HAMMER METALS LTD.

ANNUAL REPORT 2014

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CORPORATE DIRECTORY

Hammer Metals Limited (Hammer or the Company)

BOARD OF DIRECTORS

Russell Davis	Chairman
Patrick Corr	Director
Nader El Sayed	Director
Alex Hewlett	Executive Director

COMPANY SECRETARY

Mark Pitts

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SHARE REGISTRY

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Nedlands WA 6009
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STOCK EXCHANGE

ASX Limited
2 The Esplanade
Perth WA 6000
Australia

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

THIS LAST YEAR HAS BEEN A TRANSFORMATIONAL ONE FOR ALL THE COMPANY'S SHAREHOLDERS AND EMPLOYEES. SINCE THE NEW BOARD OF DIRECTORS AND MANAGEMENT TEAM STARTED AT THE END OF JUNE 2013 A NUMBER OF SIGNIFICANT CHANGES HAVE BEEN MADE CORPORATELY, OPERATIONALLY AND STRATEGICALLY WHICH HAVE SET YOUR COMPANY ON A NEW COURSE.

This new direction saw the purchase of two private companies – Hammer Metals Australia Pty Ltd and Mount Dockerell Mining Pty Ltd – in late 2013. The companies hold a number of highly prospective gold and base metal properties in the Mount Isa mining district in northwest Queensland, centred on Hammer's 100%-owned Kalman copper-gold-molybdenum-rhenium deposit and our recently discovered Overlander deposits. Hammer also has a joint venture with Perilya Limited near the famous Mount Morgan copper-gold mine in central Queensland. Both regions boast large, world-class mineral deposits and it is the board's strong belief that more of these deposits remain to be found within the Company's tenements.

As a result of the Queensland focus several non-core Western Australian projects were divested including the long-held Lake Carey gold project near Laverton.

Midas Resources Limited was renamed Hammer Metals Limited in April this year to acknowledge these changes. The share capital structure was consolidated and a large number of small unmarketable share parcels were sold.

The end result is a Company with a tight share register, a focused exploration and development program in a world class mining district, and a committed and enthusiastic management team with high ambitions and a clear strategy.

I was pleased to join the board in January 2014 and remain impressed with the ambition and energy of the Hammer Metals team led by Alexander Hewlett. As the name Hammer implies, this is a company that will aggressively pursue exploration and corporate growth opportunities.

The company is maintaining a high activity level and prides itself on releasing information on its activities to the ASX on a regular basis. I recommend you visit Hammer's website and join our email list to receive these announcements as they are released.

In conclusion many thanks to all our Shareholders for your support during the past year and I look forward to reporting next year on the progress that has been made.

Sincerely

Russell Davis
Chairman

CORPORATE STRATEGY

AIM

FOCUS ON BASE AND PRECIOUS METALS IN THE GLOBALLY SIGNIFICANT MOUNT ISA MINING DISTRICT

DEVELOP A MINING HUB CENTRED ON KALMAN DEPOSIT

DEFINE RESOURCES WITHIN A TRUCKABLE DISTANCE OF KALMAN

MAKE A NEW, LARGE NEAR-SURFACE, COPPER-GOLD DISCOVERY

PURSUE FURTHER CONSOLIDATION, FOCUSSING ON THE CENTRAL TREND BETWEEN GLENCORE/XSTRATA (TO THE WEST) AND BHP BILLITON/CHINOVA (TO THE EAST)

HOW

CORPORATE - ACQUISITION OF STRATEGIC INTERESTS

PROJECT - ACQUISITION AND DEVELOPMENT OF ADVANCED PROJECTS

EXPLORATION – FOCUS ON PRIORITY TARGETS WITHIN THE EXPLORATION PORTFOLIO

MOUNT ISA REGION (2000km²)

MOUNT MORGAN REGION (320km²)

HIGHLIGHTS FOR THE 2014 FINANCIAL YEAR

MIDAS RESOURCES LIMITED WAS RENAMED HAMMER METALS LIMITED

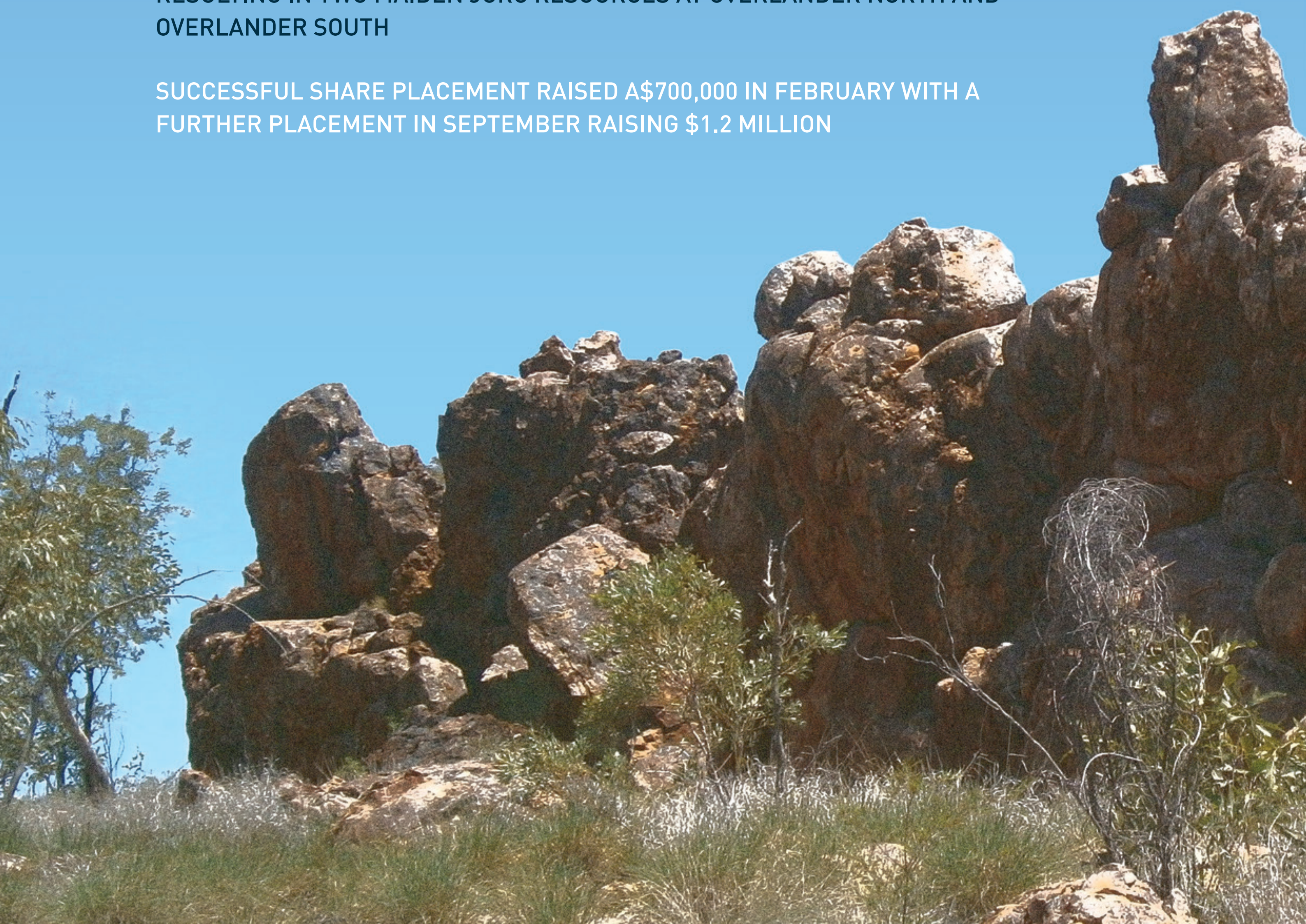
ACQUISITIONS OF HIGHLY PROSPECTIVE PORTFOLIO OF BASE AND PRECIOUS METALS PROJECTS IN THE MOUNT ISA REGION INCLUDING KALMAN DEPOSIT AND IN THE MOUNT MORGAN REGION IN CENTRAL QUEENSLAND

KALMAN MINERAL RESOURCE ESTIMATE UPDATED BY RUNGEPINCOCKMINARCO IN ACCORDANCE WITH THE GUIDELINES OF THE JORC CODE (2012 EDITION)

- RESOURCE COMPRISES A COMBINED **30 MILLION TONNES AT 1.3% COPPER EQUIVALENT** (CUEQ) AT 0.54% COPPER, 0.28 G/T GOLD, 0.08% MOLYBDENUM AND 2.2 G/T RHENIUM IN THE INFERRED CATEGORY AT REVISED CUT-OFF GRADES
- 165,000 TONNES OF COPPER, 274,000 OUNCES OF GOLD, 25,000 TONNES OF MOLYBDENUM AND 2.1 MILLION OUNCES OF RHENIUM IN ESTIMATE

COMPLETED OVER 4,000M OF RC DRILLING WITHIN MOUNT ISA PORTFOLIO RESULTING IN TWO MAIDEN JORC RESOURCES AT OVERLANDER NORTH AND OVERLANDER SOUTH

SUCCESSFUL SHARE PLACEMENT RAISED A$700,000 IN FEBRUARY WITH A FURTHER PLACEMENT IN SEPTEMBER RAISING $1.2 MILLION



REVIEW OF OPERATIONS

CORPORATE

The Company has made significant changes throughout the year to support its commitment to delivering long term value to our shareholders. A new board of directors and management team commenced in June 2013 with the appointment of Mr Alex Hewlett, Mr Nader El Sayed and Mr Patrick Corr. Mr Russell Davis joined in January 2014 as Chairman, completing the new board.

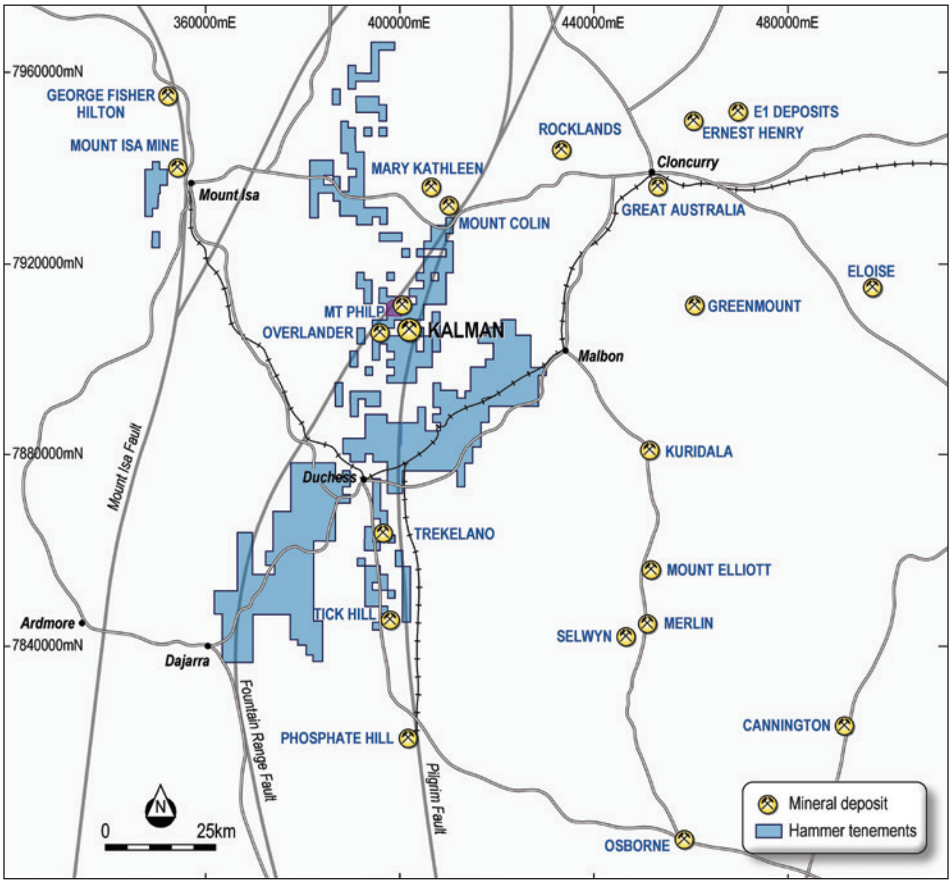
Another major milestone for the Company was the acquisition of both Hammer Metals Limited and Mount Dockerell Mining Pty Ltd (MDM), a wholly owned subsidiary of Santana Minerals Limited (ASX: SMI), announced in November 2013. The principal assets of both Hammer and MDM are the highly prospective ground positions in two highly mineralised regions in Queensland – The Mount Isa Mineral Province in Northwest Queensland and the Mount Morgan region in Central Queensland. The projects included:

- approximately 2000km^2 of tenements in the Mount Isa region which encompass IOCG and shear-hosted base metal and gold prospects including:
  - 30 million tonnes JORC compliant Cu, Au, Mo, Re Resource at Kalman Deposit
  - 30 million tonnes JORC compliant Iron Ore Resource at Mt Philp

In December 2013 the Company reached an agreement with its major shareholder Santana Minerals Limited to purchase the 49% interest in the Pelican Joint Venture over the Kalman Deposit. As a result the Pelican Joint Venture was terminated and the Company took 100% ownership of the Kalman Deposit which also included a number of nearby copper-gold targets including Pelican, Serendipity, Python and Hammertime.

The combination of existing significant JORC resources and substantial exploration upside with many advanced drill-ready exploration targets provide excellent opportunities for growth.

As a result of this acquisition and the Company's focus now firmly committed to Queensland, our non-core Western Australian projects were divested including the Lake Carey and Phantom Well Gold Projects.



REVIEW OF OPERATIONS

Following the appointment of the new board and the consolidation of assets both in Queensland and Western Australia a General Meeting was held in April 2014 where shareholders approved a 1 for 100 share consolidation and change of name from Midas Resources Ltd to Hammer Metals Limited. The company commenced trading under the new ASX code of HMX on 23rd April 2014.

The change reflects that the company is now focused on the discovery and production of copper-gold deposits in the Mount Isa region.

In addition the Company raised $700,000 in February 2014 via a placement to institutional and sophisticated investors. The terms of the placement made provision for a 'loyalty option' to be issued to placees if they retain their placement shares for a period of three months post issue. The options are exercisable by payment of 30 cents (on a post consolidation basis) on or before 24 months from the date of issue.

Subsequent to the end of the financial year the Company raised a further $1.2 million before costs via a placement to institutional and sophisticated investors to fund the Company's ongoing exploration programs.

EXPLORATION – STRATEGY

Hammer Metals remains focused on exploring and developing its major land position of approximately 2,000km^2 in the globally significant and highly prospective Mount Isa mineral province in Northwest Queensland and the Mount Morgan region in Central Queensland.

The Company's exploration strategy remains committed to delivering long term value to our shareholders by expanding our resource base and developing a regional hub around the Company's flagship Kalman copper-gold-molybdenum-rhenium deposit, whilst also pursuing further opportunities with major players in the area and searching for a new, large near-surface, copper-gold discovery.

For example, after only commencing field work in December last year two new Mineral Resources were discovered within trucking distance of the Kalman Deposit at the Overlander North and Overlander South prospects, located just 6 kilometres west of the Kalman Deposit.

