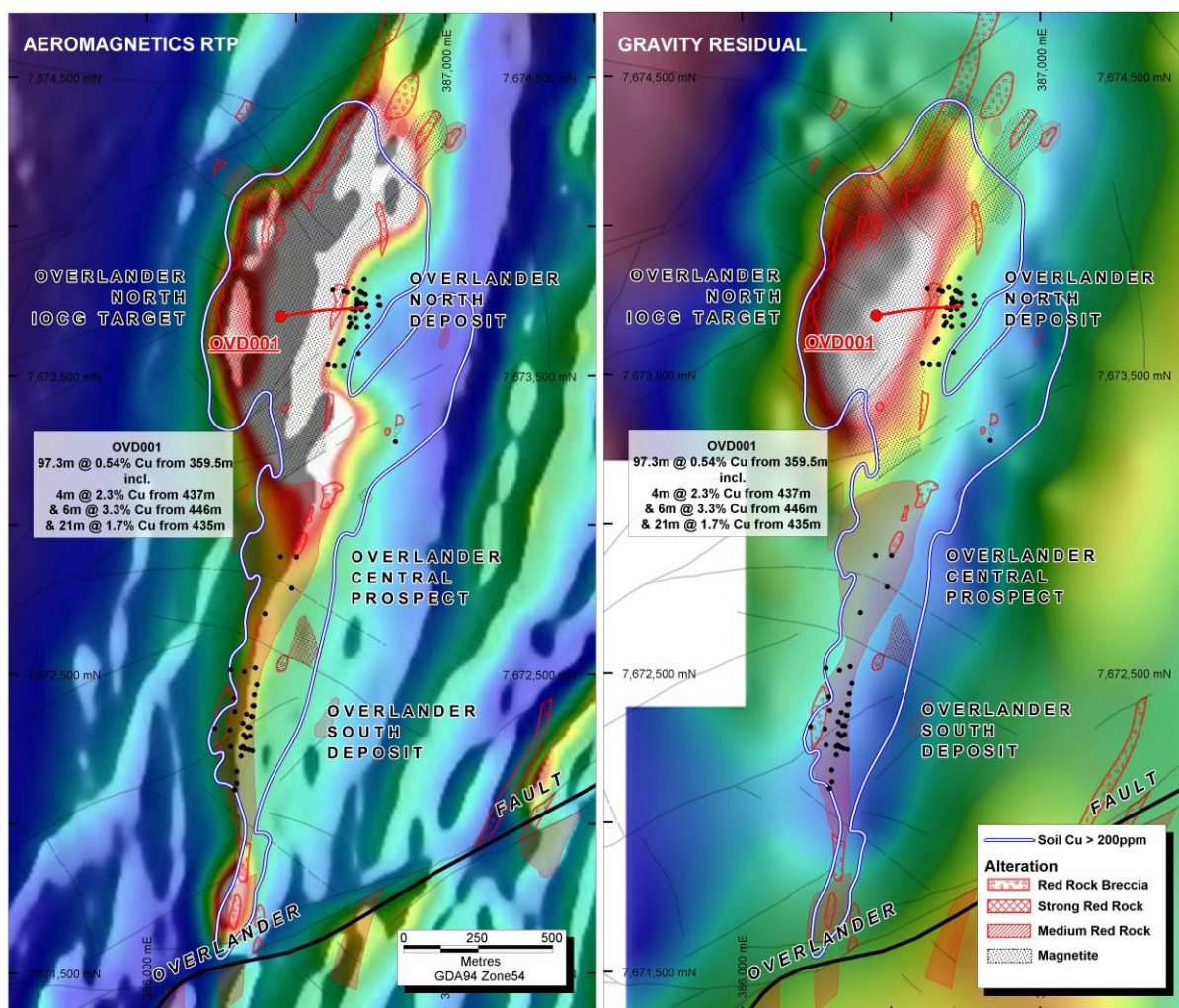
Mount Isa Farmin and Joint Venture

Overlander

The Overlander area is a regionally significant zone of alteration with IOCG style, shear-hosted and breccia-hosted copper mineralisation located 8km west of the Kalman deposit.

Work has focused on the IOCG target and comprised detailed alteration and geological mapping, rock chip sampling, collection of infill gravity data and inversion modeling of the updated geophysical datasets. A water bore was successfully drilled and developed in preparation for upcoming drilling activities.

The field work and modelling is now complete and a drilling proposal is in preparation. It is anticipated that drilling will be undertaken in the third quarter. (Refer to ASX release dated March 15th 2016 for further details.)



