



29th April 2016

Quarterly Activities Report For Period Ending 31 March 2016

HIGHLIGHTS

Copper-Gold Targeting Program (Hammer 100% tenements)

- Target definition at the **Scalper and Hammertime** projects enhanced by results of high resolution gravity and magnetic surveys;
- Data processing and inversion modelling in progress;
- Drilling planned for late May - June at Scalper and Hammertime IOCG targets
- Ongoing work towards generating and securing high potential copper-gold targets with new tenement applications;
- Down plunge high grade copper-gold potential of Kalman to be reviewed.

Mount Isa Farm-in and Joint Venture

- Field programs commenced in mid-January 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;
- Gravity, ground magnetics, geological mapping and geochemical sampling programs are well underway;
- Processing and modelling of the geophysical data is in progress utilizing Newmont's in-house technical support;
- Budget approved for the second quarter to complete data acquisition and progress targets to the drilling stage.

Corporate

- Hammer finalized a share placement, raising \$968,000 subsequent to the end of the quarter with Argonaut Securities appointed corporate advisor.

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.

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 2011km² Mount Isa project. The joint venture will target an Ernest Henry style of IOCG copper-gold deposit (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au).

The first Farmin program and budget for the period January to March 2016 was prepared and approved with field work commencing in mid-January. Work is focusing on completing the coverage of the three prospects



with gravity and magnetic surveys along with geological mapping and geochemical programs where necessary to improve target definition prior to drilling. Newmont's substantial in-house technical expertise is being utilised in conducting the programs.

The gravity surveys are now completed with the soil sampling and ground magnetic surveys at Even Steven underway. Processing and modelling of the data is in progress. Further mapping, geochemical sampling and ground geophysical programs are planned for the second quarter.

Concurrently with the exploration on the joint venture prospects copper-gold targeting activities are progressing on the 100% owned Hammer tenements with a focus on the Hammertime, Scalper and Kalman West prospects. Detailed gravity surveys have been completed over the alteration zones at Hammertime and Scalper as well as infill ground magnetics at Hammertime to assist with target definition.

Hammer's field camp located at Kalman has been upgraded to handle the increased field activity and enhanced safety programs implemented.

