

31 DECEMBER 2021 INTERIM FINANCIAL REPORT

Hammer Metals Limited (ASX:HMX) (“Hammer” or the “Company”) attaches the Interim Financial Report for the half-year ended 31 December 2021.

This announcement has been authorised for issue Mark Pitts, Company Secretary, Hammer Metals Limited in accordance with ASX Listing Rule 15.5.

For further information please contact:

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Managing Director

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ASX RELEASE

16 March 2022

DIRECTORS / MANAGEMENT

Russell Davis
Chairman

Daniel Thomas
Managing Director

Ziggy Lubieniecki
Non-Executive Director

David Church
Non-Executive Director

Mark Pitts
Company Secretary

Mark Whittle
Chief Operating Officer

CAPITAL STRUCTURE

ASX Code: HMX

Share Price (15/3/2022)	\$0.097
Shares on Issue	815m
Market Cap	\$79m
Options Unlisted	27m
Performance Rights	8m

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

INTERIM FINANCIAL REPORT

6 MONTHS ENDED

31 DECEMBER 2021

**HAMMER METALS LIMITED
and its Controlled Entities**

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HAMMER METALS LIMITED
and its Controlled Entities

BOARD OF DIRECTORS

Russell Davis (Non-executive Chairman)
Daniel Thomas (Managing Director)
Zbigniew Lunieniecki (Non-executive Director)
David Church (Non-executive Director)

COMPANY SECRETARY

Mark Pitts

PRINCIPLE AND REGISTERED OFFICE

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AUDITORS

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SHARE REGISTRY

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Nedlands WA 6009
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SECURITIES EXCHANGE

Australian Securities Exchange Limited
Company code: HMX

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HAMMER METALS LIMITED
and its Controlled Entities
DIRECTORS' REPORT

The directors present their report together with the condensed consolidated financial report for the period ended 31 December 2021 and the review report thereon.

DIRECTORS

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

Mr Russell Davis
Non-Executive Chairman

Mr Daniel Thomas
Managing Director

Mr Zbigniew Lubieniecki
Non-Executive Director

Mr David Church
Non-Executive Director

REVIEW OF OPERATIONS

The Group incurred an after-tax profit for the half year ended 31 December 2021 of \$85,704 (31 December 2020: loss of \$229,737).

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

Mount Isa Region Projects

The Group is exploring its Mount Isa project for large iron oxide copper-gold (IOCG) deposits of the Ernest Henry style. The Group has increased its tenure in Mount Isa and now holds approximately 2,600 km² of exploration permits in the region.

Mt. Isa project – wholly-owned projects

Activities on Hammer's 100% owned Mount Isa projects included a return to drilling at Kalman deposit with 776m completed across four holes prior to the end of the year. Kalman drilling was designed to test for mineralisation at shallow depths in areas with the potential to increase Hammer's JORC compliant Cu/Au/Mo/Re resource. An extensive Reverse Circulation program was commenced at numerous Hammer targets including Ajax, Orion, Neptune, Sunset, Overlander South and Kalman. These targets have been drilled progressively in the early stages of 2022 with results awaited from this drilling.

Drilling programs at the start of the period showed solid copper and gold intercepts with follow up drilling at Lakeview delivering a high-grade copper intercept (refer ASX announcement 14 October 2021):

- 18m at 1.70% Cu and 0.49g/t Au from 61m in HMLVRC005, including:
 - o 5m @ 4.17% Cu and 1.04g/t Au from 62m

Drilling at Overlander defined a thick copper bearing breccia over a broad width and significant copper assay results of 78m @ 0.26% Cu from 75m in OVRC035 (See ASX announcement 14 October 2021).

Field mapping conducted during the period defined several prospective zones for copper and gold mineralisation surrounding Lakeview (Ajax and Orion), with rock chip results from these areas having delivered peak assays of 19% Cu and 24g/t Au. Further highly prospective targets were identified at the Neptune IOCG prospect through detailed mapping, with peak rock chip assays of 27% Cu and 10g/t Au (See ASX announcement 14 October 2021).

HAMMER METALS LIMITED and its Controlled Entities

New target zones were defined in the Neptune area at Sirius, Australian Flag and Lady Kate. A drilling program has commenced which is ongoing.