Overlander Magnetic and Gravity Imagery

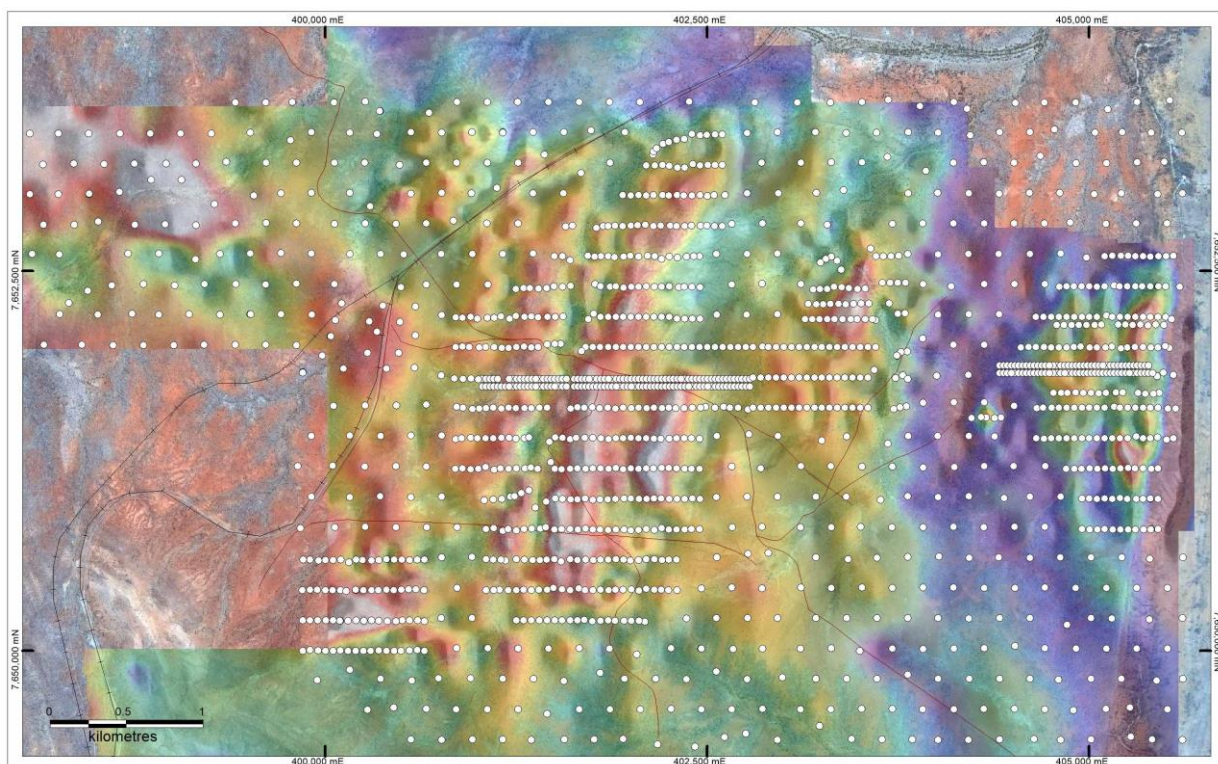
Dronfield

The Dronfield magnetic and gravity anomalies are located 25km southeast of Overlander on EPM 18084 which is subject to a farm-in agreement with Kabiri Resources Pty Ltd. Hammer has the right to earn up to an 80% interest in EPM 18084 from Kabiri by spending \$250,000 on exploration.

The favourable alteration, copper-gold anomalism and the strong overlapping gravity and magnetic features are considered highly supportive of the potential of the Dronfield project for IOCG deposits. To date the focus has been on 3 of these features.

Sample collection for Newmont's proprietary deep-sensing geochemical technique was completed over the main target areas with 1,485 samples collected. The full suite of results is expected early in the third quarter.

Late in the quarter preparations began for a geophysical (NEWDAS) IP survey and rock chip sampling and mapping continued over the prospect.