Mount Isa Farmin and Joint Venture

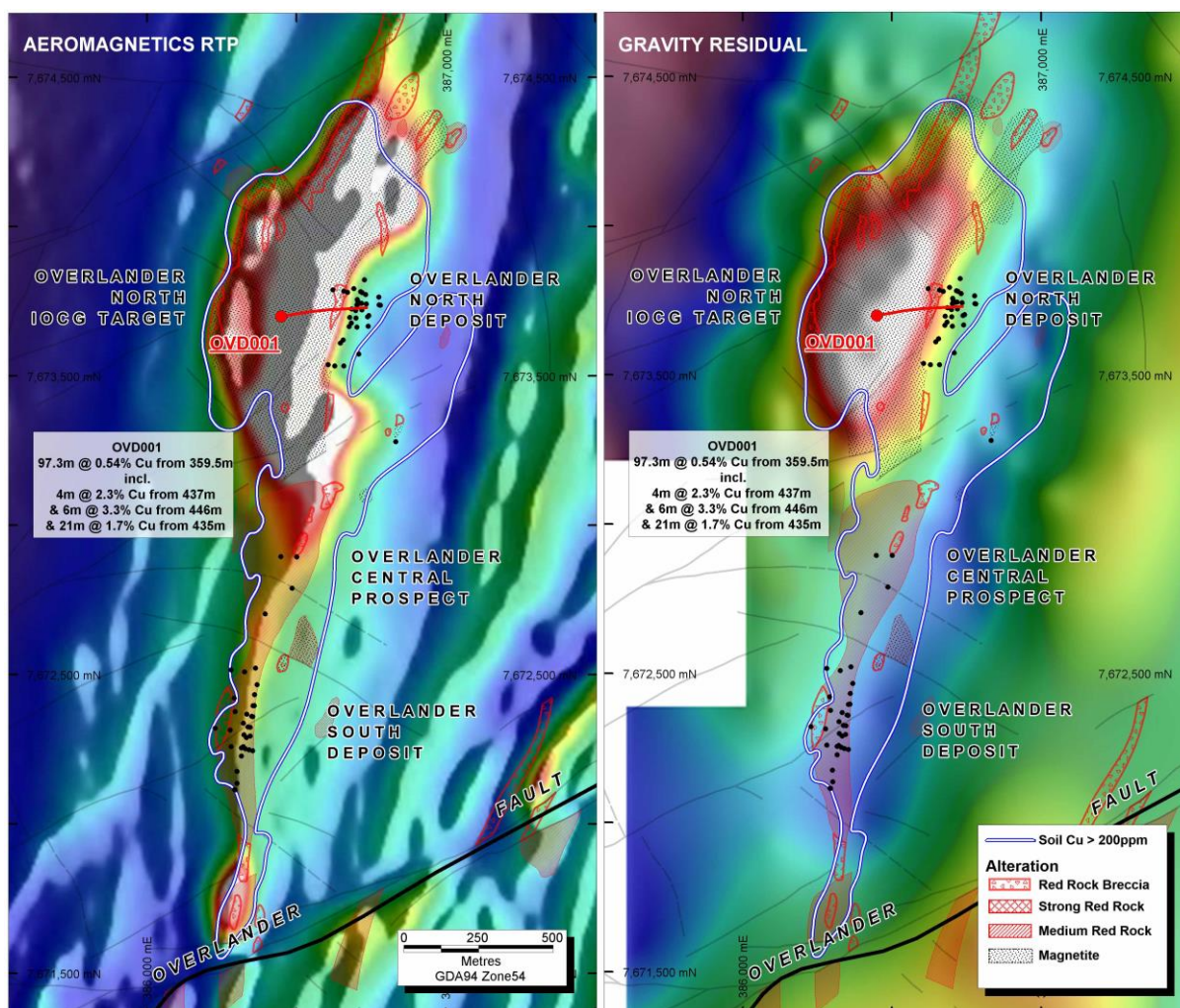
Overlander

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. The copper-in-soil anomaly at Overlander that encompasses this zone as defined by the 200ppm contour is over 3km long and up to 1000 metres wide. Previous exploration by Hammer has outlined a copper resource at Overlander totaling 1.77 million tonnes at 1.2% Cu. (Refer to ASX release dated August 26th 2015 for details of the Overlander resource estimate.) This resource is excluded from the Farmin and Joint Venture Agreement.

Current work is focused on the IOCG target and comprised detailed alteration and geological mapping, and rock chip sampling, completion of the sampling and assaying of OVD001, collection of infill gravity data and inversion modeling of the updated geophysical datasets. It is anticipated that drilling will be undertaken on the target on completion of the modelling. (Refer to ASX release dated March 15th 2016 for further details.)