In addition, the Company continued to explore and define new regional targets, through methodical data reviews and ground reconnaissance work. Several exciting targets with strong potential for additional copper and gold mineralisation have emerged from this work within a 10 to 20 kilometre radius of the Kalman Deposit.

The Company has now assembled an impressive in-house database of geophysical, geochemical and geological information for its project areas, providing a solid base for further exploration activity and targeting.

Several of the regional targets generated represent "walk-up" drill targets, some with existing ore grade copper and gold drill intersections. Other targets will require more detailed geochemical and geophysical sampling to better define the targets before drilling commences.

EXPLORATION – MOUNT ISA

Hammer Metals tenements in the Mount Isa region encompass Iron Oxide Copper-Gold (IOCG) prospects and shear-hosted base metal and gold prospects. All the tenements are 100%-owned by Hammer Metals Limited apart from EPM 18084 (Dronfield) where Hammer can earn up to an 80% interest by expending $250,000 on exploration. This includes a 100% interest in the Company's flagship **Kalman deposit**.

Additional high-priority Targets within the 20km radius Kalman deposit include:

- Kalman Extension
- Overlander
- Serendipity
- Python
- Andy's Hill
- Pindora South
- Pelican
- Tiny Boot
- Western IOCG Corridor
- Dronfield IOCG Corridor
- Hammertime
- Scalper

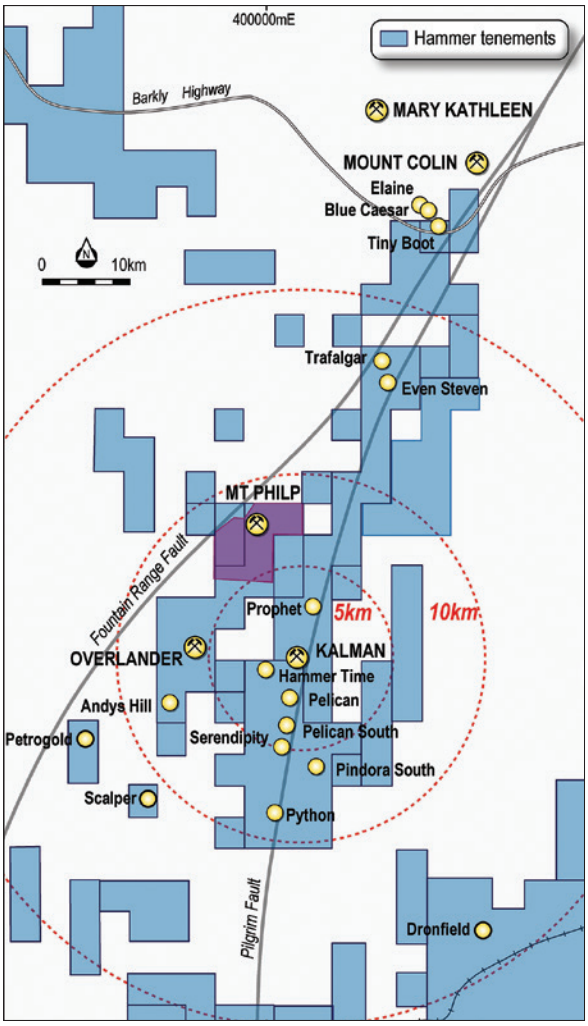
REVIEW OF OPERATIONS

EXPLORATION – MOUNT ISA (CONT.)

During the year exploration activities were focused within a 20km radius of the Kalman deposit to add additional higher grade open pittable copper resources to the inventory within trucking distance of the deposit.

Approximately 4,000 metres of RC drilling were completed at the Overlander North, Overlander South, Pelican, Serendipity and Python copper-gold targets. Of all holes drilled, most returned intersections with greater than 1% copper over a one metre minimum width with strong results continuing to be returned for Overlander North and South. The first of the high-priority targets tested on Overlander, identified two new discoveries, Overlander North and Overlander South. The Overlander North and Overlander South prospects are located just 6km west of the Kalman deposit. Extensive "red rock" alteration and several broad intersections of disseminated copper mineralisation intersected in the initial drilling also confirm the potential of this area to host large IOCG deposits.

Drilling completed at the Pelican and Serendipity prospects is also providing strong indications of similar copper-gold-molybdenum-rhenium mineralisation and alteration to that found at the Kalman deposit, along strike to the north. The broad widths of the altered and mineralised zones with local intervals of high-grade copper and gold are considered highly analogous to those found in the halo to the higher grade sections of the Kalman deposit.



RESOURCE DEVELOPMENT

KALMAN DEPOSIT

The Company's 100%-owned flagship Kalman deposit is located 60 kilometres to the southeast of the mining centre of Mount Isa.

In March 2014 RungePincockMinarco (RPM) updated the Mineral Resource in accordance with the guidelines of the 2012 Edition JORC Code and re-issued the model outputs to reflect recent changes to metal prices and costs, which are used in the modelling process to estimate Copper equivalent values for cut-off grade analysis and economic forecasting.

The Resource comprises a combined **30 million tonnes at 1.3% copper equivalent** at 0.54% copper, 0.28% gold, 0.08% molybdenum and 2.2 g/t rhenium in the Inferred category at a revised cut-off grades.

The estimated contained metal comprises 165,000 tonnes of copper, 274,000 ounces of gold, 25,000 tonnes of molybdenum and 2.1 million ounce of rhenium.

The deposit contains a number of high grade copper-gold and molybdenum-rhenium intersections which due to the relatively wide spacing of the current drill pattern have not been adequately defined. The Company considers there is significant potential to extend and better define these high-grade and high value zones within the deposit, particularly in the upper parts of the deposit that would be the subject of initial open pit mining.

REVIEW OF OPERATIONS

RESOURCE DEVELOPMENT (CONT.)

A shallow drill hole (K132) completed at Kalman subsequent to the end of the financial year returned the highest grade molybdenum rhenium intersection to date strongly supporting this contention.

The core of the Kalman deposit is up to 120 metres in width with significant copper-gold-molybdenum and rhenium grades including:

- **62 metres at 0.65% Mo** and **11.4g/t Re** from 152 metres in K-132
- **51 metres at 0.58% Mo** and **15.1g/t Re** from 294 metres and **47 metres at 1% Cu, 0.49g/t Au, 0.09% Mo** and **3.5g/t Re** from 343 metres in K-19
- **51 metres at 0.38% Mo** and **8.3g/t Re** from 212 metres in K-52
- **72 metres at 0.2% Mo, 4.4g/t Re, 0.5% Cu** and **0.7g/t Au** from 273 metres at in K-23

Deeper drilling at the southern end of the deposit intersected significant copper-gold intercepts that have yet to be fully defined including:

- **77 metres at 1.4% Cu** and **1.3g/t Au** from 700 metres in K-106A
- **7.6 metres at 23% Cu** and **0.5g/t Au** and **20g/t Ag** from 581.65 metres in K-106A
- **25 metres at 3.8% Cu** and **0.94g/t Au** from 712 metres in K106C

Notes on Copper Equivalence Calculation

Copper equivalent (CuEq) grades were calculated using estimated block grades for Cu, Au, Ag, Mo and Re. The CuEq calculation is based on commodity prices and metallurgical recovery assumptions as detailed in this report. Prices agreed to by Hammer were a reflection of the market as at 14/02/2014 and forward looking forecasts provided by consensus analysis. Metal prices provided are:

- Cu: US$7,165/t
- Au: US$1,324.80/oz
- Ag: US$22.40/oz
- Mo: US$16.10/lb

The forward looking price for Rhenium was estimated using available historical and current prices. Re: US$5,329/kg.

The CuEq equation is CuEq = Cu + 0.594464Au + 0.010051Ag + 4.953866Mo + 0.074375Re and was applied to the respective elements estimated within the resource block model.

Assumed Metallurgical Recoveries

Based on the testing completed and the current understanding of the material characteristics it has been assumed that the Kalman material can be processed using a "typical" concentrator process flowsheet. The mass balance and stage metallurgical recovery of the four major elements were based on the metallurgical test results from the molybdenum zone sample and benchmarks. The final overall recovery (Table 3) was established from the mass balance and benchmarked against other operations and projects.

Kalman Deposit Mineral Resource Estimate

(Reported at 0.3% CuEq cut-off above 100m RL and 1.0% CuEq cut-off below 100m RL)

Classification	Mining Method	Tonnes kt	CuEq %	Cu %	Au ppm	Ag ppm	Mo %	Re ppm
Inferred	Open Pit	22,000	1.1	0.42	0.22	1.1	0.07	1.9
Inferred	Underground	8,300	1.9	0.87	0.42	2.0	0.11	2.9
Total		**30,000**	**1.3**	**0.54**	**0.28**	**1.3**	**0.08**	**2.2**

- *Note: (1) Numbers rounded to two significant figures*
- *Note: (2) Totals may differ due to rounding*
- *Note: (3) (CuEq = Cu + 0.594464Au + 0.010051Ag + 4.953866Mo + 0.074375Re)*

REVIEW OF OPERATIONS

RESOURCE DEVELOPMENT (CONT.)

Assumed Metallurgical Recoveries (Cont.)

Table 3: **Assumed Metallurgical Recoveries Process Stage**

Process Stage	Molybdenum Recovery (%)	Rhenium Recovery (%)	Copper Recovery (%)	Gold Recovery (%)	Silver [1] Recovery (%)
Bulk Rougher	95	86	95	82	82
Overall	86	77	86	74	74

[1] *No data available for Silver recoveries so they have been assumed similar to Gold Recoveries.*

It is the company's opinion that the metals used in the metal equivalent equation have reasonable potential for recovery and sale based on metallurgical recoveries in flotation test work undertaken to date. There are a number of well-established processing routes for copper-molybdenum deposits and the sale of resulting copper and molybdenum concentrates.

Molybdenum concentrates with rhenium require roasting to capture the rhenium from the process off-gas. There are several offshore facilities that process molybdenum concentrates of which Molymet is the world's largest molybdenum processer and the largest producer of rhenium.

Because of the relatively small market for rhenium there is limited public information available for the payment of credits for rhenium. Preliminary enquiries by the company provide the company with sufficient confidence to believe that a credit for the rhenium content of the molybdenum concentrate can be obtained.

Ongoing early stage mining studies at Kalman are evaluating the potential of the development of an open pit mine followed by an underground development on the deeper higher grade sections of the deposit.

OVERLANDER DEPOSITS

The first of the high-priority targets drill tested during the year was at **Overlander** which yielded two new discoveries - Overlander North and Overlander South.

These two shallow and potentially open-pittable copper deposits, are located 6 kilometres west of the Kalman deposit.

A maiden Mineral Resource estimate for Overlander North and South was undertaken and the Company announced a combined JORC Mineral Resource in July 2014.

The combined Mineral Resource comprises **1,157,000 tonnes at 1.2% copper** in the Indicated and Inferred categories at 0.7% Cu cut-off grade:

- Overlander North comprises **508,000 tonnes at 1.4% copper** in the Indicated and Inferred category using a 0.7% Cu cut-off grade, plus
- Overlander South comprises **649,000 tonnes at 1.0% copper** in the Inferred category using a 0.7% Cu cut-off grade.

Overlander North and Overlander South Combined June 2014 Mineral Resource (0.7 % Cu cut-off)

Classification	Tonnes	Cu (%)	Co (ppm)	Cu tonnes	Co tonnes
Measured	-	-	-	-	-
Indicated	247,000	1.3	230	3,201	56
Inferred	910,000	1.1	430	10,140	392
Total	**1,157,000**	**1.2**	**390**	**13,340**	**448**

Note – Totals may differ due to rounding

REVIEW OF OPERATIONS

OVERLANDER DEPOSITS (CONT.)

The Overlander shear zone is known, from historic prospecting and drilling, to contain high-grade copper mineralisation. Adjacent magnetic anomalies at Overlander North and Andy's Hill are known to host disseminated copper mineralisation and constitute major IOCG-style exploration targets.

Hammer is continuing with its efforts to grow the Overlander Mineral Resource and to find additional sulphide copper resources to boost Hammer's copper-gold-molybdenum-rhenium resource at Kalman.

In fact results of recent drilling announced in September 2014 highlight the potential of Overlander North at depth with the best copper intersection yet of **75 metres at 1.33% Cu** in OVRC029 from 176 metres.

OVERLANDER NORTH RESOURCE DEVELOPMENT

Overlander North was discovered in the first two holes drilled from a 16 hole RC drilling program that commenced in December 2013.

The 100%-owned Overlander North deposit is situated 60 kilometres to the southeast of the mining centre of Mount Isa in Northwest Queensland and 6 kilometres west of the Company's Kalman deposit.

Drilling in the Overlander North deposit extends to a vertical depth of approximately 250m and the mineralisation was modelled from surface to a depth of approximately 180m below surface.

OVERLANDER SOUTH RESOURCE DEVELOPMENT

The Company announced the JORC Maiden Mineral Resource in June 2014 for the Overlander South deposit. Overlander South is located 1.5km south of Overlander North on the continuation of the Overlander shear zone.

RC drilling at Overlander South during the year confirmed high-grade copper zones, open at depth. Seven RC holes were drilled for 670 metres. All holes returned intervals with +1% Cu with significant cobalt and gold including:

- 8 metres at 1.41% Cu and 0.11 g/t Au and 702 ppm Co from 38 metres in OVRC017
- 7 metres at 1.55% Cu and 0.15 g/t Au and 776ppm Co from 25 metres in OVRC018
- 8 metres at 0.85% Cu and 0.06 g/t Au and 468 ppm Co from 54 metres including 4 metres at 1.2% Cu, 0.10 g/t Au and 582ppm Co from 58 metres in OVRC019

Overlander North June 2014 Mineral Resource Estimate (0.7% Cut-off)

Classification	Tonnes	Cu (%)	Co (ppm)	Cu tonnes	Co tonnes
Measured	-	-	-	-	-
Indicated	247,000	1.3	229	3,201	56
Inferred	261,000	1.5	250	3,788	65
OVN Total	**508,000**	**1.4**	**240**	**6,989**	**121**

Note – Totals may differ due to rounding

The Mineral Resource announced in June 2014 comprises 508,000 tonnes at 1.4% copper in the Indicated and Inferred category at 0.7% copper cut-off and is based on a total of 2,090 metres of drilling.

This recent drilling program has now confirmed +1% copper grades with highly-anomalous cobalt over 200m of strike and 140m down-dip. The mineralisation is open to the south and down-dip. Historic workings also reveal mineralisation along-strike to the north.

- 5 metres at 1.01% Cu and 0.09g/t Au and 1885 ppm Co from 79 metres in OVRC020
- 1 metres at 1.29% Cu and 0.03g/t Au and 593 ppm Co from 54 metres in OVRC021
- 15 metres at 1.26% Cu and 0.06g/t Au and 920 ppm Co from 26 metres in OVRC022
- 11 metres at 0.68% Cu and 0.03g/t Au and 423 ppm Co from 67 metres including 1 metre at 1% Cu from 68 metres in OVRC023

REVIEW OF OPERATIONS

The mineralized zone at Overlander South has now been drilled over 300 metres of strike length on section lines nominally spaced 40 metres apart. The drilling has outlined a regular steeply west-dipping strongly altered and mineralized zone between 5 and 15 metres thick. Locally cobalt grades are strongly elevated with a maximum intersection of 1 metre at 0.59% Co. The mineralisation remains open to the north and at depth. The footwall to the mineralized zone comprises a strongly altered brecciated rhyolite unit with disseminated copper mineralisation. Depth of complete oxidation at Overlander South is approximately 15 to 20 metres.

