

15 March 2021

## Interim Financial Report – Half-year ended 31 December 2020

Hammer Metals Limited (“**Hammer**” or “**the Company**”) encloses its interim financial report for the half-year ended 31 December 2020.

Yours faithfully



**Mark Pitts**  
Company Secretary

*This announcement has been authorised for release by Mr Mark Pitts, Company Secretary, Hammer Metals Limited.*

**HAMMER METALS LIMITED**  
**ABN 87 095 092 158**  
**and its Controlled Entities**

**INTERIM FINANCIAL REPORT**

**6 MONTHS ENDED**

**31 DECEMBER 2020**

# HAMMER METALS LIMITED and its Controlled Entities

## DIRECTORS' REPORT

The directors present their report together with the condensed consolidated financial report for the six months ended 31 December 2020 and the review report thereon.

### DIRECTORS

The directors of the Company at any time during or since the end of the half year are:

**Mr Russell Davis**  
Non-Executive Chairman

**Mr Daniel Thomas**  
Managing Director

**Mr Zbigniew Lubieniecki**  
Non-Executive Director

**Mr David Church** Appointed 1 July 2020  
Non-Executive Director

### REVIEW OF OPERATIONS

The Group incurred an after-tax loss for the half year ended 31 December 2020 of \$229,737 (31 December 2019: \$1,439,148).

The Group operated during the period as a mineral explorer in Australia.

The Company raised \$5,013,151 (before costs) during the period through the successful exercise of 167,105,021 HMXOD listed options at \$0.03 each.

#### Bronzewing South Project

The Bronzewing South Project is located in Western Australian within the heart of the highly prospective Yandal Belt, that boasts greater than 24 million ounces of gold deposits and current and historical gold production. An RC (3,442m) and DD (1202m) program was completed on the Bronzewing South Project during the period. The RC drilling program was designed to test prospective mineralised trends at North Orelia and Ken's Bore whilst also completing RC pre-collars at Bronzewing South with an additional area of interest being tested with a single RC drill hole (see ASX announcement 15 January and 1 March 2021).

#### *Bronzewing South*

An RC hole at Bronzewing South encountered a broad low-grade mineralised envelope of 96m at 0.39g/t Au from 48m (see ASX announcement 15 January 2021). Peak gold grades are associated with quartz veined pyritic mafic units with an elevated magnetic response. Intercepts of interest were:

- 17m at 1.56g/t Au from 120m in drill hole BWSRC0037, including;
  - 1m at 19.69g/t Au from 123m

The diamond drilling program at Bronzewing South, part funded by the Western Australian Government Incentive Scheme grant, encountered extensive zones of carbonate and quartz veining as anticipated from the gravity modelling. Significant results from BWSDD001 include 14m @ 0.14g/t Au from 202m. This drillhole tested the edge of the interpreted gravity anomaly and still encountered a significant zone of quartz and carbonate veining with low levels of gold mineralisation. The intersection of the quartz and carbonate veining supports Hammer's targeting rationale and offers encouragement for other target areas within the Bronzewing south tenement.

## **HAMMER METALS LIMITED and its Controlled Entities**

### *North Orelia*

The Group's tenements cover the prospective structural trends adjacent to the north of the Lotus Pit for 14km. The Mt McClure Deposit Group, consisting of Lotus, Cockburn, Success and Parmelia deposits were mined between 1992 and 2010. The Lotus pit which is closest to the Group's project area produced 0.4Moz during this period. Previous owners Echo Resources (currently owned by Northern Star Resources) defined a 1.07Moz resource at Orelia, located beneath the Cockburn and Lotus pits.

