

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

INTERIM FINANCIAL REPORT

6 MONTHS ENDED

31 DECEMBER 2017

DIRECTORS' REPORT

The directors present their report together with the condensed consolidated financial report for the six months ended 31 December 2017 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 Chairman	Director since 13 January 2014
Mr Alexander Hewlett Executive Director	Director since 26 June 2013
Mr Nader El Sayed Non Executive Director	Director since 26 June 2013
Mr Simon Bodensteiner Non Executive Director	Director since 8 September 2015

REVIEW OF OPERATIONS

The Group incurred an after-tax loss attributable to equity holders of the parent entity for the half year ended 31 December 2017 of \$362,550 (31 December 2016: loss \$436,342).

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

The Company raised \$2,412,798 (before costs) during the period by private placement and an entitlement offer issuing 68,937,096 shares.

Queensland Projects

Mount Isa Region Projects

Hammer Metals is exploring its Mount Isa project for large iron oxide copper-gold (IOCG) deposits of the Ernest Henry style (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au). Hammer holds approximately 3000 km² of tenure in the Mt. Isa region. A systematic IOCG targeting exercise within the Mount Isa region is ongoing.

Mt. Isa project – Non-Joint Venture Projects

During the half year RC drilling programs were undertaken at several prospects including Hammertime, Revenue, Kalman West, Serendipity and Pharaoh East. (Refer ASX release dated January 25th, 2018 for details).

Over the next quarter field activities at Mount Isa will initially focus on RC drilling at the Elaine copper-gold prospect. Processing of the new high-resolution aeromagnetic and radiometric data collected during the half year that covers some of Hammer's key target areas is expected to be completed and a structural and geological interpretation commence.

Mt. Frosty Joint Venture

In August 2017, Hammer completed the purchase of a 51% interest in EPM 14467 (Mt. Frosty) and finalised new commercial terms for the Mt Frosty Joint Venture with Mt Isa Mines Limited (a subsidiary of Glencore) that holds the remaining 49% of the Mt Frosty copper-gold project. Under the terms of the Joint Venture Agreement, each party will contribute exploration expenditure according to their participating interest. Hammer is managing the exploration activities.

Nine RC holes of the phase 1 program were drilled at the Jubilee copper-gold target during the period to 31 December 2017. As reported in ASX release dated December 20th, 2017 shallow copper-gold sulphide was intercepted in the majority of holes. A follow-up program of 14 holes for 1,559 metres has been completed, refer ASX release dated 15 March 2018. The program was designed to both infill and extend the high-grade copper-gold mineralisation intercepted in the previous program.

Some diamond drilling is planned in order to collect samples for metallurgical testwork.

Millennium Farm-in and Joint Venture

In September 2017, an Option Agreement was signed with Global Energy Metals Corporation (GEMC), a Vancouver-based exploration company, with a focus on energy metals, to progress exploration and potential development of the five granted mining leases hosting the Millennium Cobalt-Copper-Gold project. Tenements included in the Agreement are ML's 2512, 2761, 2762, 7506 and 7507. The agreement details operating terms and conditions for GEMC to enter into a three-year option to purchase a staged interest of up to 75% in the Millennium project tenements upon making project related expenditures. Total consideration for the option is CAD\$2,700,000. An initial non-refundable deposit of CAD\$50,000 was paid on signing the option term sheet in May 2017 and CAD\$100,000 was paid on signing of the Agreement. Another CAD\$100,000 is payable on the six month anniversary of the Effective Date. Hammer is managing the exploration activities.

Key commercial terms of the Agreement are as follows:

- Expenditure of CAD\$500,000 within 6 months of the Effective Date to earn a 25% interest;
- Expenditure of an additional CAD\$1,000,000 within 18 months of the Effective Date for a 65% cumulative interest; and
- Expenditure of an additional CAD\$1,000,000 within 36 months of the Effective Date for a cumulative 75% interest.

During the period to 31 December, a drill program was commenced; the first phase of a planned infill and extensional drilling program. The program was designed to test gaps in the existing drilling and to confirm grade continuity. The program was a success, with several significant intersections returned. (*Refer to ASX release dated January 17th 2018.*) A 10-hole 1300-metre diamond drilling program designed to infill and extend the current resource commenced in February 2018. The program will also provide samples for metallurgical testwork.