The Mineral Resource comprises 649,000 tonnes at 1.0% copper in the Inferred category at 0.7% copper cut-off.

Overlander South June 2014 Mineral Resource (0.7 % Cu cut-off)

Classification	Tonnes	Cu (%)	Co (ppm)	Cu tonnes	Co tonnes
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	649,000	1.0	500	6,352	327
OVS Total	**649,000**	**1.0**	**500**	**6,352**	**327**

Note – Totals may differ due to rounding

PELICAN / SERENDIPITY / PYTHON TARGETS

Follow-up drilling is planned for Pelican and Serendipity prospects where the drilling done throughout the year is providing strong indications of similar Cu-Au-Mo mineralisation and alteration to that found at the Kalman deposit, along strike to the north.

During the year eight holes for 938 metres were drilled as a preliminary test of the Pelican, Serendipity and Python prospects located along strike of the Pilgrim Fault to the south of Kalman.

Results are encouraging with broad widths of disseminated copper and gold mineralisation intersected at both Pelican and Serendipity with strongly anomalous molybdenum and uranium in places. The alteration and mineralisation signatures are very similar to the marginal zones of the Kalman deposit. The best intersections include:

- 15 metres at 0.56% Cu and 0.23g/t Au from 84 metres including **1 metre at 1.5% Cu and 0.98g/t Au from 94 metres** in HPLRC002 at Pelican
- 21 metres at 0.46% Cu and 0.09g/t Au from 49 metres including 1 metre at 1.05% Cu and 0.45g/t Au from 50 metres in HPLRC001 at Pelican
- 24 metres at 0.5% Cu and 0.2g/t Au from 14 metres including **4 metres at 1.4% Cu and 0.56g/t Au from 15 metres** plus 26 metres at 0.28% Cu from 114 metres in HSRC001 at Serendipity

Drilling at Python intersected strongly oxidised clay altered material adjacent to, and coinciding with, the Pilgrim Fault Zone, with intervals of mild elevated copper, gold and molybdenum values.

MOUNT MORGAN EXPLORATION

GOLDEN PEAKS PROJECT

The Golden Peaks Project is located to the southeast of the Mount Morgan gold-copper mine in Central Queensland which produced over 8 million ounces of gold and 387,000 tonnes of copper.

Hammer Metals has a joint venture with Perilya Limited over EPM15810 and MDL13 and holds a 100% interest in EPM19831. The tenements cover significant sections of the prospective volcanic sequences that host the Mount Morgan deposit.

During the year a final VTEM geophysical survey dataset was received. Several conductors were highlighted and modelled where possible and the

REVIEW OF OPERATIONS

MOUNT MORGAN EXPLORATION (CONT.)

results of most interest is a group of VTEM anomalies at Mount Dick North in a previously untested area close to the UNMC prospect. This prospect is considered highly prospective for massive sulphide mineralisation and warrants drilling. A ground FLEM (Fixed Loop Electromagnetic) survey is currently in progress at Mount Dick in order to ground truth and better define the VTEM anomalies.

FORWARD WORK

Ongoing early stage mining studies at Kalman are evaluating the potential of the development of an open pit mine followed by an underground development of the deeper higher grade sections of the deposit. In the short term further work on the Kalman deposit will focus on extensional and infill drilling in the near surface potentially open-pittable sections of the deposit and also to increase confidence levels in the resource in the upper levels of the deposit's higher grade core.

Regionally the compilation of the various drilling, geochemical and geophysical datasets is continuing with several new targets of interest being generated.

Highly encouraging results are emerging from a recently completed RC drilling program during the September quarter at several of the new targets including Even Steven, Trafalgar and Dronfield.

Ground geophysical surveys are being planned for key sections of the Mt Philp – Overlander – Andy's Hill IOCG trend and at Dronfield to better define targets before drilling.

COMPETENT PERSONS STATEMENTS

HISTORIC EXPLORATION RESULTS

The information in this report as it relates to exploration results and geology was compiled by Mr John Downing, who is a Member of the Australian Institute of Geoscientists and a consulting geologist to the Company. Mr Downing has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Downing consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

EXPLORATION RESULTS

The information in this report as it relates to exploration results and geology was compiled by Mr John Downing, who is a Member of the Australian Institute of Geoscientists and a consulting geologist to the Company. Mr Downing has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Downing consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

KALMAN RESOURCE ESTIMATE

Where the Company refers to the Kalman Project and the revised mineral resource estimate in this report (referencing the release made to the ASX on March 19th 2014), it confirms that it is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the resource estimate with that announcement continue to apply and have not materially changed.

OVERLANDER NORTH AND OVERLANDER SOUTH RESOURCE ESTIMATES

Where the Company refers to the Overlander North and Overlander South Mineral Resource estimates in this report (referencing the release made to the ASX on July 24th 2014), it confirms that it is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the resource estimate with that announcement continue to apply and have not materially changed.

WEST PILBARA MINERAL RESOURCES

The information in this report that relates to in-situ Mineral Resources at West Pilbara is based on information compiled by Mr. Chris Allen, MAIG, who was a full time employee of CSA Global Pty Ltd at the time of the resource compilation CSA, who is a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Mr. Allen consents to the inclusion in this report of information in the form and context in which it appears.

Mr. Allen has no economic, financial or pecuniary interest in Hammer Metals Limited and there is no issue that could be perceived as a conflict of interest.

PROSPERO MINERAL RESOURCES

The information in this report that relates to the Prospero Mineral Resource is based on information compiled by Mr R Williams. Mr Williams, who was a full time employee of Runge at the time of resource compilation, and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves.

Mr. Williams has no economic, financial or pecuniary interest in Hammer Metals Limited and there is no issue that could be perceived as a conflict of interest.

The Mineral Resource estimate complies with recommendations in the Australian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting.

ANNUAL MINERAL RESOURCE STATEMENT

AS AT 30 JUNE 2014

The Company's Mineral Resource Statement has been compiled in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 and 2004 Editions) and Chapter 5 of the ASX Listing Rules and ASX Guidance Note 31. The Company has no Ore Reserve estimates.

The Company has conducted a review of its Mineral Resources. As set out below, this review did not reveal any material change to the Mineral Resource information previously announced and since the Company's 2013 Annual Report.

On 25 November 2013 the Company announced the completion of the acquisition of Hammer Metals Pty Ltd and Mount Dockerell Pty Ltd consolidating the Queensland Projects where much of its focus now lies. Therefore the Mineral Resource estimates as shown for Kalman, Overlander and Mt Philp are first time disclosures in the Annual Mineral Resource Statement format for the Company.

The most recent ASX releases pertaining to each resource are listed below.

Resource Project	Mineral Resource Competent Person	Organization	ASX Reporting Date
Kalman	Mr. T. Stevenson	RungePincockMinarco Limited	19th March 2014
Overlander	Ms. E. Haren	Haren Consulting	July 24th 2014
Prospero	Mr. R. Williams	RungePincockMinarco Limited	July 4th 2011
West Pilbara	Mr. C. Allen	CSA Global Pty Ltd	July 26th 2010
Mt. Philp	Mr. T. Leahey	Cerro Resource NL	Sept 28th 2012

KALMAN DEPOSIT JORC 2012 MINERAL RESOURCE ESTIMATE (REPORTED AT 0.3% CUEQ CUT-OFF ABOVE 100M RL AND 1.0% CUEQ CUT-OFF BELOW 100M RL)

Classification	Mining Method	Tonnes	CuEq %	Cu %	Au ppm	Ag ppm	Mo %	Re ppm
Inferred	Open Pit	22,000,000	1.1	0.42	0.22	1.1	0.07	1.9
Inferred	Underground	8,300,000	1.9	0.87	0.42	2	0.11	2.9
Total		**30,000,000**	**1.3**	**0.54**	**0.28**	**1.3**	**0.08**	**2.2**

- *Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence*
- *Note: (2) Totals may differ due to rounding*
- *Note: (3) (CuEq = Cu + 0.594464Au + 0.010051Ag + 4.953866Mo + 0.074375Re)*

The Kalman Molybdenum-Rhenium-Copper-Gold-Silver (Mo-Re-Cu-Au-Ag) deposit is situated 60km southeast of Mount Isa within the Mount Isa Inlier, and forms part of the company's Kalman Project.

Drilling extends to a maximum down hole depth of 998.3m and the mineralisation was modelled from surface to a depth of approximately 800m below surface. The estimate is based on good quality RC and diamond core drilling data. The drill hole spacing is approximately 100m along strike with some 50m infill drilling.

In February 2012 RungePincockMinarco Limited ("RPM") formerly Runge Limited ("RUL") was contracted by Syndicated Metals Ltd. ("SMD") to complete a Mineral Resource estimate for the Kalman Polymetallic deposit. The estimate was reported to comply with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' by the Joint Ore Reserves Committee (JORC). With the subsequent update of the JORC code to the 2012 Edition, taking effect from 1 December 2013, RPM was contracted by Hammer Metals Limited to review and re- issue the February 2012 estimate to comply with the 2012 Edition of the Code and to re-issue the model outputs to reflect recent changes to metal prices and costs, which are used in the modelling process to estimate Copper equivalent ("CuEq") values for cut-off grade analysis and economic forecasting.

ANNUAL MINERAL RESOURCE STATEMENT

AS AT 30 JUNE 2014

As a result of recent reviews of the Copper Equivalence equation, applying revised metal prices and high- level economic analyses applying both Open Cut and Underground mining parameters, the Kalman Mineral Resource has been reported to two separate cut-off grades as this was seen to be more relevant to the longer term expectations of eventual economic extraction.

The Resource comprises a combined 30 million tonnes at 1.3% copper equivalent (CuEq) at 0.54% Cu, 0.28% Au, 0.08% Mo and 2.2 g/t Re in the Inferred category. (Refer to the ASX Release dated 19th March 2014). For Hammer Metals Limited, there was no comparative in place for this project at 30 June 2013.

OVERLANDER NORTH & SOUTH DEPOSITS JORC 2012 MINERAL RESOURCE ESTIMATES (REPORTED AT 0.7% CU CUT-OFF)

Overlander North Mineral Resource

Classification	Tonnes	Cu %	Co ppm	Cu Tonnes	Co Tonnes
Indicated	247,000	1.3	229	3,201	56
Inferred	261,000	1.5	250	3,788	65
Total	**508,000**	**1.4**	**240**	**6,989**	**121**

- *Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence*
- *Note: (2) Totals may differ due to rounding*

Overlander South Mineral Resource

Classification	Tonnes	Cu %	Co ppm	Cu Tonnes	Co Tonnes
Indicated	-	-	-	-	-
Inferred	649,000	1.0	500	6,352	327
Total	**649,000**	**1.0**	**500**	**6,352**	**327**

- *Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence*
- *Note: (2) Totals may differ due to rounding*

Overlander North and South Combined Mineral Resource

Classification	Tonnes	Cu %	Co ppm	Cu Tonnes	Co Tonnes
Indicated	247,000	1.3	230	3,201	56
Inferred	910,000	1.1	430	10,140	392
Total	**1,157,000**	**1.2**	**390**	**13,340**	**448**

- *Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence*
- *Note: (2) Totals may differ due to rounding*

The 100%-owned Overlander Project is situated 60 kilometres to the southeast of the mining centre of Mount Isa in North West Queensland and 6 kilometres to the west of Hammer's Kalman copper-gold-molybdenum-rhenium deposit. It is a high-priority target area for both shear-hosted copper and IOCG copper mineralisation. The Overlander North and South copper Deposits are situated approximately one kilometre apart within a common shear zone.

ANNUAL MINERAL RESOURCE STATEMENT

AS AT 30 JUNE 2014

Drilling in the Overlander North deposit extends to a vertical depth of approximately 270m and the mineralisation was modelled from surface to a depth of approximately 180m below surface. Drilling in the Overlander South deposit extends to a vertical depth of approximately 220m and the mineralisation was modelled from surface to a depth of approximately 220m below surface. The resource estimates are based on good quality RC and diamond drilling data. Drill hole spacing is predominantly on a 40m by 20m spacing with additional drill holes between sections targeted at the higher grade cores of the deposits.

The Mineral Resource Estimates for the Overlander North and South shear-hosted copper Deposits were completed by Haren Consulting and reported in accordance with the guidelines of the JORC Code (2012 Edition). They are new estimates determined during the year and for which no comparative was in place at 30 June 2013. The combined resources contain 1,157,000 tonnes at 1.2% copper in the indicated and inferred categories (Refer to the ASX release dated July 24th 2014).

MT. PHILP DEPOSIT JORC 2004 MINERAL RESOURCE ESTIMATE

Classification	Tonnes	Fe %	P %	SiO2 %	Al2O3 %	TiO2 %	LOI %
Indicated	19,110,000	41	0.02	38	1.3	0.38	0.29
Inferred	11,400,000	34	0.02	48	2.0	0.46	0.31
Total	**30,510,000**	**39**	**0.02**	**42**	**1.6**	**0.41**	**0.30**

- *Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence*
- *Note: (2) Totals may differ due to rounding*

The Mount Philp Iron Ore deposit is located in north-western Queensland, 1,500 kilometres (km) (1,800 km by road) northwest of Brisbane, the capital of Queensland. Mount Philp is geographically centred at Latitude 20° 59' 05"S, Longitude 139° 56' 01"E.

The Mineral Resource Estimate is based on 48 diamond and reverse circulation (RC) drillholes completed in 2011 for a total of 3,801 metres (m). Drilling comprises fans located on a nominal 100 m pattern along the strike length of the ironstone. The Mineral Resource was estimated and reported in-house by Cerro Resource NL.

The current resource totals 19.1 million tonnes (Mt) grading 41.4% iron and 37.9% silica (Table 1-1) in the Indicated category and 11.4 million tonnes (Mt) grading 33.8% iron and 47.4% silica in the Inferred category. This resource is open at depth.

A Resource estimate was first completed and reported to ASX by previous owners on 28th September 2012 and there has been no material change to the resource base during the financial year. A review of the resource estimate has been completed for the purposes of compiling this statement and the principles and methodology of the resource estimation procedure and the resource classification procedure have been reconciled with the CIM Resource Reserve definitions and found to comply.

For Hammer Metals Limited, there was no comparative in place for this project at 30 June 2013.

ANNUAL MINERAL RESOURCE STATEMENT

AS AT 30 JUNE 2014

WEST PILBARA DEPOSIT JORC 2004 MINERAL RESOURCE ESTIMATE (REPORTED AT 50% FE CUT-OFF)

Classification	Mining Method	Tonnes	Fe %	P %	SiO2 %	Al2O3 %	LOI %
Indicated	Open Pit	11,500,000	53	0.042	7.8	5.6	9.9
Inferred	-	-	-	-	-	-	-
Total	**Open Pit**	**11,500,00**	**53**	**0.042**	**7.8**	**5.6**	**9.9**

- *Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence*
- *Note: (2) Totals may differ due to rounding*

The West Pilbara Channel Iron Deposit is situated in the West Pilbara region of Western Australia, about 100 km west of Tom Price, adjoining Atlas Iron's Anthiby Well iron ore project.

