29 September 2020

Financial Report – Year Ended 30 June 2020

Hammer Metals Limited ("**Hammer**" or "**the Company**") encloses its financial report for the year ended 30 June 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

FINANCIAL REPORT

30 JUNE 2020

DIRECTORS' REPORT

The Directors present their report together with the financial report of Hammer Metals Limited ("the Company", "Hammer") and of the Group, comprising the Company and its subsidiaries, for the year ended 30 June 2020 and the auditor's report thereon.

1. DIRECTORS

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

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

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

Daniel Thomas – Managing Director (appointed 21 October 2019)
BSc, MBA

Daniel Thomas has over 20 years' experience in operations, corporate development, project management and project finance having completed undergraduate studies in Chemistry and Geology as well as attaining an BMA from the Melbourne Business School. During his career, Mr Thomas has worked across Australia, North America, Asia and Africa, in a wide range of commodities, including base and precious metals. Mr Thomas' most recent role before joining the Company was as Business Development Manager at Sandfire Resources (ASX:SFR), where he was instrumental in utilising cash-flows generated by the DeGrussa Copper-Gold Mine to grow the Company both organically through exploration and through business development initiatives, including several acquisitions, investments and joint ventures. Prior to his time at Sandfire Resources Limited, Mr Thomas held roles with Wesfarmers, PTT Asia Pacific Mining and Mitsui E&P Australia.

David Church – Non-Executive Director (appointed 1 July 2020)
LLB

David Church is currently a non-executive director of Caprice Resources Limited and a consultant to the Hong-Kong Stock Exchange-listed Regent Pacific Group Limited, performing the functions of General Counsel and Head of Mergers and Acquisitions. Mr Church is a qualified solicitor and has practiced in Australia with Clayton Utz, and in the UK and Hong Kong with Linklaters.

Zbigniew Lubieniecki – Non-Executive Director
BSc (Applied Geology), MAIG

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

Nader El Sayed – Non-Executive Director (resigned 30 June 2020)

DIRECTORS' REPORT (CONTINUED)

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Name	Company	Period of Directorship
Russell Davis	None	-
Daniel Thomas	None	-
David Church	Caprice Resources Limited	October 2019 - current
Zbigniew Lubieniecki	None	-
Nader El Sayed	Spectrum Metals Limited	October 2017 – May 2020

3. COMPANY SECRETARY

Mark Pitts – Company Secretary
B.Bus, FCA, GAICD

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

4. DIRECTORS' MEETINGS

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

Director	Meetings held while in office	Meetings attended
Mr R Davis	10	10
Mr D Thomas	8	8
Mr Z Lubieniecki	10	10
Mr N El Sayed	10	10

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

5. PRINCIPAL ACTIVITY

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

6. OPERATING AND FINANCIAL REVIEW

The Group incurred an after-tax loss for the year of $1,978,610 (2019: $852,517).
Corporate:
The following issues of ordinary shares were completed during the year:

- On 5 August 2019, 87,803,437 ordinary shares were issued at $0.02, raising $1,756,069 before costs;
- On 10 December 2019, 68,181,818 ordinary shares were issued at $0.022, raising $1,500,000 before costs;
- On 31 January 2020, 22,263,623 ordinary shares were issued under a share purchase plan at a price of $0.022, raising $489,800 before costs;
- On 3 February 2020, 29,368,182 ordinary shares were issued at $0.022, raising $646,100 before costs; and
- Between 3 and 30 June 2020, the Company received valid exercise notices of 19,525,757 of its HMXOD listed options, which were exercisable at $0.03 on or before 30 September 2020. Through the exercise of these options, the company raised $585,772.

DIRECTORS' REPORT (CONTINUED)

Subsequent to the year end, and up to the date of this report, the Company received and processed further notices for the valid exercise of an additional 132,733,738 HMXOD options, raising $3,982,512. The total number of HMXOD options exercised is currently 152,259,495, raising $4,567,785.
Additionally, on 6 August 2020, the Company issued 1,250,000 shares to Alloy Resources Limited (ASX:AYR) for the acquisition of tenements in the Bronzewing North region. The shares were valued at $50,000, and a further cash payment of $25,000 was also made.

The following options were granted during the period:

- On 13 December 2019, 1,000,000 unlisted options exercisable at $0.035 on or before 13 December 2023 were issued to a corporate advisor under a mandate agreement;
- Also on 13 December 2019, 3,000,000 unlisted options exercisable at $0.05 and 4,000,000 unlisted options exercisable at $0.06 were issued to the Company's managing director, as part of his employment contract. Both tranches expire on 21 October 2023, and are subject to a 12-month and 24-month vest period, respectively;
- On 23 June 2020, 3,000,000 unlisted options exercisable at $0.035 on or before 30 June 2023 were issued to a corporate advisor under a mandate agreement; and
- Also on 23 June 2020, 2,600,000 unlisted options exercisable at $0.05 on or before 30 June 2024 were issued to employees and contractors to the Company, under the Company's Employee Share Option Plan ("ESOP").

The following options expired during the period:

- 1,500,000 options exercisable at $0.06 expired unexercised on 30 November 2019; and
- 12,800,000 options exercisable at $0.07 expired unexercised on 30 June 2020.

Since the end of the financial year, 2,676,078 unlisted options exercisable at $0.07 expired unexercised on 31 August 2020.

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

The following performance rights, which all expire on 13 December 2023, were granted to the managing director on 13 December 2019:

- 750,000 performance rights, vesting on 21 October 2020;
- 750,000 performance rights, vesting on 21 October 2020, subject to achieving a minimum share price of $0.031 for a period of 30 days;
- 750,000 performance rights, vesting on 21 October 2021;
- 750,000 performance rights, vesting on 21 October 2021, subject to achieving a minimum share price of $0.036+ for a period of 30 days; and
- 5,000,000 performance rights, vesting upon the satisfactory completion of a transaction in accordance with the terms outlined in the Company's Notice of Annual General Meeting dated 8 October 2019.

Exploration Activities:

Hammer Metals is exploring in two great minerals provinces, focused on the discovery of Gold and Copper deposits. After the acquisition of Carnegie Exploration, multiple drilling programs have been undertaken on Gold targets in the Bronzewing Region. Aggressive exploration is also being conducted on the Mt Isa East Joint Venture with the Japan Oil, Gas and National Metals Corporation ("JOGMEC"). Hammer continues to also progress 100% owned tenements in the Mt Isa region.

