



27th January 2016

Quarterly Activities Report For Period Ending 31 December 2015

HIGHLIGHTS

Joint Venture signed with Newmont

- Staged JV and Farmin 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 has the right to 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;
- Field programs commenced in January.

Copper-Gold Targeting Program

- Ziggy Lubieniecki (2015 AMEC Prospector of the Year) joins the exploration team to boost Hammer's Mount Isa copper-gold targeting;
- Several new copper-gold targets secured with tenement applications.

Kalman West

- Follow up soil sampling confirms a previously defined +7km long zone of elevated copper, gold, lead and zinc in rock chip sampling only 2km west of the Kalman copper-gold-molybdenum-rhenium deposit.

Corporate

- Hammer presented with Queensland Explorer of the Year Award at the Mining 2015 Resources Convention;

OPERATIONS SUMMARY

MOUNT ISA PROJECT

Hammer Metals Limited (**ASX: HMX**) ("Hammer" or "the Company") is targeting the large and previously unrecognized iron oxide copper-gold (IOCG) alteration systems the Company has outlined within its Mount Isa project.

The ability to discover such large outcropping IOCG systems that are still largely untested is testament to the project's prospectivity and continues to highlight the potential of this section of the Mount Isa Inlier for new discoveries.

Late in the quarter a Farmin and JV 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 2011km² Mount Isa project. The joint venture is targeting an Ernest Henry style of IOCG copper-gold deposit (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au).

Hammer was presented with the Queensland Explorer of the Year Award for 2015 at the Mining 2015 Conference in Brisbane in November for its successful exploration activities in the Mount Isa region.

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Mount Isa Farmin and JV

Material Details of Agreement

- Areas included in the Farmin and JV total approximately 250km² of Hammer's 2011km² Mount Isa project.
- The JV includes 17 sub-blocks of EPM's 14232, 18116 and 25369 held 100% by Hammer and all sub-blocks in EPM18084 (Dronfield) in which Hammer can earn an 80% interest.
- Newmont can earn up to 75% of Hammer's interests in the JV area by spending US\$10,500,000 (A\$15,000,000) as follows:
 - Newmont to refund US\$75,000 to Hammer on commencement for project consolidation costs
 - Newmont can earn a 35% interest in the Farmin area by spending a total of US\$1,450,000 within two years of the commencement date (Stage 1) including a minimum of US\$500,000 of expenditure within 9 months before it can withdraw
 - Newmont can then elect to earn up to a 65% interest by spending an additional US\$3,050,000 within two years of earning the 35% interest (Stage 2)
 - If Hammer does not elect to contribute to further expenditure at this point Newmont can elect to earn up to a 75% interest by funding additional expenditure of US\$6,000,000 or by completing a pre-feasibility study (Stage 3).
- At Hammer's option Newmont can earn up to an 80% interest by financing Hammer's share of future expenditure until production commences (Stage 4). Hammer repays the funds advanced from project cash flows.
- Hammer retains a 100% interest in its Kalman copper-gold-molybdenum-rhenium deposit, the Overlander North and South copper deposits and the Mount Philp Iron Deposit as well as the advanced Hammertime, Kalman West, Andy's Hill, Scalper, Mount Philp and Pelican IOCG targets which are not included in the Joint Venture.
- Newmont holds an option to purchase Hammer's interests in the Overlander North and South copper deposits on completion of Stage 2 of the earn in at commercial rates and a pre-emptive right if Hammer elects to sell the Overlander deposits.
- Hammer will manage the exploration for the Joint Venture until Newmont has completed Stage 2 expenditure (US\$4,500,000) and has earned a 65% interest in the JV area.