The deposit has been drilled with 40 RC holes totalling 2010 metres sampled on 1m intervals, on east-west sections spaced 100m apart. The drill holes are generally spaced 50m apart on section and drilled to between 42m and 60m depth.

Hammer Metals Limited commissioned CSA Global Pty Ltd (CSA) in July 2010 to estimate the Mineral Resource at its West Pilbara iron ore prospect. The West Pilbara deposit contains an Indicated Mineral Resource of 11.5 million tonnes at 53.1% Fe, 0.042% P, 7.75% SiO2, 5.57% Al2O3 and 9.86% LOI. This is based on an interpreted mineralised envelope with a nominal Fe cut-off of 50%. (Refer to the ASX release dated July 26th 2010). There has been no material change to the resource base of this project during the financial year.

PROSPERO DEPOSIT JORC 2004 MINERAL RESOURCE ESTIMATE (REPORTED AT 1.0G/T AU CUT-OFF)

Classification	Tonnes	Au g/t	Au Ounces
Indicated	-	-	-
Inferred	1,096,000	1.4	50,100
Total	**1,096,000**	**1.4**	**50,100**

- *Note: (1) Numbers rounded to two significant figures*
- *Note: (2) Totals may differ due to rounding*

The Prospero deposit forms part of the Sunset Well Project, and is located 10km northeast of Leonora in the Eastern Goldfields region of Western Australia. Access is readily gained either from the sealed Leonora-Laverton road to the south or the graded Leonora-Nambi road, which passes through the northern section of the project area. Leonora is connected with Kalgoorlie 230km to the south by the sealed Goldfields Highway.

Drilling in the resource extends to a vertical depth of approximately 140m and the mineralisation was modelled from surface to a depth of approximately 160m below surface. The estimate is based on rotary air blast (RAB), reverse circulation (RC) and diamond (DD) drilling data. Drill holes occur at 50m spacing on 50 to 200m spaced northeast-southwest orientated drill sections.

Runge Limited (Runge) was contracted in June 2011 by Hammer Metals Limited to carry out an interpretation and resource estimation of the Prospero Gold (Au) deposit. (Refer to the ASX release dated July 4th 2011).

There has been no material change to the resource base of this project during the financial year.

ANNUAL MINERAL RESOURCE STATEMENT
AS AT 30 JUNE 2014

GOVERNANCE AND INTERNAL CONTROLS - RESERVE AND RESOURCE CALCULATIONS

The Company ensures good governance in the area of resource estimation through use of third party resource consultants and internal review in accordance with industry best-practice.

All reported resource estimates were generated by reputable, independent consulting firms. The resource reports and supporting data were subjected to internal analysis and peer-review before release.

The Company is not aware of any additional information, other than that reported, which would have a material effect on the estimates as reported.

Due to the nature, stage and size of the Company's existing operations, the Board believes there would be no efficiencies gained by establishing a separate mineral reserves and resources committee responsible for reviewing and monitoring the Company's processes for calculating mineral reserves and resources and for ensuring that the appropriate internal controls are applied to such calculations.

The Company will report any future mineral reserves and resources estimates in accordance with the 2012 JORC Code.

COMPETENT PERSON'S STATEMENT

The information in this Annual Mineral Resources and Ore Reserves Statement is based on, and fairly represents information and supporting documentation reviewed by Mr John Downing, a Competent Person who is a Member of the Australian Institute of Geosciences ("AIG") and an independent consultant to the Company. Mr Downing has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves (2004 JORC Code) and the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves" (2012 JORC Code). Mr Downing consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

ANNUAL MINERAL RESOURCE STATEMENT

AS AT 30 JUNE 2014

RESOURCE BY COMMODITY

Primary Commodity	Project	Lower Cut-off	Tonnes	CuEq %	Cu %	Au ppm	Ag ppm	Mo %	Re ppm	Co ppm	Fe %	P %	SiO2 %	Al2O3 %	TiO2 %	LOI %
Copper	Kalman	0.3% CuEq	30,000,000	1.3	0.54	0.28	1.3	0.08	2.2							
	Overlander	0.7% Cu	1,157,000		1.2					390						
Gold	Prospero	1.0 g/t Au	1,096,000			1.4										
Iron Ore	West Pilbara	50% Fe	11,500,000								53.1	0.042	7.75	5.57		9.86
	Mt. Philp		30,510,000								38.6	0.02	41.6	1.6	0.41	0.30

RESOURCE BY GEOGRAPHIC REGION

Primary Commodity	Project	Lower Cut-off	Tonnes	CuEq %	Cu %	Au ppm	Ag ppm	Mo %	Re ppm	Co ppm	Fe %	P %	SiO2 %	Al2O3 %	TiO2 %	LOI %
Mount Isa	Kalman	0.3% CuEq	30,000,000	1.3	0.54	0.28	1.3	0.08	2.2							
	Overlander	0.7% Cu	1,157,000		1.2					390						
	Mt. Philp		30,510,000								38.6	0.02	41.6	1.6	0.41	0.30
Eastern Goldfields	Prospero	1.0 g/t Au	1,096,000			1.4										
Pilbara	West Pilbara	50% Fe	11,500,000								53.1	0.042	7.75	5.57		9.86

TENEMENT SCHEDULE

QUEENSLAND

MOUNT ISA
Live Tenements
100% Hammer Metals Limited
EPM13870, EPM14232, EPM15972, EPM16726, EPM16987, EPM17453, EPM17762, EPM18116, EPM18320, EPM19782, EPM19783, EPM19784, EPM19785, EPM19805, EPM19818, EPM25145, EPM25402, EPM25425, EPM25452, EPM25486, EPM25523

Kabiri JV EPM18084

Applications
EPM25369, EPM25666, EPM25777, EPM25686

MOUNT MORGAN
Live Tenements
100% Hammer
EPM 19831

Farm-in:
Hammer Metals Limited can earn 60% of the following from Perilya Limited:
EPM15810, MDL 13

Note: EPM and MDL are abbreviations for Exploration Permit for Minerals and Mining Development Licence under the Mineral Resources Act 1989.

WESTERN AUSTRALIA

LEONORA
Live tenements
100% Hammer Metals Limited
M37/1297, E40/295, E40/312

PILBARA IRON ORE

Live tenements
100% Hammer Metals Limited
E08/1997

Applications
M08/506 (for the conversion of E08/1997)

PATERSON PROVINCE

Live tenements
100% Hammer Metals Limited
E45/3768, E45/4091 – Encounter Resources Ltd can farm-in up to 85%

Note: E and M are abbreviations for Exploration licence and Mining lease respectively under the Western Australian Mining Act.

FINANCIAL REPORT

DIRECTORS' REPORT

The Directors present their report together with the financial report of Hammer Metals Limited ("the Company") and of the Group, being the Company and its subsidiaries, for the year ended 30 June 2014 and the auditor's report thereon.

1. DIRECTORS

The Directors at any time during or since the end of the financial year are:

Russell Davis – Executive Chairman (appointed 13 January 2014)
BSc (Honours) MBA MAusIMM, FFIN

Mr. 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. He is currently a non-executive Director of Gold Road Resources Limited.

Alexander Hewlett – Executive Director (appointed 26 June 2013)
BSc MAusIMM, AICD

Alexander Hewlett is a qualified Geologist graduating from the University of Western Australia. Alex worked as a resource-modelling geologist for CSA Global, before taking on management positions of ASX listed explorers as Managing Director of US Nickel Ltd and Chairperson of Groote Resources Ltd (now Northern Manganese Limited). Alex was employed as a consultant for a New York resource fund working as an analyst.

Alex is highly skilled at project identification and acquisition and has a flair for company and investor communications. He has raised significant funds for both domestic and international projects in the mining and exploration sector. Alex has also acquired packaged and vended project portfolio's into ASX listed companies including – White Star Resources, Groote Resources and Spitfire Resources as well as identifying and acquiring projects for US Nickel (later Kalgoorlie Mining Company).

Alex is a member of the Australasian Institute of Mining and Metallurgy, and has been a Director of Hammer Metal (Australia) Pty Ltd (formerly Hammer Metals Ltd) since its inception in 2012.

Patrick Corr – Independent Non-Executive Director (appointed 26 June 2013)
LLB

Patrick specialises in the laws regulating the companies and securities industries in Australia, with a particular focus on minerals and natural resources. Patrick has extensive knowledge of the legal, regulatory and commercial requirements, as well as the practical considerations, involved in mineral and resource project transactions in international jurisdictions, particularly West Africa.

Nader El Sayed – Independent Non-Executive Director (appointed 26 June 2013)
B.Comm, MA, CA

Nader El Sayed holds a Bachelor of Commerce (Banking & Finance), Masters (Accounting) and is member of Australian Institute of Chartered Accountants. Nader is currently the Chief Executive Officer of Multiplant Holdings, a mining and civil services business based in Western Australia. Nader'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. Nader brings a wealth of risk management, corporate governance, strategic and financial experience to the Board.

DIRECTORS' REPORT

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other 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 – current
	Syndicated Metals Ltd	August 2005 – March 2012
Patrick Corr	Vortex Pipes Ltd	March 2012 –August 2014
Alexander Hewlett	Kalgoorlie Mining Company (formerly US Nickel Ltd)	December 2008 – August 2011
	Groote Resources Ltd	March 2010 – January 2011
Nader El Sayed	None	-

3. COMPANY SECRETARY

Mark Pitts – Company Secretary (appointed 13 August 2010)
BBus, FCA

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. He 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	Meetings attended
Mr R Davis	4	4
Mr A Hewlett	8	8
Mr P Corr	8	8
Mr N El Sayed	8	6

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 $12,157,907 (2013: $1,559,832). Included in this amount are project evaluation and generation expenses of $12,016 (2013: $65,197) relating to tenements prior to grant; and $10,612,308 (2013:$534,382) impairment of capitalised exploration and evaluation expenditure (including exploration expenditure written off) and assets held for sale.

CORPORATE:

Following receipt of shareholders approval at the Annual General Meeting on 19 November 2013, the Company completed the acquisitions of Hammer Metals Australia Pty Ltd (formerly Hammer Metals Limited ABN: 59 158 383 834)and Mt. Dockerell Mining Pty Ltd (ABN 61 009 242 997). The principal assets acquired were the Mount Isa region projects including interests in the Kalman copper-gold-molybdenum-rhenium deposit and

DIRECTORS' REPORT

the Mount Philp iron deposit along with the Mount Morgan region project in Central Queensland. The Company issued 3,401,817,000 ordinary shares, 800,000,000 preference shares and 1,230,000,000 unlisted options (pre-consolidation) as consideration for the acquisition of assets.

The company raised $890,000 by way of private placement of 656,666,664 (pre-consolidation) shares during the year.

Following approval by shareholders at the General Meeting held in April 2014; the Company undertook a share consolidation for 1 to every 100 shares issued and changed its name from Midas Resources Limited to Hammer Metals Limited.

QUEENSLAND PROJECTS:

Mount Isa Region Projects:

The Company's projects in the Mount Isa region now comprise approximately 1950km^2 of granted tenements and tenement applications which encompass Iron Oxide Copper-Gold prospects and shear-hosted base metal and gold prospects.

An RC drilling program commenced in December 2013 at the Overlander prospect. The objective of the program was to add additional potentially open-pittable copper resources to the current resource inventory within trucking distance of the Kalman Deposit. RC drilling at Overlander North and Overlander South confirmed high-grade copper zones open at depth, with a mineralised shear zone largely untested between, and along-strike from both prospects. A number of planned drilling targets were unable to be drilled before drilling ceased in late December due to the wet season.

Follow up drilling commenced in March 2014 at Overlander, Pelican, Serendipity and Python prospects. The program was successful in delineating resources at Overlander North and Overlander South with JORC estimates for the deposits announced in July 2014.

Further drilling was undertaken in August and September 2014 across several targets with encouraging results, particularly at Kalman, Overlander North and Dronfield.

Mount Morgan Region Projects:

The Golden Peaks project is located to the southeast of the Mount Morgan gold-copper mine in Central Queensland which produced over 8,000,000 ounces of gold and 387,000 tonnes of copper. The Company has a joint venture with Perilya Limited over EMP15810 and MDL13 and holds a 100% interest in EMP19831. The tenements cover significant sections of the prospective volcanic sequences that host the Mount Morgan deposit.

The company completed interpretation of the final VTEM geophysical survey data and several conductors were highlighted and modelled where possible.

A ground EM survey was recently completed to better define the Mt Dick North VTEM anomaly.

Mount Philp:

The Company received a cash offer for its 100% owned Mt Philp iron ore deposit in December 2013. The offer was subject to a due diligence period. The due diligence has been completed, and currently negotiations are ongoing to finalise a sale agreement. The offer comprises a purchase price of $1,500,000 and a royalty of 0.5% of the gross proceeds of the sale of iron extracted from Mt Philp. A non-refundable exclusivity fee of $125,000 has been received. Rights to all other minerals apart from the iron ore will remain with the Company.

WEST AUSTRALIAN PROJECTS:

Paterson Province:

A farm in agreement with Encounter Resources was entered into in July 2013 which requires Encounter to spend the greater of $100,000 or the minimum exploration spend in the first year on E45/3768 and E45/4091 within a specified area of 316km^2. Encounter reported that it had flown a VTEM survey over the prospective Broadhurst Formation as part of the earn-in.

DIRECTORS' REPORT

6. OPERATING AND FINANCIAL REVIEW (CONT.)

Lake Carey Gold Project:

The Company sold its Lake Carey Gold Project during the period for $330,000, retaining a royalty of $5/ounce on any gold produced from the project tenements over 100,000 ounces.

Sunset Well and Leonora Gold Project:

The Leonora tenements comprised the Sunset Well project (Mining Lease M37/1297) and the Leonora South project (exploration licences E40/294, E40/295 and E40/312 and prospecting licence P40/1282).

The Company sold its Leonora South project during the period.

The Company continues to market the remaining tenement at Sunset Well for sale.

Iron Ore Projects (Mulga):

The conditional share sale agreement for the sale of Mulga Minerals Pty Ltd entered into in 2012 expired in July 2013. The Company continues to have discussions with selected parties in relation to the sale of these assets.

7. DIVIDENDS

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

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance date, the Company completed a placement with sophisticated shareholders raising $1,200,000 (before costs).

Other than the above, there has not been any 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 compliment 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	Options over ordinary shares
Mr R Davis	5,000,000	3,600,000
Mr P Corr	70,000	1,000,000
Mr N El Sayed	19,500	1,000,000
Mr A Hewlett	4,647,142	2,100,000

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

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. Key management personnel comprise the directors of the Company and senior executives for the Group. Staff remuneration is reviewed annually.