Newmont – Farm-in / JV

The Newmont Farm-in / JV is the 2015 Farm-in and Joint Venture Agreement with Newmont Exploration Pty Ltd encompassing three of Hammer's IOCG prospects; Overlander, Even Steven and Dronfield.

Newmont had met the expenditure required to enter Stage 1 (35% earn-in) in 2017. Data compilation and assessment from the extensive mapping, sampling and drilling programs are continuing pending a decision on the direction of further work and completion of the earn-in phase.

EVENTS AFTER BALANCE DATE

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 2017.

Signed in accordance with a resolution of the directors:



A Hewlett
Executive Director
Perth
Dated 15th March 2018

Competent Person's Statement:

Exploration Results

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



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 2017 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.

KPMG

R Gambitta
Partner

Perth

15 March 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 December 2017 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents		2,148,131	838,027
Trade and other receivables		228,015	335,161
Other financial asset		375,092	359,954
Total current assets		<u>2,751,238</u>	<u>1,533,142</u>
Non-current assets			
Other financial assets		60,000	86,250
Plant and equipment		2,420	3,755
Exploration and evaluation expenditure	7	10,446,067	9,377,823
Total non-current assets		<u>10,508,487</u>	<u>9,467,828</u>
Total Assets		<u>13,259,725</u>	<u>11,000,970</u>
Current liabilities			
Trade and other payables		440,097	132,142
Advanced cash call		375,092	359,954
Total current liabilities		<u>815,189</u>	<u>492,096</u>
Total Liabilities		<u>815,189</u>	<u>492,096</u>
Net Assets		<u>12,444,536</u>	<u>10,508,874</u>
Equity			
Share capital	8	44,907,743	42,655,110
Reserves	8	788,885	1,230,127
Accumulated losses		(33,252,092)	(33,376,363)
Total Equity		<u>12,444,536</u>	<u>10,508,874</u>

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016
	\$	\$
Continuing operations		
Other income	85,171	86,640
Marketing expenses	(88,232)	(29,476)
Administrative expenses	(307,887)	(227,240)
Share based payments	(14,054)	-
Depreciation	(1,335)	(2,875)
Occupancy expenses	(22,682)	(22,688)
Fair value adjustment on available for sale assets	(7,500)	-
Loss on disposal of exploration equipment	(9,500)	-
Impairment of exploration assets	-	(248,907)
Results from operating activities	<u>(366,019)</u>	<u>(444,546)</u>
Financial income	3,469	8,204
Financial expenses	-	-
Net financing income	<u>3,469</u>	<u>8,204</u>
Loss before tax	<u>(362,550)</u>	<u>(436,342)</u>
Income tax benefit	-	-
Loss for the period from continuing operations	<u>(362,550)</u>	<u>(436,342)</u>
Loss for the period	<u><u>(362,550)</u></u>	<u><u>(436,342)</u></u>
Other comprehensive income		
Net change in fair value of available for sale financial assets	(18,750)	(15,000)
Total comprehensive loss for the period	<u><u>(381,300)</u></u>	<u><u>(451,342)</u></u>
Basic and diluted loss per share	0.16 cents	0.25 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 2017

	Share capital \$	Share based payment reserve \$	Fair value reserve \$	Convertible notes reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2017	42,655,110	1,211,377	18,750	-	(33,376,363)	10,508,874
Total comprehensive income for the period						
Loss for period	-	-	-	-	(362,550)	(362,550)
Other comprehensive income						
Revaluation of available for sale investment	-	-	(18,750)	-	-	(18,750)
Total comprehensive income for the period	-	-	(18,750)	-	(362,550)	(381,300)
Shares issued for cash	2,412,798	-	-	-	-	2,412,798
Costs of share issue	(160,165)	-	-	-	-	(160,165)
Share based payments	-	64,329	-	-	-	64,329
Options expired	-	(486,821)	-	-	486,821	-
Balance at 31 December 2017	44,907,743	788,885	-	-	(33,252,092)	12,444,536

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 CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Share capital \$	Share based payment reserve \$	Fair value reserve \$	Convertible notes reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	39,800,503	2,508,368	30,000	614,153	(33,975,414)	8,977,610
Total comprehensive income for the period						
Loss for period	-	-	-	-	(436,342)	(436,342)
Other comprehensive income						
Revaluation of available for sale investment	-	-	(15,000)	-	-	(15,000)
Total comprehensive income for the period	-	-	(15,000)	-	(436,342)	(451,342)
Shares issued for cash	2,258,658	-	-	-	-	2,258,658
Costs of share issue	(51,954)	-	-	-	-	(51,954)
Share based payments	-	-	-	-	-	-
Conversion of convertible notes	614,153	-	-	(614,153)	-	-
Options expired	-	(15,599)	-	-	15,599	-
Balance at 31 December 2016	42,621,360	2,492,769	15,000	-	(34,396,157)	10,732,972

