

HAMMER METALS LIMITED

ABN 87 095 092 158

FINANCIAL REPORT

30 JUNE 2019

HAMMER METALS LIMITED
and its Controlled Entities

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DIRECTORS' REPORT

The Directors present their report together with the financial report of Hammer Metals Limited ("the Company", "Hammer") and of the Group, comprising the Company and its subsidiaries, for the year ended 30 June 2019 and the auditor's report thereon.

1. DIRECTORS

The names and details of the Company's directors in office during the financial year or since the end of the financial year are set out below.

Russell Davis – Executive Chairman
BSc (Honours) MBA MAusIMM, MAICD

Russell Davis is a Geologist with over 30 years' experience in the mineral resources business. He has worked on the exploration and development of a range of commodities for a number of international and Australian companies, holding senior technical and corporate positions including Chief Mine Geologist, Exploration Manager and Managing Director. Mr Davis was a founding Director of Gold Road Resources Limited and also Syndicated Metals Limited where he was Managing Director from December 2007 to March 2012. Mr Davis has been a Director of Hammer Metals (Australia) Pty Ltd since its inception in 2012.

Nader El Sayed – Non-Executive Director
B.Comm, MA

Nader El Sayed holds a Bachelor of Commerce (Banking & Finance) and a Masters (Accounting). Mr El Sayed is currently the Chief Executive Officer of Multiplant Holdings, a mining and civil services business based in Western Australia. Mr El Sayed's previous roles include holding a senior management position with KPMG providing assurance, capital markets and other advisory services to key Australian and international resource companies. Mr El Sayed brings a wealth of risk management, corporate governance, strategic and financial experience to the Board. Mr El Sayed is currently also a director of Spectrum Metals Limited.

Zbigniew Lubieniecki – Non-Executive Director (appointed 1 October 2018)
BSc (Applied Geology), MAIG

Zbigniew ("Ziggy") Lubieniecki holds a Bachelor of Science (Applied Geology) and is an experienced exploration geologist with more than 30 years' experience in exploration, mining, management, property acquisition and company listings. Mr Lubieniecki has held senior positions including Chief Mine Geologist for Plutonic Resources Limited and exploration Manager for Australian Platinum Mines, and was most recently an Executive Director of Gold Road Resources Limited. Mr Lubieniecki has had a successful exploration career including the discovery of the 6.2-million-ounce Gruyere gold deposit.

Alexander Hewlett – Executive Director (resigned 1 October 2018)

Simon Bodensteiner – Independent Non-Executive Director (resigned 1 October 2018)

DIRECTORS' REPORT (CONTINUED)

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other ASX listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Russell Davis	Gold Road Resources Ltd	May 2004 – June 2016
Alexander Hewlett	Spectrum Metals Limited	March 2017 – to date
	Black Cat Syndicate Limited	January 2018 – to date
Nader El Sayed	Spectrum Metals Limited	October 2017 – to date
Zbigniew Lubieniecki	None	-
Simon Bodensteiner	None	-

3. COMPANY SECRETARY

Mark Pitts – Company Secretary (appointed 13 August 2010)
B.Bus, FCA, GAICD

Mr Pitts is a Chartered Accountant with over 25 years' experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions. Mr Pitts is a Partner in the corporate advisory firm Endeavour Corporate providing secretarial support, corporate and compliance advice to a number of ASX listed public companies.

4. DIRECTORS' MEETINGS

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Company during their term in office in the financial year is as follows.

Director	Meetings held while in office	Meetings attended
Mr R Davis	7	7
Mr A Hewlett	1	1
Mr N El Sayed	7	7
Mr Z Lubieniecki	6	6
Mr S Bodensteiner	1	1

The Company does not have any committees. Matters usually considered by an audit, remuneration or nomination committee were dealt with by the whole Board during regular Board meetings.

5. PRINCIPAL ACTIVITY

The principal activity of the Group during the course of the financial year was mineral exploration in Australia.

6. OPERATING AND FINANCIAL REVIEW

The Group incurred an after-tax loss for the year of \$852,517 (2018: \$673,072).

Corporate:

The following issues of ordinary shares were completed during the year:

- On 14 September 2018, 2,305,074 ordinary shares were issued in lieu of underwriting fees on the rights issue of listed HMXOD options;
- In addition, on 14 September 2018, 6,666,667 ordinary shares and 4,000,000 free attaching HMXOD options were issued at an issue price of \$0.03 to raise \$200,000 and 400,000 ordinary shares were issued in lieu of fees for this placement;
- On 13 February 2019, 36,000,000 shares and 18,000,000 free-attaching options were issued under a placement to raise \$720,000 before costs; and
- On 20 May 2019, 14,000,000 shares and 7,000,000 free-attaching options were issued to Messrs Davis and Lubieniecki in accordance with the shareholder approval received for them to participate in the placement completed in February 2019.

DIRECTORS' REPORT (CONTINUED)

Subsequent to the year end, the Company raised \$1,756,069 (before costs) through a placement of 87,803,437 ordinary shares.

The following options were granted during the period:

- 161,355,205 listed HMXOD options exercisable at \$0.03 on or before 30 September 2020 were issued on 14 September 2018 pursuant to an entitlement issue at an issue price of \$0.005 raising \$806,767 before costs;
- 4,000,000 listed HMXOD options were issued as free-attaching options on the placement of 6,666,667 shares on 14 September 2018;
- 263,280 unlisted options exercisable at \$0.07 on or before 31 August 2020 were issued on 14 September 2018 to the underwriter of the entitlement issue of options in lieu of underwriting fees;
- 10,000,000 unlisted options exercisable at \$0.032 on or before 30 November 2021 were issued on 21 December 2018 to Directors as approved at the Company's Annual General Meeting; and
- 25,000,000 listed HMXOD options were issued as free-attached options on the placement of 50,000,000 shares on 13 February and 20 May 2019.

The following options expired during the period:

- 5,000,000 options exercisable at \$0.075 expired unexercised on 29 June 2019.

No options have expired subsequent to the end of the financial year.

No options were exercised during the financial year or up to the date of this report.

Exploration Activities:

The Company is actively exploring for gold deposits within its wholly owned Bronzewing South gold project in the Yilgarn Province of Western Australia and for large iron oxide copper-gold (IOCG) deposits of the Ernest Henry style within its Mount Isa project area in Northwest Queensland.

The Bronzewing South Project located in the prospective Yandal Greenstone Belt was acquired in May 2019. The Bronzewing region hosts the Bronzewing gold deposit, which has previous production of around 2.3Moz, and the Mt McClure gold deposits, which have previous production of 1.27Moz and an Inferred and Indicated Mineral Resource estimate of 1.07Moz. The Company's Bronzewing South Project tenements cover approximately 110km² and are along strike from both deposits.

Subsequent to the end of the financial year, the Company has undertaken a ground (IP) geophysical survey and undertaken its initial RC drilling program along strike to the south of the Bronzewing deposit.

The Mount Isa Project tenements cover approximately 2100km² within the Mary Kathleen Fold Belt, mid-way between Mt Isa and Cloncurry. Exploration by the Company has discovered several large altered and mineralised IOCG systems including Mt Philp, Dronfield, Hammertime, Andy's Hill and Overlander which have similarities with the IOCG alteration observed at the Ernest Henry deposit (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au) .

In August 2018, the Company discovered a new style of gold-copper mineralisation at Perentie in the Dronfield area. Rock chip sampling, a SAM geophysical survey and RC drilling defined shear zone hosted mineralisation at the Judith, Paddy B, and Trackside Prospects. Multiple targets remain to be tested in this area.