Western Australia - Bronzewing South Project
The Group's tenements cover prospective structural trends in the core of the Yandal Greenstone Belt. This region has reported greater than 24Moz of current and historical production from deposits such as Bronzewing, Jundee, Mt McClure, Darlot and Thunderbox.
Since acquiring Carnegie Exploration Pty Ltd during the previous financial year (refer to ASX release dated 14 March 2019), the group has been progressively applying for areas as they become available. Since the end of the reporting period, the Group acquired 20 tenements from Alloy Resources Limited (ASX:AYR), increasing its project area in the Yandal to 260km^2 (Refer to ASX release dated 28 July 2020).

DIRECTORS' REPORT (CONTINUED)

North Orelia

The Group's tenements cover prospective trends along strike from the former Lotus and Cockburn Deposits (of the Mt McClure group) and the current 1.1Moz Orelia gold resource owned by Northern Star Resources (ASX:NST). The Group began drilling in early March 2020; however, the impact of COVID-19 necessitated a pause in activities between late March and early June (Refer to ASX releases dated 26 March 2020 and 25 May 2020).
Despite this hiatus the company was able to complete 212 air-core holes for 9,122m during the period (Refer to ASX releases dated 26 March, 22 April and 15 July). At the end of the period, air-core drilling was ongoing and the group aims to delineate targets for a Reverse Circulation program to be conducted within the December quarter of 2020.

Bronzewing South

During the reporting period the Group has examined options for drill testing at Bronzewing South. Development of innovative targeting concepts resulted in the group being awarded a $150,000 Western Australian Government Exploration Incentive Grant to partly fund diamond drill testing of gravity anomalies. This work will be undertaken in the December quarter of 2020 (Refer to ASX announcement dated 25 May 2020). During the period, the company completed a detailed gravity survey across select portions of the tenement.

Queensland - 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 (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au). The Group holds approximately 2,000 km^2 of tenure in the Mt. Isa region. A systematic IOCG targeting exercise within the Mount Isa region is ongoing through Joint Ventures and 100% funded activities.

Mt Isa East Joint Venture

The Mt Isa East Joint Venture with the Japan Oil, Gas and National Metals Corporation ("JOGMEC") was executed in late 2019 and field work began in late February 2020 (Refer to ASX releases dated 25 November 2019 and 18 February 2020).

The programs in the March quarter of 2020 focused on conducting grassroots geological and geophysical data collection over the four Joint Venture areas (Refer to ASX announcement dated 12 May 2020). At the end of the reporting period the Joint Venture commenced diamond drilling of the Shadow Prospect. The results of this drilling are expected early in the December quarter of 2020.

Mt. Frosty Joint Venture

The Mt Frosty Joint Venture (EPM14467) with Mount Isa Mines Limited (a subsidiary of Glencore) progressed with an examination of the rare earth potential of the Koppany Prospect located 2km south east of the Mary Kathleen Deposit. The Group has a 51% interest in the Joint Venture and under the terms of the Joint Venture Agreement, each party will contribute exploration expenditure according to their participating interest. The Group acts as manager of the Joint Venture's exploration activities.
The Joint Venture received a Queensland Government Collaborative Exploration Initiative Grant of $193,000 to undertake drill testing on the Koppany Prospect (Refer to ASX release dated 26 February 2020). The drilling was completed after the end of the reporting period with assays expected early in the December quarter of 2020.

Mt. Isa project – wholly-owned projects

The Group was awarded a $90,000 Queensland Government Collaborative Exploration Initiative Grant to undertake a Magneto Telluric survey across two profiles in the core of the project area. One profile was conducted on the southern margin of the Kalman Deposit and the other profile was conducted across the northern margin of the Mt Philp Breccia. The method examines conductivity responses at depth. The profile near Kalman noted an unexplained conductivity anomaly projecting below the deposit (Refer to ASX release dated 23 June 2020).
Greenfields gold-focused exploration was conducted on the Kings-Charlotte trend at Malbon and field activities are being considered for the Tick Hill region in late 2020.

Impact of COVID-19 Pandemic

The Group reacted promptly to the COVID-19 pandemic and conducted a full review of its activities and expenditures during March 2020. It focused on delaying fieldwork to safeguard the safety of employees, whilst reducing overheads where possible to conserve working capital against the growing uncertainty and volatility.

DIRECTORS' REPORT (CONTINUED)

Management understood the severity of COVID-19 and acted quickly to implement protocols and procedures to ensure the safety and well-being of its personnel in Western Australia and Queensland.
The Non-Executive Directors of the Company agreed to reduce their cash compensation by 50% from 2 April 2020 until 30 June 2020, while the Managing Director and Chief Operating Officer reduced their cash compensation by 30% effective 1 May 2020 until 30 June 2020. The ultimate satisfaction of the accrued balance has yet to be determined and may be completed through repayment in cash or equity issues, or a combination of both.

7. DIVIDENDS

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

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end the following events have occurred:

- On 1 July 2020, following the resignation of Mr Nader El Sayed on 30 June 2020, Mr David Church was appointed as a non-executive director
- Since the end of the financial year and up to the date of this report, the Company has received and processed further notices for the valid exercise of an additional 132,733,738 HMXOD options, raising $3,982,012.
- On 6 August 2020, the Company issued 1,250,000 shares to Alloy Resources Limited (ASX:AYR) for the acquisition of tenements in the Bronzewing North region. The shares were valued at $50,000, and a further cash payment of $25,000 was also made.

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

9. LIKELY DEVELOPMENTS

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

10. DIRECTORS' INTERESTS

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

Director	Ordinary shares	HMXOD Listed options	Unlisted options	Performance Rights
Mr R Davis	38,600,000	-	1,500,000	-
Mr D Thomas	282,711	-	7,000,000	8,000,000
Mr D Church	-	-	-	-
Mr Z Lubieniecki	57,200,837	-	3,000,000	-

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

11. ENVIRONMENTAL REGULATIONS

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

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT – AUDITED

12.1 Principles of compensation

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

Consequences of performance on shareholder wealth

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

Service contracts

Daniel Thomas – Managing Director:
The Company has entered into an Executive Service agreement with Mr Thomas on 21 October 2019. An Executive service fee of $220,000 (plus superannuation at 9.5%) per annum is payable with an indefinite term. Either Party can terminate the agreement subject to a three-month notice period. Mr Thomas is not entitled to any termination payments other than for services rendered at time of termination. The agreement provided for the grant of 7,000,000 unlisted options and 8,000,000 performance rights which were issued during the year. Refer to Note 18 to the financial report for full details. From 1 May 2020, Mr Thomas has deferred 30% of his cash remuneration, the final satisfaction of which (either repayment in cash or through the issue of equity) has yet to be determined.