Dronfield Gravity Imagery with DSG sample locations

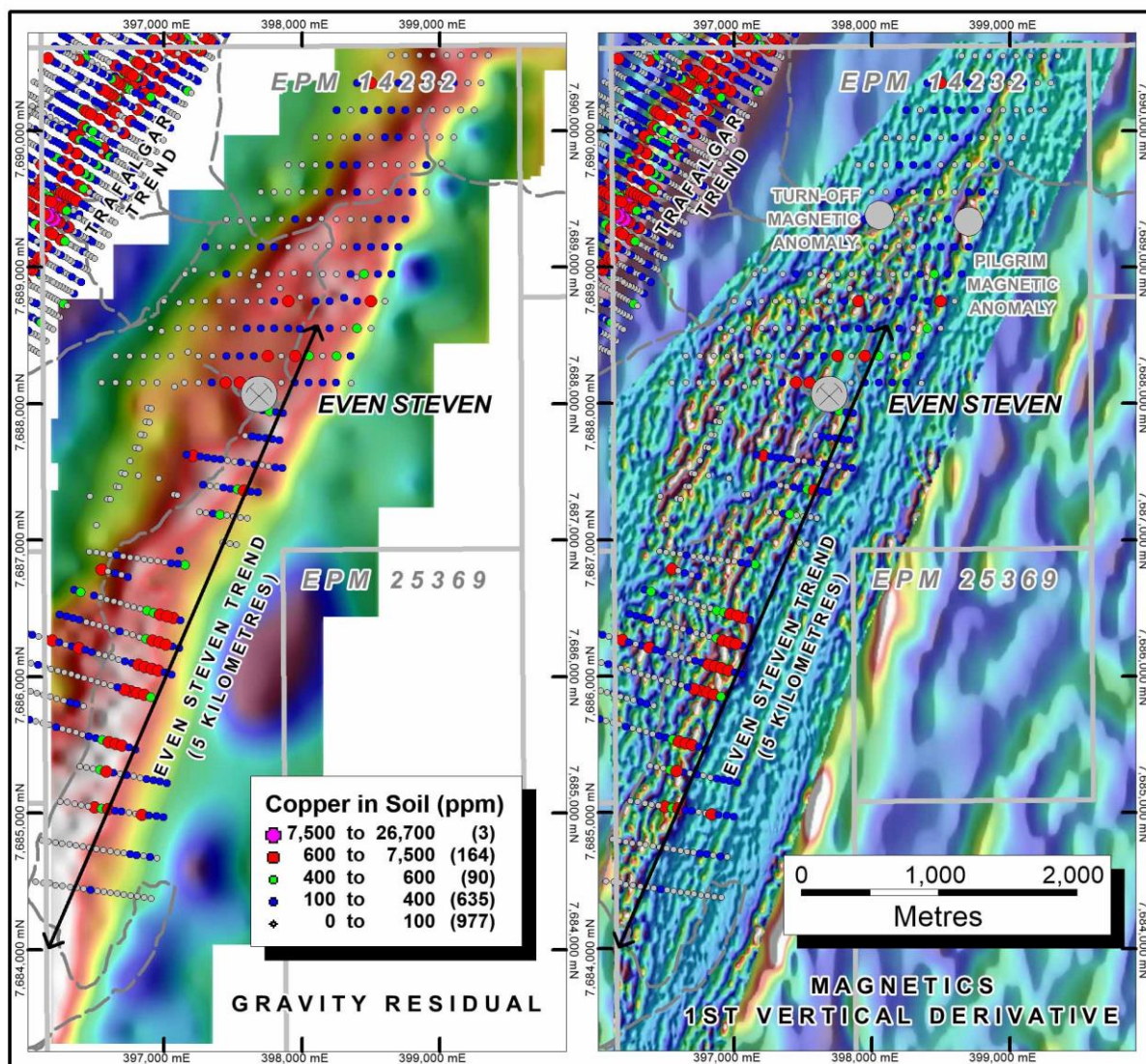
Even Steven

The Even Steven prospect is located approximately 15km to the northeast of the Kalman deposit in a similar structural position immediately west of the Pilgrim Fault.

The prospect is characterized by a 6km long zone of linear magnetic and gravity highs that coincide with outcropping feldspar – magnetite ("red-rock") alteration and breccia and anomalous gold and copper soil geochemistry. The prospect has been drilled in only one location (at the historical Even Steven workings) where intercepts of up to **14 metres at 1.26% Cu and 0.7g/t Au from 20 metres and 4 metres at 1.43% Cu and 0.61g/t Au** from 76 metres in ES001 were returned.

The prospect was geologically mapped during the quarter. The geophysical inversion modelling of the gravity

and ground magnetic data collected in the previous quarter was finalised and the soil and rock chip geochemical sampling data received. (Refer to ASX release dated March 15th 2016 for further details.)



Even Steven Ground Magnetic and Gravity Imagery

The mapping program identified several types of breccia and 17 occurrences of oxide copper mineralisation. A number of these occurrences were identified as structural (shear-hosted) occurrences. In the strong magnetite altered zone identified by CRA in the southern part of the prospect there are clusters of magnetite-hematite breccia with copper mineralisation present as malachite within the breccia, wall rock and adjacent pegmatites.

The modelling of the geophysical data indicated that the inversion anomalies generated are reported as relatively small in volume in comparison with the Ernest Henry deposit however further field review of the unexplained gold and copper geochemical anomalies has been recommended.



Mount Isa Copper – Gold Targeting Program – 100% Hammer

Since late 2013 Hammer has been undertaking a systematic targeting exercise for large Iron Oxide Copper-Gold (IOCG) deposits within under-explored sections of the Mount Isa Mineral Province. Hammer now holds approximately 2,600 km² of exploration tenure within the region.