Good progress was made on the target generation and acquisition fronts, particularly on the Company's large Mount Philp Breccia IOCG project. After consolidating the tenements over what is the largest known zone of breccia in the region, ground follow-up of the Company's copper and gold soil anomalies has located several new zones of outcropping mineralisation including Charlie, Pelican Waterhole, Steakhouse and the Shadow prospect located adjacent to the Mount Philp hematite deposit. New outcropping high-grade gold-rich zones have also been identified at Alice, Kings and El Questro 50km east of Mt Philp in the Malbon area and the Black Rock and Sunset copper-gold tenements near Jubilee were acquired.

DIRECTORS' REPORT (CONTINUED)

The maiden Mineral Resource estimate was completed for the Jubilee copper-gold deposit held by the Mt Frosty Joint Venture (the "MFJV") (51% HMX - 49% MIM). The deposit is located less than 1km from the Barkly Highway and 55km east of Mount Isa. First pass metallurgical sulphide flotation test work returned positive results.

In late June 2018, the Company announced the proposed sale of the Millennium project and several other exploration stage cobalt targets to Global Energy Metals Corp ("GEMC") - a focused cobalt explorer and developer. The sale was completed on 28 June 2019, through the issue of 19.99% of the issued capital of GEMC to the Company. Through this investment, the Company will retain exposure to the Millennium deposit and other cobalt projects held by GEMC. GEMC has requested the Company continue to operate as manager over the exploration of these tenements.

7. DIVIDENDS

No dividends were paid or declared by the Company during the financial year.

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the year end, the Company raised \$1,756,069 (before costs) through a placement of 87,803,437 ordinary shares.

Other than the above, there has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

9. LIKELY DEVELOPMENTS

The Company will continue planning and executing exploration and development work on its existing projects in Australia as well as projects under review in Australia to complement and expand on existing tenement holdings.

10. DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options of the Company as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares	HMXOD Listed options	Unlisted options
Mr R Davis	21,000,000	8,600,000	5,500,000
Mr N El Sayed	19,500	11,700	1,500,000
Mr Z Lubieniecki	27,499,367	9,999,620	4,000,000

The above table includes indirect shareholdings held by related parties to the directors.

11. ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration activities the Group adheres to environmental regulations imposed on it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Group has complied with all material environmental requirements up to the date of this report. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Company.

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT – AUDITED

12.1 Principles of compensation

Remuneration levels for key management personnel and other staff of the Group are competitively set to attract and retain appropriately qualified and experienced personnel and therefore includes a combination of cash paid and the issuance of options and rights. Key management personnel comprise the directors of the Company and senior executives for the Group. Staff remuneration is reviewed annually.

Consequences of performance on shareholder wealth

In establishing performance measures and benchmarks to ensure incentive plans are appropriately structured to align corporate behaviour with the long-term creation of shareholder wealth, the Board has regard for the stage of development of the Company's business, share price, operational and business development achievements (including results of exploration activities) that are of future benefit to the Company.

Service contracts

Russell Davis – Executive Chairman:

The Company has entered into an Executive Service agreement with Mr Davis on 22 September 2014. An Executive service fee of \$220,000 per annum is payable with a 3-year term. The Company may terminate the engagement after twelve months by giving six months' notice or paying the executive an amount equal to six months of the executive fee. The executive may, after twelve months from the commencement of the agreement, terminate this agreement by giving three months' notice to the Company. Currently the base cash component of remuneration is not dependent on the satisfaction of any performance condition. To reduce operating costs, Mr Davis agreed in August 2015 to a 32% reduction of fees to \$150,000, with a subsequent further reduction to \$120,000 for the period from November 2018 to July 2019. The original term of the Consulting agreement expired on 22 September 2017 and the Company and Mr Davis have agreed to roll the agreement forward on a similar basis.

Mark Pitts – Company Secretary

Mr Pitts is a Partner in the corporate advisory firm Endeavour Corporate providing secretarial support and corporate and compliance advice, pursuant to a contract between Endeavour Corporate and the Company. The contract with Endeavour Corporate has no fixed term with the option of termination by either party with two months' written notice. Mr Pitts is not entitled to any termination payments other than for services rendered at time of termination.

Non-executive directors

From 1 July 2013, all non-executive Directors receive a fixed Directors' fee of \$30,000 (plus superannuation benefits of 9.5%) per annum.

The maximum aggregate amount of non-executive Directors' fees payable by the Company as approved by the shareholders at the 2011 annual general meeting is \$300,000 per annum.

There are no other items of contingent remuneration to Directors.

Share trading policy

In December 2010, the Group introduced a share trading policy which sets out the circumstances in which directors, executives, employees and other designated persons may deal with securities held by them in the Company. This includes any shares or any other securities issued by the Company such as options. The policy includes restriction on key management personnel and other employees from entering into arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

DIRECTORS' REPORT (CONTINUED)

12.2 Directors' and senior executives' remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and other key management personnel of the Group are:

			Primary		Post-employment	Equity		Proportion of	Value of
		Salary & fees	Consulting	Termination	Superannuation	Compensation	Total	remuneration	options as
		\$	fees	payments	benefits	Options	\$	performance	proportion of
Directors			\$	\$	\$	\$	\$	related	remuneration
								%	%
Executive									
Mr R Davis	2019	125,000	-	-	-	18,000	143,000	12.6%	12.6%
	2018	150,000	-	-	-	-	150,000	-	-
Mr A Hewlett	2019	37,500	-	50,000 ¹	-	-	87,500	-	-
	2018	150,000	-	-	-	-	150,000	-	-
Non-executive									
Mr N El Sayed	2019	30,000	-	-	2,850	12,000	44,850	26.8%	26.8%
	2018	30,000	-	-	2,850	-	32,850	-	-
Mr Z Lubieniecki	2019	30,000	38,625	-	2,850	36,000	107,475	33.5%	33.5%
	2018	-	-	-	-	-	-	-	-
Mr S Bodensteiner	2019	7,500	-	-	713	-	8,213	-	-
	2018	30,000	-	-	2,850	-	32,850	-	-
Total, all specified Directors	2019	230,000	38,625	50,000	6,413	66,000	391,038	16.9%	16.9%
	2018	360,000	-	-	5,700	-	365,700	-	-
Other Key Management Personnel									
Executives									
Mr M Pitts (Company Secretary)	2019	42,000	-	-	-	6,000	48,000	12.5%	12.5%
	2018	42,000	-	-	-	1,405	43,405	3.2%	3.2%
Total key management personnel and Directors of the Company and Group	2019	272,000	38,625	50,000	6,413	72,000	439,038	16.4%	16.4%
	2018	402,000	-	-	5,700	1,405	409,105	0.3%	0.3%

1 – In accordance with the terms of Mr Hewlett's agreement with the Company, he was entitled to termination pay equal to four months' salary.

DIRECTORS' REPORT (CONTINUED)

12.3 Value of options to executives

The value of options will only be realised if and when the market price of the Company shares, as quoted on the Australian Securities Exchange, rises above the Exercise Price of the options. Further details of the options are contained in the section Share Options below.

12.4 Options and rights over equity instruments granted as compensation

10,000,000 options were issued to the Directors, executives and employees during the year. Of these, 5,500,000 were issued to Directors and 500,000 were issued to the Company Secretary. These options are exercisable at \$0.032 on or before 30 November 2022. No options previously granted as compensation have been exercised during the year or to the date of this report.

12.5 Analysis of options and rights over equity instruments granted as compensation

The table below details the vesting profile of the options granted as remuneration to each key management person during the year. No options were granted as remuneration to key management personnel during the prior year.