Overlander North Alteration Zone



Overlander Magnetic and Gravity Imagery

Even Steven

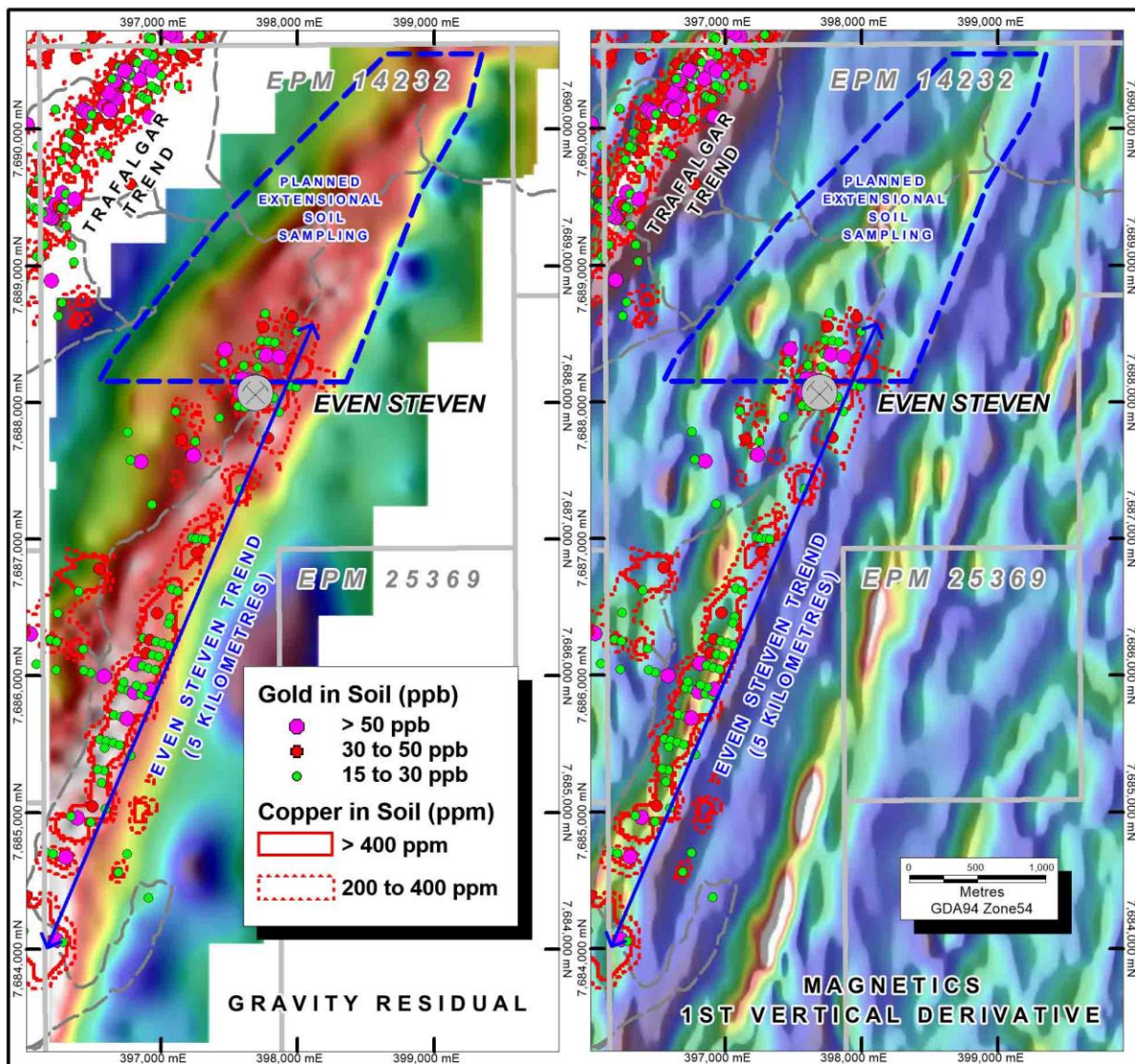
The Even Steven prospect is located approximately 15km to the northeast of the Kalman deposit in a similar structural position immediately west of the Pilgrim Fault.

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.

In addition to the extensive area of alteration and soil anomalism present at Even Steven the high gold/copper ratio of the mineralisation intercepted to date is considered an encouraging characteristic of this prospect. Detailed (100m spaced) gravity surveying has been completed over the zone and a ground magnetic survey and further soil sampling over the northern end of the zone is currently in progress. Initial processing of the high resolution gravity and magnetic data have provided much better definition of the alteration zones and structural framework at Even Steven. (Refer to ASX release dated March 15th 2016 for further details.)