Reconnaissance mapping and sampling carried out by Hammer during the quarter following up gold and copper geochemical anomalies generated by previous explorers has highlighted the potential of the package of altered and brecciated rocks in the greater Kalman / Overlander / Mt Philp area. A systematic program of geophysics and geochemical sampling is warranted to provide an initial test of this area.

Millennium Copper-Cobalt-Gold Leases

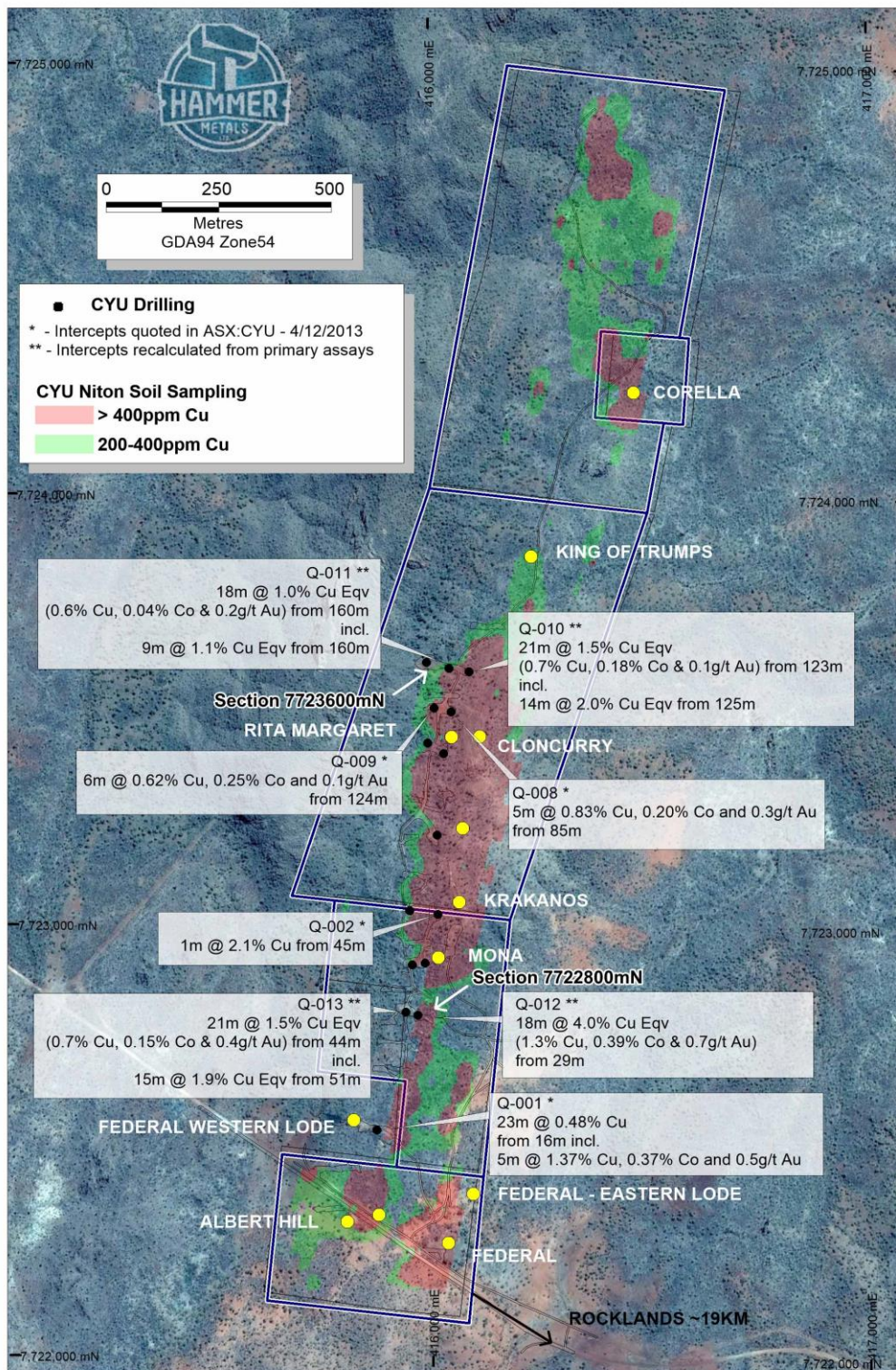
As announced to the ASX on May 4th 2016 Hammer acquired five granted mining leases over the Millennium copper-cobalt-gold project near Cloncurry. The acquisition secures a prospective high-grade cobalt-copper-gold target that complements Hammer's existing tenement portfolio in the region.

ML's 2512, 2761, 2762, 7506 and 7507 (the "Millennium" leases) are situated on the northern projection of the Pilgrim Fault, approximately 50km north of the Company's Kalman deposit and 16km west of the Rocklands copper-cobalt mine. Previous drilling indicates the potential for significant copper-cobalt-gold mineralisation in the area of the historical workings including previous drill intersections of up to **19m at 1.27% Cu, 0.38% Co and 0.7g/t Au** including **6m @3.45% Cu, 0.32% Co and 2.0g/t Au**. (Refer to the CYU ASX release dated December 4th 2013 and the attached figures for details.)