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 2017

	31 December 2017 \$	31 December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	3,469	8,204
Cash payments in the course of operations	(377,143)	(289,723)
Payments for evaluation of new projects	-	-
Net cash used in operating activities	<u>(373,674)</u>	<u>(281,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(1,087,968)	(1,785,555)
Reimbursement of exploration and evaluation expenditure from farm-in partner	1,300	20,546
Received as management fee from farm-in partners	46,246	56,640
Payments for purchase of plant and equipment	-	(2,744)
Proceeds from sale of assets	30,000	30,000
Research and development tax incentive refund	123,682	-
Cash calls reimbursed from farm-in partners	179,741	-
Option fee received for farm-in agreement	98,619	-
Net cash used in investing activities	<u>(608,380)</u>	<u>(1,681,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	2,412,798	2,257,500
Proceeds from convertible note	-	-
Transaction costs from issue of shares	(120,640)	(50,796)
Net cash provided by financing activities	<u>2,292,158</u>	<u>2,206,704</u>
Net increase / (decrease) in cash and cash equivalents	1,310,104	244,072
Cash at the beginning of the financial period	<u>838,027</u>	<u>1,892,094</u>
Cash at the end of the financial period	<u>2,148,131</u>	<u>2,136,166</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 2017

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 2017 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 2017 is available upon request from the Company's registered office at Suite 1, 827 Beaufort Street Mt Lawley, WA, 6050 or at 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 2017. 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 2017.

This consolidated interim financial report was approved by the Board of Directors on 14 March 2018.

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 2017.

The Group has elected not to adopt any new standards or amendments that have been issued but are not yet effective.

4. 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 period ended 31 December 2017, the Group has incurred a consolidated loss of \$362,550 and experienced net operating cash outflows of \$373,674 and net investing cash outflows of \$608,380. As at 31 December 2017 the Group had \$2,148,131 in cash and cash equivalents and net current assets of \$1,936,049.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

4. Going concern (continued)

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

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 will have sufficient funds available for at least the next 12 months and when required will be able to raise further funding via the methods set out above. However, should additional funds not be raised to meet expenditure commitments there is a material uncertainty in relation to going concern.

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 2017.

6. Operating Segments

The Group is engaged in Copper-Gold exploration, being its main operating segment.

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.

	Copper - Gold \$	Unallocated \$	Total Consolidated \$
Information about reportable segments			
For the six months ended 31 December 2017			
Other income	85,171	-	85,171
Financial income	-	3,469	3,469
Reportable segment result	75,671	(438,221)	(362,550)
Reportable segment assets	10,821,159	2,438,566	13,259,725
Reportable segment liabilities	(755,525)	(59,664)	(815,189)
For the six months ended 31 December 2016			
Other income	56,640	30,000	86,640
Financial income	-	8,204	8,204
Reportable segment result	(192,267)	(244,075)	(436,342)
Reportable segment assets	9,081,495	2,298,172	11,379,667
Reportable segment liabilities	(613,793)	(32,901)	(646,694)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

7. Exploration and evaluation expenditure

	31 December 2017	30 June 2017
	\$	\$
Balance at the beginning of the period	9,377,823	7,055,058
Exploration and evaluation expenditure incurred	1,303,236	2,631,288
Exploration and evaluation assets acquired	10,750	63,750
Reimbursement of costs on exploration and evaluation	(99,919)	(96,574)
Research and Development incentive credit	(106,323)	-
Exploration and evaluation equipment disposed	(39,500)	-
Exploration and evaluation expenditure written off	-	(275,699)
Balance at the end of the period	<u>10,446,067</u>	<u>9,377,823</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.

8. Capital and reserves

The following table summarises the shares issued during the six months ended 31 December 2017.