A first reverse circulation drilling campaign at Orelia focussed on a 2km north-south trend of gold mineralisation that had been defined during previous aircore drilling programs. The RC drilling program at Target 1 aimed to further test key structural positions below the depth of weathering along the 2km mineralisation trend (see Figure 4). Significant intercepts include:

- 8m at 4.2g/t Au from 20m in BWSRC0025 including:
  - 1m at 27.1g/t Au from 26m;
- 5m at 3.5g/t Au from 25m in BWSRC0026 including:
  - 1m at 16.6g/t from 25m;
- 4m at 6.3g/t Au from 77m in BWSRC0028;
- 7m at 1.2g/t Au from 85m in BWSRC0031 including:
  - 1m at 3.5g/t Au from 88m;
- 14m @ 1.87g/t Au from 67m in BWSRC018 including:
- 4m @ 6.31g/t Au from 77m; and

Planning for an aircore ("AC") drilling program to test soil anomalies is anticipated to start in mid-March (partly funded by WA Government EIS grant)

### *Ken's Bore*

Two reverse circulation holes for 480m were drilled to test an EM anomaly (see ASX announcement dated 15 January 2021). These holes encountered massive and semi massive sulphide with true widths of up to 50m. (refer ASX announcement dated 9 November 2020).

### Mount Isa Region Projects

The Group is exploring its Mount Isa project for large iron oxide copper-gold (IOCG) deposits of the Ernest Henry style. The Group holds approximately 2,100 km<sup>2</sup> of tenure in the Mt. Isa region.

#### *Mt. Isa project – wholly-owned projects*

Activities on Hammer's 100% owned Mount Isa projects included a detailed soil sampling program within Hammer's Tick Hill region tenements. The results from these activities highlighted a number of broad zones of gold and copper anomalism with several anomalies extending over 1km in length. On-ground review of the anomalous zones to continue with the aim of developing drill ready prospects in the Tick Hill region towards the end of the first half of this year. Follow up ground truthing of these prospects is currently underway. On ground activities preparing Hammer's tenure to the north of the recent Trafalgar discovery have been prioritised as the company looks to drill test these prospects during 2021 drill programs. Additional work in designing drill programs for prospects at Kings, Alice and Charlotte will enable testing of these prospects in the second quarter of 2021.

#### *Mt. Frosty – joint venture with Mount Isa Mines Limited ("MIM")*

During the half-year MIM has recommenced exploration activities with Hammer under the joint venture agreement after a period of relatively little activity. While relatively limited when compared to activities

## **HAMMER METALS LIMITED and its Controlled Entities**

conducted upon the entity's other areas of interest, this work ensures that the joint venture will continue, and the tenement is being kept in good standing.

### *JOGMEC Joint Venture (JOGMEC earning 60% interest by spending \$6,000,000 on the JV)*

The Farm-in and Joint Venture agreement with JOGMEC was signed in November 2019 and covers sections of the Even Steven, Mount Philp, Dronfield West and Malbon targets for a total area of approximately 290km<sup>2</sup> of the 2,200km<sup>2</sup> Mount Isa Project. The highlight of the second year of the farm-in period, was the discovery of the Trafalgar Copper Gold deposit. Key intersections recorded from the four holes drilled at Trafalgar include:

- 55m at 1.12% Cu and 0.30g/t Au from 119m in HMTRRC001 including:
  - 16m at 1.77% Cu and 0.49g/t Au from 149m; and
- 32m at 1.04% Cu and 0.25g/t Au from 64m in HMTRRC002 including
  - 6m at 2.38% Cu and 1.45g/t Au from 91m

A total of ~2600m of RC drilling was completed during the period, testing 7 prospective targets across the Joint Venture Area. Detailed soil sampling programs were also completed across target areas at Prince of Wales, Mt Philp Breccia, Malbon and Dronfield.

### **EVENTS AFTER BALANCE DATE**

On 2 February 2021, the Company issued 1,000,000 ordinary shares upon the successful exercise of unlisted options at \$0.032 each.

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.

### **LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

The lead auditor's independence declaration is set on page 4 and forms part of the directors' report for the half year ended 31 December 2020.

Signed in accordance with a resolution of the directors:



R Davis  
Non-Executive Chairman  
Perth  
Dated 12<sup>th</sup> March 2021

### **Competent Person's Statement:**

#### **Exploration Results**

Where reference is made to previous releases of exploration results, the Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements and all material assumptions and technical parameters underpinning the exploration results included in those announcements continue to apply and have not materially changed.



