

12 March 2020

## Interim Financial Report

Hammer Metals Limited (“**Hammer**” or “**the Company**”) encloses its interim financial report for the half-year ended 31 December 2019.

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 2019**

# 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 2019 and the review report thereon.

### DIRECTORS

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

<b>Mr Russell Davis</b> Non-Executive Chairman	Director since 13 January 2014
<b>Mr Daniel Thomas</b> Managing Director	Director since 21 October 2019
<b>Mr Zbigniew Lubieniecki</b> Non-Executive Director	Director since 1 October 2018
<b>Mr Nader El Sayed</b> Non-Executive Director	Director since 26 June 2013

### REVIEW OF OPERATIONS

The Group incurred an after-tax loss for the half year ended 31 December 2019 of \$1,439,148 (31 December 2018: \$1,190,946).

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

The Company raised \$3,256,069 (before costs) during the period through two placements totalling 155,985,255 ordinary shares.

#### 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.

#### *Bronzewing South*

Following the acquisition of the Bronzewing South gold project in May 2019, the Group generated multiple drilling targets based on the interpretation of the new IP and gravity data, geological and structural information as well as results from previous drilling. A 14 hole, 2,743m program tested five of these targets on mineralised trends south of Northern Star Resources (ASX: NST) Bronzewing gold project which produced approximately 2.3Moz from surface and underground mining. The Group's drilling encountered strong shear fabric development, quartz veining, carbonate alteration and sulphides associated with multiple gold intercepts. At Bronzewing, these features are important in indicating proximity to mineralisation. Significant assays include (refer ASX announcement dated 2 October 2019):

- 10m at 1.97g/t Au from 129m including 1m at 16g/t Au from 137m and 2m at 3.39g/t Au from 110m in BWRC006
- 8m at 1.36g/t Au from 199m including 1m at 6.2g/t Au and 4m at 2.49g/t Au from 226m including 1m at 9.3g/t Au from 229m in BWSRC004
- 5m at 1.91g/t Au including 2m at 4.38g/t Au from 147m in BWSRC011
- 4m at 1.12g/t Au including 2m at 2.17g/t Au from 58m in BWSRC009
- 3m at 1.64g/t Au including 1m at 3.38g/t Au from 86m in BWSRC003

# **HAMMER METALS LIMITED**

## **and its Controlled Entities**

### **DIRECTORS' REPORT**

#### *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 aircore drilling campaign at Orelia focussed on three of the four identified targets along the North Orelia trend. Three north-south trends of mineralisation can be observed with the central mineralisation trend extending over a 500m strike length. The westernmost trend is on the extremity of historical drilling and remains open to both the north and south. Key results from target one includes (refer ASX announcements dated 18 November and 23 December 2019):

- 14m at 1.80g/t Au from 12m including 3m at 5.57g/t Au from 21m in BWSAC0026;
- 10m at 1.82g/t Au from 9m including 3m at 5.78g/t from 12m in BWSA00121;
- 19m at 0.63g/t Au from 4m including 1m at 8.87g/t Au from 13m in BWSAC0061; and
- 12m @ 0.79g/t Au from 8m including 4m @ 1.96g/t Au from 8m in BWSAC0127

Drilling at Targets 2 and 3 tested geochemical targets and 32 of the 113 aircore holes contained gold assays greater than 0.1g/t. Further interpretation of these results is required to assist in defining targets that may warrant further testing. Further air core and reverse circulation drilling at the North Orelia project will be completed early in 2020.

#### *Ken's Bore*

Rock chip sampling has highlighted the prospectivity of the Ken's Bore Prospect. Ken's Bore is located 12km to the south of Bronzewing on the intersection between an anticlinal axis and the Ken's Bore Granite. Significant gold grades of 22.2g/t, 12.95g/t, 6.09g/t and 7.73g/t have been returned from this area (Table 2 and Figure 2). A review of open file reports of work conducted by Audax Resources Ltd noted that rock chip sampling in the same area reported grades of up to 497g/t. RC drilling will target this anomalous zone in early 2020 (refer ASX announcement dated 18 February 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 2,200 km<sup>2</sup> of tenure in the Mt. Isa region.