SERVICE CONTRACTS

Alexander Hewlett:

The Company has entered into a Consulting agreement with Mazza Resources Pty Ltd (an entity of which Mr Hewlett is the principal) on 22 September 2014. A Consulting fee of $220,000 per annum is payable with a 3 year term. The Company may terminate the agreement after twelve months by giving six months notice or paying the executive an amount equal to six months of the consulting 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.

There were no service contracts between the Company and the director prior to this agreement.

Russell Davis:

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.

There were no service contracts between the Company and the director prior to this agreement.

Mark Pitts:

Mr Pitts is a Partner in the corporate advisory firm Endeavour Corporate providing secretarial support, 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 month's 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.

There are no other items of contingent remuneration to Directors.

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.

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.

DIRECTORS' REPORT

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 Compensation			
		Salary & fees	Non-Monetary benefits	Termination payments	Super-annuation benefits	Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		$	$	$	$	$	$	%	%
Directors									
Executive									
Mr R Davis	2014	117,666	-	-	-	-	117,666	-	-
(appointed 13 January 2014)	2013	-	-	-	-	-	-	-	-
Mr A Hewlett	2014	146,665	-	-	2,217	-	148,882	-	-
	2013	-	-	-	-	-	-	-	-
Mr G Balfe	2014	-	-	-	-	-	-	-	-
(resigned 26 June 2013)	2013	244,804	-	60,549	21,798	-	327,151	-	-
Non-executive									
Mr P Corr	2014	30,000	-	-	2,850	85,987	118,837	-	72%
	2013	-	-	-	-	-	-	-	-
Mr N El Sayed	2014	30,000	-	-	2,850	85,987	118,837	-	72%
	2013	-	-	-	-	-	-	-	-
Mr J Hopkins	2014	-	-	-	-	-	-	-	-
(resigned 26 June 2013)	2013	60,000	-	-	5,400	-	65,400	-	-
Mr T Streeter	2014	-	-	-	-	-	-	-	-
(resigned 8 April 2013)	2013	30,769	-	-	2,769	-	33,538	-	-
Mr D Fisher	2014	-	-	-	-	-	-	-	-
(resigned 26 June 2013)	2013	13,923	-	-	1,253	-	15,176	-	-
Total, all specified Directors	2014	324,331	-	-	7,917	171,974	504,222	-	34%
	2013	349,496	-	60,549	31,220	-	441,265	-	-
Executives									
Mr M Pitts	2014	33,500	-	-	-	81,775	115,275	-	71%
(Company Secretary)	2013	72,000	-	-	-	-	72,000	-	-
Total key management personnel and Directors of the Company and Group	2014	357,831	-	-	7,917	253,749	619,497	-	41%
	2013	421,496	-	60,549	31,220	-	513,265	-	-

DIRECTORS' REPORT

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

The terms of granted options:

Options	Grant Date	Expiry Date	Exercise price	Number of granted options	Number of vested options	Options vested during the year	Lapsed/ forfeited during the year	Fair value per option
P Corr	25 Nov 2013	30 June 2017	$0.20	1,000,000	1,000,000	1,000,000	-	$0.086
N El Sayed	25 Nov 2013	30 June 2017	$0.20	1,000,000	1,000,000	1,000,000	-	$0.086
M Pitts	26 May 2014	26 May 2017	$0.20	1,000,000	1,000,000	1,000,000	-	$0.082

The fair value for these options was calculated using the Black Scholes option pricing model at grant date. The inputs and assumptions used in the calculation of fair value of options are disclosed in Note 23.

No options 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

Details of vesting profiles of the options granted as remuneration to each director and executive are detailed in the table below:

	Number of granted options	Date granted	% vested in current year	% forfeited / lapsed in current year	Financial years in which grant vested
P Corr	1,000,000	25 Nov 2013	100%	-	30 June 2014
N El Sayed	1,000,000	25 Nov 2013	100%	-	30 June 2014
M Pitts	1,000,000	26 May 2014	100%	-	30 June 2014

- End of Remuneration report -

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 shares
Options issued for the acquisition of assets	30 June 2017	$0.20	12,300,000
Loyalty options	30 June 2017	$0.30	2,116,674
Directors' Options	30 June 2017	$0.20	2,000,000
Employee / Contractor Options	26 May 2017	$0.20	1,000,000

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 listed options during the year (2013: 10,969) (Refer Note 19 for details). No shares have been issued since the year end to the date of this report as a result of the exercise of options.

DIRECTORS' REPORT

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 are contained elsewhere in the annual report and are also 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.

16. NON-AUDIT SERVICES

During the year, KPMG, the Company's auditor, did not perform any other services in addition to their statutory duties.

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 35 and forms part of the Directors' report for the financial year ended 30 June 2014.

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:

A Hewlett | Managing Director
Perth | 25 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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 for the financial year ended 30 June 2014 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

David Sinclair
Partner

Perth

25 September 2014

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	Consolidated 30 June 2014 $	30 June 2013 $
Current Assets			
Cash and cash equivalents	10(a)	780,187	1,605,121
Deposits	10(b)	15,000	15,000
Trade and other receivables	11	522,109	36,492
Other financial assets	12	-	39,487
Assets held for sale	13	1,653,580	1,194,223
Total current assets		2,970,876	2,890,323
Non-current assets			
Plant and equipment	14	15,895	32,518
Exploration and evaluation expenditure	15	5,271,109	11,387,350
Total non-current assets		5,287,004	11,419,868
Total assets		8,257,880	14,310,191
Current liabilities			
Trade and other payables	16	309,822	278,814
Deferred income		-	200,000
Interest bearing loans and borrowings	17	-	185,577
Provisions	18	47,668	114,429
Total current liabilities		357,490	778,820
Total liabilities		357,490	778,820
Net assets		7,900,390	13,531,371
Equity			
Share capital	19	35,006,678	29,791,144
Reserves	20	1,311,392	76,497
Accumulated losses		(28,417,680)	(16,336,270)
Total equity		7,900,390	13,531,371

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 30 June 2014 $	30 June 2013 $
Continuing operations			
Other income		4,724	4,106
Marketing expenses		(57,322)	(24,790)
Administrative expenses	4	(889,876)	(776,503)
Occupancy expenses		(82,876)	(127,541)
Depreciation	4	(27,969)	(23,570)
Project evaluation and generation expenses		(12,016)	(65,197)
Exploration expenditure written off	15	(361,766)	(178,188)
Impairment of exploration assets and assets held for sale	13/15	(10,250,542)	(356,194)
Impairment of available for sale assets	4	(14,582)	(12,311)
Result from operating activities		(11,692,225)	(1,560,188)
Finance income		25,713	14,182
Finance expenses		(6,857)	(13,388)
Net finance income / (expense)	5	18,856	794
Loss before income tax		(11,673,369)	(1,559,394)
Income tax benefit	8	-	-
Net loss for the year from continuing operations		(11,673,369)	(1,559,394)
Discontinued operations			
Loss from discontinued operation (net of tax)	7	(484,538)	(438)
Loss for the year		(12,157,907)	(1,559,832)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available for sale financial assets		-	(95,781)
Other comprehensive loss for the year, net of income tax		-	(95,781)
Total Comprehensive loss for the year		(12,157,907)	(1,655,613)
Loss for the year attributable to:			
Owners of the Company		(12,157,907)	(1,559,832)
		(12,157,907)	(1,559,832)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(12,157,907)	(1,655,613)
		(12,157,907)	(1,655,613)
Loss per share:			
Basic and diluted loss per share	9(a)	(23.04) cents	(0.23) cents

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

STATEMENT OF CHANGES OF EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

Consolidated – 30 June 2013	Share capital	Share based payment reserve	Fair value reserve	Accumulated losses	Total
Balance at 1 July 2012	27,320,123	113,695	95,781	(14,813,713)	12,715,886
Total comprehensive loss for the period					
Loss for the year	-	-	-	(1,559,832)	(1,559,832)
Net change in fair value of available-for-sale financial assets	-	-	(95,781)	-	(95,781)
Total comprehensive loss for the period	-	-	(95,781)	(1,559,832)	(1,655,613)
Shares issued for cash	2,402,154	-	-	-	2,402,154
Shares issued on conversion of options	329	-	-	-	329
Shares issued for settlement of liabilities	342,905	-	-	-	342,905
Share issue costs	(274,367)	-	-	-	(274,367)
Share based payments	-	77	-	-	77
Options lapsed during the period	-	(37,275)	-	37,275	-
Balance at 30 June 2013	29,791,144	76,497	-	(16,336,270)	13,531,371

Consolidated – 30 June 2014	Share capital	Share based payment reserve	Fair value reserve	Accumulated losses	Total
Balance at 1 July 2013	29,791,144	76,497	-	(16,336,270)	13,531,371
Total comprehensive loss for the period					
Loss for the year	-	-	-	(12,157,907)	(12,157,907)
Other comprehensive income / loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(12,157,907)	(12,157,907)
Shares issued for cash	890,000	-	-	-	890,000
Shares issued for asset acquisitions	4,201,817	-	-	-	4,201,817
Options issued for acquisition of assets	-	1,057,643	-	-	1,057,643
Shares issued for settlement of liabilities	210,434	-	-	-	210,434
Share issue costs	(86,717)	-	-	-	(86,717)
Share based payments	-	253,749	-	-	253,749
Options lapsed during the period	-	(76,497)	-	76,497	-
Balance at 30 June 2014	35,006,678	1,311,392	-	(28,417,680)	7,900,390

The statements of changes in equity are to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 30 June 2014 $	30 June 2013 $
Cash flows from operating activities			
Interest received		25,713	14,182
Cash receipts from tenants		-	4,099
Cash payments in the course of operations		(853,151)	(879,925)
Payments for evaluation of new projects		(16,016)	(44,297)
Interest paid		-	(906)
Net cash used in operating activities	25	(843,454)	(906,847)
Cash flows from investing activities			
Exploration expenditure		(1,238,010)	(1,249,452)
Acquisition of tenements		(165,000)	-
Proceeds on sale of tenements		330,100	-
Income on assets available for sale		125,000	200,000
Research and development tax incentive claim received		149,586	-
Payments for purchase of plant and equipment		(11,346)	(590)
Proceeds on sale of investments		24,907	-
Government grant received for exploration expenditure		-	100,290
Net cash used in investing activities		(784,763)	(949,752)
Cash flows from financing activities			
Proceeds from issue of share capital		890,000	2,402,154
Proceeds from option conversions		-	329
Transaction costs from issue of shares		(86,717)	(214,366)
Proceeds from borrowings		-	500,000
Repayment of borrowings		-	(50,000)
Net cash from financing activities		803,283	2,638,117
Net (decrease) / increase in cash and cash equivalents		(824,934)	781,518
Cash and cash equivalents at 1 July		1,620,121	838,603
Cash and cash equivalents at 30 June	10	795,187*	1,620,121*

*cash and cash equivalents include deposits held

The statements of changes in equity are 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 2014 comprises the Company and its subsidiaries (together referred to as the "Group").

The Group is a for profit entity and is primarily is 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) (including Australian Interpretations) 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 25 September 2014.

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(f).

Estimates and assumptions

(ii) Ore Reserves

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 under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2004 edition (the JORC Code). The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economical factors, including: quantities, grades, production techniques,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves 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 on 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 income statement in accordance with accounting policy 3(f). The carrying amounts of exploration and evaluation assets are set out in note 15.

(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.

E) 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 available for early adoption at 30 June 2014, but have not been applied in preparing this financial report.

AASB 9 *Financial Instruments (2010), AASB 9 Financial Instruments (2009)*
AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Group has not yet determined the impact of AASB 9 (2010 and 2009).

F) 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 2014, the Group has incurred a consolidated loss of $12,157,907 and net operating cash outflows of $843,454 and net investing cash outflows of $784,763 As at 30 June 2014 the Group had $795,187 in cash and cash equivalents (including deposits held) and net current assets of $2,613,386.

The Company may need to raise additional funds to meet its ongoing obligations and subject to the results of its ongoing exploration activities, expand or accelerate its work programs. The Company's capacity to raise additional funds via equity issues will be impacted by the success of ongoing exploration activities. In this

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT.)

instance, the Company would consider securing additional funds through a capital raising via preferential issues to existing shareholders (pro rata offers and/or share purchase plans), placements to new and existing investors or through the realisation of assets. Subsequent to the year end, the Company completed a placement with sophisticated investors raising $1,200,000 (before costs). The Company has prepared a 12 month cash flow budget from the date of signing the financial report which demonstrates that non-discretionary expenditure can be funded by existing reserves.

The Directors have reviewed the Group's and Company's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Except for the changes set out below, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

Prior year comparatives have been reclassified where necessary to conform with current year presentation.

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 Consolidated Financial Statements

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances. The Group has reassessed the control conclusion for its investees at 1 July 2013 and there have been no changes in the control determination of subsidiaries, joint arrangements and or associates. Consequently there has been no impact on the financial statements for the change in this policy.

AASB 11 Joint Arrangements

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group has classified its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations 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. Previously, the structure of the arrangement was the sole focus of classification.

The Group has evaluated its involvement in its joint arrangements and accordingly, there has been no material impact to the financial statements as result of this change in accounting policy.

AASB 12 Disclosure of Interests in Other Entities (2011)

There are no additional disclosure impacts on the adoption of AASB12.

AASB 13 Fair Value Measurement (2011)

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

AASB 119 Employee Benefits (2011)
In the current year, the Group adopted AASB 119 Employee Benefits (2011), which revised the definition of short-term employee benefits to benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. The change requires a measurement of annual leave liability of the Group's employees as a long term benefit, where the benefits are expected to be settled after 12 months after the end of the reporting period.

There has been no material impact on the financial statements for the change in this policy

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 exceed 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.

(v) Business combinations
All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. 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) Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

(vii) 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.

(viii) 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 income statement. 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 income statement on a straight-line basis over their estimated useful lives. The estimated useful lives in the current and comparative periods are as follows:

(i) plant and equipment 3 to 4 years

The residual value, if significant, is reassessed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

D) FINANCIAL INSTRUMENTS

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in current assets unless management intends to hold the investment for greater than twelve months from the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on quoted bid prices at reporting date.

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

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss, calculated as the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

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.

Preference shares

Non-redeemable preference shares are classified as equity, because they bear dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

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 income statement 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 income statement as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 comprise 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 income statement as it accrues, using the effective interest method.

K) INCOME TAX

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

General and administrative costs are allocated to, and included in, the cost of explorations 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 commercial viable quantities of mineral resources and the decision was made to discontinue such activities in the specified are; 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 of 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).

O) NON-CURRENT ASSETS HELD FOR SALE OR DISTRIBUTION

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets or components of a disposal group, are remeasured in accordance with the Groups' accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying value amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets which continue to be measured in accordance with the Group's accounting policy. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

P) DISCONTINUED OPERATIONS

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale or distribution (see note 3(o)), if earlier.

