



January 31st 2017

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING DECEMBER 31st 2016

HIGHLIGHTS

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

- **Maiden Mineral Resource Estimate** announced for the **Millennium Cobalt-Copper-Gold Project** of **3.07 Mt at 0.14% Co, 0.35% Cu and 0.12g/t Au (1.29% CuEq¹)** in the Inferred category.
- **New tenement acquisitions near Mary Kathleen covering the Elaine-Dorothy Cu-Au deposit and multiple Cu-Au targets.**
- **Kalman South** parent diamond hole targeting Cu-Au zone completed at 904 metres. **DHEM survey locates off-hole conductor.**
- **Airborne VTEM survey completed over Kalman and Pilgrim Fault trend.** Preliminary results received identifying several conductive zones of interest.

Mount Isa Farm-in and Joint Venture

- **Overlander** diamond drilling results for OVD002 and OVD003 received with full review of the data collected underway. Disseminated chalcopyrite intersected in association with favorable alteration and trace element abundances.
- **NEWDAS geophysical anomaly defined** at the western gravity-magnetic anomaly at **Dronfield**. Drilling planned for late first quarter.
- **Gravity, magnetics and mapping completed at the Tourist Zone** west of Overlander. Zones of red rock alteration and breccia defined in association with gravity and magnetic features.

Corporate

- The board is currently evaluating commercial options for the Millennium Cobalt-Copper-Gold deposit in light of recent cobalt price improvements.
- The Company held \$2.4 million in cash at the end of the quarter.

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).

Late in 2015 a Farm-in 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 2,500 km² Mount Isa project.

A systematic IOCG targeting exercise within the Mount Isa region is ongoing.

¹ $CuEq = Cu_{pct} + (Co_{pct} * 5.9) + (Au_{ppm} * 0.9) + (Ag_{ppm} * 0.01)$



Hammer 100% - Owned Tenements

Tenement Acquisition

Hammer Metals announced an agreement to acquire 100% of Chinalco Yunnan Copper Resources Limited (**ASX: CYU**) tenement interests in the Mount Isa district. The tenements secure a number of advanced IOCG and shear-hosted copper-gold targets (including the Elaine-Dorothy copper-gold deposit) that significantly enhance Hammer's Mount Isa tenement holding. (Refer to ASX release dated December 15th 2016.)

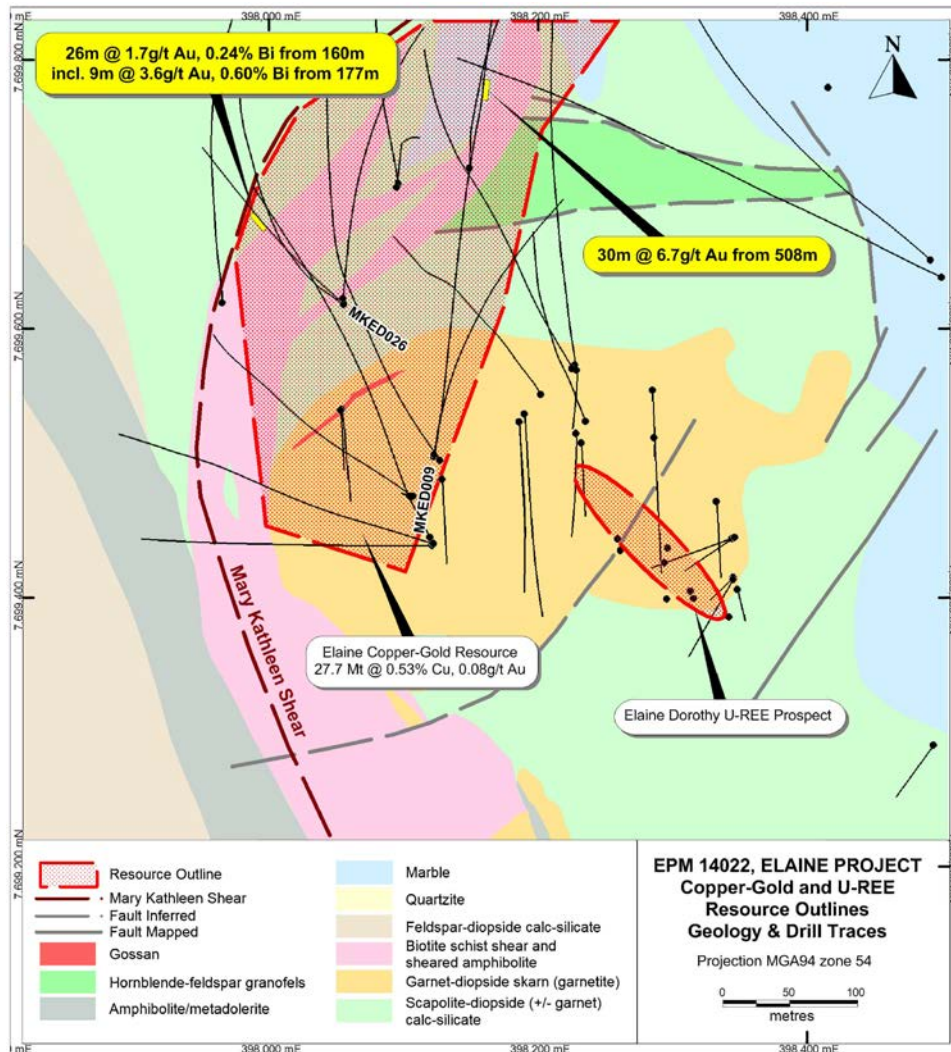
The acquisition includes a 100% interest in EPM's 14019, 14022 and 12205 which cover the previously defined Elaine-Dorothy copper-gold resource of 27 Mt at 0.53% Cu and 0.08g/t Au (CYU ASX release 18/10/2012), the GEM copper-gold resource (CYU ASX release 9/06/2010) and the Elaine uranium prospect (CYU ASX release 24/03/2010) as well as a range of other copper-gold drill intersections at the Mt Dorothy, Pindora and Prince of Wales prospects. The tenements also cover strike extensions of mineralised trends and favorable host rocks identified within Hammer's adjacent tenements.