Benefits of the joint venture to Hammer include:

- Hammer will manage and operate the first two stages of the joint venture;
- Newmont may sole fund the JV up to the completion of stage 3, and to stage 4 should Hammer elect to exercise the financing option;
- Hammer and Newmont have a shared goal of discovering world-class copper-gold deposits of the Ernest Henry iron oxide copper-gold (IOCG) style;
- The increased exploration funding allows an accelerated exploration program and increased chances of success;
- Newmont's specialised in-house technical support will be utilized in the program development, data collection, processing and analysis;
- Hammer retains 100% ownership of the defined resources at Kalman, Overlander North and South and Mount Philp as well as a range of other base metal and gold targets in tenements outside the joint venture including Hammertime, Andy's Hill and Scalper;
- Earn in expenditures are set in US dollars which is favourable to Hammer at current currency conversion rates.



Exploration has commenced on the three prospects, focusing on data compilation and reprocessing, detailed geological and structural mapping, soil and rock chip sampling and magnetic and gravity geophysical programs.

Mount Isa Copper – Gold Targeting Program

Hammer has been undertaking a systematic targeting exercise for large IOCG deposits within under-explored sections of the Mount Isa Inlier. The exercise is being bolstered with the appointment in a consulting capacity of Ziggy Lubieniecki, a highly regarded exploration geologist and co-winner of the AMEC 2015 Prospector Award for his leading role in the discovery of the 5.6 million ounce Gruyere deposit held by Gold Road Resources Limited. Mr Lubieniecki is highly skilled at applying regional exploration targeting concepts through to hands-on project generation and testing.

Copper-gold targets identified so far have been secured (subsequent to the end of the quarter) with three new tenement applications - Cathay, Resolve and El Questro.

Cathay located approximately 16km southeast of Mount Isa covers a structurally complex area of favourable host rocks abutting the regional-scale Mount Remarkable Fault. Exploration conducted in the mid-1990's defined a number of zones of elevated copper and gold in streams and soils, the sources of which remain unresolved.

The Resolve application covers coincident gravity and magnetic anomalies associated with structural features located either side of the Mount Isa Fault zone, approximately 60km south of Mount Isa. The application also secures the old high grade O'Brien's Soak Silver Mine.

The El Questro application is located on the eastern margin of the Mount Isa Project area and covers a section of the margin of the Wimberu Granite – a Williams-aged intrusive body associated with IOCG style alteration at the company's Dronfield Prospect. As at Dronfield the margin of the Wimberu Granite at El Questro is characterized by elevated magnetic responses thought to relate to magnetite alteration associated with IOCG systems. Exploration by previous explorers noted the presence of mineralised breccia in the area with anomalous copper, gold and molybdenum returned from rock chips and RC drilling.

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.

HTRC001, the first Hammer Metals drill hole into the prospect intersected a 216m thick zone of IOCG style alteration with disseminated copper and gold averaging 0.17% Cu from surface. (Refer to ASX release dated June 3 2015.).

The geological mapping defined three zones of strong magnetite and red rock alteration typical of IOCG systems within calcareous sediments of the Corella Formation. The alteration zones are up to 1.1km in length and 300m wide. Rock chip sampling of these zones has returned grades in excess of 2.4g/t Au and 29.3% Cu. (Refer to ASX release dated September 1 2015 for details.) Petrological studies indicate the presence of potassic feldspar – magnetite - amphibole breccias indicative of proximal IOCG alteration. Drill-hole planning is underway and the company intends to further test these targets as soon as possible.

Kalman West

The Kalman West Prospect is located on a shear zone that is sub-parallel to the Pilgrim and Ballara fault zones between Hammertime and Kalman. The structure has now been mapped for over 7.5km with

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strongly elevated gold, copper, lead and zinc anomalism in soils and rock chips. (Refer to ASX releases dated June 3 2015 and September 1 2015 for details.)

Future Activities at Mount Isa

Exploration will continue in each of the three JV prospect areas, focusing initially on data compilation and processing, detailed geological and structural mapping, soil and rock chip sampling and magnetic and gravity geophysical programs to delineate potential drilling targets. Newmont's in-house technical input will be utilized in the program development, data collection, processing and analysis.