Year ended 30 June 2019	Number of options granted	Date granted	% Vested	% Forfeited / Lapsed	Financial year in which grant vested
Key Management Personnel					
Mr R Davis	1,500,000	21 December 2018	100%	-	30 June 2019
Mr N El Sayed	1,000,000	21 December 2018	100%	-	30 June 2019
Mr Z Lubieniecki	3,000,000	21 December 2018	100%	-	30 June 2019
Mr M Pitts	500,000	21 December 2018	100%	-	30 June 2019

The fair value of the options issued during the year was determined by reference to the Black-Scholes option pricing model. The key inputs and valuations are summarised as follows:

	Options issued to KMP
Underlying security spot price on grant date	\$0.021
Exercise price	\$0.032
Grant date	21 December 2018
Expiration date	30 November 2022
Life (years)	3.95
Volatility	90%
Risk free rate	2.00%
Dividend Yield	-
Number of options	6,000,000
Valuation per option	\$0.0120
Remaining life (years)	3.42

12.6 Option holdings

The movement during the reporting period in the number of options over ordinary shares in Hammer Metals Limited held, directly, indirectly or beneficially, by each key management person, including their personally-related entities, is as follows:

DIRECTORS' REPORT (CONTINUED)

Year ended 30 June 2019	Held at beginning of period/on appointment	Granted	Purchased ¹	Exercised	Lapsed or Expired	Held at end of period / on resignation	Vested and exercisable at end of period
Key Management Personnel							
Mr R Davis	4,000,000	1,500,000	8,600,000	-	-	14,100,000	14,100,000
Mr A Hewlett	4,000,000	-	1,000,000	-	-	5,000,000	5,000,000
Mr N El Sayed	500,000	1,000,000	11,700	-	-	1,511,700	1,511,700
Mr Z Lubieniecki	5,999,620	3,000,000	5,000,000	-	-	13,999,620	13,999,620
Mr S Bodensteiner	500,000	-	18,340	-	-	518,340	518,340
Mr M Pitts	650,000	500,000	160,712	-	-	1,310,712	1,310,712

1 – Relates to HMXOD listed options acquired under the entitlement offer or as free-attaching options to the placement

12.7 Equity holdings and transactions

No shares were granted to key management personnel during the year as compensation (2018: Nil). 13,750,000 ordinary shares were issued to Directors as consideration for the purchase of Carnegie Exploration Pty Ltd (2018: Nil). The movement during the reporting period in the number of ordinary shares in Hammer Metals Limited held directly, indirectly or beneficially, by each key management person, including their personally-related entities (shown on a post-consolidation basis), is as follows:

Year ended 30 June 2019	Held at beginning of period/on appointment	Purchases	Consideration for purchase of Carnegie Exploration	Sales	Held at end of period/on resignation
Mr R Davis	11,000,000	4,000,000	4,583,333	-	19,583,333
Mr A Hewlett	5,525,476	-	-	-	5,525,476
Mr N El Sayed	19,500	-	-	-	19,500
Mr Z Lubieniecki	8,332,700	10,000,000	9,166,667	-	27,499,367
Mr S Bodensteiner	30,568	-	-	-	30,568
Mr M Pitts	53,334	53,809	-	-	107,143

12.8 Key management personnel transactions

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year exclusive of GST:

Key management Personnel	Transaction	Transaction value year ended		Balance outstanding as at	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		\$	\$	\$	\$
Mark Pitts	Accounting services	50,598	23,556	4,839	6,488
Alexander Hewlett	Consulting services	30,000	-	-	-

The Company paid fees to Endeavour Corporate, a company associated with Mark Pitts, for accounting and financial reporting services provided to the company. The amounts paid to Mr Hewlett represent consulting fees paid for the period of 6 months from the date of his resignation, in accordance with the definition of a *related party* under the *Corporations Act 2001*.

END OF REMUNERATION REPORT

DIRECTORS' REPORT (CONTINUED)

13. SHARE OPTIONS

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

	Expiry Date	Exercise price	Number of options
Directors' Options	30 June 2020	\$0.06	9,000,000
Employee / Contractor Options	30 June 2020	\$0.06	3,800,000
Advisor options	31 August 2020	\$0.07	2,676,078
Employee / Contractor Options	30 November 2019	\$0.07	1,500,000
Listed HMXOD options	30 September 2020	\$0.03	190,355,205
Director/Executive/Employee Options	30 November 2021	\$0.032	10,000,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

The Company has not issued ordinary shares as a result of the exercise of options during this year or the previous financial year.

No shares have been issued since the year end to the date of this report as a result of the exercise of options.

14. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviours and accountability, the Directors support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the ASX Corporate Governance Council and considers the Company is in compliance with those guidelines which are of importance to the operations of the Company. Where a recommendation has not been followed, that fact has been disclosed together with the reasons for the departure.

The Company's Corporate Governance Statement and disclosures available on the Company's website at www.hammermetals.com.au.

15. INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

Also pursuant to the Deed, the Company must insure the officers against liability and provide access to all board papers relevant to defending any claim brought against the officers in their capacity as officers of the Company.

The Company has paid insurance premiums during the year in respect of liability for any past, present or future Directors, secretary, officers and employees of the Company or related body corporate. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance or indemnification for the Auditor of the Company.

DIRECTORS' REPORT (CONTINUED)

16. NON-AUDIT SERVICES

During the year, KPMG, the Company's auditor provided taxation compliance services in addition to their statutory duties. Refer to Note 7 to the financial statements for more information.

17. LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' report for the financial year ended 30 June 2019.

18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of Directors, other than that disclosed elsewhere in this report, there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

This report is made with a resolution of the Directors:



R Davis
Executive Chairman
Perth
27 September 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Hammer Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Hammer Metals Limited for the financial year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

R Gambitta
Partner

Perth

27 September 2019

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	30 June 2019 \$	30 June 2018 \$
Current Assets			
Cash and cash equivalents	10	860,656	934,045
Trade and other receivables	11	51,959	106,751
Other financial assets	12	-	454,746
Total current assets		912,615	1,495,542
Non-current assets			
Other financial assets	12	1,258,758	60,000
Plant and equipment	13	-	2,420
Exploration and evaluation expenditure	14	11,954,619	11,316,751
Total non-current assets		13,213,377	11,379,171
Total assets		14,125,992	12,874,713
Current liabilities			
Trade and other payables	15	235,022	273,932
Advanced cash call		-	448,007
Total current liabilities		235,022	721,939
Total liabilities		235,022	721,939
Net assets		13,890,970	12,152,774
Equity			
Share capital	16	46,628,496	44,907,743
Reserves	17	1,658,845	788,885
Accumulated losses		(34,396,371)	(33,543,854)
Total equity		13,890,970	12,152,774