Hammer issued 0.5 million shares to Chinalco Yunnan Copper Resources Ltd (**ASX:CYU**) and paid \$57,950 (including the replacement of an environmental bond) to Elementos Ltd (**ASX:ELT**) for the Millennium Mining Leases.

Data compilation and drill hole planning were completed and a preliminary RC drilling program of approximately 2000m allocated to further test the higher grade sections of the lode with the objective of outlining a JORC standard resource, as well as provide an initial drill test of the extensive and as yet untested copper-cobalt soil anomaly to the north. Depending on the results of this program it is anticipated that a further program of resource definition drilling will follow.

The RC drilling program commenced early in the current quarter with results expected in three to four weeks' time.



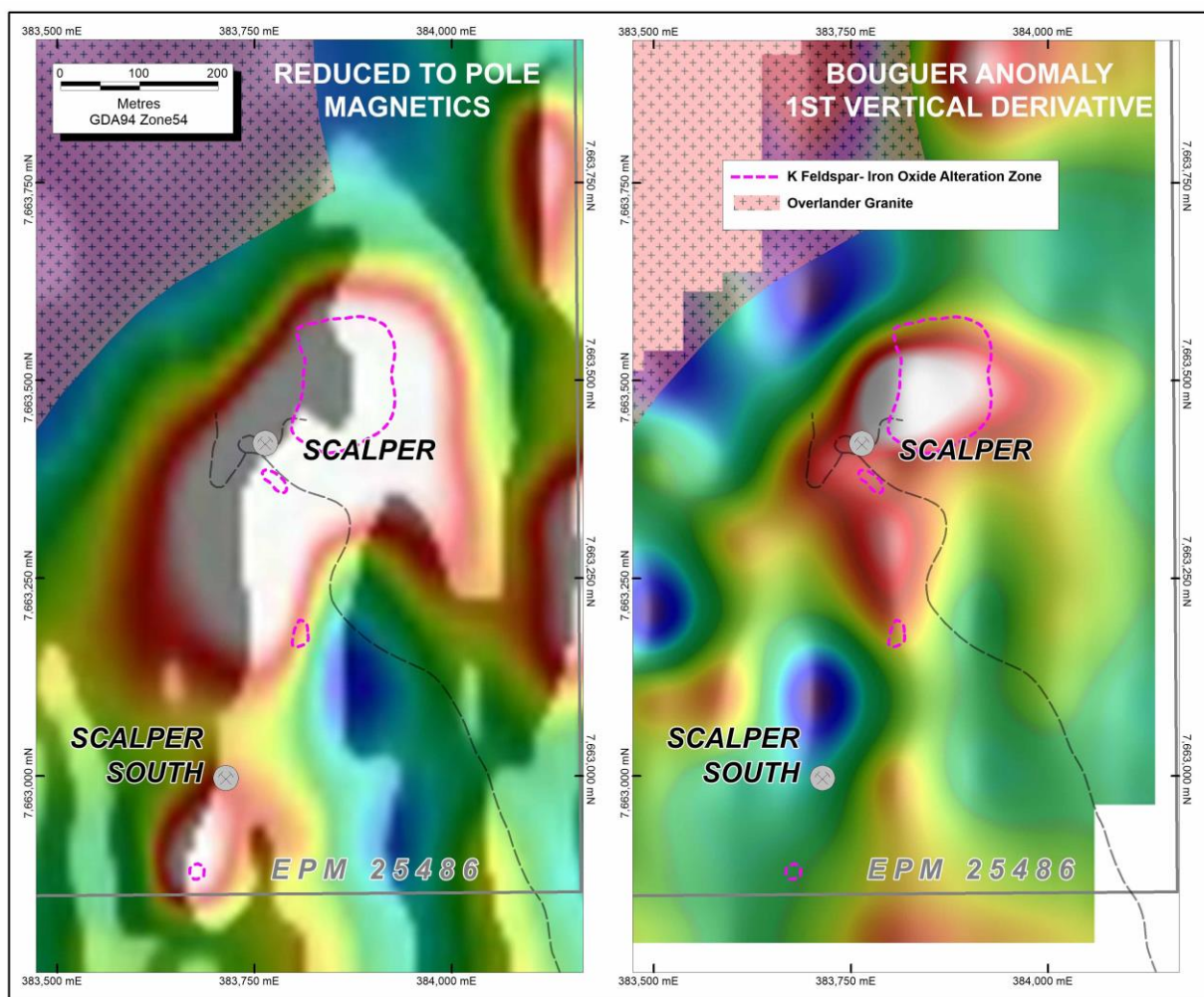
Millennium showing significant intersections in previous drilling.
(Refer to HMX ASX release dated May 25th 2016 for details of CuEq calculation)

Scalper

Scalper is located in the same stratigraphic position as the Overlander and Andy's Hill IOCG targets 6-10km to the north. Hammer has drilled one RC hole at the Scalper prospect that returned 23 metres at 1.1% Cu and 0.27g/t Au (HSRC001) within strongly altered and brecciated sediments. (Refer to ASX release dated November 19th 2014 for details.) Most of the alteration zone and magnetic anomaly has not been tested nor the old copper workings in similarly altered material located 500m to the south.