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

Non-executive directors
All non-executive Directors receive a fixed annual Directors' fee of between $30,000 and $40,000 (plus superannuation benefits as required under the applicable legislation). The Chair receives a fixed annual fee of $60,000 (plus superannuation benefits as required under the applicable legislation)
The maximum aggregate amount of non-executive Directors' fees payable by the Company as approved by the shareholders at the 2011 annual general meeting is $300,000 per annum.
There are no other items of contingent remuneration to Directors. All non-executive directors agreed from 1 April 2020 to defer 50% of their director's fees, the final satisfaction of which (either repayment in cash or through the issue of equity) has yet to be determined.

Share trading policy

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

DIRECTORS' REPORT (CONTINUED)

12.2 Directors' and senior executives' remuneration

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

Year Ended 30 June 2020	Primary			Post-employment	Equity Compensation			
Directors	Salary & fees $	Consulting fees $	Termination payments $	Superannuation benefits $	Options and Rights $	Total $	Proportion of remuneration performance related %	Value of options and rights as proportion of remuneration %
Executive								
Mr D Thomas	153,841	-	-	13,570	78,007	245,418	31.8%	31.8%
Non-executive								
Mr R Davis[1]	87,500	-	-	-	-	87,500	-	-
Mr Z Lubieniecki	40,000	58,875	-	-	-	98,875	-	-
Mr N El Sayed	30,000	-	-	2,731	-	32,731	-	-
Total - Directors	311,341	58,875	-	16,301	78,007	464,524	16.8%	16.8%
Other Key Management Personnel								
Executives								
Mr M Pitts (Company Secretary)	42,000	-	-	-	13,000	55,000	23.6%	23.6%
Total – all key management personnel	353,341	58,875	-	16,301	91,007	519,524	17.5%	17.5%

1 – Subsequent to the appointment of Mr Thomas on 21 October 2019, Mr Davis amended his role from an Executive Chair to a Non-Executive Chair.

Year Ended 30 June 2019	Primary			Post-employment	Equity Compensation		Proportion of remuneration performance related	Value of options as proportion of remuneration
Directors	Salary & fees $	Consulting fees $	Termination payments $	Superannuation benefits $	Options $	Total $	%	%
Executive								
Mr R Davis	125,000	-	-	-	18,000	143,000	12.6%	12.6%
Mr A Hewlett	37,500	-	50,000[1]	-	-	87,500	-	-
Non-executive								
Mr N El Sayed	30,000	-	-	2,850	12,000	44,850	26.8%	26.8%
Mr Z Lubieniecki	30,000	38,625	-	2,850	36,000	107,475	33.5%	33.5%
Mr S Bodensteiner	7,500	-	-	713	-	8,213	-	-
Total - Directors	**230,000**	**38,625**	**50,000**	**6,413**	**66,000**	**391,038**	**16.9%**	**16.9%**
Other Key Management Personnel								
Executives								
Mr M Pitts (Company Secretary)	42,000	-	-	-	6,000	48,000	12.5%	12.5%
Total – all key management personnel	**272,000**	**38,625**	**50,000**	**6,413**	**72,000**	**439,038**	**16.4%**	**16.4%**

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

DIRECTORS' REPORT (CONTINUED)

12.3 Value of options to executives

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

12.4 Options and rights over equity instruments granted as compensation

7,000,000 options were issued to the Company's Managing Director, Mr Daniel Thomas and 500,000 options were issued to the Company Secretary. 8,000,000 performance rights were issued to the Company's Managing Director, Mr Daniel Thomas. The terms of these options and rights are noted in the table below.

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

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

Key Management Personnel	Number of options granted	Date granted	% Vested	% Forfeited / Lapsed	Financial year in which grant vested / will vest
Mr D Thomas – Tranche 1	3,000,000	14 November 2019	0%	-	30 June 2021
Mr D Thomas – Tranche 2	4,000,000	14 November 2019	0%	-	30 June 2022
Mr M Pitts	500,000	23 June 2020	100%	-	30 June 2020

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

	Mr D Thomas – Tranche 1	Mr D Thomas – Tranche 1	Mr M Pitts
Underlying security spot price on grant date	$0.021	$0.021	$0.04
Exercise price	$0.05	$0.06	$0.05
Grant date	14 November 2019	14 November 2019	23 June 2020
Expiration date	21 October 2023	21 October 2023	30 June 2024
Vesting date	21 October 2020	21 October 2021	Immediate
Life (years)	4	4	4
Volatility	100%	100%	100%
Risk free rate	0.795%	0.795%	0.340%
Dividend Yield	-	-	-
Number of options	3,000,000	4,000,000	500,000
Valuation per option	$0.0111	$0.0105	$0.0260
Remaining life (years)	3.3	3.3	3.0

The following performance rights, which all expire on 13 December 2023, were issued to the Company's Managing Director on 13 December 2019:

- 750,000 performance rights, vesting on 21 October 2020;
- 750,000 performance rights, vesting on 21 October 2020, subject to achieving a minimum share price of $0.031 for a period of 30 days;
- 750,000 performance rights, vesting on 21 October 2021;
- 750,000 performance rights, vesting on 21 October 2021, subject to achieving a minimum share price of $0.036 for a period of 30 days; and
- 5,000,000 performance rights, vesting upon the satisfactory completion of a transaction in accordance with the terms outlined in the Company's Notice of Annual General Meeting dated 8 October 2019.