Concurrently Hammer will continue with copper-gold target generation and drill hole planning on its 100% - owned tenements, with a focus on Hammertime and Kalman West. A more detailed assessment of the higher-grade lodes at Kalman is in progress targeting extensions of these positions.

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

No field work was completed.

CORPORATE

The company held \$968,000 in cash at the end of the quarter.

A shareholder purchase plan (SPP) was conducted during the quarter with funds of \$80,000 raised. The Company thanks those shareholders that participated.

- ENDS -

For further information, please contact:

Alex Hewlett

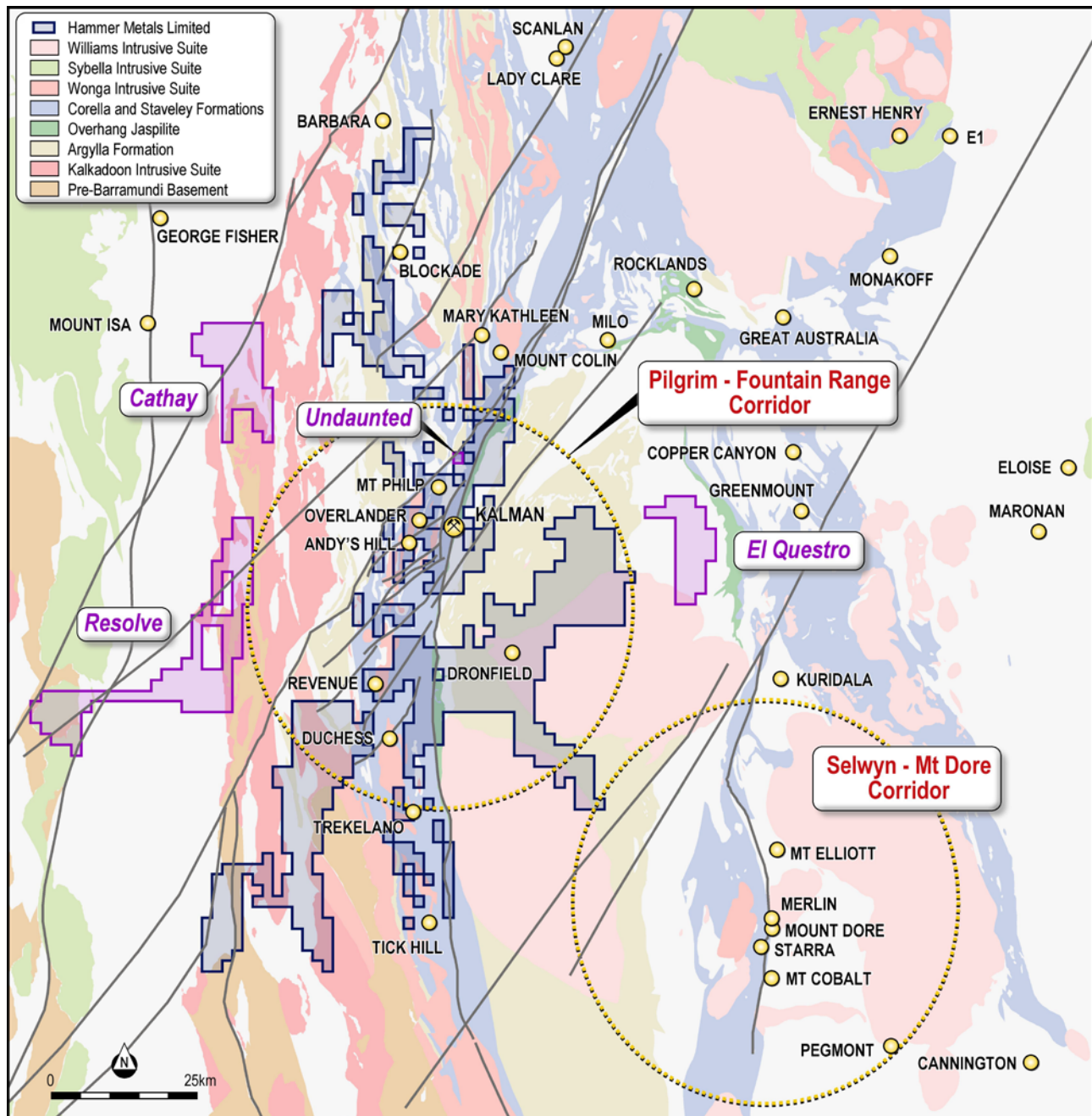
Executive Director

Hammer Metals

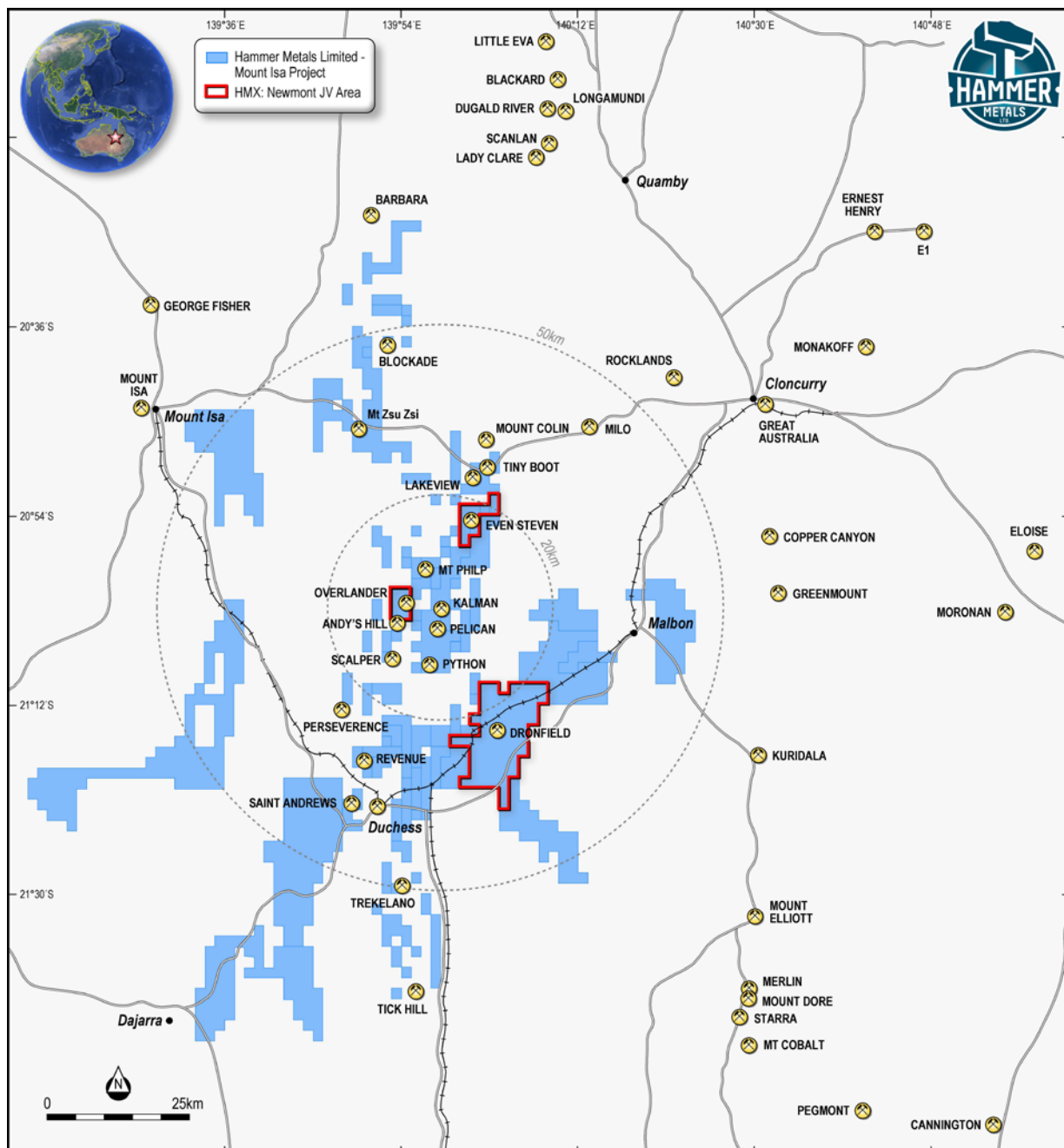