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

Greenfields exploration programs around the Mt Philp Breccia project is continuing with additional sampling of mineralised outcrops reported from the Mt Philp East and Pelican Waterhole regions of the Breccia complex. Individual maximum rock chips grades of 7.1% Cu and 0.44g/t Au were obtained from the Pelican Waterhole area and individual maximum grades of 1.83% Cu and 0.23g/t Au were obtained from the Mt Philp East soil anomaly. The Mt Philp East prospect is located in a favourable geological position immediately adjacent to the eastern side of the Mt Philp Hematite Deposit. Further sampling and mapping of this prospect will now form part of the JOGMEC Joint Venture work.

Further rock chip sampling in the El Questro area (Malbon) has confirmed the previously reported gold values from ferruginous quartz veins. Highlights include Au results of up to 49.9g/t, 8.27g/t, 7.24g/t and 6.64g/t, supporting previously reported Au results of up to 99.4g/t, 15.1g/t, 2.57g/t (refer ASX announcement dated 23 July 2019).

Limited work was carried out during the period on the Group's JORC resource projects including Kalman, Overlander North, Elaine and it's 51% interest in the Jubilee project.

# **HAMMER METALS LIMITED**

## **and its Controlled Entities**

### **DIRECTORS' REPORT**

#### *JOGMEC Joint Venture*

The Farm-in and Joint Venture agreement with JOGMEC was signed in November 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. During the Farm-in period, JOGMEC can achieve a 60% interest in the project areas by expending \$6,000,000 by 31 March 2024. The Farm-in Period is staged as follows, noting that JOGMEC earns its interest after the completion of the Fifth and final Farm-in Period:

- The First Farm-in Period is a minimum expenditure of \$1,000,000 by 31 March 2020 before JOGMEC can withdraw from the agreement;
- The Second Farm-in Period is an aggregate expenditure of \$2,000,000 by 31 March 2021;
- The Third Farm-in Period is an aggregate expenditure of \$3,000,000 by 31 March 2022;
- The Fourth Farm-in Period is an aggregate expenditure of \$4,500,000 by 31 March 2023; and
- The Fifth and final Farm-in Period is an aggregate expenditure of \$6,000,000 by 31 March 2024.

Upon completion of the Fifth Farm-in Period, each company can elect to contribute its pro-rata share of future funding. If either party does not contribute and is diluted to an ownership of less than 10% of the Joint Venture, the Group's equitable interest will convert to a 2% Net Smelter Return Royalty. At any time, the Net Smelter Royalty Return Rate can be reduced to 1% via the payment of A\$2,000,000. The areas of interest are all 100% held by the Company's subsidiaries Mt Dockerell Mining Pty Ltd and Mulga Minerals Pty Ltd. The Joint Venture and Earn-in agreement remained subject to FIRB approval at the end of the period with this condition precedent being approved subsequent to the period in January 2020.

#### *Rare Earth Potential*

The Group commenced a strategic review of the rare-earth-element (REE) potential of its Mount Isa Project as part of a broader asset review. An initial investigation by the Group of its drilling database has highlighted the potential of the Andy's Hill iron oxide copper-gold (IOCG) prospect near Kalman and the Koppany prospect near Mary Kathleen for light REE's specifically cerium, lanthanum, neodymium and praseodymium. Neodymium and praseodymium are the core ingredients for the manufacturing of permanent magnets (NdFeB magnets), which are used in high-efficiency electric-motors and electric vehicles. Significant quantities of light REE's are known to occur at the Mary Kathleen uranium mine however the REE's were not recovered at the time of mining. Assessment of the drill hole database for the Koppany Project located immediately along strike to the south of Mary Kathleen has highlighted the presence of REE's (as well as copper) in several of the diamond holes drilled to test a separate sulphide alteration zone indicated by strong VTEM anomalies. (Koppany is part of the Mt Frosty JV of which the Group is a 51% participant and Mount Isa Mines Pty Ltd is a 49% participant).

Although REE's were not specifically targeted by this drilling, intersections including 158m at 0.39% LREO (Light Rare Earth Oxide) from 76m including 12m at 2% LREO from 156m in KOPD005 and 121m at 0.38% LREO from 142m including 22m at 0.79% LREO in KOPD007 located approximately 800m to the south of KOPD005. Peak values over any one metre interval included 1.7% Cerium, 1.15% Lanthanum, 0.26% Neodymium and 0.13% Praseodymium. At Andy's Hill drilling by the Group (refer to ASX release dated 5 June 2015) intercepted broad widths of massive magnetite with disseminated copper and REE's including 95m at 0.12% Cerium and 0.1% Lanthanum in AH001 and 14m at 0.25% Cerium and 0.20% Lanthanum in AHRC003.