DIRECTORS' REPORT (CONTINUED)

12.6 Option holdings

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

Key Management Personnel	Held at beginning of period/on appointment	Granted	Purchased	Exercised	Lapsed or Expired	Held at end of period / on resignation	Vested and exercisable at end of period
Mr R Davis	14,100,000	-	-	(3,600,000)	(4,000,000)	6,500,000	6,500,000
Mr D Thomas	-	7,000,000	-	-	-	7,000,000	-
Mr N El Sayed	1,511,700	-			(500,000)	1,011,700	1,011,700
Mr Z Lubieniecki	13,999,620	-	-	(9,999,620)	(1,000,000)	3,000,000	3,000,000
Mr M Pitts	1,310,712	500,000	-	-	(500,000)	1,310,712	1,310,712

12.7 Equity holdings and transactions

No shares were granted to key management personnel during the year as compensation (2019: Nil). 13,750,000 ordinary shares were issued to Directors as consideration for the purchase of Carnegie Exploration Pty Ltd (2018: Nil). The movement during the reporting period in the number of ordinary shares in Hammer Metals Limited held directly, indirectly or beneficially, by each key management person, including their personally-related entities (shown on a post-consolidation basis), is as follows:

	Held at beginning of period/on appointment	Purchases	Sales	Exercise of Options	Held at end of period/on resignation
Mr R Davis	19,583,333	10,416,667	-	3,600,000	33,600,000
Mr D Thomas	-	282,711	-	-	282,711
Mr N El Sayed	19,500	-	-	-	19,500
Mr Z Lubieniecki	27,499,367	19,701,850	-	9,999,620	57,200,837
Mr M Pitts	107,143	-	-	-	107,143

12.8 Key management personnel transactions

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

		Transaction value year ended		Balance outstanding as at	
Key management Personnel	Transaction	30 June 2020 $	30 June 2019 $	30 June 2020 $	30 June 2019 $
Mark Pitts	Accounting services	41,140	50,598	1,280	4,839
Zbigniew Lubieniecki	Consulting Services	58,875	38,625	9,075	3,300
Alexander Hewlett	Consulting services	-	30,000	-	-

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

END OF REMUNERATION REPORT

DIRECTORS' REPORT (CONTINUED)

13. SHARE OPTIONS

Unissued shares under option

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

	Expiry Date	Exercise price	Number of options
Listed HMXOD options	30 September 2020	$0.03	170,829,449
Director/Executive/Employee Options	30 November 2021	$0.032	10,000,000
Corporate Advisor Options – Tranche 1	13 December 2022	$0.035	1,000,000
Managing Director Options – Tranche 1	21 October 2023	$0.05	3,000,000
Managing Director Options – Tranche 2	21 October 2023	$0.06	4,000,000
Corporate Advisor Options – Tranche 2	30 June 2023	$0.035	3,000,000
Employee and Consultant Options	30 June 2024	$0.05	2,600,000

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

Shares issued on exercise of options

The Company has issued 19,525,757 ordinary shares as a result of the exercise of HMXOD quoted options (exercisable at 3 cents on or before 21 September 2020) during this year (2019: Nil).

Subsequent to the year end, and up to the date of this report, the Company received and processed further notices for the valid exercise of an additional 132,733,738 HMXOD options.

14. CORPORATE GOVERNANCE

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

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

15. INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

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

DIRECTORS' REPORT (CONTINUED)

16. NON-AUDIT SERVICES

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

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

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' report for the financial year ended 30 June 2019.

18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

This report is made with a resolution of the Directors:

R Davis
Chairman
Perth
29 September 2020

KPMG

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

To the Directors of Hammer Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Hammer Metals Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

R Gambitta
Partner

Perth

29 September 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30 June 2020 $	30 June 2019 $
Current Assets			
Cash and cash equivalents	10	2,678,535	860,656
Trade and other receivables	11	154,728	51,959
Total current assets		**2,833,263**	**912,615**
Non-current assets			
Other financial assets	12	271,097	1,258,758
Right-of-use assets	14	71,570	-
Exploration and evaluation expenditure	15	14,110,772	11,954,619
Total non-current assets		**14,453,439**	**13,213,377**
Total assets		**17,286,702**	**14,125,992**
Current liabilities			
Trade and other payables	16	363,896	235,022
Lease liabilities	17	17,208	-
Total current liabilities		**381,104**	**235,022**
Non-current liabilities			
Lease liabilities	17	56,302	**-**
Total non-current liabilities		**56,302**	**-**
Total liabilities		**437,406**	**235,022**
Net assets		**16,849,296**	**13,890,970**
Equity			
Share capital	18	51,429,354	46,628,496
Reserves	19	1,794,923	1,658,845
Accumulated losses		(36,374,981)	(34,396,371)
Total equity		**16,849,296**	**13,890,970**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		$	$
Other income	4	99,092	93,044
Marketing expenses		(78,954)	(86,717)
Administrative expenses		(732,957)	(785,572)
Share based payments		(233,707)	(120,000)
Occupancy expenses		(45,756)	(46,224)
Depreciation	5	-	(2,420)
Exploration expenditure impaired	15	-	(588,743)
Fair value adjustment on financial assets		(987,661)	-
Loss on disposal of financial assets		-	(23,808)
(Gain)/Loss on disposal of subsidiary	28	-	705,049
Other expenses		-	(100)
Loss from operating activities	**5**	**(1,979,943)**	**(855,491)**
Finance income		2,299	3,045
Finance expenses		(966)	(71)
Net finance income / (expense)	6	**1,333**	**2,974**
Loss before income tax		**(1,978,610)**	**(852,517)**
Income tax benefit	8	-	-
Net loss for the year from continuing operations		**(1,978,610)**	**(852,517)**
Other comprehensive income		-	-
Other comprehensive loss for the year, net of income tax		**-**	**-**
Total Comprehensive loss for the year		**(1,978,610)**	**(852,517)**
Loss per share:			
Basic and diluted loss per share (cents per share)	9(a)	(0.40)	(0.29)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	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)**	**12,152,774**
Loss for the year	-	-	-	(852,517)	(852,517)
Other comprehensive income / loss	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	(852,517)	(852,517)
Shares issued for cash	1,200,000	-	-	-	1,200,000
Shares issued in lieu of fees	56,807	-	(56,807)	-	-
Shares issued to acquire exploration assets	550,000	-	-	-	550,000
Listed options issued for cash under rights issue	-	-	806,767	-	806,767
Share based payments	-	122,106	(2,106)	-	120,000
Share issue costs	(86,054)	-	-	-	(86,054)
Balance at 30 June 2019	**46,628,496**	**910,991**	**747,854**	**(34,396,371)**	**13,890,970**
Balance at 1 July 2019	**46,628,496**	**910,991**	**747,854**	**(34,396,371)**	**13,890,970**
Loss for the year	-	-	-	(1,978,610)	(1,978,610)
Other comprehensive income / loss	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**(1,978,610)**	**(1,978,610)**
Shares issued for cash	4,391,969	-	-	-	4,391,969
Exercise of options	683,401	-	(97,629)	-	585,772
Share based payments	-	233,707	-	-	233,707
Share issue costs	(274,512)	-	-	-	(274,512)
Balance at 30 June 2020	**51,429,354**	**1,144,698**	**650,225**	**(36,374,981)**	**(16,849,296)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 $	30 June 2019 $
Cash flows from operating activities			
Interest received		2,299	2,945
Lease payments made		(7,171)	-
Rental income received		9,185	12,686
Fuel rebate received		2,035	71
Cash payments in the course of operations		(812,617)	(937,286)
Net cash used in operating activities	24	**(806,269)**	**(921,584)**
Cash flows from investing activities			
Payments for exploration expenditure		(2,369,818)	(1,518,476)
Management fees received from farm-in and joint venture partners		75,798	56,585
Receipt of research and development grant		214,939	366,948
Proceeds from the sale of investments		-	36,192
Cash disposed on sale of subsidiary	28	-	(13,768)
Net cash used in investing activities		**(2,079,081)**	**(1,072,518)**
Cash flows from financing activities			
Proceeds from issue of share capital		4,391,969	1,200,000
Proceeds from issue of options		585,772	806,767
Transaction costs from issue of shares and options		(274,512)	(86,054)
Net cash from financing activities		**4,703,229**	**1,920,713**
Net increase / (decrease) in cash and cash equivalents		1,817,879	(73,389)
Cash and cash equivalents at beginning of year		860,656	934,045
Cash and cash equivalents at end of year	10	**2,678,535**	**860,656**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Hammer Metals Limited (the "Company") is a company domiciled in Australia. The Company's registered office is Suite 1, 827 Beaufort Street, Mt. Lawley WA. The consolidated financial statements of the Company for the financial year ended 30 June 2020 comprises the Company and its subsidiaries (together referred to as the "Group").