Q) 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 initially deducting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $

4. RESULT FROM OPERATING ACTIVITIES

	30 June 2014 $	30 June 2013 $
Net loss for the year before tax has been arrived at after the charging the following expenses:		
Depreciation of plant and equipment	27,969	23,570
Loss on sale of investments	14,582	-
Salary and wages	271,424	680,925
Contributions to defined contribution plans	24,879	54,488
Equity settled share based payment transactions	253,749	77
Leave entitlements	9,239	10,497
Other employment costs	6,936	4,230
Total employee costs	566,227	750,217
Less: amount capitalised to exploration and evaluation	(179,077)	(289,606)
Total employee costs in loss before tax	387,150	460,611

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $

5. FINANCE INCOME AND FINANCE COSTS

	30 June 2014 $	30 June 2013 $
Recognised in loss for the year:		
Interest income	25,713	14,182
Interest expense	(6,857)	(13,388)
Net finance income / (expense)	18,856	794

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $

6. AUDITORS' REMUNERATION

	30 June 2014 $	30 June 2013 $
Auditors of the Company:		
Audit services:		
KPMG:		
Audit and review of financial reports	43,902	41,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. DISCONTINUED OPERATIONS

The Group's interest in the separately identified iron ore segment are held for sale (refer note 13). The revenue and expenses related to this segment are shown in the table below:

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
Results of discontinued operation		
Revenue	325,000	-
Expenses	(636)	(438)
Impairment losses	(808,902)	-
Results from operating activities	(484,538)	(438)
Income Tax	-	-
Loss for the year	(484,538)	(438)
Basic and diluted loss per share	(0.92)	(0.0001)

The loss from discontinued operation of $484,539 (2013: $438) is attributable entirely to the owners of the Company.

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
Cash flows from (used in) discontinued operation		
Net cash used in operating activities	(636)	(438)
Net cash from investing activities	84,965	196,615
Net cash from financing activities	-	-
Net cash flows for the year	84,329	196,177

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $

8. INCOME TAX

A) INCOME TAX BENEFIT

	30 June 2014 $	30 June 2013 $
Current tax	-	-
Deferred tax	-	-
Total income tax benefit	-	-
Numerical reconciliation of income tax benefit to pre-tax accounting loss:		
Loss for year	(12,157,907)	(1,559,832)
Income tax benefit using the Company's domestic tax rate of 30% (2013: 30%)	(3,647,372)	(467,950)
Adjusted for:		
Non-deductible expenses	3,172,369	304
Change in temporary differences	(165,669)	(244,991)
Current year tax losses not recognised	640,672	712,637
Income tax benefit	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $

8. INCOME TAX (CONT.)

B) UNRECOGNISED DEFERRED TAX ASSETS

	30 June 2014 $	30 June 2013 $
Deferred tax assets have not been recognised in respect of the following items:		
Temporary timing differences related to:		
Investments	-	76,165
Property, plant and equipment	7,394	2,407
Accrued expenses and provisions	21,016	41,732
Capital raising costs	121,608	138,890
Income tax losses	7,028,144	4,333,163
	7,178,162	4,592,357

C) RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

	30 June 2014 $	30 June 2013 $
Temporary timing differences related to:		
Exploration and evaluation expenditure	(1,271,817)	(3,681,878)
Income tax losses	1,271,817	3,681,878
	-	-

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.

D) MOVEMENT OF TEMPORARY DIFFERENCES RECOGNISED DURING THE YEAR ENDED 30 JUNE 2014:

Consolidated	Balance 1 July 2013	Profit or Loss	Other comprehensive income	Equity	Balance 30 June 2014
Exploration and evaluations expenditure	(3,681,878)	2,410,061	-	-	(1,271,817)
Tax loss carry-forwards	3,681,878	(2,410,061)	-	-	1,271,817
	-	-	-	-	-

E) MOVEMENT OF TEMPORARY DIFFERENCES RECOGNISED DURING THE YEAR ENDED 30 JUNE 2013:

Consolidated	Balance 1 July 2012	Profit or Loss	Other comprehensive income	Equity	Balance 30 June 2013
Exploration and evaluations expenditure	(3,488,982)	(192,896)	-	-	(3,681,878)
Tax loss carry-forwards	3,488,982	192,896	-	-	3,681,878
	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
9. EARNINGS 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.	(23.04) cents	(0.23) cents
Options disclosed in Note 19(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	52,772,204	679,500,330
10. (A) CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	780,187	1,605,121
(B) DEPOSITS		
Current		
Bank term deposits	15,000	15,000

The Group's exposure to interest rate risk and sensitivity analysis for Financial assets and financial liabilities are disclosed in Note 27.

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
11. TRADE AND OTHER RECEIVABLES		
Current		
GST receivable	13,027	25,014
Security deposit	31,358	10,144
Other receivables	477,724	1,332
	522,109	36,490

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 27.

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
12. OTHER INVESTMENTS		
Current		
Investments in other entities		
Listed shares available for sale	-	39,487

The Company's investment in listed shares was sold during the year. Proceeds for the sale amounted to $24,907 resulting in a loss on sale of investment of $14,580.
The Group's exposure to equity price risk and sensitivity analysis in disclosed in Note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. ASSETS HELD FOR SALE

Iron Ore Assets:

In 2012, the Company entered into a conditional share sale agreement for the sale of all the shares held in Mulga Minerals Ltd, a wholly owned subsidiary which holds title to the Group's iron ore assets (Mulga) and is the Group's Iron Ore operating segment, the sale agreement expired in July 2013 due to all conditions not being met. The Company had received a non-refundable payment of $200,000 which has now been recognised as income. No further binding purchase offers have been considered at the date of this report, however continuing discussions are being held with an interested party. In determining the fair value of these assets, the costs carried forward have been impaired by $808,902 which is included in the results from discontinued operations as per note 7.

On 9 December 2013, the Company received a cash offer of $1,500,000 for its 100% owned Mt Philp Iron Ore deposit subject to a period of due diligence. The Company has received $125,000 non-refundable exclusivity fee in respect of this offer and a final terms of a sale agreement are being finalised at the date of this report. In determining the carrying value of these assets, consideration has been given to the offer received which approximates the current carrying value.

Gold assets:

The Company had also advertised for sale the assets held at the Sunset Well and Leonora Gold projects (Sunset/Leonora) which form part of the Groups Gold operating segment. During the period, the assets at Leonora were sold for a nominal value of $100. The Company still retains interest in a tenement at Sunset Well for which continuing sale discussions are being held. In determining the fair value of these assets, the costs carried forward have been impaired by $347,470 which is included in the results from operating activities.

At 30 June 2014 the disposal group comprised the following assets and liabilities:

	Consolidated	
	30 June 2014 $	30 June 2013 $
Assets classified as held for sale		
Exploration and evaluation expenditure – Iron Ore	1,625,356	894,223
Exploration and evaluation expenditure – Gold	28,224	300,000
	1,653,580	1,194,223

	Consolidated	
	30 June 2014 $	30 June 2013 $

14. PLANT AND EQUIPMENT

Office equipment and fittings at cost	243,103	231,757
Accumulated depreciation	(227,208)	(199,239)
Net book value	15,895	32,518

Reconciliation of office equipment is as follows:

Opening carrying value	32,518	55,498
Additions	11,346	590
Depreciation	(27,969)	(23,570)
Closing carrying value	15,895	32,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 30 June 2014 $	30 June 2013 $
15. EXPLORATION AND EVALUATION EXPENDITURE		
Balance at 1 July	11,387,350	11,047,750
Exploration and evaluation expenditure incurred	1,392,210	1,177,368
Exploration and evaluation assets acquired	5,213,429	-
Exploration and evaluation assets sold	(330,000)	-
Exploration and evaluation expenditure written off	(361,766)	(178,188)
Exploration and evaluation expenditure impaired	(9,903,072)	(356,194)
Research and Development Tax incentive received	(627,042)	-
Exploration and evaluation assets reclassified as available for sale	(1,500,000)	(303,386)
Balance at 30 June	5,271,109	11,387,350

The ultimate recoupment 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).

The Company acquired the exploration assets of Hammer Metals Australia (Pty) Ltd and Mt. Dockerell Mining Pty Ltd during the year. The purchase consideration was settled by issue of shares at fair value at the date of acquisition.

During the period, the Company assessed the exploration assets held at its Lake Carey project in Western Australia. Impairment of exploration and evaluation assets is assessed at a cash generating unit (CGU) level or group of CGU's that are no larger than an 'area of interest'. The carrying value of this CGU was determined with reference to the sale agreement reached during the year; Directors have therefore impaired the value of this project by $9,903,072 to a carrying value of $330,000 being the amount recovered on sale.

The Company received a Research and development tax incentive of $672,042 in relation to its Lake Carey and Paterson projects for work undertaken during prior years. The amount received has been recognised against the assets and/or profit and loss to the extent those assets have been impaired.

	Consolidated 30 June 2014 $	30 June 2013 $
16. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	309,822	278,814

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 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	30 June 2014 $	30 June 2013 $

17. INTEREST BEARING LOANS

Related party loans	-	185,577

The above loans were unsecured and payable to entities related to previous directors. They were settled in full by issue of shares during the year. Total interest incurred during the year on these loans was $6,857.

	Consolidated	
	30 June 2014 $	30 June 2013 $

18. PROVISIONS

Provision for annual leave and long service leave		
Balance at beginning of year	22,429	94,818
Provision (utilised) / raised for leave entitlements for the year	9,239	(72,389)
Balance at end of year	31,668	22,429
Provision for rehabilitation		
Balance at beginning of year	92,000	71,100
Provision for rehabilitation of mineral tenements	(76,000)	20,900
Balance at end of year	16,000	92,000
	47,668	114,429

Provision has been made for the present value of the estimated environmental clean-up obligations outstanding at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	30 June 2014 No.	30 June 2013 No.

19. ISSUED CAPITAL

A) SHARE CAPITAL

	30 June 2014 No.	30 June 2013 No.
Ordinary shares		
On issue at 1 July	2,823,767,029	498,392,329
Shares issued for cash at $0.001 per share	190,000,000	-
Shares issued in settlement of loans at $0.01 per share	15,985,585	-
Shares issued for acquisition of assets at $0.001 per share	3,401,817,000	-
Shares issued in settlement of loans at $0.0014 per share	22,942,577	-
Conversion of preference shares to ordinary shares at $0.001 per share	169,359,483	-
Shares issued for cash at $0.0015 per share	466,666,664	-
Share consolidation at 100:1	(7,019,632,654)	-
Shares issued in settlement of liabilities at $0.181 per share	99,423	-
Issued for cash – rights issue at 1.12 cents per share	-	27,455,323
Exercise of share options at 3 cents per share	-	10,969
Issue in settlement of related party loans at 1 cent per share	-	15,516,618
Issued for cash – rights issue at 0.1 cent per share	-	2,165,500,000
Issued in settlement of fees at 0.1 cent per share	-	66,000,000
Issued in settlements of other loans at 0.1 cent per share	-	50,891,790
On issue at 30 June – fully paid	71,005,107	2,823,767,029

Terms and conditions

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.

Dividends

No dividends were paid or declared for the year (2013: NIL).

	30 June 2014 No.	30 June 2013 No.
Preference shares		
On issue at 1 July	-	-
Shares issued for acquisition of assets at $0.001 per share	800,000,000	-
Conversion of preference shares to ordinary shares at $0.001 per share	(169,359,483)	-
Share consolidation at 100:1	(624,334,112)	-
	6,306,405	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. ISSUED CAPITAL (CONT.)

A) SHARE CAPITAL (CONT.)

Terms and conditions

Holders of preference shares are entitled to receive dividends as declared from time to time at a fixed rate of 5% of the issue price. Preference shareholders are not entitled vote at shareholders' meetings. Preference shares will automatically convert into ordinary shares at such times as required by the preference shareholder so at to maintain its voting power as per the sale and purchase agreement of Hammer Metal Australia Pty Ltd and Mt. Dockerell Mining Pty Ltd. The conversion of the preference share will not result in the preference shareholder acquiring a voting power in the Company of greater than 19.9%. Upon conversion, these shares will rank equally with ordinary shares.

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, preference shareholders have the right for each preference share held and not converted to be paid in cash for the issue price and any arrears of dividends in priority to ordinary shareholders.

	30 June 2014 No.	30 June 2013 No.
B) OPTIONS OUTSTANDING OVER ORDINARY SHARES		
Options issued for acquisition of assets and related services at $0.20 expiring 30 June 2017	12,300,000	-
Director options exercisable at $0.20 expiring 30 June 2017	2,000,000	-
Employee options exercisable at $0.20 expiring 26 May 2017	1,000,000	-
Loyalty options exercisable at $0.30 expiring 26 May 2017	2,116,674	-
Managing Director's incentive options exercisable at $0.16 expiring 15 November 2013	-	500,000
Director options exercisable at $0.02 expiring 15 December 2014	-	1,000,000
Employee options exercisable at $0.10 expiring 31 December 2013[1]	-	600,000
	17,416,674	2,100,000

[1] Options granted pursuant to an Employee Option Plan

All options granted for no consideration.

1,500,000 unlisted options lapsed in accordance with terms and conditions of grant, following the resignation of directors on 26 June 2013.

600,000 employee options expired on 31 December 2013 (2013:200,000).

8,700,000 unlisted options were granted to directors or employees during the year; 5,700,000 of these options were issued to directors in their capacity as shareholders of Hammer Metals Australia Pty Ltd as part consideration for acquisition of assets. (2013: Nil)

No unlisted options were exercised during the period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
20. RESERVES		
Share based payment reserve[1]		
Balance at beginning of period	76,497	113,695
Options issued for acquisition of assets	1,057,643	-
Options issued to Directors and executives	253,749	77
Employee share options lapsed / forfeited	(76,497)	(37,275)
	1,311,392	76,497
Fair value reserve[2]		
Balance at beginning of period	-	95,781
Net increase/(decrease) in the market value of listed shares available for sale	-	(95,781)
	-	-
	1,311,392	76,497

[1] The share based payment reserve is used to record the fair value of options issued to Directors and employees 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.

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $	The Company 30 June 2014 $	The Company 30 June 2013 $
21. COMMITMENTS				
A) OPERATING LEASE COMMITMENTS				
Not later than 1 year	-	33,127	-	33,127
Later than 1 year but not later than 5 years	-	27,607	-	27,607

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. COMMITMENTS (CONT.)

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		The Company	
	30 June 2014 $	30 June 2013 $	30 June 2014 $	30 June 2013 $
Minimum exploration expenditure not later than 1 year	999,744	728,040	101,375	648,040

22. EMPLOYEE BENEFITS

	30 June 2014 No.	30 June 2013 No.
Number of employees at year end	-	2

Defined contribution superannuation funds

Hammer Metals Limited does not have a superannuation fund but makes contributions to defined contribution funds as specified by its employees. The amount paid to these funds for the financial year ended 30 June 2014 was $24,878 (2013: $54,488).