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

### **EVENTS AFTER BALANCE DATE**

On 29 January 2020 the Company announced the completion of its Share Purchase Plan which raised \$489,800 (before costs) through the issue of 22,263,623 new shares. The Company also announced the placement of the shortfall under the offer of \$646,100 (before costs) through the issue of 29,368,182 shares. Both of these issues were completed on 4 February 2020.

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 5 and forms part of the directors' report for the half year ended 31 December 2019.

Signed in accordance with a resolution of the directors:



R Davis  
Non-Executive Chairman  
Perth  
Dated 12<sup>th</sup> March 2020

### **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 2019 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.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a stylized flourish at the end.

R Gambitta  
*Partner*

Perth

12 March 2020

# HAMMER METALS LIMITED

## and its Controlled Entities

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		31 December 2019	30 June 2019
	Note	\$	\$
<b>Current assets</b>			
Cash and cash equivalents		2,002,300	860,656
Trade and other receivables		91,755	51,959
<b>Total current assets</b>		<u>2,094,055</u>	<u>912,615</u>
<b>Non-current assets</b>			
Other financial assets	10	263,940	1,258,758
Exploration and evaluation expenditure	7	13,361,090	11,954,619
<b>Total non-current assets</b>		<u>13,625,030</u>	<u>13,213,377</u>
<b>Total Assets</b>		<u>15,719,085</u>	<u>14,125,992</u>
<b>Current liabilities</b>			
Trade and other payables		195,901	235,022
<b>Total current liabilities</b>		<u>195,901</u>	<u>235,022</u>
<b>Total Liabilities</b>		<u>195,901</u>	<u>235,022</u>
<b>Net Assets</b>		<u>15,523,184</u>	<u>13,890,970</u>
<b>Equity</b>			
Share capital	8	49,673,845	46,628,496
Reserves	8	1,684,858	1,658,845
Accumulated losses		(35,835,519)	(34,396,371)
<b>Total Equity</b>		<u>15,523,184</u>	<u>13,890,970</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 2019

	31 December 2019	31 December 2018
	\$	\$
Other income	22,892	19,035
Marketing expenses	(80,071)	(48,767)
Administrative expenses	(336,399)	(410,969)
Share based payments	(26,013)	(120,000)
Depreciation	(2,517)	(2,420)
Occupancy expenses	(22,926)	(22,542)
Exploration expenditure written off	7 -	(588,743)
Fair value movement on financial assets	10 (994,818)	(18,000)
<b>Results from operating activities</b>	<b>(1,439,852)</b>	<b>(1,192,406)</b>
Financial income	704	1,531
Financial expenses	-	(71)
<b>Net financing income</b>	<b>704</b>	<b>1,460</b>
<b>Loss before tax</b>	<b>(1,439,148)</b>	<b>(1,190,946)</b>
Income tax benefit	-	-
<b>Loss for the period</b>	<b>(1,439,148)</b>	<b>(1,190,946)</b>
<b>Other comprehensive income</b>		
Net change in fair value of available for sale financial assets	-	-
<b>Total comprehensive loss for the period</b>	<b>(1,439,148)</b>	<b>(1,190,946)</b>
Basic and diluted loss per share	0.33 cents	0.43 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 2019

	Share capital	Share based payment reserve	Option issue reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	44,907,743	788,885	-	(33,543,854)	<b>12,152,774</b>
Loss for period	-	-	-	(1,190,946)	<b>(1,190,946)</b>
Other comprehensive loss					
<b>Total comprehensive loss for the period</b>	-	-	-	<b>(1,190,946)</b>	<b>(1,190,946)</b>
Shares issued for cash	200,000	-	-	-	<b>200,000</b>
Shares issued in lieu of fees	56,807	-	(56,807)	-	-
Rights issue – listed options	-	-	806,767	-	<b>806,767</b>
Costs of share issue	(25,428)	-	-	-	<b>(25,428)</b>
Share based payments	-	122,106	(2,106)	-	<b>120,000</b>
<b>Balance at 31 December 2018</b>	<b>45,139,122</b>	<b>910,991</b>	<b>747,854</b>	<b>(34,734,800)</b>	<b>12,063,167</b>
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>