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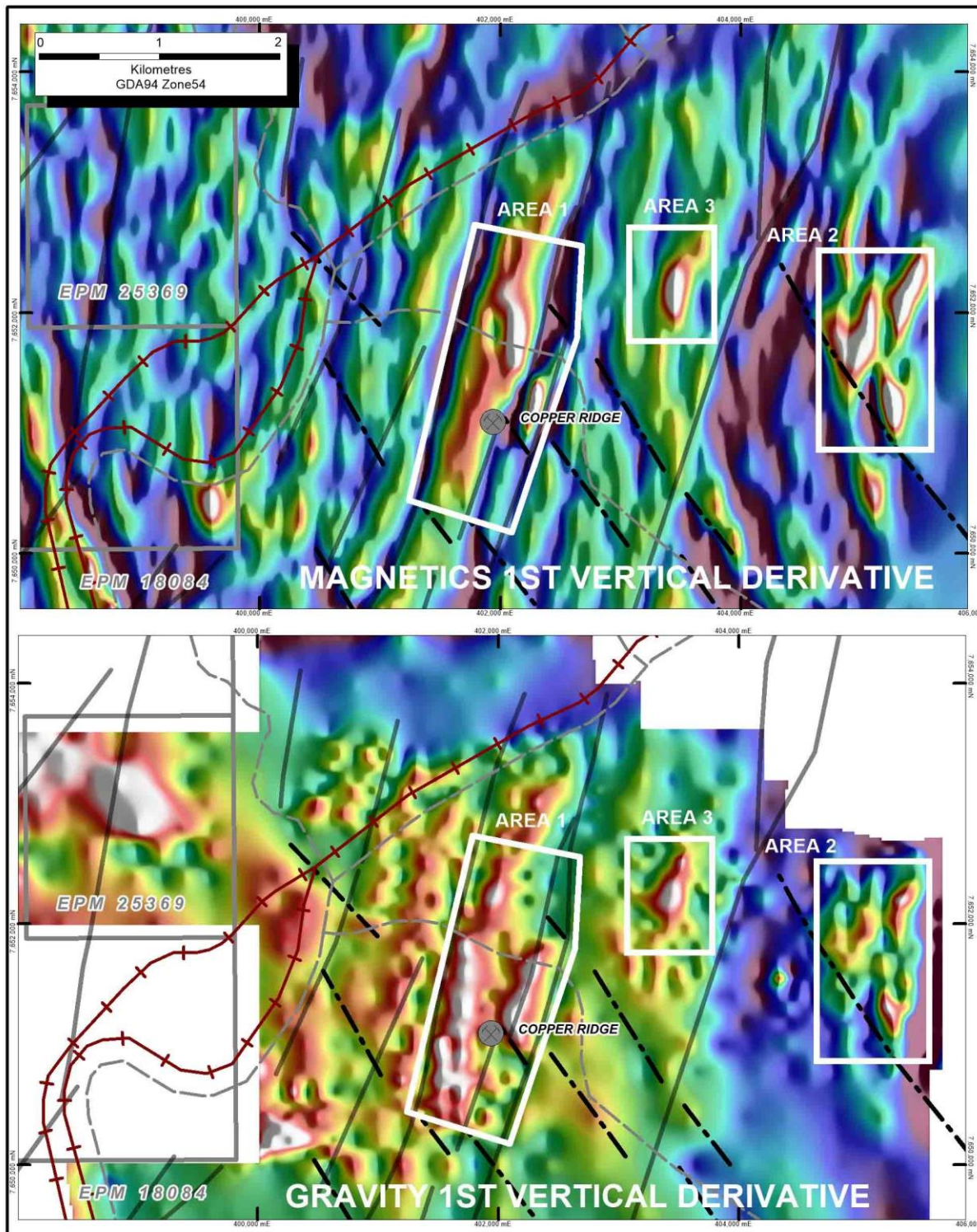
Even Steven Magnetic and Gravity Imagery

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. It is anticipated that this commitment will be met in the second quarter.

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.