Employee option scheme

The Company had an Employee option scheme approved by shareholders. This scheme was approved by shareholders on 23 November 2010 for a period of 3 years and has not been renewed in the current year. The key features of this option plan were:

a) The plan will be available to officers and employees of the Company and its subsidiaries other than Directors at the discretion of the Board.
b) Options are granted for no consideration.
c) The options are issued at an exercise price as determined by the Board from time to time.
d) 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.
e) If a holder ceases to be an employee or officer during the exercise period the holder may exercise the options within 21 days of ceasing to be an employee or officer and thereafter the options will lapse.
f) The options issued under this plan shall not be quoted on ASX.
g) The options' terms are at the discretion of the Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The terms and conditions related to the grants of the share options under the share options scheme (pre-consolidation) are as follows; all options are to be settled by physical delivery of shares:

Grant date / entitlement date	No of instruments	Vesting conditions	Contractual life
Option grant to employees on 21 July 2009	600,000	Vested one third each year from 31 December 2009 to 2011; expire at earlier of expiry date or termination of employment.	53 months
Option grant to key management on 16 December 2010	500,000	Vest on grant date; expire at earlier of expiry date or termination of employment	35 months

Summary of options over unissued ordinary shares granted under the employee option scheme (pre-consolidation)

Grant date	Exercise date on or after	Expiry date	Exercise Price	Number of options at beginning of year	Options granted	Options lapsed/ forfeited	Options exercised	Number of options at end of year	
								On issue	Vested
30 June 2014									
21 Jul 09	31 Dec 09	31 Dec 13	$0.10	200,000	-	(200,000)	-	-	-
21 Jul 09	31 Dec 10	31 Dec 13	$0.10	200,000	-	(200,000)	-	-	-
21 Jul 09	31 Dec 11	31 Dec 13	$0.10	200,000	-	(200,000)	-	-	-
16 Dec 10	16 Dec 10	15 Nov 13	$0.16	500,000	-	(500,000)	-	-	-
				1,100,000	-	(1,100,000)	-	-	-

Grant date	Exercise date on or after	Expiry date	Exercise Price	Number of options at beginning of year	Options granted	Options lapsed/ forfeited	Options exercised	Number of options at end of year	
								On issue	Vested
30 June 2013									
21 Jul 09	31 Dec 09	31 Dec 13	$0.10	200,000	-	-	-	200,000	200,000
21 Jul 09	31 Dec 10	31 Dec 13	$0.10	200,000	-	-	-	200,000	200,000
21 Jul 09	31 Dec 11	31 Dec 13	$0.10	200,000	-	-	-	200,000	200,000
21 Apr 10	21 Apr 10	19 Apr 13	$0.16	200,000	-	(200,000)	-	-	-
16 Dec 10	16 Dec 10	15 Nov 13	$0.16	500,000	-	-	-	500,000*	500,000*
27 Feb 12	27 Feb 12	26 Feb 15	$0.02	150,000	-	(150,000)	-	-	-
27 Feb 12	27 Feb 12	26 Feb 15	$0.10	83,333	-	(83,333)	-	-	-
27 Feb 12	27 Feb 13	26 Feb 15	$0.10	83,333	-	(83,333)	-	-	-
27 Feb 12	26 Feb 14	26 Feb 15	$0.10	83,334	-	(83,334)	-	-	-
				1,700,000	-	(600,000)	-	1,100,000	1,100,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. EMPLOYEE BENEFITS (CONT.)

Measurement of fair values

The fair value attributable to employee options is calculated using the Black Scholes option pricing model at grant date.
The fair value is based upon the following inputs and assumptions:

Options Expiring	**15 Nov 2013**	**31 Dec 2013**
Share price at grant date	$0.05	$0.024
Exercise price	$0.160	$0.100
Expected volatility	119%	112%
Option life	35 months	53 months
Risk free rate	5.13%	5.44%
Fair value per option	$0.0259	$0.0144

Reconciliation of outstanding share options (pre-consolidation)
The number and weighted average exercise price of share options under the employee share options scheme is as follows:

	No of options 2014	**Weighted average exercise price 2014**	**No of options 2013**	**Weighted average exercise price 2013**
Outstanding at 1 July	1,100,000	$0.13	1,700,000	$0.12
Granted during the year	-	-	-	-
Expired during the year	(1,100,000)	$0.13	(600,000)	$0.10
Forfeited during the year	-	-	-	-
Outstanding at 30 June	-	-	1,100,000	$0.13
Exercisable at 30 June	-		1,100,000	

There are no options issued under an employee scheme outstanding at 30 June 2014.

No share options were exercised in the year (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. 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)(appointed 13 January 2014)
Mr A Hewlett

Non-executive Directors

Mr P Corr
Mr N El Sayed

Executives

Mr M Pitts (Company Secretary)
The key management personnel compensation comprised:

	Consolidated	
	30 June 2014 $	30 June 2013 $
Short-term employee benefits	357,831	504,382
Termination benefits	-	60,549
Post-employment benefits	7,917	31,220
Share- based payments	253,749	-
	619,497	596,151

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 executives 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.

Equity instruments

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

7,700,000 options were issued to directors in this financial year (2013: Nil)

1,000,000 options were issued to executives in regard to their employment or provision of services during this financial year (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTIES (CONT.)

Equity instruments (Cont.)

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 (shown on a post-consolidation basis), is as follows:

Year ended 30 June 2014	Held at beginning of period	Granted	Purchased	Exercised	Lapsed or Expired	Held at end of period	Vested and exercisable at end of period
Directors							
Mr R Davis	-	3,600,000	-	-	-	3,600,000	3,600,000
Mr P Corr	-	1,000,000	-	-	-	1,000,000	1,000,000
Mr N El Sayed	-	1,000,000	-	-	-	1,000,000	1,000,000
Mr A Hewlett	-	2,100,000	-	-	-	2,100,000	2,100,000
Executives							
Mr M Pitts	-	1,000,000	-	-	-	1,000,000	1,000,000

Year ended 30 June 2013[1]	Held at beginning of period[1]	Granted	Purchased	Exercised	Lapsed or Expired[1]	Held at end of period[1]	Vested and exercisable at end of period[1]
Directors							
Mr J Hopkins*	10,000	-	-	-	-	10,000*	10,000*
Mr T Streeter**	95,567	-	-	-	(95,567)	-	-
Mr D Fisher***	-	-	-	-	-	-	-
Mr P Corr^	-	-	-	-	-	-	-
Mr N El Sayed^	-	-	-	-	-	-	-
Mr G Balfe*	72,412	-	-	-	(67,412)	5,000*	5,000*
Mr A Hewlett^	-	-	-	-	-	-	-
Executives							
Mr M Pitts	-	-	-	-	-	-	-

1 The option holdings for 2013 have been restated to reflect effect of consolidation of equity during the current year
* Resigned 26 June 2013 – options held at date of resignation lapsed within 60 days of that date
** Resigned 8 April 2013
*** Appointed 10 April 2013 and resigned 26 June 2013
^ Appointed 26 June 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Measurement of fair values

The fair value attributable to directors and executives options is calculated using the Black Scholes option pricing model at grant date.

The fair value is based upon the following inputs and assumptions:

Options Expiring	26 May 2017	30 June 2017
Number of options	1,000,000	2,000,000
Share price at grant date	$0.12	$0.10
Exercise price	$0.20	$0.20
Expected volatility	130%	170%
Option life	36 months	36 months
Risk free rate	2.85%	3.2%
Fair value per option	$0.082	$0.086

Equity holdings and transactions

No shares were granted to key management personnel during the year as compensation (2013: 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 2014	Held at beginning of period	Purchases / entitlement issue	Sales	Held at end of period
Directors				
Mr R Davis	-	4,941,741	-	4,941,741
Mr A Hewlett	1,102,000	4,197,142	(652,000)	4,647,142
Mr P Corr	-	70,000	-	70,000
Mr N El Sayed	-	19,500	-	19,500
Executives				
Mr M Pitts	-	-	-	-

Year ended 30 June 2013	Held at beginning of period[1]	Purchases / entitlement issue[1]	Sales	Held at end of period[1]
Directors				
Mr J Hopkins*	35,333	163,655	-	198,988
Mr T Streeter**	991,784	54,675	-	1,046,459
Mr D Fisher***	-	-	-	-
Mr P Corr^	-	-	-	-
Mr N El Sayed^	-	-	-	-
Mr G Balfe*	143,666	1,902,554	-	2,046,220
Mr A Hewlett^	-	1,102,000	-	1,102,000
Executives				
Mr M Pitts	-	-	-	-

1 The equity holdings for 2013 have been restated to reflect effect of consolidation of equity during the current year.
* Resigned 26 June 2013
** Resigned 8 April 2013
*** Appointed 10 April 2013 and resigned 26 June 2013
^ Appointed 26 June 2013
Shareholdings are shown as at date of resignation, where applicable, and include indirect holdings held by related parties to the directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTIES (CONT.)

Other related party disclosure

The Company has a related party relationship with its controlled entities.

Transactions between the Company and its controlled entities consisted of:

a. Loans advanced by Hammer Metals Limited. The loans are interest free, unsecured and repayable at call. During the financial year ended 30 June 2014, loans to subsidiaries totalled $3,527,438 (2013: $2,345,522). These loans have been impaired by $2,335,494 at 30 June 2014 (2013: $2,335,186).
b. Expenses incurred by Hammer Metals Limited are on-charged to controlled entities at cost.
c. Administrative services are provided at no cost to the controlled entities.

24. INTEREST IN OTHER ENTITIES

Name	Country of Incorporation	Percentage held 2014	Percentage held 2013
Parent and ultimate controlling entity			
Hammer Metals Limited			
Subsidiaries			
Hammer Metals Australia Pty Ltd	Australia	100%	-
Mt. Dockerell Mining Pty Ltd	Australia	100%	-
Mulga Minerals Pty Ltd	Australia	100%	100%
Hammer Bulk Commodities Pty Ltd(i)	Australia	100%	-
Midas Metals Asia Pty Ltd(i)	Australia	85%	85%
Midas Mining (China) Limited(i) (held 100% by Midas Metals Asia Pty Ltd)	Peoples Republic of China	85%	85%
Sichuan Precious Metals Limited(i) (held 60% by Midas Mining (China) Limited)	Peoples Republic of China	51%	51%

(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.

Joint arrangements

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

Patersons

The Group has a farm-out agreement in relation to tenements held in the Paterson region. The joint arrangement partner can earn up to 85% in the project. The Group interest in the above arrangement includes capitalised exploration phase expenditure totalling $500,268 at 30 June 2014 and is included in Exploration and evaluation assets (note 15).

Golden Peaks

The Group has a farm-in agreement in relation to tenements held in the Mt. Morgan region. The Group can earn in up to 60% in the project. The Group interest in the above arrangement includes capitalised exploration phase expenditure totalling $464,102 at 30 June 2014 and is included in Exploration and evaluation assets (note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 30 June 2014 $	30 June 2013 $
25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(12,157,907)	(1,559,832)
Adjustments for:		
Depreciation	27,969	23,570
Share based payments	253,749	77
Exploration expenditure and assets held for sale written off and impaired	11,421,210	534,382
Income from exploration assets	(125,100)	-
Loss on sale of assets	14,582	-
Impairment of other assets	-	12,311
Interest accrued	6,857	12,481
Add/(less):		
Decrease in provision for annual and long service leave entitlements	(9,239)	(72,389)
(Decrease) / increase in rehabilitation provision	(76,000)	20,900
Decrease in trade and other receivables	22,338	(2,217)
(Decrease)/ increase in trade and other payables	(221,913)	123,870
Net cash used in operating activities	(843,454)	(906,847)

26. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker, defined as the Board of Directors. The Group currently operates in one geographic segment, being Australia.

The Group has four reportable segments:

- Gold exploration
- Iron ore exploration(i)
- Base Metals exploration
- Copper-Gold exploration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. SEGMENT INFORMATION (CONT.)

For the year ended 30 June 2014	Copper-Gold	Gold	Iron Ore[i] (Discontinued)	Base Metals	Total Segments
	$	$	$	$	$
External revenues	-	-	325,000	-	325,000
Interest income	-	-	-	-	-
Depreciation	-	-	-	-	-
Reportable segment loss after tax	-	(10,276,854)	(484,538)	(479,881)	(11,241,273)
Reportable segment assets	4,960,704	28,223	1,625,356	310,406	6,924,689
Capital expenditure (incl. acquisitions)	4,960,704	173,837	1,540,035	46,792	6,721,368
Reportable segment liabilities	135,522	17,602	958	286	151,368

For the year ended 30 June 2013	Copper-Gold	Gold	Iron Ore[i] (Discontinued)	Base Metals	Total Segments
	$	$	$	$	$
External revenues	-	-	-	-	-
Interest income	-	-	-	-	-
Depreciation	-	-	-	-	-
Reportable segment loss after tax	-	(599,579)[ii]	(438)	-	(600,017)
Reportable segment assets	-	10,753,993	894,223	933,357	12,581,573
Capital expenditure	-	490,949	3,385	683,034	1,177,368
Reportable segment liabilities	-	148,559	200,000	-	348,559

(i) The Iron Ore segment includes exploration assets held by the subsidiary Mulga Minerals Ltd. On 30 June 2012, the Company entered into a Share Sale agreement for the sale of 100% of shares held in Mulga Minerals Ltd. The assets have been classified as assets held for sale (refer note 13).

(ii) Reportable segment loss after tax for the gold segment includes impairment on capitalised exploration and evaluation expenditure of $10,171,958 (2013: $534,382) which is a material non-cash item.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	Consolidated 30 June 2014	Consolidated 30 June 2013
	$	$
Other income		
Total other income for reportable segments	-	-
Other income	4,724	4,106
Consolidated other income	4,724	4,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 30 June 2014 $	 30 June 2013 $
Loss after tax		
Total loss for reportable segments	(11,241,273)	(600,017)
Unallocated amounts: corporate expenses	(916,634)	(959,815)
Consolidated loss after tax	(12,157,907)	(1,559,832)
Assets		
Total assets for reportable segments	6,924,689	12,581,573
Other assets	1,333,191	1,728,618
Consolidated total assets	8,257,880	14,310,191
Liabilities		
Total liabilities for reportable segments	151,368	348,559
Other liabilities	206,122	430,261
Consolidated total liabilities	357,490	778,820
Other material items		
Interest income		
Total interest income for reportable segments	-	-
Unallocated	25,713	14,182
Consolidated total interest income	25,713	14,182
Depreciation		
Total depreciation for reportable segments	-	-
Unallocated	27,969	23,570
Consolidated total depreciation	27,969	23,570
Capital expenditure		
Total capital expenditure for reportable segments	6,721,368	1,177,368
Other capital expenditure	11,346	590
Consolidated total capital expenditure	6,732,714	1,177,958

27. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS DISCLOSURES (CONT.)

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 explorer sector it does not have significant trade receivables and is therefore not exposed to credit risk in relation to trade receivables.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any other counterparty to fail to meet its obligations.

Presently, the Group undertakes exploration and evaluation activities in Australia. At the balance sheet date there were no significant concentrations of credit risk other than intercompany receivables and amount receivable from the Australian Taxation Office relating to Research and Development Tax Incentives for the 2013 financial year.

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 2014 $	Carrying amount 30 June 2013 $
Cash and cash equivalents	10	780,187	1,605,121
Deposits	10	15,000	15,000
Trade and other receivables	11	522,109	36,490

Impairment losses

None of the Group's trade and other receivables are past due and impaired (2013: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. In the prior year the Group had exposure to currency risk on investments held in British pounds as detailed in the table below.