A detailed gravity survey completed over the prospect in February identified a gravity high coincident with the northern magnetic target enhancing the prospectivity of this zone. Inversion modelling of the geophysical data indicated an overlapping gravity/magnetic body adjacent to and below HSRC001.

Scalper has similarities to the Overlander IOCG target where shear-related copper mineralisation occurs marginal to strong magnetic and gravity features. Drilling is planned to test for extensions to the mineralised zone in SCRC001 and also to provide an initial test of the adjacent gravity/magnetic target (Refer to the attached figures and to ASX release November 19th 2014). An aboriginal heritage clearance survey was completed in preparation for the drilling.



Scalper Magnetic and Gravity Imagery



Kalman Deposit

The Kalman Deposit and immediate strike extensions have been geologically remapped by an experienced geological consultant resulting in a clearer understanding of the deposit's geology. This mapping along with a re-interpretation of the drill hole geology will be used to update the geological model and in particular target the higher grade copper-gold zones at the southern end of the deposit. Concurrently with this work the Mineral Resource Estimate for Kalman is under review.

Hammertime

Hammertime is located on the eastern side of the Ballara Fault 1.5km west of Hammer's Kalman copper-gold-molybdenum-rhenium deposit. The Ballara Fault is a splay off the sub-parallel and regional scale Pilgrim Fault. Previous soil sampling had defined a +4km long zone of elevated copper and gold which has now been further investigated through detailed geological mapping and sampling.

During the quarter Hammer completed inversion modelling of the new detailed gravity and magnetic survey data over the alteration zones. Three target zones have been selected for drilling.

Future Activities at Mount Isa

Field programs will continue on both the JV and non-JV tenements.

RC drilling will continue at Hammer's 100%-owned Millennium and Scalper prospects with the first drilling results expected in mid-August. Work will continue with finalizing drill targets at Hammertime and Kalman South as well as progressing the early stage IOCG targets within the portfolio.

Field programs are continuing under the Farm-in and Joint Venture Agreement with Newmont in order to complete the data acquisition and interpretation and progress the copper-gold targets to the drilling stage. It is anticipated that drilling will commence in the third quarter.

GOLDEN PEAKS PROJECT (QLD) – (Farm-in Agreement with Perilya Limited)

A field visit was made to the property during the quarter in preparation for potential drilling in the Mt Dick area where there is extensive copper anomalism and EM conductors as previously reported.

CORPORATE

The Company held \$2.4 million on deposit at the end of the quarter.

On June 15th 2016 the Company confirmed the allotment and issue of 18,923,075 ordinary shares to sophisticated investors at \$0.065 to raise \$1,230,000 (before costs). The placement was made pursuant to the Company's placement capacity under listing rules 7.1 and 7.1A. The number of shares on issue after the placement is 153,434,961.

Argonaut Securities, who participated in the placement, was mandated as Hammer's corporate advisor.

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 -



For further information, please contact:

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Executive Director

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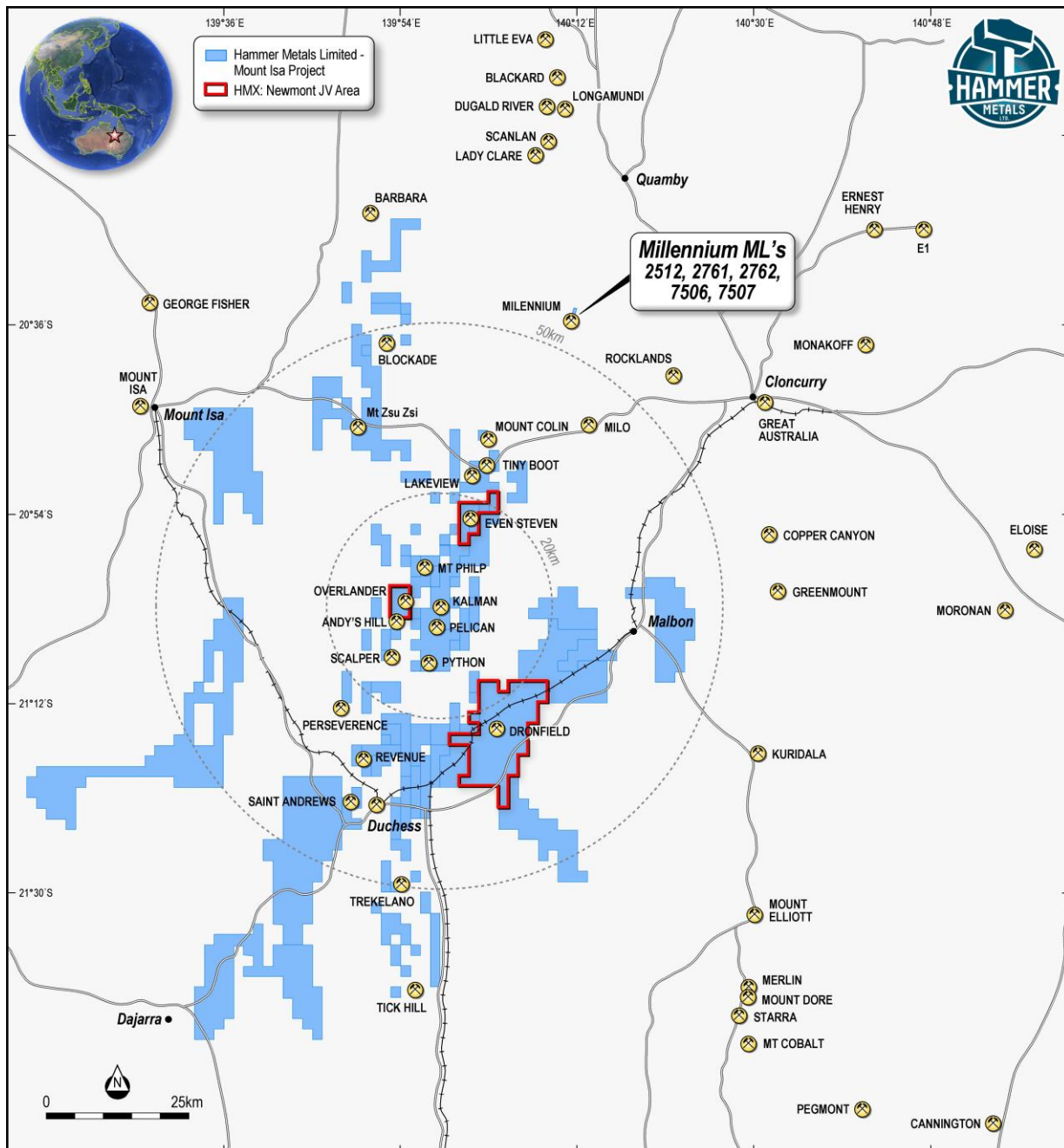
Executive Chairman

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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 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 announcement and all material assumptions and technical parameters underpinning those announcements continue to apply and have not materially changed.



Mount Isa Project



Tenement Interests at End of June 2016 as per Listing Rule 5.3.3

| Project | Tenement Number | Status | Interest at end of Quarter | Acquired during quarter | Comment |
|-----------------------|-----------------|------------------|----------------------------|-------------------------|--|
| Pilbara Iron Ore - WA | E08/1997 | Granted | 100% | No | Converting to Retention License |
| Mount Isa - Qld | EPM 13870 | Granted | 100% | No | EPM 13870 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 17453 | Surrender Lodged | 0% | No | |
| | EPM 17762 | Granted | 100% | No | |
| | EPM 18116 | Granted | 100% | No | |
| | EPM 18320 | Surrender Lodged | 0% | No | |
| | EPM 19782 | Surrendered | 0% | No | |
| | EPM 19783 | Granted | 100% | No | |
| | EPM 19784 | Granted | 100% | No | |
| | EPM 19785 | Surrendered | 0% | No | |
| | EPM 19805 | Surrendered | 0% | No | |
| | EPM 25145 | Granted | 100% | No | |
| | EPM 25369 | Granted | 100% | No | |
| | EPM 25402 | Surrendered | 0% | No | |
| | EPM 25425 | Granted | 100% | No | |
| | EPM 25452 | Surrendered | 0% | 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 | Application | 100% | No | |
| | EPM 26127 | Application | 100% | No | |
| | EPM 26128 | Application | 100% | No | |
| | EPM 26130 | Application | 100% | No | |
| | EPM 26172 | Application | 100% | No | |
| | EPM 18084 | Granted | 0% | No | Can earn 80% from Kabiri Resources Pty Ltd |
| | ML 2512 | Granted | 100% | Yes | |
| | ML 2761 | Granted | 100% | Yes | |
| | ML 2762 | Granted | 100% | Yes | |
| | ML 7506 | Granted | 100% | Yes | |
| | ML 7507 | Granted | 100% | Yes | |
| Golden Peaks - Qld | EPM 15810 | Granted | 0% | No | Can earn 60% from Perilya Limited |