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	30 June 2019 \$	30 June 2018 \$
Other income	4	93,044	113,738
Marketing expenses		(86,717)	(146,544)
Administrative expenses		(785,572)	(565,933)
Share based payments		(120,000)	(14,054)
Occupancy expenses		(46,224)	(45,255)
Depreciation	5	(2,420)	(1,335)
Exploration expenditure impaired	14	(588,743)	-
Fair value adjustment on financial assets		-	(9,500)
Loss on disposal of financial assets		(23,808)	-
Gain on disposal of subsidiary	26	705,049	-
Other expenses		(100)	(9,582)
Loss from operating activities	5	(855,491)	(678,465)
Finance income		3,045	6,794
Finance expenses		(71)	-
Net finance income / (expense)	6	2,974	6,794
Loss before income tax		(852,517)	(671,671)
Income tax benefit	8	-	17,359
Net loss for the year from continuing operations		(852,517)	(654,312)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value of financial assets		-	(18,750)
Other comprehensive loss for the year, net of income tax		-	(18,750)
Total Comprehensive loss for the year		(852,517)	(673,062)
Loss per share:			
Basic and diluted loss per share (cents per share)	9(a)	(0.29)	(0.26)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Share capital	Share based payment reserve	Option issue reserve	Fair value reserve	Accumulated losses	Total
Balance at 1 July 2017	42,655,110	1,211,377	-	18,750	(33,376,363)	10,508,874
Loss for the year	-	-	-	-	(654,312)	(654,312)
Other comprehensive income / loss	-	-	-	(18,750)	-	(18,750)
Total comprehensive loss for the period	-	-	-	(18,750)	(654,312)	(673,062)
Shares issued for cash	2,412,798	-	-	-	-	2,412,798
Shares issued in lieu of fees	50,000	-	-	-	-	50,000
Share based payments	-	64,329	-	-	-	64,329
Options expired	-	(486,821)	-	-	486,821	-
Share issue costs	(210,165)	-	-	-	-	(210,165)
Balance at 30 June 2018	44,907,743	788,885	-	-	(33,543,854)	12,152,774
Balance at 1 July 2018	44,907,743	788,885	-	-	(33,543,854)	12,152,774
Loss for the year	-	-	-	-	(852,517)	(852,517)
Other comprehensive income / loss	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(852,517)	(852,517)
Shares issued for cash	1,200,000	-	-	-	-	1,200,000
Shares issued in lieu of fees	56,807	-	(56,807)	-	-	-
Shares issued to acquire exploration assets	550,000	-	-	-	-	550,000
Listed options issued for cash under rights issue	-	-	806,767	-	-	806,767
Share based payments	-	122,106	(2,106)	-	-	120,000
Share issue costs	(86,054)	-	-	-	-	(86,054)
Balance at 30 June 2019	46,628,496	910,991	747,854	-	(34,396,371)	13,890,970

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	30 June 2019 \$	30 June 2018 \$
Cash flows from operating activities			
Interest received		2,945	6,794
Rental income received		12,686	3,600
Fuel rebate received		71	22,086
Cash payments in the course of operations		(937,286)	(624,683)
Net cash used in operating activities	22	(921,584)	(592,203)
Cash flows from investing activities			
Payments for exploration expenditure		(1,518,476)	(2,044,001)
Management fees received from farm-in and joint venture partners		56,585	92,384
Option fee received		-	193,997
Receipt of research and development grant		366,948	123,682
Proceeds from the sale of investments		36,192	-
Proceeds on sale of equipment		-	30,000
Cash disposed on sale of subsidiary	26	(13,768)	-
Net cash used in investing activities		(1,072,518)	(1,603,938)
Cash flows from financing activities			
Proceeds from issue of share capital		1,200,000	2,412,798
Proceeds from issue of options		806,767	-
Transaction costs from issue of shares and options		(86,054)	(201,165)
Net cash from financing activities		1,920,713	2,292,158
Net increase / (decrease) in cash and cash equivalents		(73,389)	96,018
Cash and cash equivalents at beginning of year		934,045	838,027
Cash and cash equivalents at end of year	10	860,656	934,045

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Hammer Metals Limited (the “Company”) is a company domiciled in Australia. The Company’s registered office is Suite 1, 827 Beaufort Street, Mt. Lawley WA. The consolidated financial statements of the Company for the financial year ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as the “Group”).

The Group is a for profit entity and is primarily involved in the exploration and extraction of mineral resources.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS’s) adopted by the International Accounting Standards Board (IASB).

The consolidated financial report was authorised for issue by the Directors on 27 September 2019.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for share based payments and available for sale financial assets which are measured at their fair value. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(c) Functional and presentation currency

The financial report is presented in Australian dollars which is the functional and presentation currency of the Company and its subsidiaries.

(d) Use of estimates and judgements

Set out below is information about:

- critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and
- assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Critical judgements

i. Going concern

A key assumption underlying the preparation of the financial statements is that the Group will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and to continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgement has been required in assessing whether the Group is a going concern, as set out in note 2(g).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

Estimates and assumptions

ii. Ore Reserves and Mineral Resources

Economically recoverable reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group determines and reports ore reserves and mineral resources under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 edition (the JORC Code). The determination of ore reserves or mineral resources includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves and mineral resources impact the assessment of recoverability of exploration and evaluation assets, provisions for site restoration and the recognition of deferred tax assets, including tax losses.

iii. Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 3(n)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves (refer note 2(d)(ii)), the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(n), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the statement of profit and loss and other comprehensive income in accordance with accounting policy 3(f). The carrying amounts of exploration and evaluation assets are set out in note 14.

iv. Impairment of assets

The recoverable amount of each non-financial asset is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policy note 3(f). Determination of the recoverable amount of an asset based on a discounted cash flow model, requires the use of estimates and assumptions, including: the appropriate rate at which to discount the cash flows, the timing of the cash flow and the expected life of the relevant area of interest, exchange rates, commodity prices, ore reserves, future capital requirements and future operation performance. Changes in these estimates and assumptions impact the recoverable amount of the asset, and accordingly could result in an adjustment to the carrying amount of that asset.

v. Measurement of fair values

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level that is significant to the entire measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(e) Adoption of new and revised standards

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period beginning on or after 1 July 2018. As a result of this review, the Group has initially applied AASB 9 Financial Instruments and AASB 15 Revenue from contracts with customers from 1 July 2018.

Due to the transition methods chosen by the Group in applying AASB 9 Financial Instruments and AASB 15 Revenue from contracts with customers, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standards.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model. Full details of the Company's accounting policy regarding Financial Instruments is detailed below.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information as it has been assessed that there is no impact on the carrying value of assets, liabilities or equity upon initial adoption.

The Group's classes of financial assets and liabilities as presented in the Statement of Financial Position, and their measurement categories under AASB 139 and AASB 9 are as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9	Carrying value at 1 July 2018 (\$)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	934,045
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	106,751
Other financial assets – current	Loans and receivables	Financial assets at amortised cost	454,746
Investments in listed equities	Held for trading	Financial asset at fair value through profit or loss	60,000
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost	273,932
Advanced cash calls	Financial liability at amortised cost	Financial liability at amortised cost	448,007

AASB 15 Revenue from Contracts with Customers

From 1 July 2018 the Group has adopted AASB 15 which replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue related Interpretations. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

There has been no change in the manner in which revenue is recognised as a result of AASB 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

Rendering of services

Revenue from consulting services are recognised when provided.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

The adoption of AASB 15 has not had any effect on the financial performance or position of the Group. No adjustment was required to be recognised to the opening balance of accumulated losses at 1 July 2018 as a result of the adoption of AASB 15.

Other amending Accounting Standards and interpretations

Several other amending Accounting Standards and Interpretations apply for the first time for the reporting period commencing 1 July 2018. These other amending Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the interim financial report.

(f) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are not yet effective and have not been applied in preparing this financial report.

- AASB 16 Leases provides a new lessee accounting model requiring the recognition of assets and liabilities for all leases with a term greater than 12 months, unless the underlying asset is of low value. It requires the lessee to recognise a right-of-use asset, representing the rights to use the underlying lease asset and a lease liability representing the obligation of lease payments. AASB 16 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The impact on the Group's financial assets and financial liabilities of the adoption of AASB 16 is expected to be immaterial.
- AASB 2017-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions. The standard makes amendments to AASB 2 Share-based Payment. The amendments address the accounting for the effects of vesting and non-vesting conditions and the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled, is effective for annual reporting periods beginning on or after 1 January 2019 and it is not expected that this will have a significant impact on the consolidated financial statements.

(g) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2019, the Group has incurred a consolidated loss before tax of \$852,517 and net cash outflows from operating and investing activities of \$1,994,102. As at 30 June 2019 the Group had \$860,656 in cash and cash equivalents and net current assets of \$677,593.