Hammer will initially focus on assessing the potential of several high-grade gold intercepts within the Elaine-Dorothy deposit to form higher grade internal lodes. Significant gold intercepts from previous diamond drilling include:

- **30m @ 6.73g/t gold** from 508 metres in MKED009 and
- **26 metres at 1.7g/t gold, 0.24% bismuth** from 160 metres, including **9 metres at 3.63g/t gold and 0.60 % bismuth** from 177 metres in MKED026.

(Refer to CYU ASX releases dated November 7th 2011 and June 13th 2012 for details of the intersections.)

The acquisition also includes CYU's 51% interest in EPM 14467 (Mt Frosty), located adjacent to the Mary Kathleen uranium mine and which covers the Blue Caesar, Jubilee and Koppany copper prospects. The tenement is currently in joint venture with a third party. The acquisition of the interest is contingent on Hammer reaching agreement with the third party within 45 days of signing the purchase agreement on acceptable revised commercial terms to the current JVA.



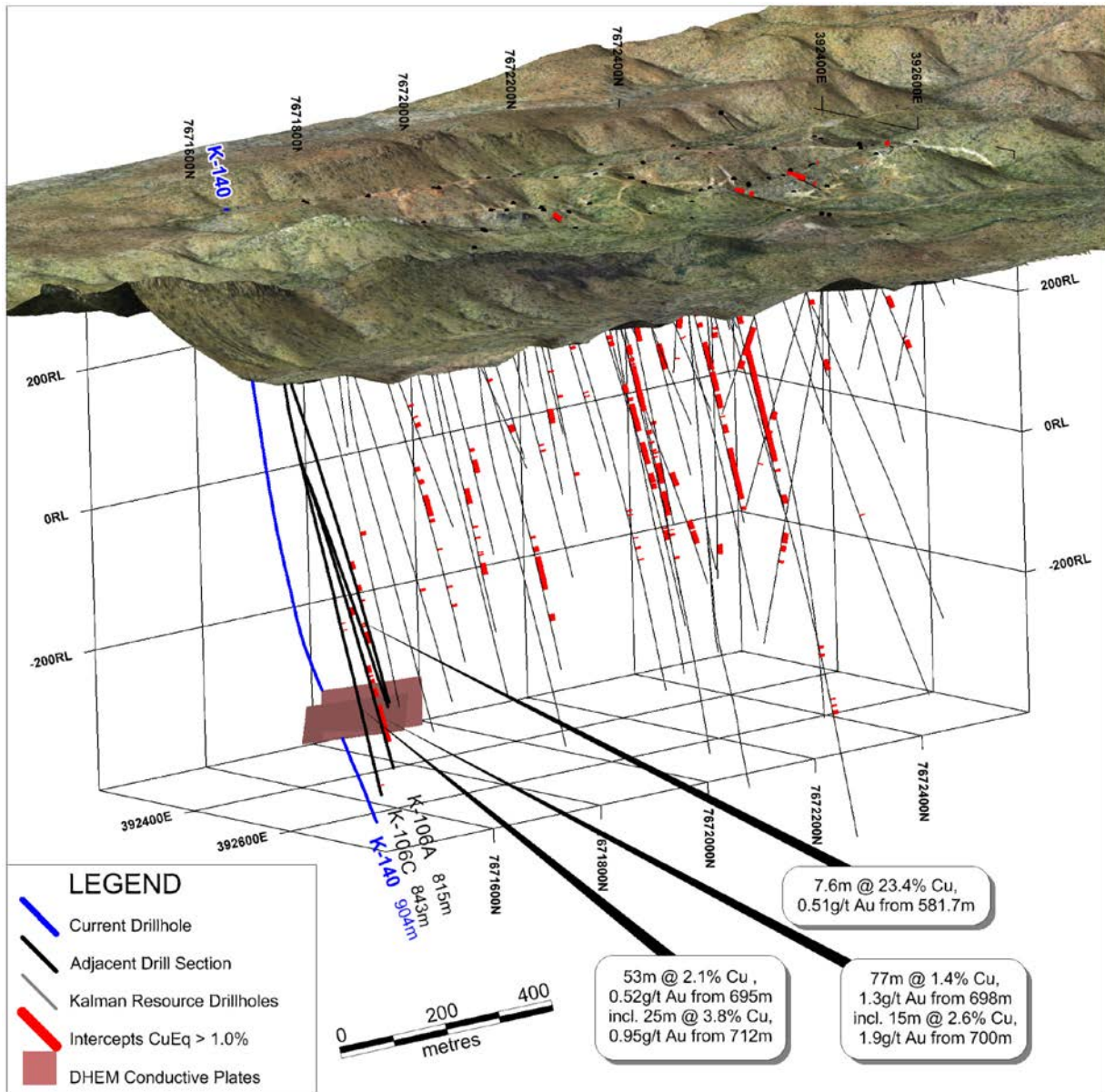
Elaine Dorothy – Plan

Kalman Deposit

One diamond drill hole (K140) targeted on potential extensions of the high-grade copper-gold mineralisation at Kalman South as intersected in hole K106 was completed at a depth of 904.6 metres. The drill hole intercepted visually identified disseminated copper mineralisation but no significant zones of copper mineralisation of the tenor seen in K106. Maximum values for the hole were 0.56% Cu, 0.22g/t Au, 0.02% Mo and 0.29g/t Re. Significant intercepts include:

- 12 metres at 0.29% Cu from 791 metres including 3 metres at 0.47% Cu and 0.12g/t Au from 796 metres and;
- 15 metres at 0.28% Cu from 835 metres.

The Kalman South high grade mineralisation is structurally controlled and a down-hole EM (DHEM) survey was subsequently undertaken to understand plunge direction. The initial DHEM results indicate K140 passed below the main conductive body. Further modelling will be completed, with testing of this target by drilling one or more wedge holes from K140 under consideration.