Mount Isa East Joint Venture

(Sumitomo Metal Mining Oceania earning 60% interest by spending \$6,000,000 on the JV)

The Farm-in and Joint Venture agreement was signed by Hammer and Japan Oil, Gas and Metals National Corporation ("JOGMEC") in November 2019 and covers sections of the Even Steven, Mount Philp, Dronfield West and Malbon targets for a total area of approximately 290km² of the 2,600km² Mount Isa Project. JOGMEC sold their position in the Mount Isa East Joint Venture ("JV") to Sumitomo Metal Mining Oceania Pty. Ltd. ("SMMO"), a subsidiary of Sumitomo Metal Mining ("SMM") (see ASX announcement 19 August 2021). SMM's demonstrated capabilities in exploration, project development and finance are a significant boost to the JV in its pursuit to delineate and develop a large-scale iron oxide copper-gold project.

SMMO and Hammer developed a rigorous exploration program for the remainder of 2021 with various activities concentrated on the further development of the Trafalgar trend. A drilling program at Trafalgar extended mineralisation to the north with new zones of mineralisation to the west of the deposit. Intercepts include (see ASX announcement 24 September 2021):

- 16m at 0.88% Cu and 0.34g/t Au from 192m in HMTRRC006, including:
 - 9m @ 1.28% Cu and 0.5g/t Au from 195m;
- 19m at 0.70% Cu and 0.17g/t Au from 117m in HMTRRC007, including
 - 6m @ 1.58% Cu and 0.38g/t Au from 126m ; and
- 35m at 0.42% Cu and 0.07g/t Au from 175m in HMTRRC008; including:
 - 6m @ 1.15% Cu and 0.2g/t Au from 185m

Detailed geological mapping along the Trafalgar trend identified the presence of an extensive red rock-magnetite alteration zone which spans the central mineralised trend and extends along strike for 2.7km. Mapping and several EM surveys along this trend delineated a number of high priority targets for drilling including prospects at The Springs, Victory and Lady Northcote. These prospects were drilled in early 2022 with assay results pending.

Bronzewing South Project

The Bronzewing South Project is located in Western Australian within the heart of the highly prospective Yandal Belt, that boasts greater than 24 million ounces of gold deposits and current and historical gold production.

Bronzewing South

A 13-hole Reverse Circulation (RC) (3,554m) program was completed on the Bronzewing South Project during the period. This program focussed on the northernmost target position within the geological/structural corridor trending south of the Bronzewing Gold mine. Drilling intercepted the targeted rock units, the Bapinmarra Dolerite/Ultramafic, Bronzewing Basalt and Discovery Granodiorite, as expected, including several shear zones and zones of quartz/carbonate veining however no significant mineralisation was intercepted by the holes.

Drilling also included the Gummow Prospect, located ~5km to the south of the Bronzewing Deposit. The prospect is located within a northwest trending shear zone traversing a tholeiitic basalt (similar to Bronzewing Basalt), between a felsic intrusive (interpreted to be a Discovery Granodiorite equivalent) and a coarse grained mafic (interpreted as the Madfish Basalt). Drilling of this anomaly was limited to two holes (314m) with an initial intercept of 4m @ 0.18g/t Au from 40m in BWSRC048 (See ASX announcement 23 December 2021).

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North Orelia

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

Following a review of Hammer's 2020 Reverse Circulation program at North Orelia, several opportunities for both exploration and resource definition remain outstanding. The gold intercept in hole BWSRC028 of 4m at 6.3g/t Au from 77m (See ASX Announcement 9 November 2020) remains open at depth and along strike to the north. Whilst several other intercepts were recorded in air core and drilling within the weathered regolith, this intercept represents the most significant result in fresh rock. This intercept has not been tested to the north and remains open at depth. A drilling program is currently being designed with a view to commencing later in 2022.

EVENTS AFTER BALANCE DATE

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

The impact of the Coronavirus (COVID-19) pandemic is ongoing for the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to develop and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

The lead auditor's independence declaration is set on page 5 and forms part of the directors' report for the half year ended 31 December 2021.