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The consolidated financial report was authorised for issue by the Directors on 29 September 2020.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

Set out below is information about:

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

Critical judgements

i. Going concern

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

Estimates and assumptions

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

iii. *Exploration and evaluation assets*
Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 3(n)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves (refer note 2(d)(ii)), the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(n), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the statement of profit and loss and other comprehensive income in accordance with accounting policy 3(f). The carrying amounts of exploration and evaluation assets are set out in note 15.

(e) Adoption of new and revised standards

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following new Accounting Standards and Interpretations were most relevant to the Group:

AASB 16 Leases
The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(e) Adoption of new and revised standards (continued)

Impact of adoption
As the Group was not party of any existing lease agreements captured within the scope of AASB 16 at 1 July 2019, there was no impact on the comparative financial information reported in these financial statements.

(f) Going concern

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

For the year ended 30 June 2020, the Group has incurred a consolidated loss before tax of $1,978,610 and net cash outflows from operating and investing activities of $2,885,350. As at 30 June 2020 the Group had $2,678,535 in cash and cash equivalents and net current assets of $2,452,159.

Subsequent to year end, the Company has received $3,982,012 from the valid exercise of HMXOD listed options, exercisable at 3 cents per share.

On the above basis, the Directors are of the view that the going concern basis of preparation is appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

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

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

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

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

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

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

v. *Business combinations*

Business combinations are accounted for by applying the acquisition method.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

vi. Contingent liabilities

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

vii. Non-controlling interest

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

(b) Foreign currency

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

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

(c) Plant and equipment

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

- office equipment 3 to 4 years

The residual value, if significant, is reassessed annually.

(d) Financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets
<u>Financial assets at amortised cost</u>
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

Equity instruments at fair value through other comprehensive income (Equity FVOCI)
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI.

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

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

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

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

Debt instruments at fair value through other comprehensive income (Debt FVOCI)
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and cash equivalents

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

(f) Impairment

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment (continued)

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

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

(g) Share capital

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

(h) Interest bearing borrowings

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

(i) Employee benefits

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Finance income and expenses

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

(k) Income tax

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

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

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

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

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

(l) Provisions

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

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

(m) Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Exploration and evaluation expenditure

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

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

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

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

Exploration and evaluation assets include

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Exploration and evaluation expenditure (continued)

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

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

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

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

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

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

(o) Government grants

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

(p) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Right-of-use assets (continued)

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(q) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

		30 June 2020	30 June 2019
4.	**OTHER INCOME**	$	$
	Management fee from farm-in partners	75,798	56,585
	Rental income	9,185	12,686
	Sale of royalty	-	71
	Other income	14,109	23,703
		99,092	**93,044**

		30 June 2020	30 June 2019
5.	**RESULT FROM OPERATING ACTIVITIES**	$	$
	Net loss for the year before tax has been arrived at after the charging the following expenses:		
	Depreciation of plant and equipment	-	2,420
	Salary and wages	139,888	162,721
	Superannuation expense	12,665	6,378
	Share based payments	233,707	120,000
	Other employment costs	-	13,111
	Total employee costs	**386,260**	**302,210**

		30 June 2020	30 June 2019
6.	**FINANCE INCOME AND FINANCE COSTS**	$	$
	Recognised in loss for the year:		
	Interest income	2,299	3,045
	Finance costs	(966)	(71)
	Net finance income	**1,333**	**2,974**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	30 June 2020 $	30 June 2019 $
7. AUDITORS' REMUNERATION		
Auditors of the Company - KPMG		
Audit services:		
Audit and review of financial reports	32,500	41,840
Non-audit services:		
Taxation compliance services	34,048	11,275
	66,548	**53,115**