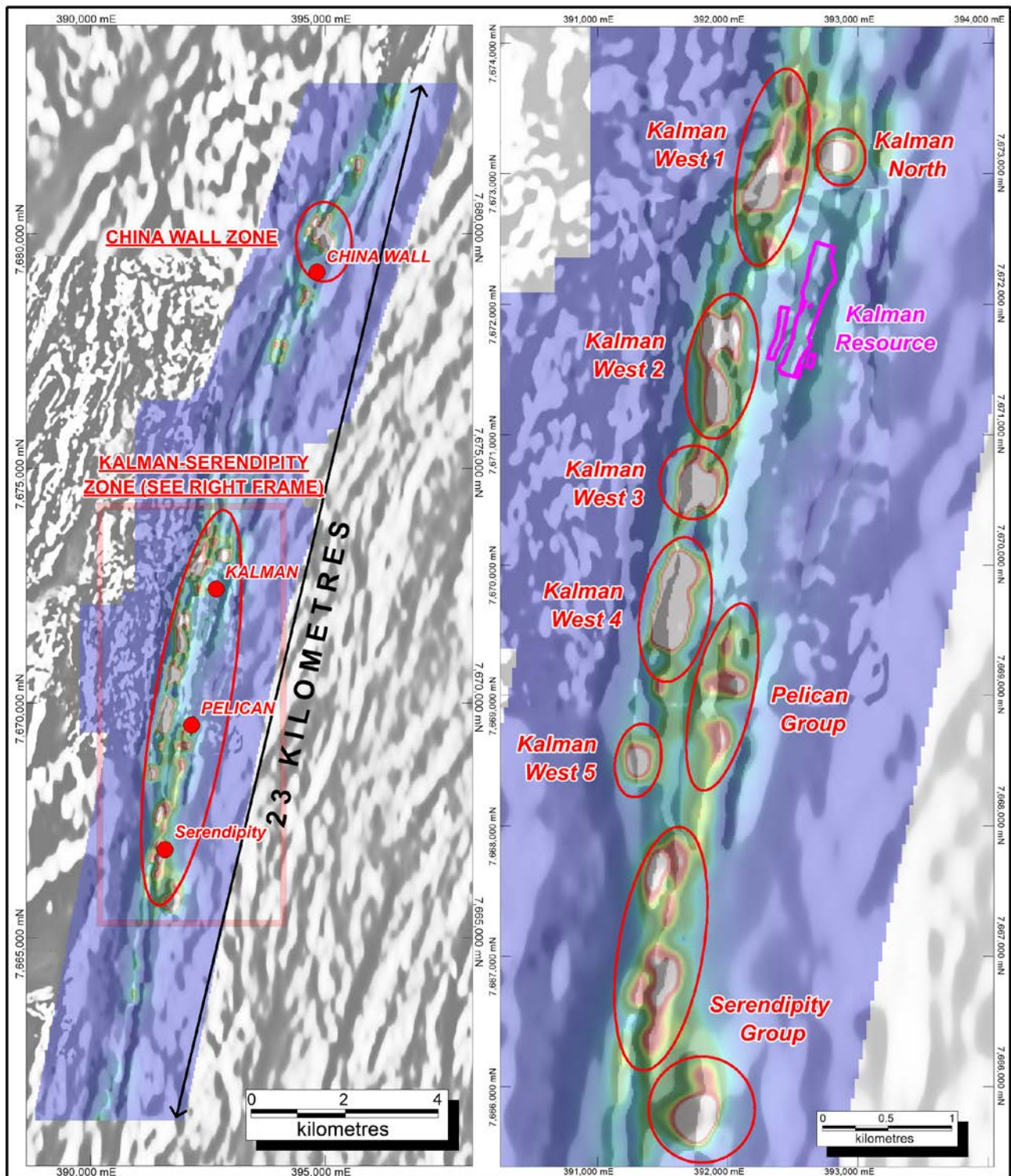


Kalman South – Oblique view showing the trace of K-140

Pilgrim Fault VTEM Survey

An airborne VTEM Max (Versatile Time Domain EM) and magnetic survey over a 23 kilometre strike length of the Pilgrim Fault corridor extending from China Wall in the north to Python in the south was completed by Geotech International. The VTEM Max system can detect high grade sulphide accumulations down to at least 300 metres below surface. The objective of the 481 line kilometre survey (at 150 metre line spacing) was to delineate high grade (conductive) copper-gold mineralisation similar to Kalman South, elsewhere along the fault corridor.

Preliminary images have been received from the contractor. Several strong conductors have been identified, some of which are associated with geochemically anomalous zones and known mineralisation such as at Kalman West. Final data processing and target generation utilising all available datasets is underway. Field programs investigating the targets will commence in the first quarter.