Signed in accordance with a resolution of the directors:



R Davis
Non-Executive Chairman
Perth
Dated 16th March 2022

Competent Person's Statement:

Exploration Results

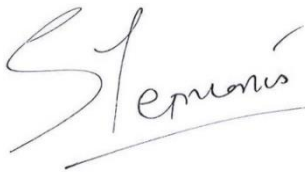
Where reference is made to previous ASX Announcements of exploration results, the Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements and all material assumptions and technical parameters underpinning the exploration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

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF HAMMER METALS LIMITED**

In relation to our review of the financial report of Hammer Metals Limited for the half year ended 31 December 2021, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH



**SIMON FERMANIS
PARTNER**

16 MARCH 2022,
WEST PERTH,
WESTERN AUSTRALIA

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HAMMER METALS LIMITED
and its Controlled Entities
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021 \$	30 June 2021 \$
Current assets			
Cash and cash equivalents		7,959,850	9,706,093
Trade and other receivables		284,775	140,842
Total current assets		<u>8,244,625</u>	<u>9,846,935</u>
Non-current assets			
Other financial assets	11	551,946	484,299
Right-of-use assets		270,238	303,302
Exploration and evaluation expenditure	8	19,643,798	17,429,445
Total non-current assets		<u>20,465,982</u>	<u>18,217,046</u>
Total Assets		<u>28,710,607</u>	<u>28,063,981</u>
Current liabilities			
Trade and other payables		1,036,442	1,123,965
Employee leave liabilities		54,222	47,318
Lease liability		63,997	63,997
Total current liabilities		<u>1,154,661</u>	<u>1,235,280</u>
Non-current liabilities			
Lease liability		201,559	232,595
Total non-current liabilities		<u>201,559</u>	<u>232,595</u>
Total Liabilities		<u>1,356,220</u>	<u>1,467,875</u>
Net Assets		<u>27,354,387</u>	<u>26,596,106</u>
Equity			
Share capital	9	62,949,403	62,277,335
Reserves	9	1,291,610	1,291,101
Accumulated losses		(36,886,626)	(36,972,330)
Total Equity		<u>27,354,387</u>	<u>26,596,106</u>

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

HAMMER METALS LIMITED
and its Controlled Entities
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	31 December 2021	31 December 2020
	\$	\$
Other income	110,527	65,214
Sale of tenements	322,727	-
Marketing expenses	(29,054)	(47,372)
Administrative expenses	(201,652)	(285,342)
Employee benefits expenses	(94,035)	(87,974)
Share based payments	(27,938)	(156,232)
Depreciation	(37,764)	(10,648)
Occupancy expenses	(20,011)	(22,702)
Fair value movement on financial assets	11 67,647	303,216
Results from operating activities	<u>90,447</u>	<u>(241,840)</u>
Financial income	433	13,405
Financial expenses	(5,176)	(1,292)
Net financing income	<u>(4,743)</u>	<u>12,113</u>
Profit/(Loss) before tax	85,704	(229,737)
Income tax benefit	-	-
Profit/(Loss) for the period	<u>85,704</u>	<u>(229,737)</u>
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the period	<u>85,704</u>	<u>(229,737)</u>
Basic and diluted gain/(loss) per share	0.01 cents	(0.04) cents

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

HAMMER METALS LIMITED
and its Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Share capital	Share based payment reserve	Option issue reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	51,429,354	1,144,698	650,225	(36,374,981)	16,849,296
Loss for period	-	-	-	(229,737)	(229,737)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(229,737)	(229,737)
Options exercised	5,649,200	-	(636,049)	-	5,013,151
Shares issued to acquire assets	50,000	-	-	-	50,000
Shares issued in lieu of director fees	23,500	-	-	-	23,500
Conversion of performance rights	25,392	(25,392)	-	-	-
Lapse of listed options	-	-	(14,176)	14,176	-
Share based payments	-	156,232	-	-	156,232
Costs of equity issues	(3,844)	-	-	-	(3,844)
Balance at 31 December 2020	57,173,602	1,275,538	-	(36,590,542)	21,858,598
Balance at 1 July 2021	62,277,335	1,291,101	-	(36,972,330)	26,596,106
Profit/(Loss) for period	-	-	-	85,704	85,704
Other comprehensive income	-	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	-	85,704	85,704
Shares issued for cash	650,000	-	-	-	650,000
Conversion of performance rights	27,429	(27,429)	-	-	-
Share based payments	-	27,938	-	-	27,938
Costs of equity issues	(5,361)	-	-	-	(5,361)
Balance at 31 December 2021	62,949,403	1,291,610	-	(36,886,626)	27,354,387