# 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 review of Hammer Metals Limited for the half-year ended 31 December 2020 there have been:

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

A stylized, handwritten-style 'KPMG' logo in blue ink.

KPMG

A handwritten signature in blue ink, appearing to read 'Glenn Brooks'.

Glenn Brooks  
*Partner*

Perth

12 March 2021

# HAMMER METALS LIMITED and its Controlled Entities

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		31 December 2020	30 June 2020
	Note	\$	\$
<b>Current assets</b>			
Cash and cash equivalents		6,069,429	2,678,535
Trade and other receivables		525,949	154,728
<b>Total current assets</b>		<u>6,595,378</u>	<u>2,833,263</u>
<b>Non-current assets</b>			
Other financial assets	11	574,313	271,097
Right-of-use assets		64,030	71,570
Exploration and evaluation expenditure	8	15,913,332	14,110,772
<b>Total non-current assets</b>		<u>16,551,675</u>	<u>14,453,439</u>
<b>Total Assets</b>		<u>23,147,053</u>	<u>17,286,702</u>
<b>Current liabilities</b>			
Trade and other payables		1,223,355	363,896
Lease liability		17,211	17,208
<b>Total current liabilities</b>		<u>1,240,566</u>	<u>381,104</u>
<b>Non-current liabilities</b>			
Lease liability		47,889	56,302
<b>Total non-current liabilities</b>		<u>47,889</u>	<u>56,302</u>
<b>Total Liabilities</b>		<u>1,288,455</u>	<u>437,406</u>
<b>Net Assets</b>		<u>21,858,598</u>	<u>16,849,296</u>
<b>Equity</b>			
Share capital	9	57,173,602	51,429,354
Reserves	9	1,275,538	1,794,923
Accumulated losses		(36,590,542)	(36,374,981)
<b>Total Equity</b>		<u>21,858,598</u>	<u>16,849,296</u>

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

# HAMMER METALS LIMITED and its Controlled Entities

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	31 December 2020	31 December 2019
	\$	\$
Other income	65,214	22,892
Marketing expenses	(47,372)	(80,071)
Administrative expenses	(373,316)	(336,399)
Share based payments	(156,232)	(26,013)
Depreciation	(10,648)	(2,517)
Occupancy expenses	(22,702)	(22,926)
Fair value movement on financial assets	11 303,216	(994,818)
<b>Results from operating activities</b>	<u>(241,840)</u>	<u>(1,439,852)</u>
Financial income	13,405	704
Financial expenses	(1,292)	-
<b>Net financing income</b>	<u>12,113</u>	<u>704</u>
<b>Loss before tax</b>	(229,737)	(1,439,148)
Income tax benefit	-	-
<b>Loss for the period</b>	<u>(229,737)</u>	<u>(1,439,148)</u>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive loss for the period</b>	<u>(229,737)</u>	<u>(1,439,148)</u>
Basic and diluted loss per share	0.04 cents	0.33 cents

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



# HAMMER METALS LIMITED and its Controlled Entities

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Share capital	Share based payment reserve	Option issue reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	46,628,496	910,991	747,854	(34,396,371)	<b>13,890,970</b>
Loss for period	-	-	-	(1,439,148)	<b>(1,439,148)</b>
Other comprehensive loss	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	<b>(1,439,148)</b>	<b>(1,439,148)</b>
Shares issued for cash	3,256,069	-	-	-	<b>3,256,069</b>
Costs of share issue	(210,720)	-	-	-	<b>(210,720)</b>
Share based payments	-	26,013	-	-	<b>26,013</b>
<b>Balance at 31 December 2019</b>	<b>49,673,845</b>	<b>937,004</b>	<b>747,854</b>	<b>(35,835,519)</b>	<b>15,523,184</b>
Balance at 1 July 2020	51,429,354	1,144,698	650,225	(36,374,981)	<b>16,849,296</b>
Loss for period	-	-	-	(229,737)	<b>(229,737)</b>
Other comprehensive loss	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	<b>(229,737)</b>	<b>(229,737)</b>
Options exercised	5,649,200	-	(636,049)	-	<b>5,013,151</b>
Shares issued to acquire assets	50,000	-	-	-	<b>50,000</b>
Shares issued in lieu of director fees	23,500	-	-	-	<b>23,500</b>
Conversion of performance rights	25,392	(25,392)	-	-	-
Lapse of listed options	-	-	(14,176)	14,176	-
Share based payments	-	156,232	-	-	<b>156,232</b>
Costs of equity issues	(3,844)	-	-	-	<b>(3,844)</b>
<b>Balance at 31 December 2020</b>	<b>57,173,602</b>	<b>1,275,538</b>	<b>-</b>	<b>(36,590,542)</b>	<b>21,858,598</b>