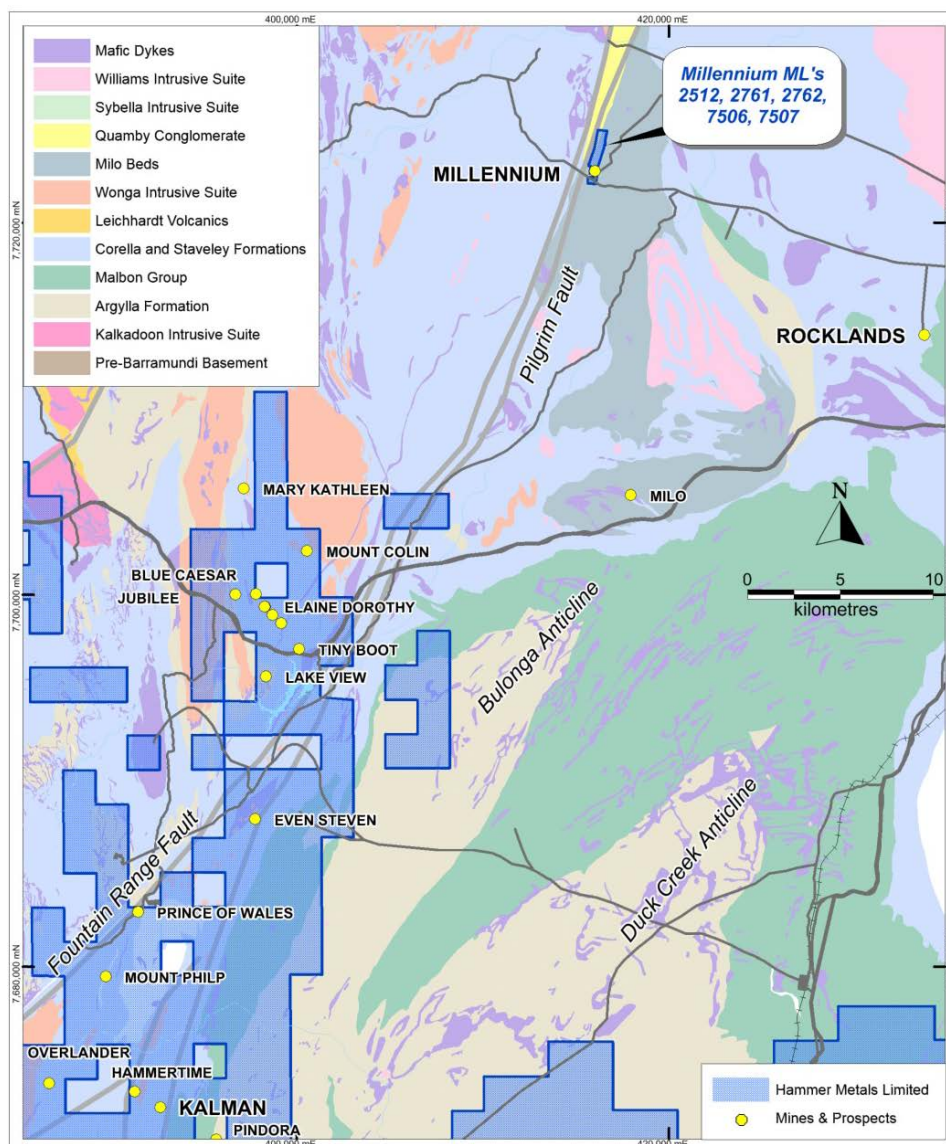


Pilgrim Fault survey VTEM channel 35 preliminary image overlaid on reduced to pole total magnetic intensity image and showing VTEM anomaly groups.

Millennium Copper-Cobalt-Gold Deposit

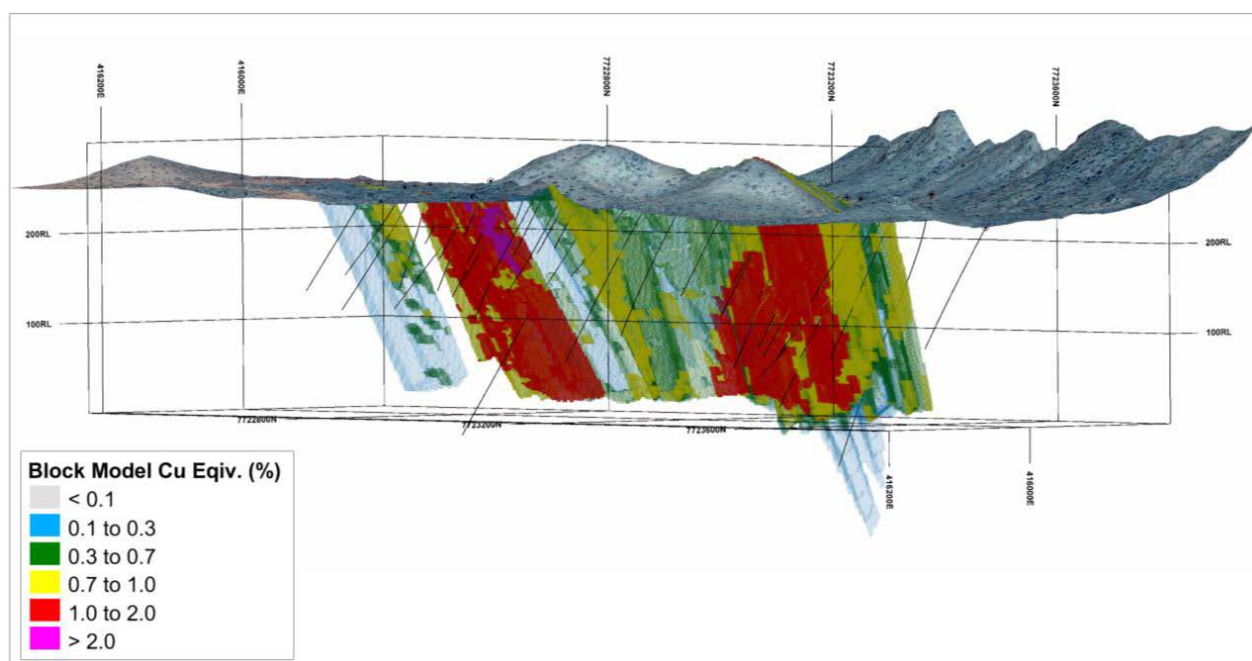
The maiden Mineral Resource Estimate for the Millennium deposit of **3.07 Mt at 0.14% Co, 0.35% Cu and 0.12g/t Au (1.29% CuEq)²** in the Inferred category was announced. (Refer to ASX release dated December 6th 2016.) Millennium is located 32 kilometres northwest of Cloncurry on granted mining leases. The resource model can now be used as the basis for mining and metallurgical studies. Petrological studies are presently being undertaken on a range of the mineralised drill samples.

There is significant potential to increase the size of the deposit in untested, geochemically anomalous zones to the north with additional drilling.



Location of Millennium in relation to Kalman

² $CuEq = Cu_{pct} + (Co_{pct} * 5.9) + (Au_{ppm} * 0.9) + (Ag_{ppm} * 0.01)$



Millennium Long Section (looking southwest)