	30 June 2020 $	30 June 2019 $
8. INCOME TAX		
(a) Income tax benefit		
Current tax	-	-
Deferred tax	-	-
Total income tax benefit	**-**	**-**
Numerical reconciliation of income tax benefit to pre-tax accounting loss:		
Loss before income tax	(1,978,610)	(852,517)
Income tax benefit using the Company's domestic tax rate of 27.5% (2019: 27.5%)	(544,118)	(255,755)
Adjusted for:		
Non-deductible expenses / (Non-Assessable Income)	(880)	(5,861)
Under/over from prior year	-	344,965
Temporary differences and tax losses not recognised	544,998	261,616
Income tax benefit	**-**	**-**
(b) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary timing differences related to:		
Property, plant and equipment	174	721
Investments	271,607	-
Accrued expenses and provisions	53,757	21,808
Capital raising costs	99,424	64,829
Income tax losses	7,483,908	6,998,855
	7,908,870	**7,086,213**
(c) Recognised deferred tax assets & liabilities		
Temporary timing differences related to:		
Exploration and evaluation expenditure	(3,880,462)	(3,287,520)
Income tax losses	3,880,462	3,287,520
	-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX (CONTINUED)

(d) Movement of temporary differences recognised during the year ended 30 June 2020:

	Balance 1 July 2019	Profit or Loss	Other comprehensive income	Equity	Balance 30 June 2020
Exploration and evaluation expenditure	(3,287,520)	(768,355)	-	-	(3,880,462)
Carried-forward tax losses	3,287,520	768,355	-	-	3,880,462
	-	-	-	-	-

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

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

9. LOSS PER SHARE

	30 June 2020 $	30 June 2019 $
(a) Basic and dilutive loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date.	(0.40) cents	(0.29) cents

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

(b) Weighted average number of shares used in calculation of basic and dilutive earnings per share	490,120,306	293,422,102

10. CASH AND CASH EQUIVALENTS

	30 June 2020 $	30 June 2019 $
Cash at bank and on hand	**2,678,535**	**860,656**

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and financial liabilities are disclosed in Note 26.

11. TRADE AND OTHER RECEIVABLES

	30 June 2020 $	30 June 2019 $
Current		
GST receivable	5,704	11,034
Security deposit	38,858	38,858
CEI Grant receivable	99,000	-
Other receivables	11,166	2,067
	154,728	**51,959**

Trade and other receivables are non-interest bearing.
The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		30 June 2020	30 June 2019
12.	**OTHER FINANCIAL ASSETS**	$	$
	Non - Current		
	Investments in other entities		
	Listed shares in TSXV and ASX-listed companies - at fair value	**271,097**	**1,258,758**

The Group's exposure to equity price risk and sensitivity analysis in disclosed in Note 26. Listed shares recognised as non-current assets have been recognised at fair value through profit or loss ("FVTPL")

		30 June 2020	30 June 2019
13.	**PLANT AND EQUIPMENT**	$	$
	Office equipment and fittings at cost	252,906	252,906
	Accumulated depreciation	(252,906)	(252,906)
	Net book value	**-**	**-**
	Reconciliation of office equipment is as follows:		
	Opening carrying value	-	2,420
	Additions	-	-
	Depreciation	-	(2,420)
	Closing carrying value	**-**	**-**

		30 June 2020	30 June 2019
14.	**RIGHT-OF-USE ASSETS**	$	$
	Plant and equipment – right of use	71,570	-
	Less: accumulated depreciation	-	-
	Total right-of-use assets	**71,570**	**-**
	Movements in right-of-use assets for the period:		
	Opening balance at the beginning of the period	-	-
	Additions for the period	71,570	-
	Depreciation	-	-
	Disposals	-	-
	Closing balance at the end of the period	**71,570**	**-**

		30 June 2020	30 June 2019
15.	**EXPLORATION AND EVALUATION EXPENDITURE**	$	$
	Balance at 1 July	11,954,619	11,316,751
	Exploration and evaluation expenditure incurred	2,461,092	1,528,688
	Exploration and evaluation assets acquired	-	610,616
	Exploration and evaluation expenditure impaired	-	(588,743)
	Disposal of subsidiary (refer note 26)	-	(545,745)
	CEI grants received	(90,000)	-
	Research and development grant received	(214,939)	(366,948)
	Balance at 30 June	**14,110,772**	**11,954,619**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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

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

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

16. TRADE AND OTHER PAYABLES

	30 June 2020 $	30 June 2019 $
Trade creditors and accruals	**363,896**	**235,022**

All trade and other payables are non-interest bearing and payable on normal commercial terms.

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

17. LEASE LIABILITIES

	30 June 2020 $	30 June 2019 $
Current lease liabilities	17,208	-
Non-current lease liabilities	56,302	-
	73,510	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		30 June 2020	30 June 2019	30 June 2020	30 June 2019
18.	**ISSUED CAPITAL**	No.	No.	$	$
(a)	Share capital				
	Ordinary shares				
	On issue at 1 July	351,213,748	268,925,341	46,628,496	44,907,743
	Shares issued in lieu of fees on entitlement issue of options	-	2,705,074	-	56,807
	Shares issued for cash at $0.03 per share	-	6,666,667	-	200,000
	Shares issued for cash at $0.02 per share	87,803,437	50,000,000	1,756,069	1,000,000
	Shares issued for cash at $0.022 per share	119,813,623	-	2,635,900	-
	Exercise of HMXOD listed options	19,525,757	-	683,401	-
	Shares issued to acquire subsidiary	-	22,916,666	-	550,000
	Share issue costs	-	-	(274,512)	(86,054)
	On issue at 30 June – fully paid	**578,356,565**	**351,213,748**	**51,429,354**	**46,628,496**

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. The company does not have authorised capital or par value in respect of its issued shares.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Dividends

No dividends were paid or declared for the year (2019: NIL).

		30 June 2020	30 June 2019
(b)	Options outstanding over ordinary shares	No.	No.
	Listed options (Option issue reserve)		
	Listed HMXOD options exercisable at $0.03 on or before 30 Sep 2020	170,829,449	190,355,205
	Unlisted options (Share-based payment reserve)		
	Unlisted options exercisable at $0.06 expiring 30 Jun 2020	-	12,800,000
	Unlisted options exercisable at $0.07 expiring 31 Aug 2020	2,676,078	2,676,078
	Unlisted options exercisable at $0.07 on or before 30 Nov 2019	-	1,500,000
	Unlisted options exercisable at $0.032 on or before 30 Nov 2022	10,000,000	10,000,000
	Unlisted options exercisable at $0.05 expiring 21 Oct 2023	3,000,000	-
	Unlisted options exercisable at $0.06 expiring 21 Oct 2023	4,000,000	-
	Unlisted options exercisable at $0.035 expiring 13 Dec 2022	1,000,000	-
	Unlisted options exercisable at $0.035 expiring 30 Jun 2023	3,000,000	-
	Unlisted options exercisable at $0.05 expiring 30 Jun 2024	2,600,000	-
		197,105,527	**217,331,283**

No listed options were issued during the year (2019: 190,355,205).