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.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows based on notional amounts:

Consolidated	30 June 2014	30 June 2013
In AUD	GBP	GBP
Investments	-	39,487
Total exposure	-	39,487

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD 1 =	2014	2013	2014	2013
GBP	-	0.65	-	0.60

Sensitivity analysis

As the Group has no exposure in the current year, no sensitivity analysis has been performed.
The analysis for the prior year is based on foreign currency exchange rate variances that the Group considered to be reasonable at the end of the reporting period and relate to sensitivity of the Australian dollar against the GBP and assumed that all other variables, in particular interest rates, remain constant.

	Strengthening		Weakening	
	Equity $	Loss $	Equity $	Loss $
30 June 2014 (10 percent movement)	-	-	-	-
30 June 2013 (10 percent movement)	(3,590)	(3,590)	4,387	-

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS DISCLOSURES (CONT.)

Profile

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

	Consolidated Carrying amount 30 June 2014 $	Consolidated Carrying amount 30 June 2013 $
Other income		
Deposits	15,000	15,000
Weighted average interest rates	3.53%	4.68%
Interest bearing loans	-	185,577
Weighted average interest rates	-	10.45%
Variable rate instruments		
Cash and cash equivalents	780,187	1,605,121
Weighted average interest rates	1.61%	1.75%

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 (2012: Nil)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

	Loss		Equity	
Consolidated	**100bp** increase	**100bp** decrease	**100bp** increase	**100bp** decrease
30 June 2014				
Variable rate instruments	7,802	(7,802)	7,802	(7,802)
30 June 2013				
Variable rate instruments	16,051	(16,051)	16,051	(16,051)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2014 $	30 June 2013 $
Financial assets carried at fair value		
Available-for-sale assets	-	39,487
Financial assets carried at amortised costs		
Cash and cash equivalents	780,187	1,605,121
Deposits	15,000	15,000
Trade and other receivables	522,109	36,490
Financial liabilities carried at amortised costs		
Trade and other payables	(309,822)	(278,814)
Interest bearing loans and borrowings	-	(185,577)

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) 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).

Assets carried at fair value 30 June 2014	**Level 1**	**Level 2**	**Level 3**
Available-for-sale assets	-	-	-
Assets carried at fair value 30 June 2013	**Level 1**	**Level 2**	**Level 3**
Available-for-sale assets	39,487	-	-

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. PARENT ENTITY DISCLOSURES

	30 June 2014 $	30 June 2013 $
Financial Position		
Assets		
Current assets	2,616,706	2,963,486
Non-current assets	5,585,936	11,461,011
Total assets	8,202,642	14,424,497
Liabilities		
Current liabilities	357,490	778,820
Total liabilities	357,490	778,820
Net Assets	7,845,152	13,645,677
Equity		
Issued capital	35,006,678	29,791,144
Accumulated losses	(28,472,918)	(16,221,964)
Share-based payments reserve	1,311,392	76,497
Total equity	7,845,152	13,645,677
Financial Performance		
Loss for the year	(12,286,308)	(1,518,183)
Other comprehensive income	-	(95,781)
Total Comprehensive income	(12,286,308)	(1,613,964)

Contingent liabilities of the parent entity

There are no contingent liabilities at 30 June 2014 (2013: None)

Commitments of the parent entity

For details on commitments, see note 21.

29. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance date, the Company completed a placement with sophisticated shareholders raising $1,200,000 (before costs).

Other than the above, there has not been any 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 2014 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 2014 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:

A Hewlett
Managing Director

Perth

Dated 25 September 2014

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of Hammer Metals Limited

Report on the financial report

We have audited the accompanying financial report of Hammer Metals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and 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 ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a)

Report on the remuneration report

We have audited the Remuneration Report included in note 12 of the directors' report for the year ended 30 June 2014. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Hammer Metals Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

David Sinclair

Partner

Perth

25 September 2014

STATEMENT OF CORPORATE GOVERNANCE

The Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a set of corporate governance policies and procedures. The corporate governance policies are available on the Company's website at www.hammermetals.com.au .

The Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) during the period. Where a recommendation has not been followed that fact has been disclosed, together with the reasons for the departure. The ASX Corporate Governance Council has released a 3rd Edition, against which the Company will report in the 2015 Annual Report.

This statement outlines the main Corporate Governance practices of Hammer Metals Limited.

THE BOARD OF DIRECTORS

ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall corporate governance of the Company including its strategic direction and goals, the management framework of the Company including a system of internal control, business risk management and the establishment of appropriate ethical standards. The Board is responsible for engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Board has delegated responsibility for the day to day running of the Company to the Executive Director.

The Executive Director is responsible for setting the operational direction of the Company and which involves setting budgets, forecasts and exploration programs. All budgets and programs are reviewed by the Board and regular updates and forecast revisions are reported to the Board on a routine basis. The Executive Director is responsible for evaluating the performance of staff. During the reporting period a performance evaluation of staff occurred in accordance with the Company's policies.

COMPOSITION OF THE BOARD

The Board currently comprises four Directors, two of whom are non-executive Directors.

Under the Constitution, the maximum number of Directors is ten and the minimum number is three. At each Annual General Meeting, one third of the Directors, excluding the Managing Director, must resign, with those Directors who have served longest being subject to rotation first. Additionally, any Director appointed by Directors in the preceding year must retire, and is eligible for re-election.

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

Both non-executive Directors are considered to be independent.

The Board is committed to operating to industry best practice standards in all aspects of the Company's business and is responsible for the overall internal control of the Company. The internal control process derives from direct involvement in management and operations by the Executive Director with close and regular consultation with the Chairman and review between all the Directors and external accountants.

The Board has not conducted a formal independent evaluation of its performance. However, the Board is at all times aware of the need for it and individual Board members to perform to the benefit of all stakeholders.

STATEMENT OF CORPORATE GOVERNANCE

REMUNERATION OF DIRECTORS AND EXECUTIVES

Non executive directors are eligible to receive a fixed directors' fee. The aggregate amount of directors' fees payable by the Company must be presented for approval to the shareholders in general meeting. The current pool of Directors fees available is $300,000.

The objective of the Company's remuneration policies, processes and practices are to attract and retain appropriately qualified and experienced Directors who will add value by adopting competitive remuneration and reward programmes which are fair and responsible and aligned with shareholder objectives.

Options are issued to non executive directors as a cost effective incentive for them to build and establish the Company. Details of options issued are provided in the Financial Statements.

The Executive Director, Alex Hewlett is contracted by the Company on normal commercial terms and is not being paid a director's fee in addition to his consulting fees. Details of his remuneration are described in the Directors' Report and the notes to the financial statements.

The Executive Chairman, Russell Davis is contracted by the Company on normal commercial terms and is not being paid a director's fee in addition to his consulting fees. Details of his remuneration are described in the Directors' Report and the notes to the financial statements.

The Executive Directors may be further incentivised by the issue of performance based options which become exercisable once the share price has achieved certain threshold levels.

The Company does not have a separate remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's constitution Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right of access to all relevant company information and to the Company's executives, and subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of the advice received by the Director is made available to all other members of the Board.

BOARD COMMITTEES

To assist the Board in fulfilling its responsibilities, it can appoint committees comprising people nominated at the discretion of the Board based on their expertise. ASX best practice recommendations suggest a company constitute Audit, Remuneration and Nomination Committees. Given the size of the Company the Board has not formed separate committees for Audit; Nominations; and Remuneration.

The Board's view is that the matters which would ordinarily be dealt with by these committees on behalf of the Board are more adequately dealt with by the full Board and that there are no efficiencies or benefits which could be gained by establishing an Audit, Nomination or Remuneration Committee.

STATEMENT OF CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The Annual Report, incorporating the annual audited financial statements, and the Half Yearly Report
- Notices of shareholder meetings including comprehensive explanatory statements as required.
- All documents that are publicly released through the ASX company announcements platform, and which contain material or price sensitive information, are immediately made available at the Company's website; www.hammermetals.com.au
- Copies of presentations made by the Company are also posted to the Company's website.
- Shareholder update letters and brochures are periodically mailed to all shareholders.

CONTINUOUS DISCLOSURE

The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations as an ASX listed company. The aims of this policy are to:

- assess new information and co-ordinate any disclosure or releases to ASX, or any advice required in relation to that information, in a timely manner;
- provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations;
- report to the Board on continuous disclosure matters; and
- ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the Company Secretary.

This policy is to be reviewed each year by the full Board in the absence of an Audit Committee.

RISK MANAGEMENT

Principle 7.1 of the Corporate Governance Council requires the Company to establish a system of risk oversight and management and internal control.
The Company recognises the importance of managing risk and continues to put in place systems to assess, monitor and manage risk based on the Company's size, history and strategy. The Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

The Company's Executive Director, subject to the review of the Board, is responsible for the identification of material risks to the business and the design and implementation of internal control systems to manage the identified risks. The Company has an internal control framework that includes the following:

- Financial reporting – there is a comprehensive budgeting and forecasting system with updates provided to the Board at each Board meeting. Monthly actual results are reported to the Board. Quarterly, half yearly and annual financial reports are prepared in accordance with the Corporations Act and ASX Listing Rules.
- The Company has comprehensive written policies covering;
  - Environmental principles
  - Resource development on or near aboriginal land
  - Health, Safety and the Environment
  - Environmental Management and Monitoring

The Executive Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects.

STATEMENT OF CORPORATE GOVERNANCE

ETHICAL STANDARDS

The Board adopts a proactive approach to promoting the practice of high ethical standards. All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company, in the following areas;

- professional conduct,
- dealings with suppliers, advisers and regulators,
- dealings with the community, and specifically in dealings with traditional landholders, and
- dealings with other employees.

DIVERSITY POLICY

The Board has implemented a Diversity Policy in line with the ASX's Corporate Governance guidelines. The Company believes that the promotion of diversity on its Boards, in senior management and within the organisation generally is good practice.

The Diversity Policy seeks to attract and retain people by promoting an environment where employees are treated with fairness and respect and have equal access to opportunities as they arise. Diversity within the workforce includes such factors as religion, race, ethnicity, language, gender, disability and age.

GENDER DIVERSITY

The Company, in keeping with the recommendations of the Corporate Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2014:

	Male	Female	Total	Proportion female
Board	4	-	4	0%
Senior Management	2	-	2	0%
Balance of Employees / Contractors	1	2	3	67%
	7	**2**	**9**	**22%**

MEASURABLE OBJECTIVES

The recommendations of the Corporate Governance Council relating to reporting require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

Measurable Objective	Objective Satisfied	Comment
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy	Yes	The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company does, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company grants reward and promotion based solely on merit and responsibility as part of its annual and ongoing review processes.

STATEMENT OF CORPORATE GOVERNANCE

ETHICAL STANDARDS (CONT)

MEASURABLE OBJECTIVES (CONT)

Measurable Objective	Objective Satisfied	Comment
To provide relevant and challenging professional development and training opportunities for all employees.	Yes	The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring.

The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implement requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not consistent with the merit and ability based policies currently implemented by the Company.

The Board will consider the future implementation of gender based diversity measurable objectives when more appropriate to the size and nature of the Company's operations.

TRADING IN SECURITIES

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act.
The key aspects of the policy are:

- Directors and employees are discouraged from engaging in short-term or speculative trading of the Company's securities, except for the exercise of options where the shares will be sold shortly thereafter.
- All Key Management Personnel must not deal in Company securities at any time without prior approval of the Chairman or, in his absence, the Board or the Managing Director; and are to formally notify the Company Secretary of their beneficial shareholdings in the Company and any changes to this within 2 days of such change occurring.
- All Directors must not deal in Company securities without the approval of the Board or the next most senior director. All Directors must notify the Company Secretary of their intention to trade and provide the Company Secretary with subsequent confirmation of the trading that has occurred.
- A Director, key management personnel or any other employee or any entities controlled by them must not trade at any time when he or she is in possession of information which if generally available would materially affect the price or value of the Company's securities or at any time for a period of 2 trading days following a public announcement in relation to the matter.
- In addition to the overriding prohibition against dealing in the Company's securities when in possession of inside information, directors and key management personnel are prohibited from dealing in the Company's securities during prescribed "closed" periods. The Company has nominated the closed periods to run from the end of financial quarter to 30 June and 31 December up to the date of release by the Company of its quarterly activity reports for those financial quarters.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 6 October 2014.

(A) ORDINARY SHAREHOLDERS

Twenty largest holders of ordinary shares	Number of shares	% held
Santana Minerals Limited	16,347,415	19.90%
Elefantino Pty Ltd <Talula a/c>	3,750,000	4.57%
National Health Recovery Agents Pty Ltd	3,733,333	4.55%
Mr Russell John Davis & Mrs Susan Valerie Davis <The Davis Super Fund a/c>	2,648,000	3.22%
Sauron Capital Pty Ltd	1,850,000	2.25%
Alitime Nominees Pty Ltd	1,850,000	2.25%
Needmore Investments Pty Ltd	1,490,352	1.81%
Seefeld Investments Pty Ltd	1,166,775	1.42%
Mr Russell John Davis <The Davis Family Invest a/c>	1,000,000	1.21%
Mr Roger Sing-Leong Kwok & Mrs Catherine Siok-Chin Tan	1,000,000	1.21%
Mr Colin Charles Webster	955,715	1.16%
Mr Steven Stavros Tsallis	935,631	1.14%
Richsham Nominees Pty Ltd	900,000	1.10%
Elefantino Pty Ltd <Elefantino Superfund a/c>	857,143	1.04%
Mr Russell Neil Creagh	851,277	1.03%
Mr David Donald Boyer	844,071	1.03%
Sean Gerard Posner	822,457	1.01%
BBY Nominees Ltd	817,142	1.00%
Velsberry Pty Ltd	811,307	0.99%
Mr Geoffrey Donellan Balfe & Mrs Averil McCotter Balfe <The Balfe Superfund a/c>	785,294	0.96%
	43,415,912	**52.85%**

Significant Shareholders are:

Shareholder	Number of Shares
Santana Minerals Limited	16,347,415
Mr Russell Davis*	5,000,000
Mr Alexander Hewlett*	4,647,143

*includes shares held by related entities.

Each fully paid ordinary share entitles the holder to one vote at general meetings of shareholders and is entitled to dividends when declared.
The total number of shares on issue is 82,147,815.
The number of shareholders holding less than a marketable parcel is 198.
There is no current on market buy back.

ASX ADDITIONAL INFORMATION

(A) ORDINARY SHAREHOLDERS (CONT.)

Distribution of ordinary shareholders

Category of shareholding	Number of shareholders
1 – 1,000	122
1,001 – 5,000	115
5,001 – 10,000	118
10,001 – 100,000	265
100,001 and over	126
Total	**746**

(B) OPTIONS HOLDERS OF LISTED OPTIONS

There are currently no listed options on issue.

(C) UNQUOTED SECURITIES

The Company has the following unquoted securities on issue.

Category of security	Number	Number of holders
Options expiring 30 June 2017 exercisable at $0.20	14,300,000	15
Options expiring 26 May 2016 exercisable at $0.30	2,116,674	31
Options expiring 26 May 2017 exercisable at $0.20	1,000,000	1
Options expiring 11 September 2017 exercisable at $0.20	1,000,000	1
Options expiring 11 September 2017 exercisable at $0.30	300,000	1
Preference shares	4,052,586	1