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 2019

	31 December 2019 \$	31 December 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	704	1,531
Rental income received	5,010	4,670
Payments to suppliers and employees	(581,758)	(484,032)
<b>Net cash used in operating activities</b>	<u>(576,044)</u>	<u>(477,831)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration and evaluation expenditure	(1,325,144)	(985,110)
Purchase of property, plant and equipment	(2,517)	-
Research and development tax incentive refund	-	182,872
<b>Net cash used in investing activities</b>	<u>(1,327,661)</u>	<u>(802,238)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	3,256,069	200,000
Proceeds from option issue	-	806,767
Transaction costs from issue of shares	(210,720)	(25,428)
<b>Net cash provided by financing activities</b>	<u>3,045,349</u>	<u>981,339</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	1,141,644	(298,730)
<b>Cash at the beginning of the financial period</b>	860,656	934,045
<b>Cash at the end of the financial period</b>	<u><u>2,002,300</u></u>	<u><u>635,315</u></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 2019**

#### **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 2019 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 2019 is available upon request from the Company’s registered office at Suite 1, 827 Beaufort Street Inglewood, WA, 6052 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 2019. 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 2019.

This consolidated interim financial report was approved by the Board of Directors on 12 March 2020.

#### **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 2019.

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

##### *New Standards and Interpretations applicable for the half year ended 31 December 2019*

In the period ended 31 December 2019, 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 2019. 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**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 2019, the Group has incurred a consolidated loss of \$1,439,148 and experienced net operating cash outflows of \$576,044 and net investing cash outflows of \$1,327,661. As at 31 December 2019 the Group had \$2,002,300 in cash and cash equivalents and net current assets of \$1,898,154.

Subsequent to year end, as noted in Note 12, the Company raised a total of \$1,135,900 (before costs) through a Share Purchase Plan and placement of shortfall.

Whilst not immediately required, the Group may need to raise additional funds to meet its ongoing expenditure commitments in the next 12 months 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.

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 exists a material uncertainty in relation to the group's ability to continue as a going concern and, therefore, realise its assets and extinguish its liabilities at the amounts stated in the financial statements and in the ordinary course of business.

**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 2019.

**6. 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**7. Exploration and evaluation expenditure**

	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the period	11,954,619	11,316,751
Exploration and evaluation expenditure incurred	1,406,471	1,528,688
Exploration and evaluation assets acquired	-	610,616
Expenditure written off/impaired on relinquishment of tenements	-	(588,743)
Disposal of subsidiary	-	(545,745)
Research and Development incentive credit	-	(366,948)
Balance at the end of the period	<u>13,361,090</u>	<u>11,954,619</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 2019.

	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Issued capital</b>		
507,199,003 (30 June 2019: 351,213,748) ordinary fully paid shares	<u>49,673,845</u>	<u>46,628,496</u>
	<b>Number of shares</b>	<b>\$</b>
Movements for Ordinary shares:		
Balance at 30 June 2019	351,213,748	46,628,496
Issued for cash at \$0.02 per share	87,803,437	1,756,069
Issued for cash at \$0.022 per share	68,181,818	1,500,000
Cost of shares issued	-	(210,720)
Balance at 31 December 2019	<u>507,199,003</u>	<u>49,673,845</u>
	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Listed options (Option issue reserve)</b>		
190,355,206 (30 June 2019: 190,355,206) listed options, exercisable at \$0.03 on or before 30 September 2020	<u>747,854</u>	<u>747,854</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**8. Capital and reserves (continued)**

	<b>Number of options</b>	<b>\$</b>
Movements for Listed options:		
Balance at 30 June 2019	190,355,206	747,854
<i>No movements for the period</i>	-	-
Balance at 31 December 2019	<u>190,355,206</u>	<u>747,854</u>
	<b>Number of options</b>	<b>\$</b>
<b>Unlisted options (Share based payment reserve)</b>		
Unlisted options on issue	<u>33,476,078</u>	<u>929,373</u>

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

	<b>Number of options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Vesting Date</b>
Managing Director Options				
- Tranche 1	3,000,000	\$0.05	21/10/2023	21/10/2020
- Tranche 2	4,000,000	\$0.06	21/10/2023	21/10/2021
Consultant Options	1,000,000	\$0.035	13/12/2022	13/12/2022

No options were exercised during the period. 1,500,000 unlisted options exercisable at \$0.07 on or before 30 November 2019 expired unexercised during the period.