On 5 August 2019, the Company completed a placement of 87,803,437 shares at 2 cents per share (\$0.02) raising \$1,756,069 before costs of the offer.

Whilst not immediately required, the Group will need to raise additional funds to meet its ongoing obligations and tenement expenditure commitments and subject to the results of its ongoing exploration activities, expand or accelerate its work programs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(g) Going concern (continued)

The Group's capacity to raise additional funds will be impacted by the success of the ongoing exploration activities and market conditions. Additional sources of funding available to the Group include a capital raising via preferential issues to existing shareholders, placements to new and existing investors or through farm in or similar arrangements.

If necessary, the Group can delay exploration expenditure and the directors can also institute cost saving measures to further reduce corporate and administrative costs.

However, should the above planned activities to raise or conserve capital not be successful, there exists a material uncertainty surrounding the Group's ability to continue as a going concern and, therefore, realise its assets and dispose of its liabilities in the ordinary course of business and at the amounts stated in the financial report.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements, other than as noted in Note 2(e) above.

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

ii. Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 percent and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term interest that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

iii. Joint arrangements

The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligation for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

iv. Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

v. Business combinations

Business combinations are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

vi. Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

vii. Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

(b) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit and loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(c) Plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3(f)). Depreciation is charged to the statement of profit and loss and other comprehensive income on a straight-line basis over their estimated useful lives. The estimated useful lives in the current and comparative periods are as follows:

- office equipment 3 to 4 years

The residual value, if significant, is reassessed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI.

Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139.

Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to "hold to collect" the associated cash flows and sell financial assets; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(f) Impairment

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost.

The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets (see accounting policy 3(k)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Share capital

Ordinary shares

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(h) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit and loss and other comprehensive income over the period of the borrowings on an effective interest basis.

(i) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss and other comprehensive income as incurred.

Share based payment transactions

The share option programme allows Company and Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee benefits (continued)

The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(j) Finance income and expenses

Net finance income

Net finance income comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and realised foreign exchange gains and losses. Interest income is recognised in the statement of profit and loss and other comprehensive income as it accrues, using the effective interest method.

(k) Income tax

Income tax on the statement of profit and loss and other comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its Australian resident wholly owned subsidiaries adopted the tax consolidation legislation with effect from 1 July 2014 and are therefore taxed as a single entity from that date. Hammer Metals Ltd is the head entity within the tax-consolidated group. Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

A provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed. Such activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including restoring, topsoiling and revegetation of the disturbed area.

(m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(n) Exploration and evaluation expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the Group has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resources. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Group in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable.

Accounting for exploration and evaluation expenditure is assessed separately for each area of interest. An area of interest is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest, the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- a) The rights to tenure of the area of interest are current; and
- b) At least one of the following conditions is also met:
 - i. The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
 - ii. Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include;

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Exploration and evaluation expenditure (continued)

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploitation for and evaluation of mineral resources in the specific area are not budgeted or planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each cash generating unit which is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy 3(f).

Farm-in arrangements (in the exploration and evaluation phase)

For exploration and evaluation asset acquisitions (farm-in arrangements) in which the Group has made arrangements to fund a portion of the selling partner's (farmor's) exploration and/or future development expenditures (carried interests), these expenditures are reflected in the financial statements as and when the exploration work progresses.

Farm-out arrangements (in the exploration and evaluation phase)

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.

Monies received pursuant to farm-in agreements are treated as a liability (advanced cash call) on receipt and until such time as the relevant expenditure is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Government grants

The Group recognises the refundable research and development tax incentive (received under the tax legislation passed in 2011) as a government grant. This incentive is refundable to the Group regardless of whether the Group is in a tax payable position and is presented by deducting the grant from the carrying amount of the related exploration asset. Government grants are recognised when there is reasonable assurance that (a) the Group will comply with the conditions attaching to them; and (b) the grants will be received; they are then recognised in profit or loss on a systematic basis over the useful life of the asset.

	30 June 2019	30 June 2018
	\$	\$
4. OTHER INCOME		
Management fee from farm-in partners	56,585	110,138
Rental income	12,686	3,600
Sale of royalty	71	-
Other income	23,703	-
	93,044	113,738
	30 June 2019	30 June 2018
	\$	\$
5. RESULT FROM OPERATING ACTIVITIES		
Net loss for the year before tax has been arrived at after the charging the following expenses:		
Depreciation of plant and equipment	2,420	1,335
Salary and wages	162,721	105,000
Superannuation expense	6,378	5,609
Share based payments	120,000	14,054
Other employment costs	13,111	10,948
Total employee costs	302,210	135,611
	30 June 2019	30 June 2018
	\$	\$
6. FINANCE INCOME AND FINANCE COSTS		
Recognised in loss for the year:		
Interest income	3,045	6,794
Finance costs	(71)	-
Net finance income	2,974	6,794
	30 June 2019	30 June 2018
	\$	\$
7. AUDITORS' REMUNERATION		
Auditors of the Company - KPMG		
Audit services:		
Audit and review of financial reports	41,840	41,322
Non-audit services:		
Taxation compliance services	11,275	23,319
	53,115	64,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	30 June 2019 \$	30 June 2018 \$
8. INCOME TAX		
(a) Income tax benefit		
Current tax	-	17,359
Deferred tax	-	-
Total income tax benefit	-	17,359
Numerical reconciliation of income tax benefit to pre-tax accounting loss:		
Loss before income tax	(852,517)	(671,671)
Income tax benefit using the Company's domestic tax rate of 27.5% (2018: 27.5%)	(255,755)	(184,710)
Adjusted for:		
Non-deductible expenses / (Non-Assessable Income)	(5,861)	1,345
Temporary differences and tax losses not recognised	261,616	183,365
Research and development income tax benefit	-	17,359
Income tax benefit	-	17,359
(b) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary timing differences related to:		
Investments	-	14,438
Property, plant and equipment	721	2,083
Accrued expenses and provisions	21,808	(2,635)
Capital raising costs	64,829	77,108
Income tax losses	6,998,855	7,322,674
	7,086,213	7,413,668
(c) Recognised deferred tax assets & liabilities		
Temporary timing differences related to:		
Other financial assets		
Exploration and evaluation expenditure	(3,287,520)	(3,112,107)
Income tax losses	3,287,520	3,112,107
	-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX (CONTINUED)

(d) Movement of temporary differences recognised during the year ended 30 June 2019:

	Balance 1 July 2018	Profit or Loss	Other comprehensive income	Equity	Balance 30 June 2019
Other financial assets					
Exploration and evaluation expenditure	(3,112,107)	(175,413)	-	-	(3,287,520)
Carried-forward tax losses	3,112,107	175,413	-	-	3,287,520
	-	-	-	-	-

(e) Movement of temporary differences recognised during the year ended 30 June 2018:

	Balance 1 July 2017	Profit or Loss	Other comprehensive income	Equity	Balance 30 June 2018
Other financial assets	-				
Exploration and evaluation expenditure	(2,813,347)	(298,760)	-	-	(3,112,107)
Carried-forward tax losses	2,813,347	298,760	-	-	3,112,107
	-	-	-	-	-

9. LOSS PER SHARE

(a) Basic and dilutive loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date.

Options disclosed in Note 16(b) are potential ordinary shares which are considered anti-dilutive, therefore diluted earnings per share are the same as basic earnings per share.

(b) Weighted average number of shares used in calculation of basic and dilutive earnings per share

30 June 2019	30 June 2018
\$	\$

(0.29) cents	(0.26) cents
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10. CASH AND CASH EQUIVALENTS

Cash at bank and on hand

30 June 2019	30 June 2018
\$	\$
860,656	934,045

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and financial liabilities are disclosed in Note 24.