Mount Isa Farmin and Joint Venture

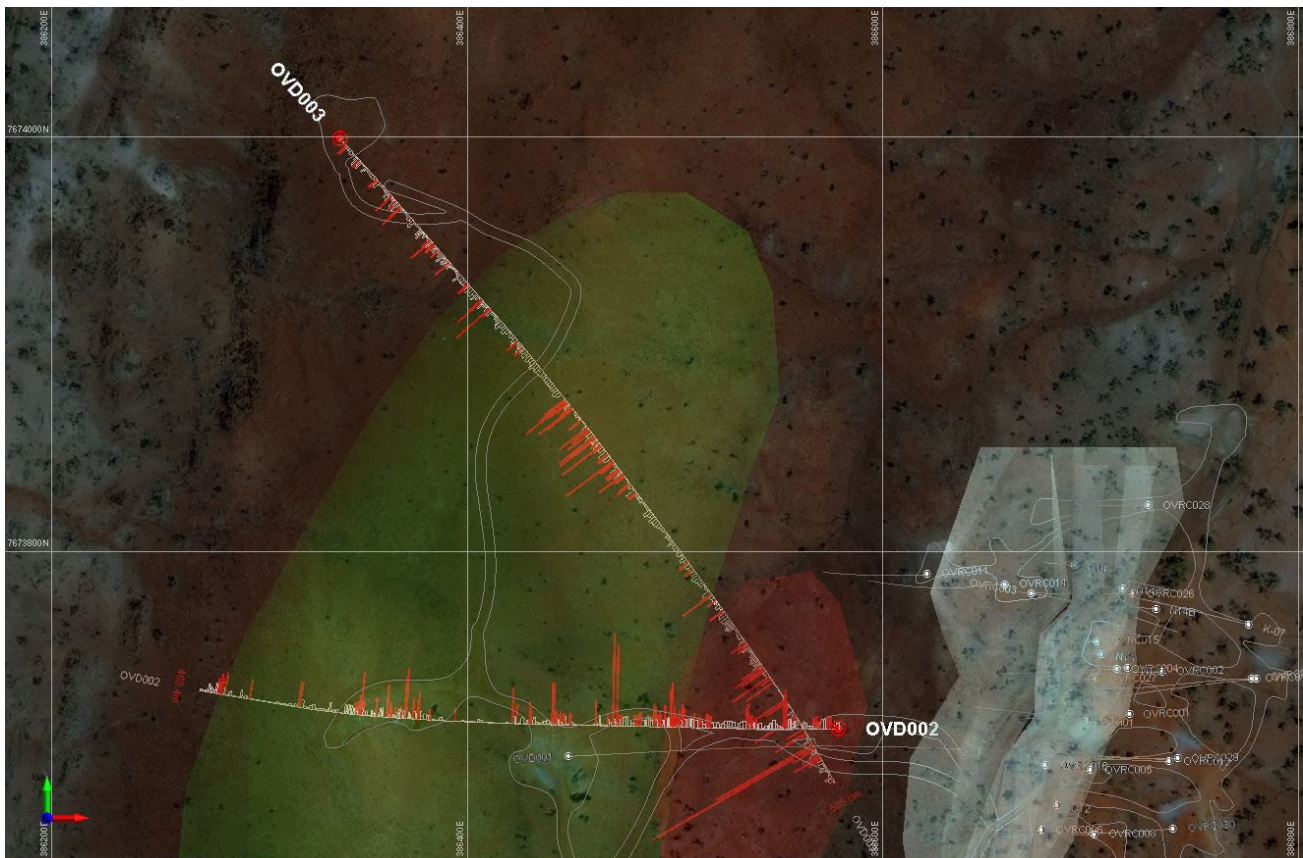
Overlander

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

Assay results have now been received from the two diamond holes completed to date (OVD002 for 458.4 metres and OVD003 for 585.8 metres) on the Overlander gravity/magnetic target. Both holes displayed broad zones of strong magnetite, chlorite and “red-rock” alteration with zones of disseminated sulphides, including chalcopyrite, with a peak value of 0.9% Cu over a one metre interval in OVD003. Gold values were low.

Petrological studies of the alteration indicates that the Overlander alteration is of IOCG skarn type and has similarities to the Hillside copper deposit in the Gawler Craton of South Australia. Lithochemical analysis indicates a positive correlation between mineralisation and increased potassium metasomatism. Potassium metasomatism increases towards the Overlander Shear.

A decision on further drilling will be made by the joint venture after the alteration patterns and assay results indicated by the drilling to date are assessed.



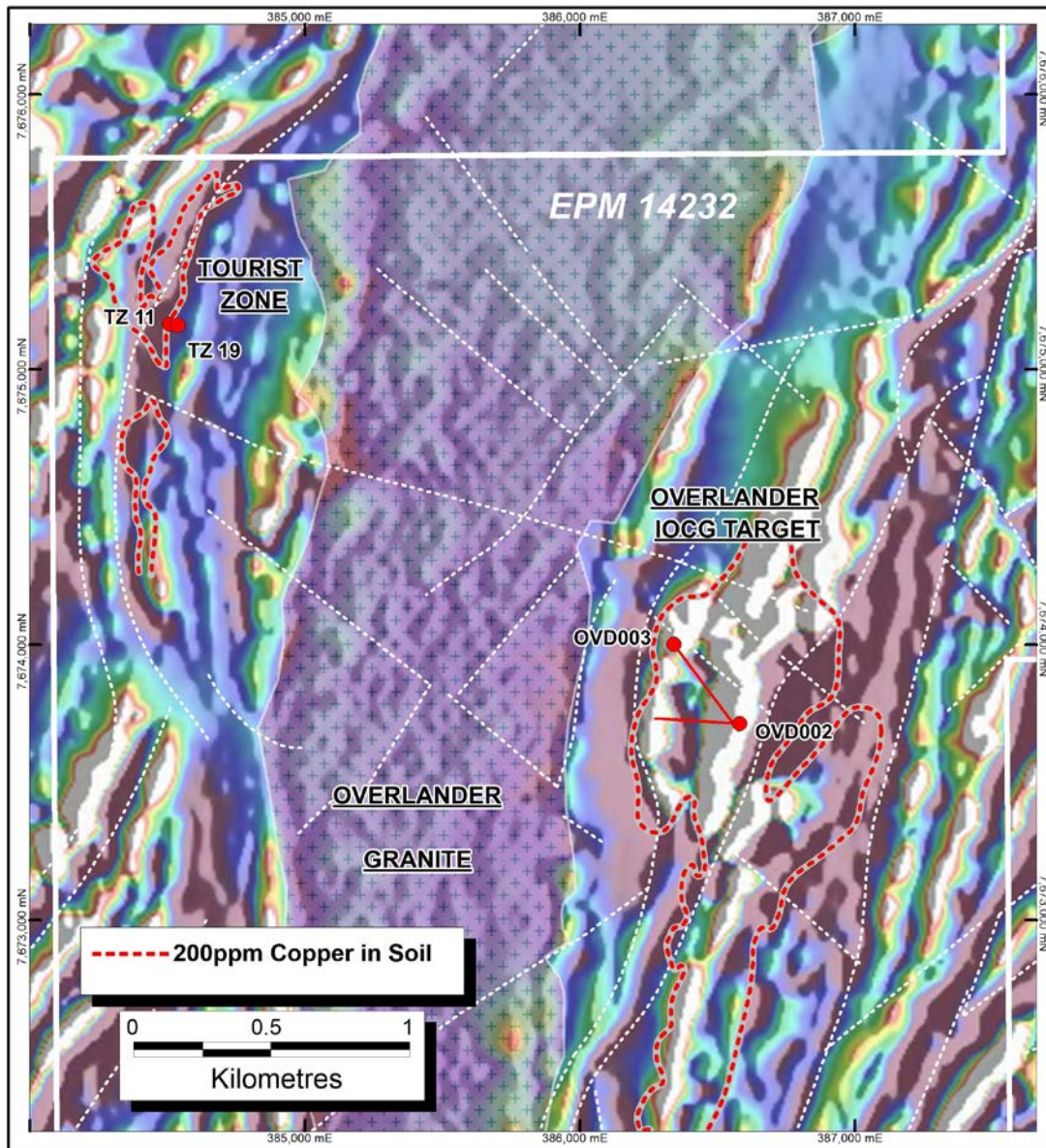
Overlander – Plan view of OVD002 and OVD003 showing Copper >500ppm (in red). Wireframe shells of Gravity-green (+0.4g/cc³ relative to 2.67g/cc³), Magnetics-red (0.3 SI) and the Overlander shear zone hosted resource