	31 December 2017	30 June 2017
	\$	\$
Issued capital		
268,925,341 (30 June 2017: 198,309,674) ordinary fully paid shares	<u>44,907,743</u>	<u>42,655,110</u>
	Number of shares	\$
Movements for Ordinary shares:		
Balance at 30 June 2017	198,309,674	42,655,110
Issued for acquisition of asset	250,000	10,750
Issued for cash at \$0.035 per share	35,500,000	1,242,500
Issued for cash at \$0.035 per share pursuant to entitlement issue	33,437,096	1,170,298
Issued for services rendered	1,428,571	50,000
Cost of shares issued	-	(220,915)
Balance at 31 December 2017	<u>268,925,341</u>	<u>44,907,743</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

8. Capital and reserves (continued)

Unlisted options	Number of options	\$
Unlisted options on issue	25,524,751	788,885

The following options expired during the period:

	No of options	Exercise Price	Expiry date
Consultant options	1,000,000	\$0.20	11/09/2017
Director options	6,000,000	\$0.135	30/11/2017
Contractor options	1,100,000	\$0.135	30/11/2017
Placement options	8,338,334	\$0.10	30/07/2017
Consultant options	500,000	\$0.10	06/08/2017
Contractor options	1,000,000	\$0.10	30/11/2017

Costs of options expired (\$486,821) have been reversed from the share-based payment reserve to accumulated losses.

The following options were granted during the period (refer note 11):

Consultant options	2,412,798	\$0.07	31/08/2020
Employee options	1,500,000	\$0.07	30/11/2017

No options were exercised during the period.

Dividends

No dividends were declared or paid during the six months ended 31 December 2017 (2016: NIL).

	31 December 2017	30 June 2017
Reserves	\$	\$
Share based payment reserve ⁽¹⁾	788,855	1,211,377
Fair value reserve ⁽²⁾	-	18,750
	<u>788,855</u>	<u>1,230,127</u>

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

⁽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. During the period, an available for sale financial asset was impaired and the reserve was transferred to the statement of profit or loss and other comprehensive income

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

9. Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements the Company 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 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.

The commitment for minimum exploration expenditure payable as at 31 December 2017, payable within one year, is \$2,186,930. These obligations are not provided for in the financial report.

10. 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 2017 \$	30 June 2017 \$
Financial assets carried at fair value		
Equity securities – listed on ASX at quoted prices (level 1 fair value hierarchy)	60,000	86,250
Financial assets carried at amortised costs		
Cash and cash equivalents	2,148,131	838,027
Trade and other receivables	228,015	335,161
Advanced contributions from Farm-in partner	375,092	359,954
Financial liabilities carried at amortised costs		
Trade and other payables	(440,097)	(132,142)
Advanced cash call	(375,092)	(359,954)

11. Share based payments

The following options were granted during the period:

Date Granted	No of options	Expiry date	Purpose	Contractual life of option
1 Sep 2017	2,412,798	31 Aug 2020	For professional services by third party	3 Years
15 Dec 2017	1,500,000	30 Nov 2019	Employee option incentive plan	2 Years

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

11. Share based payments (continued)

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

	1 Sept 2017 3-year option	15 Dec 17 2-year option
Fair value at grant date	\$0.021	\$0.009
Share price at grant date	\$0.045	\$0.034
Exercise price	\$0.070	\$0.070
Expected volatility	87.28%	86.38%
Option life	3 years	2 years
Expected dividends	Nil	Nil
Risk-free interest rate (based on government bonds)	1.98%	1.91%

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

The total amount expended in the statement of profit and loss and other comprehensive income for the period was \$14,054 (2016: \$Nil) and \$50,274 was recognised direct to equity as share issue costs.

Incentive Option Plan

The Hammer Metals Incentive Option Plan was approved by shareholders on 10 June 2016. 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.

1,500,000 options were granted as incentives or for services during the period.

No options under this plan have lapsed, expired or were exercised during the period.

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

	No of options	Weighted average exercise price
Outstanding at 1 July	39,550,287	\$0.10
Granted during the period	3,912,798	\$0.07
Expired / lapsed or exercised during the period	(17,938,334)	\$0.12
Outstanding at 31 December	25,524,751	\$0.06
Exercisable at 31 December	20,524,751	

12. Subsequent events

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

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 16, 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 2017 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:



A Hewlett
Executive Director

Perth

Dated 15th March 2018



Independent Auditor's Review Report

To the shareholders of Hammer Metals Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year 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 Half-year Financial Report of Hammer Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 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 **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and 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.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 4, "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 4, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 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*. As auditor of Hammer Metals Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year 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.

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

KPMG

R Gambitta
Partner

Perth

15 March 2018