Tel: +61 8 9271 0149

Competent Person's Statement

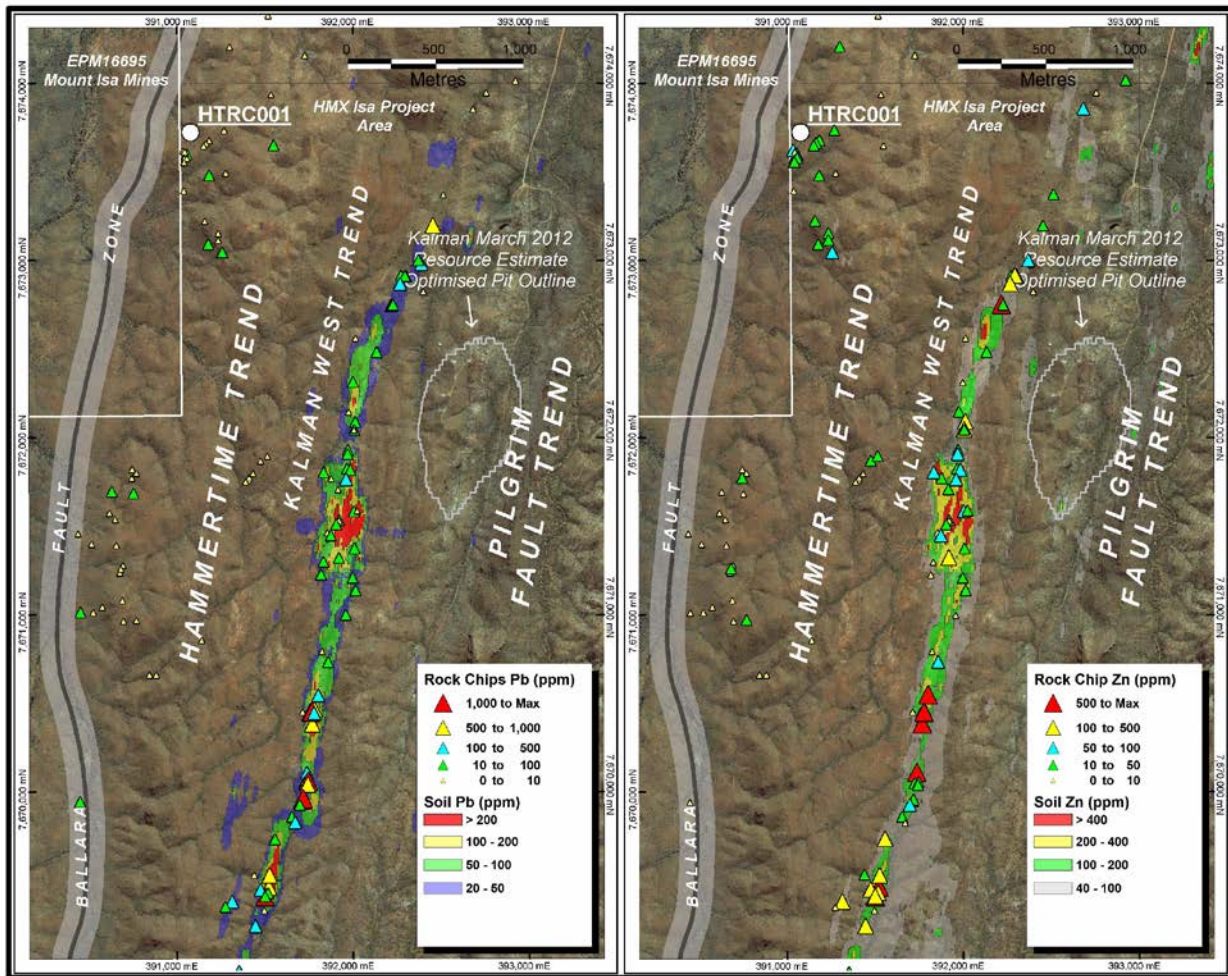
The information in this report as it relates to exploration results and geology was compiled by Mr. Mark Whittle, who is a Member of the AusIMM and a consultant to the Company. Mr. Mark Whittle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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.