11. TRADE AND OTHER RECEIVABLES

Current

GST receivable

Security deposit

Other receivables

30 June 2019	30 June 2018
\$	\$
11,034	33,193
38,858	46,808
2,067	26,750
51,959	106,751

Trade and other receivables are non-interest bearing.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	30 June 2019 \$	30 June 2018 \$
12. OTHER FINANCIAL ASSETS		
Current		
Advanced contributions from Farm-in partner (Note 21)	-	454,746
Non - Current		
Investments in other entities		
Listed shares in TSXV and ASX-listed companies - at fair value	1,258,758	60,000

The Group's exposure to equity price risk and sensitivity analysis is disclosed in Note 24. Listed shares recognised as non-current assets have been recognised at fair value through profit or loss ("FVTPL")

	30 June 2019 \$	30 June 2018 \$
13. PLANT AND EQUIPMENT		
Office equipment and fittings at cost	252,906	252,906
Accumulated depreciation	(252,906)	(250,486)
Net book value	-	2,420

Reconciliation of office equipment is as follows:

Opening carrying value	2,420	3,755
Additions	-	-
Depreciation	(2,420)	(1,335)
Closing carrying value	-	2,420

	30 June 2019 \$	30 June 2018 \$
14. EXPLORATION AND EVALUATION EXPENDITURE		
Balance at 1 July	11,316,751	9,377,823
Exploration and evaluation expenditure incurred	1,528,688	2,833,157
Exploration and evaluation assets acquired	610,616	9,750
Exploration and evaluation expenditure impaired	(588,743)	-
Disposal of subsidiary (refer note 26)	(545,745)	-
Research and development grant received	(366,948)	(106,323)
Reimbursement of costs on exploration and evaluation	-	(797,982)
Balance at 30 June	11,954,619	11,316,751

The ultimate recovery of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest at an amount greater than or equal to carrying value. Refer note 3 (n).

Expenses capitalised to Exploration and Evaluation Expenditure assets for the year include direct exploration costs (drilling, rock chip programs and surveys including magnetic and SAM), laboratory costs (assaying, analysis and review), geological and geochemical consultants as well as allocated administration costs (including salary and wages) where those costs can be directly attributed to the exploration or evaluation activities upon a given area of interest. The impairment recognised relates to tenements relinquished during the year.

On 21 May 2019 the Company purchased the Bronzewing South project through the acquisition of Carnegie Exploration Pty Ltd, the holder of the tenements comprising the project. The consideration paid to satisfy the acquisition was 22,916,666 ordinary shares. These shares had a fair value of \$0.024 per share, or \$550,000. Additionally, \$35,616 of existing exploration assets were acquired through this transaction. This acquisition represents an asset acquisition and therefore the fair value of the consideration paid has been allocated in full to the exploration asset. Furthermore, during the year the Company acquired additional exploration projects for \$25,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		30 June 2019	30 June 2018	
		\$	\$	
15. TRADE AND OTHER PAYABLES				
Trade creditors and accruals		235,022	273,932	
All trade and other payables are non-interest bearing and payable on normal commercial terms.				
The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 24.				
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	No.	No.	\$	\$
16. ISSUED CAPITAL				
(a) Share capital				
<i>Ordinary shares</i>				
On issue at 1 July	268,925,341	198,309,674	44,907,743	42,655,110
Shares issued for acquisition of asset at \$0.043 per share	-	250,000	-	10,750
Shares issued for cash at \$0.035 per share	-	68,937,096	-	2,412,798
Shares issued in lieu of fees at \$0.035 per share	-	1,428,571	-	50,000
Shares issued in lieu of fees on entitlement issue of options	2,705,074	-	56,807	-
Shares issued for cash at \$0.03 per share	6,666,667	-	200,000	-
Shares issued for cash at \$0.02 per share	50,000,000	-	1,000,000	-
Shares issued to acquire subsidiary	22,916,666	-	550,000	-
Share issue costs	-	-	(86,054)	(220,915)
On issue at 30 June – fully paid	351,213,748	268,925,341	46,628,496	44,907,743
(a) Share capital (continued)				
<i>Terms and conditions</i>				
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. The company does not have authorised capital or par value in respect of its issued shares.				
In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.				
<i>Dividends</i>				
No dividends were paid or declared for the year (2018: NIL).				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. ISSUED CAPITAL (CONTINUED)

	30 June 2019 No.	30 June 2018 No.
(b) Options outstanding over ordinary shares		
<i>Listed options</i>		
Listed HMXOD options exercisable at \$0.03 on or before 30 Sep 2020	190,355,205	-
<i>Unlisted options</i>		
Unlisted options exercisable at \$0.075 expiring 29 Jun 2019	-	5,000,000
Unlisted options exercisable at \$0.06 expiring 30 Jun 2020	12,800,000	12,800,000
Unlisted options exercisable at \$0.07 expiring 31 Aug 2020	2,676,078	2,412,798
Unlisted options exercisable at \$0.07 on or before 30 Nov 2019	1,500,000	1,500,000
Unlisted options exercisable at \$0.032 on or before 30 Nov 2022	10,000,000	-
	217,331,283	21,712,798

161,355,205 listed options were issued for \$0.005 per option, and 29,000,000 listed options were issued for no cash consideration. All unlisted options were granted for no cash consideration.

10,000,000 unlisted options were granted to directors, executives and employees during the year (2018: nil).

No unlisted options were granted to employees, consultants and contractors during the year (2018: 3,912,798)

No unlisted options were exercised during the period.

5,000,000 fully vested unlisted options expired unexercised during the period (2018: 21,750,287).

Options carry no voting rights until converted to fully paid ordinary shares.

	30 June 2019 \$	30 June 2018 \$
17. RESERVES		
Share-based payment reserve ⁽¹⁾		
Balance at beginning of period	788,885	1,211,377
Options issued to Directors and executives	120,000	-
Options issued to Employees and contractors	-	64,329
Unlisted options issued in lieu of fees for underwriter of listed option entitlement issue	2,106	-
Fully vested options expired unexercised during the period	-	(486,821)
	910,991	788,885
Fair value reserve ⁽²⁾		
Balance at beginning of period	-	18,750
Net decrease in the market value of listed shares available for sale	-	(18,750)
	-	-
Option issue reserve ⁽³⁾		
Balance at beginning of period	-	-
Options issued under entitlement issue at \$0.005 per option	806,767	-
Option issue costs satisfied through issue of ordinary shares	(56,807)	-
Option issue costs satisfied through issue of unlisted options	(2,106)	-
	747,854	-
	1,658,845	788,885

⁽¹⁾ The share-based payment reserve is used to record the fair value of options issued to Directors and employees and consultants under various share-based payment schemes and options issued for the acquisition of assets.

⁽²⁾ The fair value reserve is used to record changes in the fair value of available for sale investments until the investments are derecognised or impaired.

⁽³⁾ The option issue reserve is used to record the value of listed options issued under the entitlement issue during the period, less the costs of that issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. COMMITMENTS

a) Operating Lease Commitments

The operating lease over the Company's head office is currently on a month to month basis. There are no other operating leases.

b) Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Governments within Australia. These obligations may be reset when application for a mining lease is made and at other times.

The Group has a minimum expenditure commitment on tenure under its control.

The Company can apply for exemption from compliance with the minimum exploration expenditure requirements. Due to the nature and scale of the Company's exploration activities the Company is unable to estimate its likely tenement holdings and therefore minimum expenditure requirements more than 1 year ahead.