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

# HAMMER METALS LIMITED and its Controlled Entities

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	31 December 2020 \$	31 December 2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	13,405	704
Rental income received	-	5,010
Lease payments made	(8,606)	-
Fuel rebate received	4,767	-
Payments to suppliers and employees	(431,079)	(581,758)
<b>Net cash used in operating activities</b>	<u>(421,513)</u>	<u>(576,044)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration and evaluation expenditure	(1,526,531)	(1,325,144)
Management fees from farm-in and joint venture partners	139,437	-
Purchase of property, plant and equipment	(2,806)	(2,517)
Government exploration grants received	193,000	-
<b>Net cash used in investing activities</b>	<u>(1,196,900)</u>	<u>(1,327,661)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	3,256,069
Proceeds from option exercises	5,013,151	-
Transaction costs from issue of shares	(3,844)	(210,720)
<b>Net cash provided by financing activities</b>	<u>5,009,307</u>	<u>3,045,349</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	3,390,894	1,141,644
<b>Cash at the beginning of the financial period</b>	<u>2,678,535</u>	<u>860,656</u>
<b>Cash at the end of the financial period</b>	<u>6,069,429</u>	<u>2,002,300</u>

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

# **HAMMER METALS LIMITED**

## **and its Controlled Entities**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

#### **1. Reporting entity**

Hammer Metals Limited (the “Company”) is a company domiciled in Australia. These condensed consolidated interim financial statements (‘interim financial statements’) as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in mineral exploration in Western Australia and Queensland.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2020 is available upon request from the Company’s registered office at Unit 1, 28-30 Mayfair Street, West Perth, WA, 6005 or at [www.hammermetals.com.au](http://www.hammermetals.com.au).

#### **2. Statement of compliance**

The interim financial statements are general purpose financial statements prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2020. This report does not include all of the information required for full annual financial report and should be read in conjunction with the consolidated financial report of the Group as at and for the year ended 30 June 2020.

This consolidated interim financial report was approved by the Board of Directors on 12 March 2021.

#### **3. Significant accounting policies**

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2020.

##### *Adoption of new and revised standards*

##### *New Standards and Interpretations applicable for the half year ended 31 December 2020*

In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

##### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

#### **4. Going Concern**

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

# HAMMER METALS LIMITED and its Controlled Entities

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 4. Going Concern (continued)

The Directors have reviewed the Group'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 Group has sufficient funds available for at least 12 months and, if required, will be able to raise further funding. If necessary, the Group can curtail spending both on administrative and exploration costs.

### 5. Use of judgements and estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income, and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2020.

### 6. Financial risk management

During the half-year ended 31 December 2020, the Group's financial risk management objectives and policies were consistent with that disclosed in the consolidated financial report for the year ended 30 June 2020.

### 7. Operating Segments

The Group is engaged in one business and geographical segment, being Copper-Gold exploration in Australia. Operating segments are determined with reference to the monthly management accounts, program budgets and cash flow forecasts used by the chief operating decision maker to make decisions regarding the Group's operations and allocation of working capital.