Mount Isa Project Locations



Mount Isa Farmin and JV Areas



Kalman West Soil and Rock Chip Lead-Zinc Geochemistry



Appendix 1

Tenement Interests at End of December 2015 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	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	Granted	100%	No	
	EPM 17762	Granted	100%	No	
	EPM 18116	Granted	100%	No	
	EPM 18320	Granted	100%	No	
	EPM 19782	Granted	100%	No	
	EPM 19783	Granted	100%	No	
	EPM 19784	Granted	100%	No	
	EPM 19785	Granted	100%	No	
	EPM 19805	Granted	100%	No	
	EPM 19818	Relinquished	0%	No	Relinquished during quarter
	EPM 25145	Granted	100%	No	
	EPM 25369	Granted	100%	No	
	EPM 25402	Granted	100%	No	
	EPM 25425	Granted	100%	No	
	EPM 25452	Granted	100%	No	
	EPM 25486	Granted	100%	No	
	EPM 25523	Granted	100%	No	
	EPM 25666	Application	100%	No	
	EPM 25686	Granted	100%	No	
	EPM 25777	Granted	100%	No	Granted during quarter
	EPM 25866	Application	100%	No	
	EPM 25867	Application	100%	No	
	EPM 25892	Application	100%	No	
	EPM 25997	Application	100%	No	
	EPM 18084	Granted	0%	No	Can earn 80% from Kabiri Resources Pty Ltd
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")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Curent quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(242)	(658)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(162)	(295)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	5
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - Reimbursement of exploration costs	103	103
	Net Operating Cash Flows	(298)	(845)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(2)	(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	361	361
	Net investing cash flows	359	358
1.13	Total operating and investing cash flows (carried forward)	61	(487)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	61	(487)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	80	431
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	(11)	(18)
	Net financing cash flows	69	1063
	Net increase (decrease) in cash held	130	576
1.20	Cash at beginning of quarter/year to date	838	392
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	968	968

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	89
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'000
4.1 Exploration and evaluation	475
4.2 Development	-
4.3 Production	-
4.4 Administration	130
Total	605

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'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	968	968
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	968	968

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	EPM19818	Relinquished during the quarter	100%	0%
6.2 Interests in mining tenements acquired or increased	EPM25777	Granted 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	109,268,735	109,268,735		
7.4	Changes during quarter	1,600,000	1,600,000	5c per share	5c per share
	(a) Increases through issues				
	(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 \$0.20	Expiry date 30 June 2017
		2,116,674	-	\$0.30	26 May 2016
		1,000,000	-	\$0.20	26 May 2017
		1,000,000	-	\$0.20	11 Sept 2017
		300,000	-	\$0.30	11 Sept 2016
		7,100,000	-	\$0.135	30 Nov 2017
		3,811,953	-	\$0.15	6 Feb 2018
		8,338,334	-	\$0.10	30 July 2017
		500,000	-	\$0.10	6 Aug 2017
		1,000,000	-	\$0.10	30 Nov 2017
7.8	Issued during quarter	1,000,000	-	Exercise price \$0.10	Expiry date 30 Nov 2017
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
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: 27 January 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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