These obligations are not provided for in the financial report and are payable:

	Consolidated		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	\$	\$	\$	\$
Minimum exploration expenditure not later than 1 year	2,076,500	2,116,750	-	-

19. SHARE BASED PAYMENTS

Incentive Option Plan

The Hammer Metals Incentive Option Plan was approved by shareholders on 10 June 2016. The key features of this plan are:

- The plan will be available to directors, employees and other permitted persons of the Company and its subsidiaries.
- Options are granted for no consideration.
- The options are issued at an exercise price as determined by the Board from time to time.
- The number of shares the subject of options issued under this plan and other similar plans will not exceed 5% of the Company's issued capital from time to time.
- If a holder ceases to be an eligible participant of the plan during the exercise period of a vested option, the holder may exercise the options within 30 days of ceasing to be an eligible participant and thereafter the options will lapse.
- The options issued under this plan shall not be quoted on ASX.
- The options' terms are at the discretion of the Directors.

No options granted as incentive or for services have lapsed, expired or were exercised during the year.

The number and weighted average exercise price of unlisted share options on issue is as follows:

	No of unlisted options	Weighted average exercise price
Outstanding at 1 July	21,712,798	\$0.07
Granted during the period	10,263,280	\$0.033
Expired / lapsed or exercised during the period	(5,000,000)	\$0.075
Outstanding at 30 June	26,976,078	\$0.051
Exercisable at 30 June	26,976,078	

The options outstanding at year end have exercise prices ranging from \$0.032 to \$0.07 a weighted average remaining contractual life of 1.88 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTIES

Key Management Personnel Compensation:

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive Directors

Mr R Davis (Chairman)

Mr A Hewlett (resigned 1 October 2018)

Non-executive Directors

Mr N El Sayed

Mr Z Lubieniecki (appointed 1 October 2018)

Mr S Bodensteiner (resigned 1 October 2018)

Executives

Mr M Pitts (Company Secretary)

	30 June 2019	30 June 2018
The key management personnel compensation comprised:	\$	\$
Short-term employee benefits	360,625	402,000
Post-employment benefits	6,413	5,700
Share-based payments	72,000	1,405
	439,038	409,105

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and executives. Remuneration packages include a mix of fixed remuneration and equity-based remuneration.

Information regarding individual Directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the remuneration report section of the Directors' report.

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. One of these entities (as detailed below) transacted with the Group during the reporting period. The terms and conditions of the transaction were no more favourable than those available, or which might be reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to this entity were as follows:

		Transaction value year ended		Balance outstanding as at	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Transaction	\$	\$	\$	\$
Mr R Davis	Note 1	110,000	-	-	-
Mr Z Lubieniecki	Note 1	220,000	-	-	-
Mr A Hewlett	Note 1	110,000	-	-	-
	Consulting	30,000	-	-	-
	Fees – Note 2				
Mr M Pitts	Accounting services	50,598	23,556	4,839	6,488

The Company paid fees to Endeavour Corporate, a company associated with Mark Pitts, for accounting and financial reporting services provided to the company.

Note 1 – on 21 May 2019 shareholders of the Company approved the acquisition of the Bronzewing South project (via the acquisition of Carnegie Exploration Pty Ltd) via the issue of 22,916,666 ordinary shares at \$0.024 per share, totalling \$550,000. Messrs Davis, Lubieniecki and Hewlett were the vendors of Carnegie Exploration Pty Ltd, and the amounts noted in the table above represent the value of shares issued to each party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTIES (CONTINUED)

Note 2 – Upon his resignation as a director of the Company on 1 October 2019, Mr Hewlett entered into an agreement to provide contract geological services to the Company. These amounts represent those payments for the period of 6 months from the date of his resignation, in accordance with the definition of a *related party* under the *Corporations Act 2001*.

Equity instruments

All options refer to options over ordinary shares of Hammer Metals Limited, which are exercisable on a one for one basis.

10,000,000 options were issued to directors in this financial year (2018: Nil)

No options were issued to executives in regard to their employment or provision of services during this financial year (2018: 150,000).

No shares were granted to key management personnel during the year as compensation (2017: Nil).

21. INTEREST IN OTHER ENTITIES

Name	Country of Incorporation	Percentage held 2019	Percentage held 2018
Parent and ultimate controlling entity			
Hammer Metals Limited			
Subsidiaries			
Hammer Metals Australia Pty Ltd	Australia	100%	100%
Mt. Dockerell Mining Pty Ltd	Australia	100%	100%
Mulga Minerals Pty Ltd	Australia	100%	100%
Carnegie Exploration Pty Ltd	Australia	100%	-
Element Minerals Australia Pty Ltd	Australia	-	100%
Hammer Bulk Commodities Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Midas Metals Asia Pty Ltd ⁽ⁱ⁾	Australia	85%	85%

(i) These subsidiaries are dormant and have not traded during the year.

The investments held in controlled entities are included in the financial statements of the parent at cost.

Element Minerals Australia Pty Ltd was disposed of on 28 June 2019. Refer Note 26 for details. Carnegie Exploration Pty Ltd was acquired on 21 May 2019. Refer Note 14 for details.

Joint arrangements

The Group has the following farm-in / farm-out arrangements:

Dronfield

The Group has a farm-in agreement in relation to a tenement held in the Mt. Isa region. The Group has earned an 80% interest in the project. The Group's interest in the above arrangement includes capitalised exploration phase expenditure totalling \$611,911 at 30 June 2019 and is included in exploration and evaluation assets (note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INTEREST IN OTHER ENTITIES (CONTINUED)

Mt Frosty – Mt Isa Mines (Glencore)

During the prior year the Group (through its wholly owned subsidiary Mulga Minerals Pty Ltd ('Mulga')) completed the acquisition of a 51% interest in the Mt. Frosty prospect and agreed terms for a new joint venture agreement with Mount Isa Mines Limited ('MIM') (a 100% owned subsidiary of Glenore PLC).

Each party to the joint venture contributes exploration expenditure according to their participating interest (Hammer – 51% and MIM – 49%).

Dilution provisions apply if a party elects not to contribute to a programme. If a party's participating interest falls below 10% their interest will convert to a 3% Net Profits Royalty.

Mulga acts as the initial manager of the joint venture. The Group's interest in the above arrangement includes capitalised exploration phase expenditure totalling \$354,674 at 30 June 2019 and is included in exploration and evaluation assets (note 14).

Millennium Project – Global Energy Metals Corporation (GEMC)

The Millennium cobalt-copper-gold project was previously a joint venture with TSX listed Global Energy Metals Corporation (GEMC). On 28 June 2019 GEMC acquired Element Minerals Australia Pty Ltd from the Company, which resulted in GEMC owning 100% of the Millennium Project. As consideration for the sale, the Company was issued 19.99% of the issued capital of GEMC.

Mt Isa – Newmont

The Group previously was party to a farm-out agreement with Newmont Exploration Australia Pty Ltd (Newmont) that commenced in December 2015 in relation to three of the Group's IOCG prospects; Newmont could earn up to 75% of the Group's interest in the area by spending US\$10,500,000.

During the previous year, Newmont met the criteria to acquire the first 35% interest in the project, but elected to discontinue and withdraw from the arrangement. The joint venture was terminated in June 2018.

	30 June 2019 \$	30 June 2018 \$
22. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(852,517)	(654,312)
Adjustments for:		
Depreciation	2,420	1,335
Share based payments	120,000	14,054
Exploration expenditure impaired	588,743	-
Fair value adjustment on financial assets	23,808	-
Gain on disposal of subsidiary	(705,049)	-
Impairment expense	-	17,000
Management fee from farm-in partners	(56,585)	(58,053)
Profit on sale of assets	-	(30,000)
Research & development income tax benefit	-	(17,359)
Movements attributable to operating activities:		
Decrease / (increase) in trade and other receivables	54,792	(6,657)
Increase / (decrease) in trade and other payables	(97,196)	141,789
Net cash used in operating activities	(921,584)	(592,203)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SEGMENT INFORMATION

The Group has one reportable segment, being mineral exploration in Australia.