### 8. Exploration and evaluation expenditure

	31 December 2020	30 June 2020
	\$	\$
Balance at the beginning of the period	14,110,772	11,954,619
Exploration and evaluation expenditure incurred	2,304,769	2,461,092
Exploration and evaluation assets acquired – cash (a)	25,000	-
Exploration and evaluation assets acquired – shares (a)	50,000	-
Government grants received/receivable	(193,000)	(90,000)
Research and Development incentive credit	(384,209)	(214,939)
Balance at the end of the period	<u>15,913,332</u>	<u>14,110,772</u>

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 or equal to the carrying value.

(a) Relates to tenements acquired from Strickland Metals Limited (formerly Alloy Resources Limited) during the half-year

# HAMMER METALS LIMITED and its Controlled Entities

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 9. Capital and reserves

The following table summarises the shares issued during the six months ended 31 December 2020.

	<b>31 December 2020 \$</b>	<b>30 June 2020 \$</b>
<b>Issued capital</b>		
749,086,792 (30 June 2020: 578,356,565) ordinary fully paid shares	57,173,602	51,429,354
	<b>Number of shares</b>	<b>\$</b>
Movements for Ordinary shares:		
Balance at 30 June 2020	578,356,565	51,429,354
Issued upon exercise of HMXOD listed options	167,105,021	5,649,200
Issued to acquire tenements	1,250,000	50,000
Issued in lieu of Directors Fees	875,206	23,500
Issued upon conversion of performance rights	1,500,000	25,392
Cost of shares issued	-	(3,844)
Balance at 31 December 2020	749,086,792	57,173,602
	<b>31 December 2020 \$</b>	<b>30 June 2020 \$</b>
<b>Listed options (Option issue reserve)</b>		
Nil (30 June 2020: 170,829,449) listed options, exercisable at \$0.03 on or before 30 September 2020	-	650,225
	<b>Number of options</b>	<b>\$</b>
Movements for Listed options:		
Balance at 30 June 2020	170,829,449	650,225
Exercised during the period	(167,105,021)	(636,049)
Lapsed unexercised	(3,724,428)	(14,176)
Balance at 31 December 2020	-	-

The listed options (HMXOD) expired during the period. Prior to their expiry, 167,105,021 listed options were exercised. The carrying value of these exercised options was transferred to Issued Capital along with the exercise price of \$0.03 per option. 3,724,428 listed options lapsed, unexercised, and the remaining carrying value of these options has been transferred to accumulated losses directly.

# HAMMER METALS LIMITED and its Controlled Entities

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 9. Capital and reserves (continued)

Unlisted options (Share based payment reserve)	Number of options	\$
Unlisted options on issue	28,100,000	1,230,382

The following unlisted options were granted during the period (refer note 12):

	Number of options	Exercise Price	Expiry Date	Vesting Date
Director Options	4,500,000	\$0.05	30/11/24	30/11/20

No unlisted options were exercised during the period. 2,676,078 unlisted options exercisable at \$0.07 on or before 31 August 2020 expired unexercised during the period.

Performance rights (Share based payment reserve)	Number of rights	\$
Performance rights on issue	6,500,000	45,156

No performance rights were granted during the period.

The following performance rights vested and were converted during the period.

	Number of options	Vesting Date	Vesting Condition	Expiry Date
Managing Director Performance Rights				
- Tranche 1	750,000	21/10/2020	-	13/12/2023
- Tranche 2	750,000	21/10/2020	(a)	13/12/2023

Notes:

- (a) Tranche 2 performance rights included a vesting condition of maintaining a minimum share price of \$0.031 for a period of 30 Days

# HAMMER METALS LIMITED and its Controlled Entities

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 9. Capital and reserves (continued)

#### Dividends

No dividends were declared or paid during the six months ended 31 December 2020 (2019: NIL).

	31 December 2020 \$	30 June 2020 \$
<b>Reserves</b>		
Share based payment reserve <sup>(1)</sup>	1,275,538	1,144,698
Option issue reserve <sup>(2)</sup>	-	650,225
	<u>1,275,538</u>	<u>1,794,923</u>

<sup>(1)</sup> The share-based payment reserve is used to record the fair value of options and rights issued to Directors, employees and consultants under various share-based payment schemes and options issued for the acquisition of assets. Amounts relating to options expired during the prior period have been reversed from the reserve to accumulated losses in that period.