Rule 5.3 Appendix 5B

Mining 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

Name of entity

| |
|-----------------------|
| HAMMER METALS LIMITED |
|-----------------------|

ABN

| |
|----------------|
| 87 095 092 158 |
|----------------|

Quarter ended ("current quarter")

| |
|--------------|
| 30 June 2016 |
|--------------|

Consolidated statement of cash flows

| Cash flows related to operating activities | | Curent quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|---------------------------|--|
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a1) exploration & evaluation | (255) | (1,108) |
| | (a2) exploration & evaluation | | |
| | – Farm-in JV | (230) | (411) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (173) | (598) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 4 | 10 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other - Reimbursement of exploration costs | - | 103 |
| Net Operating Cash Flows | | (654) | (2,004) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: (a) prospects | (50) | (50) |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | (3) |
| 1.9 | Proceeds from sale of: (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other- Farm in Cash Calls Received | 576 | 937 |
| Net investing cash flows | | 526 | 884 |
| 1.13 | Total operating and investing cash flows (carried forward) | (128) | (1,120) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (128) | (1,120) |
| 1.14 | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 2,198 | 2,629 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | 650 |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other – Share issue costs | (106) | (124) |
| | Net financing cash flows | 2,092 | 3,155 |
| | Net increase (decrease) in cash held | 1,964 | 2,035 |
| 1.20 | Cash at beginning of quarter/year to date | 463 | 392 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 2,427 | 2,427 |

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | | Curent quarter \$A'ooo |
|------|--|-----------------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 61 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Director's salary consulting fees and directors' fees are included in 1.23 above.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'ooo | Amount used \$A'ooo |
|---------------------------------|-------------------------------------|--------------------------------|
| 3.1 Loan facilities | 650 | 650 |
| 3.2 Credit standby arrangements | - | - |

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

| | \$A'ooo |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 553 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 120 |
| Total | 673 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated **statement of cash flows**) to the related items in the accounts is as follows.

| | Current quarter \$A'ooo | Previous quarter \$A'ooo |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 2,427 | 463 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 2,427 | 463 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|--|----------------------------------|--|-------------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | EPM's 17453, 18320, 19782, 19785, 19805, 25402 & 25452 | | 100% | 0% |
| 6.2 Interests in mining tenements acquired or increased | ML2512, ML2761, ML2762, ML7506, ML7507 | Acquired during the quarter | 0% | 100% |

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference *securities (description) | - | - | | |
| 7.2 Changes during quarter | | | | |
| (a) Increases through issues | - | - | | |
| (b) Decreases through returns of capital, buy-backs, redemptions | - | - | | |
| 7.3 *Ordinary securities | 153,434,951 | 153,434,951 | | |
| 7.4 Changes during quarter | 24,200,000 | 24,200,000 | 4c per share | 4c per share |
| (a) Increases through issues | 500,000 | 500,000 | 4c per share | 4c per share |
| | 18,923,075 | 18,923,075 | 6.5c per share | 6.5c per share |
| (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 *Convertible debt securities (description) | | | | |
| 7.6 Changes during quarter | | | | |
| (a) Increases through issues | | | | |
| (b) Decreases through securities matured, converted | | | | |
| 7.7 Options (description and conversion factor) | 14,300,000 | - | Exercise price | Expiry date |
| | 1,000,000 | - | \$0.20 | 30 June 2017 |
| | 1,000,000 | - | \$0.20 | 26 May 2017 |
| | 300,000 | - | \$0.20 | 11 Sept 2017 |
| | 7,100,000 | - | \$0.30 | 11 Sept 2016 |
| | 3,811,953 | - | \$0.135 | 30 Nov 2017 |
| | 8,338,334 | - | \$0.15 | 6 Feb 2018 |
| | 500,000 | - | \$0.10 | 30 July 2017 |
| | 1,000,000 | - | \$0.10 | 6 Aug 2017 |
| | 12,800,000 | - | \$0.10 | 30 Nov 2017 |
| | 5,000,000 | - | \$0.06 | 30 Jun 2020 |
| | | | \$0.075 | 29 Jun 2019 |
| 7.8 Issued during quarter | 12,800,000 | - | Exercise price | Expiry date |
| | 5,000,000 | - | \$0.06 | 30 Jun 2020 |
| | | | \$0.075 | 29 Jun 2019 |
| 7.9 Exercised during quarter | - | - | - | - |
| 7.10 Expired during quarter | 2,116,674 | - | \$0.30 | 26 May 2016 |
| 7.11 Debentures (totals only) | | | | |
| 7.12 Unsecured notes (totals only) | | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 28 July 2016
(Company secretary)

Print name: Mark Pitts
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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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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