The Group's operating segments have been determined with reference to the monthly management accounts, program budgets and cash flow forecasts used by the chief operating decision maker to make decisions regarding the Group's operations and allocation of working capital.

Accordingly, the financial information presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position is the same as that presented to the chief operating decision maker.

24. FINANCIAL INSTRUMENTS DISCLOSURES

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

Credit risk

Liquidity risk

Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

As the Company operates in the mining exploration sector it does not have significant trade receivables and is therefore not exposed to credit risk in relation to trade receivables. The Group receives advanced cash calls from its farm-in / joint venture partner which are classified as other receivables. The cash call amounts are reduced as and when expenditure in terms of the farm-in/ joint venture agreement is incurred.

Presently, the Group undertakes exploration and evaluation activities in Australia. At the balance sheet date there were no significant concentrations of credit risk.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Consolidated	Note	Carrying amount	
		30 June 2019	30 June 2018
		\$	\$
Cash and cash equivalents	10	860,656	934,045
Trade and other receivables	11	51,959	106,751
Advanced contributions from Farm-in partner	12	-	454,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Impairment losses

None of the Group's trade and other receivables are past due and impaired (2018: Nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due (refer Note 2(f)). The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically, the Group ensures it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

All financial liabilities are due and payable on terms of no more than 30 days. All financial liabilities are generally settled within stated payment terms.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group has no exposure to currency risk on investments and transactions that are denominated in a currency other than the respective functional currencies of Group entities.

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

Interest rate risk

The Group is not exposed to interest rate risk on borrowings as it has no borrowings subject to variable interest. The Group is exposed to interest rate risk on its cash balances.

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Carrying amount	
	30 June 2019	30 June 2018
	\$	\$
Fixed rate instruments		
Cash and cash equivalents	21,475	20,972
Weighted average interest rates	2.40%	2.40%
Variable rate instruments		
Cash and cash equivalents	839,181	913,073
Weighted average interest rates	0.18%	0.26%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss or equity (2017: Nil)

Cash flow sensitivity analysis for variable rate instruments

A sensitivity of 50 basis points has been used and considered reasonable given current interest rates. A 0.5% movement in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis for 2018 was performed on the same basis.

Consolidated	Loss		Equity	
	50bp increase	50bp decrease	50bp increase	50bp decrease
30 June 2019				
Variable rate instruments	4,196	(4,196)	4,196	(4,196)
30 June 2018				
Variable rate instruments	4,565	(4,565)	4,565	(4,565)

Carrying amounts versus fair values

The fair values of financial assets and liabilities are as per the carrying amounts shown in the statement of financial position.

	30 June 2019 \$	30 June 2018 \$
Financial assets carried at fair value through profit or loss		
Equity securities – listed on ASX at quoted prices	-	60,000
Equity securities – listed on TSXV at quoted prices	1,258,758	-
Financial assets carried at amortised costs		
Cash and cash equivalents	839,181	934,045
Trade and other receivables	51,959	106,751
Advanced contributions from Farm-in partner	-	454,746
Financial liabilities carried at amortised costs		
Trade and other payables	(235,022)	(273,932)
Advanced cash call	-	(448,007)

Other Market Price Risk

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

Fair value sensitivity analysis for equity securities (listed investments)

A sensitivity of 10% has been used and considered reasonable given current market rates. A 10% movement in market prices at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis for 2018 was performed on the same basis.

Consolidated	Loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
30 June 2019				
Equity securities – listed on TSXV	\$125,876	(\$125,876)	\$125,876	(\$125,876)
30 June 2018				
Equity securities – listed on ASX	\$6,000	(\$6,000)	\$6,000	(\$6,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Commodity Price Risk

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk at this stage.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. PARENT ENTITY DISCLOSURES

	Company	
Financial Position	30 June 2019	30 June 2018
	\$	\$
Assets		
Current assets	8,516,068	6,874,306
Non-current assets	5,509,779	5,511,161
Total assets	14,025,847	12,385,467
Liabilities		
Current liabilities	134,877	232,693
Total liabilities	134,877	232,693
Net assets	13,890,970	12,152,774
Equity		
Issued capital	46,628,496	44,907,743
Accumulated losses	(34,396,371)	(33,543,854)
Reserves	1,658,845	788,885
Total equity	13,890,970	12,152,774
Financial Performance		
Loss for the year	(852,517)	(654,312)
Other comprehensive income	-	-
Total comprehensive income	(852,517)	(654,312)

Contingent liabilities of the parent entity

There are no contingent liabilities at 30 June 2019 (2018: None)

Commitments of the parent entity

There are no commitments at 30 June 2019 (2018: None)

26. DISPOSAL OF SUBSIDIARY

On 28 June 2019 the Group completed its disposal of its 100% interest in Element Minerals Pty Ltd, and indirectly its 75% interest in the Millennium Project.

	28 June 2019 \$
<i>Details of the sale of the subsidiary</i>	
Consideration received	
19,255,641 TSXV listed shares (GEMC.V) at \$0.055 (CAD \$0.06)	1,258,758
Total consideration received	1,258,758
Carry value of net assets disposed (refer below)	(553,709)
Gain on sale before income tax	705,049
Income tax expense on sale of subsidiary	-
Gain on sale after income tax	705,049
	28 June 2019 \$
<i>Net assets at date of sale</i>	
Assets	
Cash and cash equivalents	13,768
Trade and other receivables	7,951
Exploration and evaluation expenditure	545,745
Total assets	567,464
Liabilities	
Trade and other payables and advanced cash calls	13,755
Total liabilities	13,755
Net assets at date of sale	553,709

27. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the year end, the Company raised \$1,756,069 (before costs) through a placement of 87,803,437 ordinary shares.

Other than the above, there has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Hammer Metals Limited ("the Company"):
 - (a) the consolidated financial statements and notes and the remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - i. *giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and*
 - ii. *complying with Australian Accounting Standards and the Corporations Regulations 2001;*
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations by the managing director and company secretary for the financial year ended 30 June 2019 pursuant to Section 295A of the Corporation Act 2001.
3. The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



R Davis
Executive Chairman

Perth

Dated 27 September 2019



Independent Auditor's Report

To the shareholders of Hammer Metals Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Hammer Metals Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Hammer Metals Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(g), "Going Concern" in the financial report. The conditions disclosed in Note 2(g) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.



In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this involved;

- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular in light of the history of loss making operations; and
- Evaluating the feasibility, quantum and timing of the Group's plans to raise additional shareholder funds to address going concern;
- Determining the completeness of the Group's going concern disclosures for the principle matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key Audit Matter

A Key Audit Matter is a matter that, in our professional judgement, was of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Capitalised exploration and evaluation ("E&E") assets (\$11,954,619)

Refer to Note 14 to the Financial Report

The key audit matter

Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:

- the significance of the activity to the Group's business and the balance (being 85% of total assets); and
- the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed.

In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:

- the determination of the areas of interest (areas)
- documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention to continue the relevant E&E activities;

How the matter was addressed in our audit

Our audit procedures included:

- Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard;
- We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions, and planned work programmes;
- For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses;
- We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard;

The key audit matter	How the matter was addressed in our audit
the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for Mt Isa, Mt Frosty and Bronzewing South areas where significant capitalised E&E exists. In addition to the assessments above, we paid particular attention to results from latest activities regarding the existence or otherwise of economically recoverable reserves/commercially viable quantity of reserves.	We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel.

Other Information

Other Information is financial and non-financial information in Hammer Metals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Hammer Metals Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in section 12 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

R Gambitta
Partner

Perth

27 September 2019