9,600,000 unlisted options were granted to directors, executives and employees during the year (2019: 10,000,000).

4,000,000 unlisted options were granted to consultants during the year (2019: nil)

19,525,757 Listed options were exercised during the year (2019: Nil)

14,300,000 fully vested unlisted options expired unexercised during the period (2019: 5,000,000).

Options carry no voting rights until converted to fully paid ordinary shares. All unlisted options were granted for no cash consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	30 June 2020 No.	30 June 2019 No.
(c) Performance rights		
Performance rights (Share-based payment reserve)		
Managing Director Performance Rights – Tranche 1	750,000	-
Managing Director Performance Rights – Tranche 2	750,000	-
Managing Director Performance Rights – Tranche 3	750,000	-
Managing Director Performance Rights – Tranche 4	750,000	-
Managing Director Performance Rights – Tranche 5	5,000,000	-
	8,000,000	**-**

The following performance rights were granted during the period (refer note 21):

	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	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.

19. RESERVES

	30 June 2020 $	30 June 2019 $
Share-based payment reserve [1]		
Balance at beginning of period	910,991	788,885
Options issued to Directors and executives	35,967	120,000
Options issued to Employees and contractors	155,700	-
Performance rights issued to Managing Director	42,040	-
Unlisted options issued in lieu of fees for underwriter of listed option entitlement issue	-	2,106
	1,144,698	**910,991**
Option issue reserve [3]		
Balance at beginning of period	747,854	-
Options issued under entitlement issue at $0.005 per option	-	806,767
Option issue costs satisfied through issue of ordinary shares	-	(56,807)
Option issue costs satisfied through issue of unlisted options	-	(2,106)
Options exercised during the period	(97,629)	-
	650,225	**747,854**
	1,794,923	**1,658,845**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. COMMITMENTS

a) Exploration Expenditure Commitments

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

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

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

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

	Consolidated		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	$	$	$	$
Minimum exploration expenditure not later than 1 year	1,590,410	2,076,500	-	-

21. SHARE BASED PAYMENTS

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.

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

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

	No of unlisted options	Weighted average exercise price
Outstanding at 1 July	26,976,078	$0.051
Granted during the period	13,600,000	$0.049
Expired / lapsed or exercised during the period	(14,300,000)	$0.061
Outstanding at 30 June	26,276,078	$0.044
Exercisable at 30 June	19,276,078	

The options outstanding at year end have exercise prices ranging from $0.032 to $0.07 a weighted average remaining contractual life of 2.652 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. RELATED PARTIES

Key Management Personnel Compensation:

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

Executive Directors
Mr D Thomas
Non-executive Directors
Mr R Davis
Mr Z Lubieniecki
Mr N El Sayed (resigned 30 June 2020)
Executives
Mr M Pitts (Company Secretary)

	30 June 2020	30 June 2019
The key management personnel compensation comprised:	$	$
Short-term employee benefits	412,216	360,625
Post-employment benefits	16,301	6,413
Share-based payments	91,007	72,000
	519,524	**439,038**

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

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

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

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

		Transaction value year ended		Balance outstanding as at	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Transaction	$	$	$	$
Mr R Davis	Note 1	-	110,000	-	-
Mr Z Lubieniecki	Note 1	-	220,000	-	-
	Consulting Fees	58,875	38,625	9,075	3,300
Mr A Hewlett	Note 1	-	110,000	-	-
	Note 2	-	30,000	-	-
Mr M Pitts	Accounting services	41,140	50,598	1,280	4,839

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. RELATED PARTIES (CONTINUED)

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

23. INTEREST IN OTHER ENTITIES

Name	Country of Incorporation	Percentage held 2020	Percentage held 2019
Parent and ultimate controlling entity			
Hammer Metals Limited			
Subsidiaries			
Hammer Metals Australia Pty Ltd	Australia	100%	100%
Mt. Dockerell Mining Pty Ltd	Australia	100%	100%
Mulga Minerals Pty Ltd	Australia	100%	100%
Carnegie Exploration Pty Ltd	Australia	100%	100%
Hammer Bulk Commodities Pty Ltd (i)	Australia	100%	100%
Midas Metals Asia Pty Ltd (i)	Australia	85%	85%

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

The investments held in controlled entities are included in the financial statements of the parent at cost. Element Minerals Australia Pty Ltd was disposed of on 28 June 2019. Refer Note 28 for details. Carnegie Exploration Pty Ltd was acquired on 21 May 2019. Refer Note 22 for details.

Joint arrangements

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

Dronfield

The Group has a farm-in agreement in relation to a tenement held in the Mt. Isa region. The Group has earned an 80% interest in the project. The Group's interest in the above arrangement includes capitalised exploration phase expenditure totalling $641,753 at 30 June 2020 and is included in exploration and evaluation assets (note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. INTEREST IN OTHER ENTITIES (CONTINUED)

Mt Frosty – Mt Isa Mines (Glencore)

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

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

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

Mulga acts as the initial manager of the joint venture. The Group's interest in the above arrangement includes capitalised exploration phase expenditure totalling $406,267 at 30 June 2020 and is included in exploration and evaluation assets (note 15).

Mt Isa East - JOGMEC

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^2 of the 2,200km^2 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.

24. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	30 June 2020 $	30 June 2019 $
Loss for the year	(1,978,610)	(852,517)
Adjustments for:		
Depreciation	-	2,420
Share based payments	233,707	120,000
Exploration expenditure impaired	-	588,743
Fair value adjustment on financial assets	987,661	23,808
Interest expense on lease liabilities	966	-
Gain on disposal of subsidiary	(58,424)	(705,049)
Management fee from farm-in partners	(75,798)	(56,585)
Movements attributable to operating activities:		
Decrease / (increase) in trade and other receivables	(12,769)	54,792
Increase / (decrease) in trade and other payables	96,998	(97,196)
Net cash used in operating activities	(806,269)	(921,584)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. SEGMENT INFORMATION

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

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

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

26. FINANCIAL INSTRUMENTS DISCLOSURES

Overview

The Group has exposure to the following risks from their use of financial instruments:
Credit risk
Liquidity risk
Market risk

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

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

Credit risk

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

Trade and other receivables

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

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

Exposure to credit risk

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

Consolidated		Carrying amount	
	Note	30 June 2020	30 June 2019
		$	$
Cash and cash equivalents	10	2,678,535	860,656
Trade and other receivables	11	154,728	51,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Impairment losses
None of the Group's trade and other receivables are past due and impaired (2019: Nil).

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

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

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

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

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

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

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

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

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

	Carrying amount	
	30 June 2020	30 June 2019
	$	$
Fixed rate instruments		
Cash and cash equivalents	21,992	21,475
Weighted average interest rates	1.20%	2.40%
Variable rate instruments		
Cash and cash equivalents	2,656,543	839,181
Weighted average interest rates	0.41%	0.18%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss or equity (2019: Nil)
Cash flow sensitivity analysis for variable rate instruments
A sensitivity of 50 basis points has been used and considered reasonable given current interest rates. A 0.5% movement in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis for 2019 was performed on the same basis.

Consolidated	Loss		Equity	
	50bp increase	50bp decrease	50bp increase	50bp decrease
30 June 2020				
Variable rate instruments	13,283	(13,283)	13,283	(13,283)
30 June 2019				
Variable rate instruments	4,196	(4,196)	4,196	(4,196)

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

	30 June 2020 $	30 June 2019 $
Financial assets carried at fair value through profit or loss		
Equity securities – listed on TSXV at quoted prices	271,097	1,258,758
Financial assets carried at amortised costs		
Cash and cash equivalents	2,678,535	839,181
Trade and other receivables	154,728	51,959
Financial liabilities carried at amortised costs		
Trade and other payables	(363,896)	(235,022)
Lease liabilities	(73,510)	-

Other Market Price Risk
Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.
Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

Fair value sensitivity analysis for equity securities (listed investments)
A sensitivity of 10% has been used and considered reasonable given current market rates. A 10% movement in market prices at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis for 2019 was performed on the same basis.

Consolidated	Loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
30 June 2020				
Equity securities – listed on TSXV	$27,110	($27,110)	$27,110	($27,110)
30 June 2019				
Equity securities – listed on TSXV	$125,876	($125,876)	$125,876	($125,876)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Commodity Price Risk

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

Capital Management

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

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

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

27. PARENT ENTITY DISCLOSURES

	Company	
Financial Position	30 June 2020 $	30 June 2019 $
Assets		
Current assets	10,822,666	8,516,068
Non-current assets	6,341,410	5,509,779
Total assets	**17,164,076**	**14,025,847**
Liabilities		
Current liabilities	258,478	134,877
Non-current liabilities	56,302	
Total liabilities	**314,780**	**134,877**
Net assets	**16,849,296**	**13,890,970**
Equity		
Issued capital	51,429,354	46,628,496
Accumulated losses	(36,374,981)	(34,396,371)
Reserves	1,794,923	1,658,845
Total equity	**16,849,296**	**13,890,970**
Financial Performance		
Loss for the year	(1,978,610)	(852,517)
Other comprehensive income	-	-
Total comprehensive income	**(1,978,610)**	**(852,517)**

Contingent liabilities of the parent entity

There are no contingent liabilities at 30 June 2020 (2019: None)

Commitments of the parent entity

There are no commitments at 30 June 2020 (2019: None)

28. DISPOSAL OF SUBSIDIARY

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

	28 June 2019 $
Details of the sale of the subsidiary	
Consideration received	
19,255,641 TSXV listed shares (GEMC.V) at $0.055 (CAD $0.06)	1,258,758
Total consideration received	**1,258,758**
Carry value of net assets disposed (refer below)	(553,709)
Gain on sale before income tax	**705,049**
Income tax expense on sale of subsidiary	-
Gain on sale after income tax	**705,049**

	28 June 2019 $
Net assets at date of sale	
Assets	
Cash and cash equivalents	13,768
Trade and other receivables	7,951
Exploration and evaluation expenditure	545,745
Total assets	567,464
Liabilities	
Trade and other payables and advanced cash calls	13,755
Total liabilities	13,755
Net assets at date of sale	553,709

29. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end the following events have occurred:

- On 1 July 2020, following the resignation of Mr Nader El Sayed on 30 June 2020, Mr David Church was appointed as a non-executive director
- Since the end of the financial year and up to the date of this report, the Company has received further notices for the valid exercise of an additional 132,733,738 HMXOD options, raising $3,982,012.
- On 6 August 2020, the Company issued 1,250,000 shares to Alloy Resources Limited (ASX:AYR) for the acquisition of tenements in the Bronzewing North region. The shares were valued at $50,000, and a further cash payment of $25,000 was also made.

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

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Hammer Metals Limited ("the Company"):

(a) the consolidated financial statements and notes and the remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations by the managing director and company secretary for the financial year ended 30 June 2020 pursuant to Section 295A of the Corporation Act 2001.

3. The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

R Davis
Chairman

Perth

Dated 29 September 2020

KPMG

Independent Auditor's Report

To the shareholders of Hammer Metals Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

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

KPMG

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Capitalised exploration and evaluation ("E&E") assets ($14,110,772)	
Refer to Note 15 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to: • The significance of the activity to the Group's business and the balance (being 82% of total assets); and • The greater level of audit effort of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. In assessing the conditions allowing capitalisation of relevant expenditure, we focused on: • the determination of the areas of interest (areas) • documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention to continue the relevant E&E activities; • the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest. In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for Mt Isa, Mt Frosty and Bronzewing South areas where significant capitalised E&E exists. In addition to the assessments above, we paid particular attention to results from latest activities regarding the existence or otherwise of economically recoverable reserves/commercially viable quantity of reserves.	Our procedures included: • Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard; • We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions, and planned work programmes; • For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses; • We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard; • We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Hammer Metals Limited for the year ended 30 June 2020, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in section 12 of the Directors' report for the year ended 30 June 2020.

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

KPMG.

KPMG

R Gambitta
Partner

Perth

29 September 2020