A 1060 station infill gravity program along with mapping and rock chipping of the limited rock exposures has been completed. Newmont's proprietary deep-sensing geochemical technique has also been trialed over the prospect. Due to the size of the gravity and magnetic features at Dronfield additional infill geochemistry and ground electrical geophysics are planned to improve target definition. (Refer to ASX release dated March 15th 2016 for further details.)



Dronfield Magnetic and Gravity Imagery



Mount Isa Copper – Gold Targeting Program – 100% Hammer

Since late 2013 Hammer has been undertaking a systematic targeting exercise for large IOCG deposits within under-explored sections of the Mount Isa Inlier. As part of the IOCG targeting exercise three new copper-gold targets on vacant land were recently identified and secured with tenement applications - Cathay, Resolve and El Questro. (Refer to the December 2015 Quarterly Report for details.) During the quarter a new tenement was pegged to cover the Brown Eye breccia zone located 14km east of Even Steven.

Hammer's project also covers a significant section of the Pilgrim Fault structural corridor that hosts the (500,000 ounce) Tick Hill gold deposit located south of Duchess. An initial review of previous exploration data for gold has highlighted several anomalies within Hammer tenements and further assessment of these targets will be undertaken.

Concurrent with the joint venture activities Hammer has continued with field work on its more advanced 100% - owned targets, with a focus on Hammertime, Scalper and Kalman West.

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.

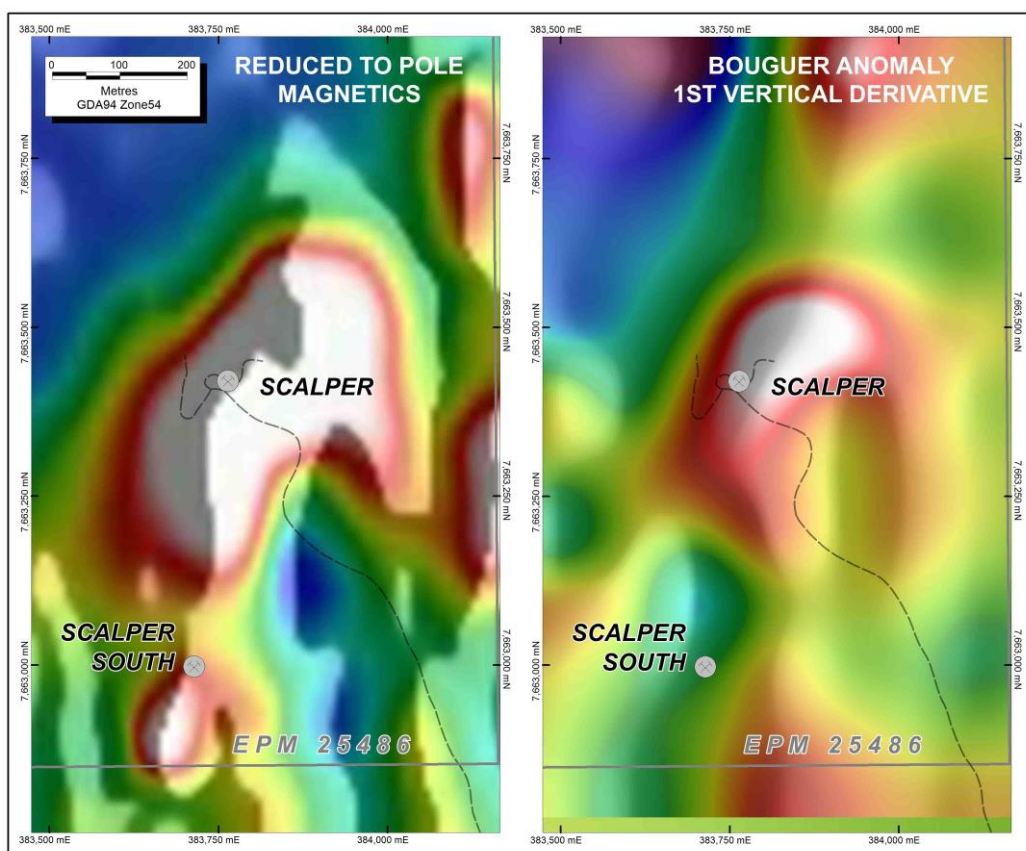
The geological mapping defined three zones of strong magnetite and red rock alteration typical of IOCG systems within calcareous sediments of the Corella Formation. The alteration zones are up to 1.1km in length and 300m wide. Rock chip sampling of these zones has returned grades in excess of 2.4g/t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