Geological mapping, rock chip sampling and gravity and magnetic geophysical surveys were completed at the Tourist Zone, located 2 kilometres to the west of Overlander in a corresponding geological position west of the Overlander Granite.

Drilling by a previous explorer at the Tourist Zone returned results including:

- 26 metres at 1.04% Cu and 0.24g/t Au including **14 metres at 1.47% Cu and 0.44g/t Au** in TRC-11 and
- 35 metres at 1% Cu and 0.18g/t Au including **20 metres at 1.37% Cu and 0.29g/t Au** in TRC-19.

Zones of red rock alteration and breccia were defined in association with gravity and magnetic features.



Overlander Magnetic map showing Overlander and Tourist Zone

Dronfield

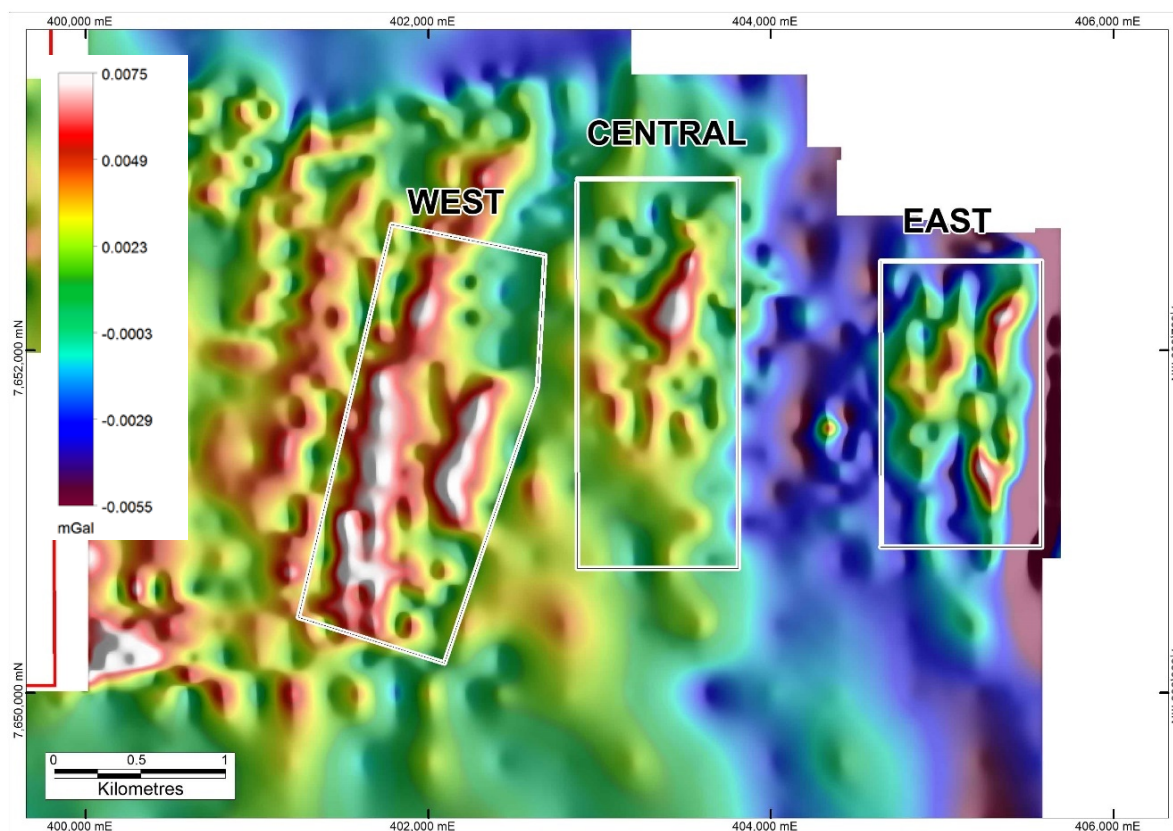
Geological mapping, gravity and magnetic surveys identified three potential IOCG targets at Dronfield. These targets are located within the Wimberu Granite. The Wimberu Granite, part of the Williams-Naruku Suite, is spatially associated with IOCG mineralisation at Ernest Henry and Selwyn.

The Dronfield targets are located 25 kilometres 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. This commitment was met during the quarter and Hammer has earned an 80% interest. Kabiri's 20% interest is free carried until completion of a pre-feasibility study.