<sup>(2)</sup> The option issue reserve is used to record the value of listed options issued under the entitlement issue during the period, less the costs of that issue.

### 10. Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements the Group is required to perform 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 Group can apply for exemption from compliance with the minimum exploration expenditure requirements. Due to the nature and scale of the Group's exploration activities the Group is unable to estimate its likely tenement holdings and therefore minimum expenditure requirements more than 1 year ahead.

The commitment for minimum exploration expenditure payable as at 31 December 2020, payable within one year, is \$1,812,721 (2019: \$2,301,074). These obligations are not provided for in the financial report.

# HAMMER METALS LIMITED and its Controlled Entities

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 11. Financial instruments

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their fair value hierarchy for financial instruments at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2020 \$	30 June 2020 \$
<b>Financial assets carried at fair value through profit or loss</b>		
Equity securities – listed on TSXV at quoted prices (level 1 fair value hierarchy)	574,313	271,097
<b>Financial assets carried at amortised cost</b>		
Cash and cash equivalents	6,069,429	2,678,535
Trade and other receivables	525,949	154,728
<b>Financial liabilities carried at amortised cost</b>		
Trade and other payables	1,223,355	363,896

### 12. Share based payments

Details of the number and terms of options issued is included in Note 9 above. The fair value of services rendered in return for share options is based on the fair value of share options granted, measured using the Black-Scholes model.

The following inputs were used in the measurement of the fair values at grant date of the share-based payments:

	<b>Director Options</b>
Fair value at grant date	\$0.0235
Share price at grant date	\$0.037
Exercise price	\$0.050
Expected volatility	100%
Option life	4 years
Expected dividends	Nil
Risk-free interest rate	0.20%
Number of options	4,500,000

Expected volatility is estimated taking into account historic average share price volatility.

The total fair value of options issued during the period was \$105,750. These share-based payments vest immediately and therefore the full expense has been recognised during the period.

During the prior financial year the Group issued a number of equity instruments which were classified as share-based payments that have continued to be recognised in the loss for the period over their vesting period. An expense of \$50,482 has been recognised during the period with respect to these share-based payments.

The total amount expended in the statement of profit and loss and other comprehensive income for the period was \$156,232 (2019: \$18,382).



# **HAMMER METALS LIMITED**

## **and its Controlled Entities**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

#### **12. Share based payments (continued)**

##### Incentive Option Plan

The Hammer Metals Incentive Option Plan was approved by shareholders on 14 November 2019. The key features of this plan are:

- a) The plan will be available to directors, employees and other permitted persons of the Company and its subsidiaries.
- 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 eligible participant of the plan during the exercise period of a vested option, the holder may exercise the options within 30 days of ceasing to be an eligible participant and thereafter the options will lapse.
- f) The options issued under this plan shall not be quoted on ASX.
- g) The options' terms are at the discretion of the Directors.

#### **13. Subsequent events**

On 2 February 2021, the Company issued 1,000,000 ordinary shares upon the successful exercise of unlisted options at \$0.032 each.

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.

**HAMMER METALS LIMITED  
and its Controlled Entities**

**DIRECTORS' DECLARATION**

In the opinion of the directors of Hammer Metals Limited ("the Company"):

- a) the condensed consolidated financial statements and notes set out on pages 5 to 15, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the six-month period ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- 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.

Signed in accordance with a resolution of the directors:



R Davis  
Non-executive Chairman

Perth

Dated 12<sup>th</sup> March 2021



# Independent Auditor's Review Report

To the shareholders of Hammer Metals Limited

## Conclusion

We have reviewed the accompanying **Interim Financial Report** of Hammer Metals Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Hammer Metals Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2020
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Hammer Metals Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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

## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Glenn Brooks  
*Partner*

Perth

12 March 2021