During the quarter Hammer completed a detailed gravity survey over the alteration zone and additional detailed ground magnetics to complete the high-resolution magnetic coverage. The new data is currently being processed and modelled. The new inversion models will be used to improve target definition prior to drilling. (Refer to ASX release dated March 15th 2016 for further details.)

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 has identified a gravity high coincident with the northern magnetic target enhancing the prospectivity of this zone. Inversion modelling of the geophysical data is in progress.



Scalper Magnetic and Gravity Imagery

Future Activities at Mount Isa

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

In the next quarter a program of mapping, geochemical sampling and additional geophysical surveys will be continue to be undertaken on the JV targets in order to bring the targets to the drilling stage.

Concurrently with this work Hammer will continue with copper-gold target generation and drill hole planning on its 100% - owned tenements, with a focus on commencing drilling at Hammertime and Scalper in the next quarter.

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

A field visit was made to the property during the quarter but due to extensive rainfall in the area access was not possible and no field work was undertaken.

CORPORATE

The Company held \$463,000 in cash at the end of the quarter.

Subsequent to the end of the quarter the Company confirmed the allotment and issue of 24,200,000 ordinary shares to sophisticated investors at \$0.04 to raise \$968,000. The placement was made pursuant to the Company's placement capacity under listing rules 7.1 and 7.1A.

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

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For further information, please contact:

Alex Hewlett

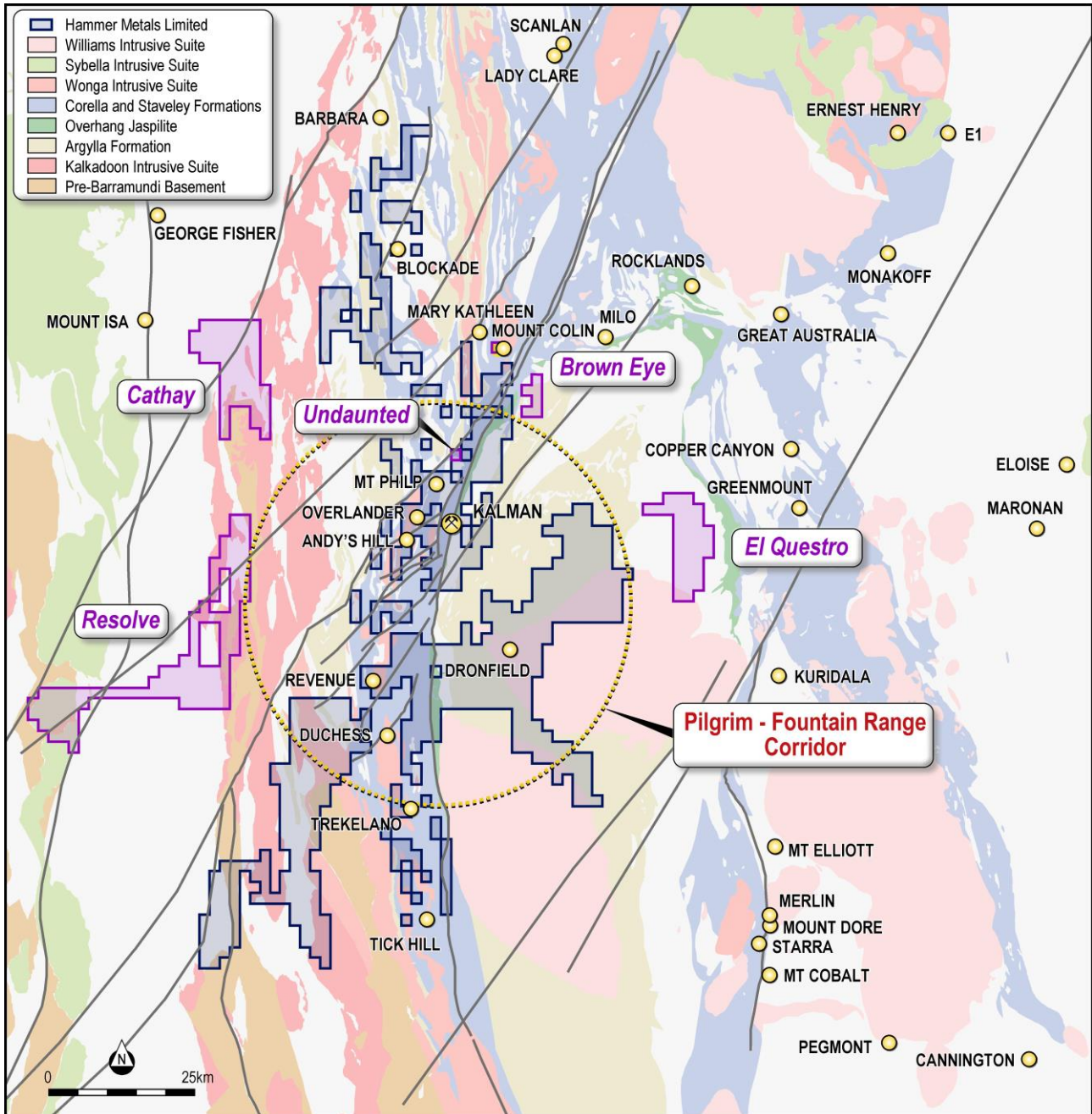
Executive Director

Hammer Metals

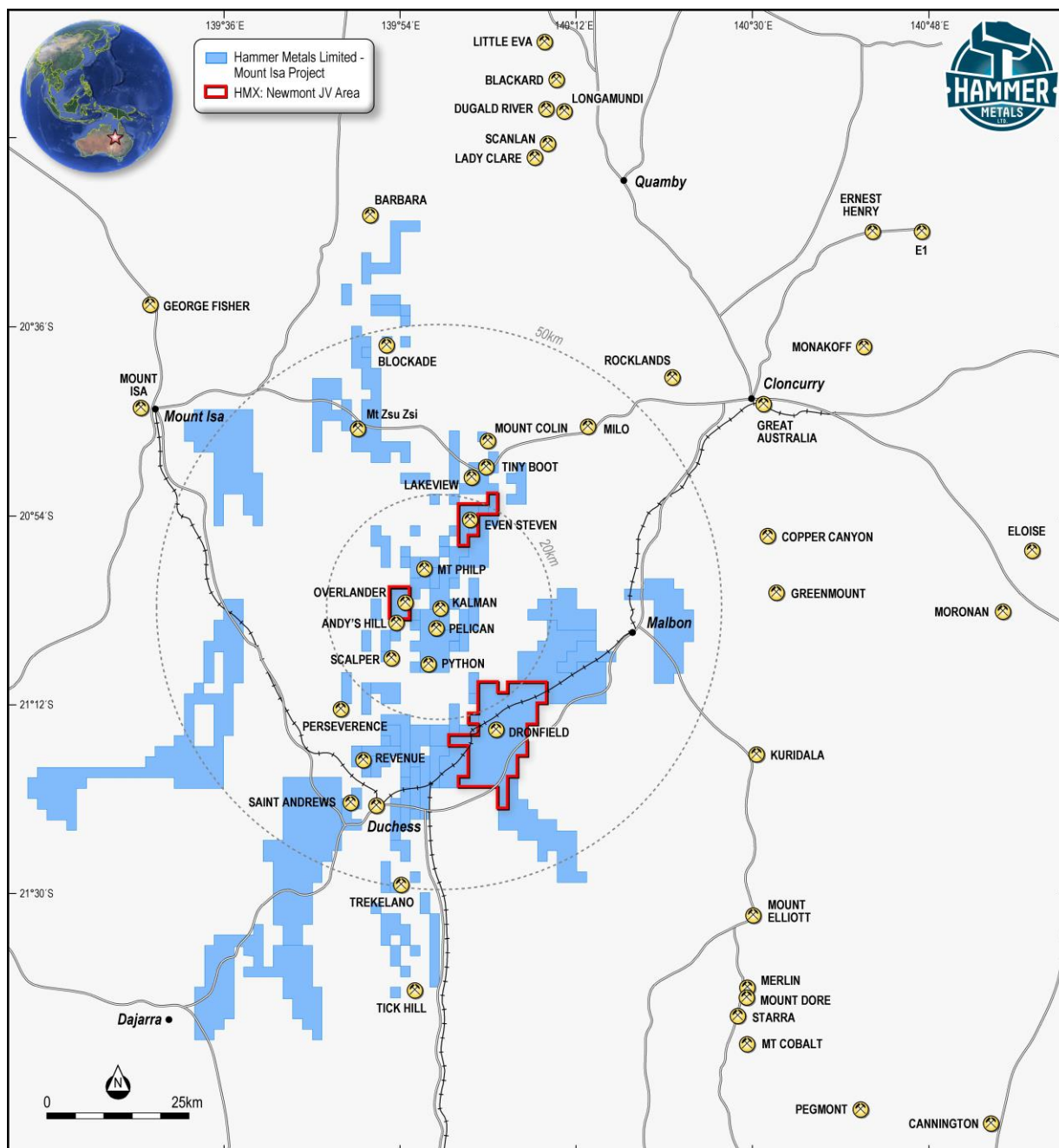
info@hammermetals.com.au

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



Tenement Interests at End of March 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	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 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	Granted	100%	No	
	EPM 25686	Granted	100%	No	
	EPM 25777	Granted	100%	No	
	EPM 25866	Application	100%	No	
	EPM 25867	Application	100%	No	
	EPM 25892	Application	100%	No	
	EPM 25997	Granted	100%	No	
	EPM 26126	Application	100%	Yes	Applied for during the quarter
	EPM 26127	Application	100%	Yes	Applied for during the quarter
	EPM 26128	Application	100%	Yes	Applied for during the quarter
	EPM 26130	Application	100%	Yes	Applied for during the quarter
	EPM 26172	Application	100%	Yes	Applied for during the quarter
	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 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a1) exploration & evaluation	(238)	(853)
(a2) exploration & evaluation		
- Farm-in JV	(181)	(181)
(b) development	-	-
(c) production	-	-
(d) administration	(86)	(425)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	6
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	(504)	(1,350)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(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	-	361
Net investing cash flows	-	358
1.13 Total operating and investing cash flows (carried forward)	(504)	(992)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(504)	(992)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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	-	(18)
	Net financing cash flows	-	1063
	Net increase (decrease) in cash held	(504)	71
1.20	Cash at beginning of quarter/year to date	967	392
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	463	463

Expenditure and cash calls from the Company's Joint Venture Partner are included in cash movement for the quarter.

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	73
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	647
4.2 Development	-
4.3 Production	-
4.4 Administration	120
Total	767^a

a) Estimated exploration costs of the proposed Joint Venture work programs for the next quarter have been included in 4.1.

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	463	967
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	463^b	967

b) The Company will be making cash calls on its JV partner as required to meet agreed exploration expenditure and in addition has subsequent to the end of this quarter raised \$968,000, by way of private placement.

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	-	-	-	-
6.2 Interests in mining tenements acquired or increased	EPM25666	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	109,811,886	109,811,886		
7.4 Changes during quarter				
(a) Increases through issues	543,151	543,151	6c per share	6c 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 \$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	-	-	Exercise price -	Expiry date -
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: 29 April 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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