	<b>Number of rights</b>	<b>\$</b>
<b>Performance rights (Share based payment reserve)</b>		
Performance rights on issue	<u>8,000,000</u>	<u>7,631</u>

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

	<b>Number of options</b>	<b>Vesting Date</b>	<b>Vesting Condition</b>	<b>Expiry Date</b>
Managing Director Performance Rights				
- Tranche 1	750,000	21/10/2020	-	13/12/2023
- Tranche 2	750,000	21/10/2020	Note 1	13/12/2023
- Tranche 3	750,000	21/10/2021	-	13/12/2023
- Tranche 4	750,000	21/10/2021	Note 2	13/12/2023
- Tranche 5	5,000,000	Note 3	Note 3	13/12/2023

Notes:

1. Tranche 2 performance rights include a vesting condition of maintaining a minimum share price of \$0.031 for a period of 30 Days
2. Tranche 4 performance rights include a vesting condition of maintaining a minimum share price of \$0.036 for a period of 30 Days
3. Tranche 5 performance rights include a vesting condition of the satisfactory completion of a transaction in accordance with the terms outlined in the Company's Notice of AGM dated 8 October 2019.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**8. Capital and reserves (continued)**

**Dividends**

No dividends were declared or paid during the six months ended 31 December 2019 (2018: NIL).

	<b>31 December 2019</b>	<b>30 June 2019</b>
<b>Reserves</b>	<b>\$</b>	<b>\$</b>
Share based payment reserve <sup>(1)</sup>	937,004	910,991
Option issue reserve <sup>(2)</sup>	747,854	747,854
	<u>1,684,858</u>	<u>1,658,845</u>

<sup>(1)</sup> 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 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.

**9. 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 2019, payable within one year, is \$2,301,074 (2018: 1,717,261). These obligations are not provided for in the financial report.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**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.

	<b>31 December 2019 \$</b>	<b>30 June 2019 \$</b>
<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)	263,940	1,258,758
<b>Financial assets carried at amortised cost</b>		
Cash and cash equivalents	2,002,300	860,656
Trade and other receivables	91,755	51,959
<b>Financial liabilities carried at amortised cost</b>		
Trade and other payables	195,901	235,022

**11. Share based payments**

Details of the number and terms of options and performance rights issued is included in Note 8 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>Managing Director Options – Tranche 1</b>	<b>Managing Director Options – Tranche 2</b>	<b>Consultant Options</b>
Fair value at grant date	\$0.0111	\$0.0105	\$0.0110
Share price at grant date	\$0.021	\$0.021	\$0.021
Exercise price	\$0.050	\$0.060	\$0.035
Expected volatility	100%	100%	100%
Option life	4 years	4 years	3 years
Expected dividends	Nil	Nil	Nil
Risk-free interest rate	0.795%	0.795%	0.740%
Number of options	3,000,000	4,000,000	1,000,000

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

The total fair value of options issued during the period was \$86,440. These share-based payments are to be expensed over the expected vesting period, and therefore a total value of \$68,058 has been carried forward into future periods.

The total amount expended in the statement of profit and loss and other comprehensive income for the period was \$18,382 (2018: \$120,000).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**11. Share based payments (continued)**

The total fair value of performance rights issued during the period was \$147,399 (2018: nil). These share-based payments are to be expensed over the expected vesting period, and therefore a total value of \$139,768 has been carried forward into future periods (2018: nil).

The total amount expended in the statement of profit and loss and other comprehensive income for the period was \$7,631 (2018: nil).

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.

**12. Subsequent events**

On 29 January 2020 the Company announced the completion of its Share Purchase Plan which raised \$489,800 (before costs) through the issue of 22,263,623 new shares. The Company also announced the placement of the shortfall under the offer of \$646,100 (before costs) through the issue of 29,368,182 shares. Both of these issues were completed on 4 February 2020.

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

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

- a) the condensed consolidated financial statements and notes set out on pages 6 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 2019 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  
Executive Director

Perth

Dated 12<sup>th</sup> March 2020



# Independent Auditor's Review Report

To the shareholders of Hammer Metals Limited

## Report on the Interim Financial Report

### 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 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 2019 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:

- Consolidated statement of financial position as at 31 December 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the 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 Interim Financial Report. The conditions disclosed in Note 4, indicate a material uncertainty exists that may cast significant doubt on the Company'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 Interim Financial Report. Our conclusion is not modified in respect of this matter.

### 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 is free from material misstatement, whether due to fraud or error.



## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim 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 2019 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 an Interim Period 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

12 March 2020