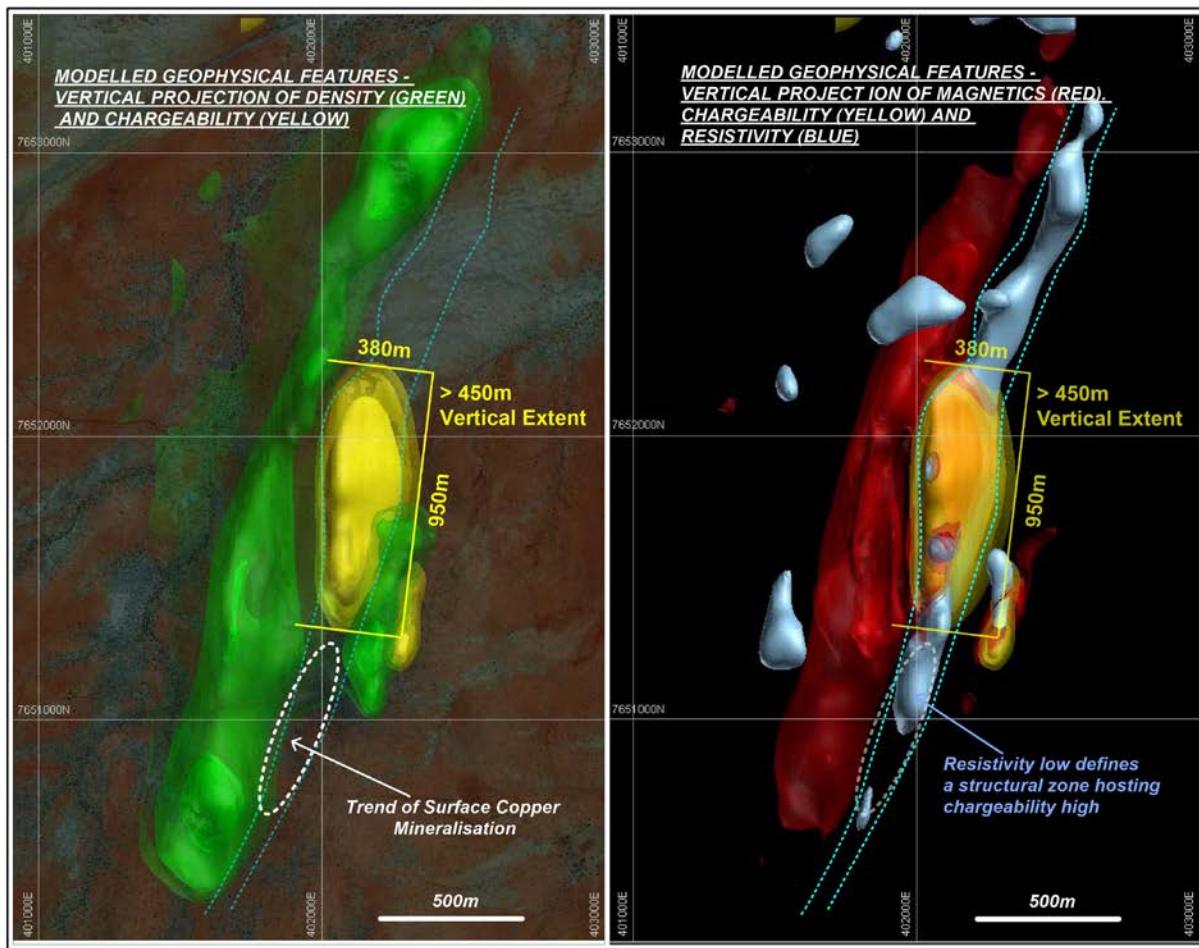
During the quarter, Newmont completed the processing of data from the second NEWDAS (Newmont Distributed IP Data Acquisition System) survey over the eastern gravity-magnetic target. The survey delineated a deep, broad chargeable feature with a 17-25mv/v chargeability response. A major bounding fault marking the edge of the Georgina Basin was also delineated by the survey. Above this basin bounding structure, gossans elevated in lead and zinc were identified in 2016.

The high priority drill target is the western chargeability anomaly. This target is located along a conductive axis and interpreted to represent sulphide mineralisation located within a fault or alteration zone.

Drill testing of the western target is anticipated to commence in the first quarter of 2017 following the rainy season.



Gravity Bouguer first vertical derivative image showing the Western, Central and Eastern Anomalies at Dronfield



Modelled geophysical features of the Dronfield Western Anomaly. The chargeability response shown in yellow (ranges between 35mv/v to +65mv/v)

Future Activities at Mount Isa

Between the activities undertaken under the Farm-in and Joint Venture Agreement with Newmont and Hammer's own programs, a significant quantity of geological, geophysical and assay data were collected in the last quarter, with much of this data not yet fully processed and assessed. Exploration and resource data from the projects recently acquired from CYU are also being compiled.

Work is currently focusing on completing this assessment and a targeting exercise (incorporating the projects acquired from CYU) is planned for early in the quarter to finalise the exploration priorities and program for 2017.

Hammer's regional targeting exercise is ongoing. New targets identified to date but held by other parties and will be opportunistically acquired if they become available.



Golden Peaks (JV) – Central Queensland

Two diamond drill holes for 436.5 metres were drilled at the Golden Peaks project to test VTEM anomalies at Mt Dick North and Plummys. The drill hole at Mt Dick North (239 metres) intercepted zones of strongly altered volcanoclastics with sufficient disseminated sulphides to have potentially caused the VTEM anomaly, however no significant base metal sulphides were recorded. The drill hole at Plummys (197.5 metres) intersected a sequence of banded volcanoclastic sediments and jaspers containing minor disseminated pyrite.

CORPORATE

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

The number of shares currently on issue is 197,059,674.

- ENDS -

For further information, please contact:

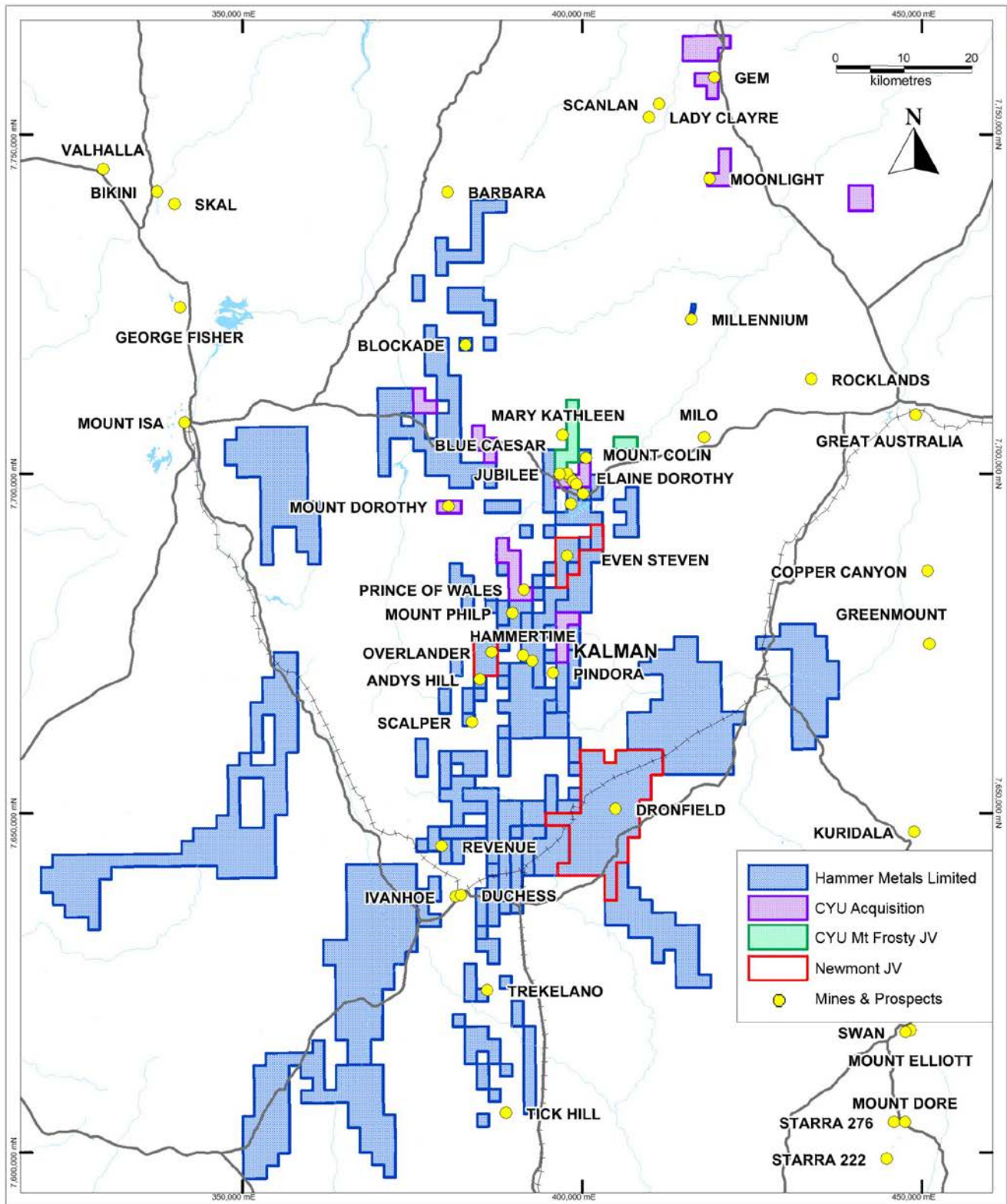
Alex Hewlett
Executive Director
info@hammermetals.com.au

Russell Davis
Executive Chairman
M: +61 (0) 419195087

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, Mineral Resource Estimates 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 announcements and all material assumptions and technical parameters underpinning those announcements continue to apply and have not materially changed.



Mount Isa Project



Tenement Interests at the End of December 2016 as per Listing Rule 5.3.3

PROJECT	TENEMENT	STATUS	INTEREST AT END OF QUARTER	ACQUIRED DURING QUARTER	COMMENT
Pilbara Iron Ore - WA	E08/1997	Granted	100%	No	Converting to Retention Licence
Golden Peaks - QLD	EPM 15810	Granted	100%	No	Can earn 60% from Perilya Limited
Mt Isa Project - QLD	EPM 13870	Granted	100%	No	Subject to a 2% NSR
	EPM 14232	Granted	100%	No	
	EPM 15972	Granted	100%	No	
	EPM 16726	Granted	100%	No	
	EPM 16987	Granted	100%	No	
	EPM 17762	Granted	100%	No	
	EPM 18084	Granted	0%	No	Can earn 80% from Kabiri Resources Pty Ltd
	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	Application	100%	No	
	EPM 26128	Granted	100%	No	Granted during Quarter
	EPM 26130	Granted	100%	No	
	EPM 26172	Granted	100%	No	
	EPM 26306	Application	100%	No	
	EPM 26392	Application	100%	Yes	Application lodged 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	
	EPM 12205	Granted	100%	Yes	Acquisition in progress
	EPM 14019	Granted	100%	Yes	
	EPM 14022	Granted	100%	Yes	

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/13, 01/09/16

Name of entity

HAMMER METALS LIMITED

ABN

87 095 092 158

Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers			
1.2 Payments for			
(a) exploration & evaluation	(910)	(1,785)	
(b) development	-	-	
(c) production	-	-	
(d) staff costs	(22)	(33)	
(e) administration and corporate costs	(62)	(188)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	4	8	
1.5 Interest and other costs of finance paid	-	-	
1.6 Income taxes paid	-	-	
1.7 Research and development refunds	-	-	
1.8 Other – exploration expenditure relating to farm-in	(750)	(1,124)	
1.9 Net cash from / (used in) operating activities	(1,740)	(3,122)	
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment	-	-	
(b) tenements (see item 10)	-	-	
(c) investments	-	-	
(d) other non-current assets	-	-	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	(3)	(3)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	30
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Cash calls received from farm-in partner	-	857
2.6	Net cash from / (used in) investing activities	(3)	884
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	2,250
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(36)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	2,214
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,146	2,427
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,740)	(3,122)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	884
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,214
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,403	2,403

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	111	1,108
5.2 Call deposits	2,024	2,020
5.3 Bank overdrafts	-	-
5.4 Other – JV bank account	268	1,018
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,403	4,146

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
97
-

Directors remuneration payments

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	387
9.2 Development	-
9.3 Production	-
9.4 Staff costs	16
9.5 Administration and corporate costs	116
9.6 Other – exploration relating to farm-in	-
9.7 Total estimated cash outflows	519

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	n/a	n/a	n/a	n/a
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EPM26392	New Application	0%	100%
	EPM12205	Acquired during Quarter	0%	100%
	EPM14019	Acquired during Quarter	0%	100%
	EPM14022	Acquired during Quarter	0%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 31 January 2017

Print name: Mark Pitts

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.