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

HAMMER METALS LIMITED
and its Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	31 December 2021 \$	31 December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	433	13,405
Fuel rebate received	13,081	4,767
Payments to suppliers and employees	(533,805)	(431,079)
Net cash used in operating activities	<u>(520,291)</u>	<u>(412,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(1,826,803)	(1,526,531)
Proceeds from sale of tenement	322,727	-
Management fees from farm-in and joint venture partners	13,539	139,437
Cash calls received from farm-in and joint venture partners	175,000	-
Purchase of property, plant and equipment	(4,700)	(2,806)
Government exploration grants received	-	193,000
Net cash used in investing activities	<u>(1,320,237)</u>	<u>(1,196,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	150,000	-
Proceeds from option exercises	-	5,013,151
Refund of share oversubscriptions received	(14,142)	-
Lease payments made	(36,212)	(8,606)
Transaction costs from issue of shares	(5,361)	(3,844)
Net cash provided by financing activities	<u>94,285</u>	<u>5,000,701</u>
Net increase / (decrease) in cash and cash equivalents	(1,746,243)	3,390,894
Cash at the beginning of the financial period	<u>9,706,093</u>	<u>2,678,535</u>
Cash at the end of the financial period	<u>7,959,850</u>	<u>6,069,429</u>

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

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HAMMER METALS LIMITED and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

1. Reporting entity

Hammer Metals Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in mineral exploration in Western Australia and Queensland.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2021 is available upon request from the Company's registered office at Unit 1, 28-30 Mayfair Street, West Perth, WA, 6005 or at www.hammermetals.com.au.

2. Statement of compliance

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

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2021. This report does not include all of the information required for full annual financial report and should be read in conjunction with the consolidated financial report of the Group as at and for the year ended 30 June 2021.

This consolidated interim financial report was approved by the Board of Directors on 16 March 2022.

3. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2021.

Adoption of new and revised standards

New Standards and Interpretations applicable for the half year ended 31 December 2021

In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

4. Going Concern

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

HAMMER METALS LIMITED and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

4. Going Concern (continued)

The Directors have reviewed the Group's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group has sufficient funds available for at least 12 months and, if required, will be able to raise further funding. If necessary, the Group can curtail spending both on administrative and exploration costs.

5. Use of judgements and estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2021.

6. Financial risk management

During the half-year ended 31 December 2021, the Group's financial risk management objectives and policies were consistent with that disclosed in the consolidated financial report for the year ended 30 June 2021.

7. Operating Segments

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

8. Exploration and evaluation expenditure

	31 December 2021 \$	30 June 2021 \$
Balance at the beginning of the period	17,429,445	14,110,772
Exploration and evaluation expenditure incurred	2,214,353	4,030,106
Exploration and evaluation assets acquired	-	50,000
Government grants received/receivable	-	(277,224)
Research and Development incentive credit	-	(384,209)
Balance at the end of the period	19,643,798	17,429,445

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest at an amount greater or equal to the carrying value.

**HAMMER METALS LIMITED
and its Controlled Entities**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**

9. Capital and reserves

The following table summarises the shares issued during the six months ended 31 December 2021.

	31 December 2021	30 June 2021
	\$	\$
Issued capital		
814,994,623 (30 June 2021: 806,652,519) ordinary fully paid shares	<u>62,949,403</u>	<u>62,277,335</u>
	Number of shares	\$
Movements for Ordinary shares:		
Balance at 30 June 2021	806,652,519	62,277,335
Issued for cash under a placement	6,842,104	650,000
Issued upon conversion of performance rights	1,500,000	27,429
Cost of shares issued	-	(5,361)
Balance at 31 December 2021	<u>814,994,623</u>	<u>62,949,403</u>
	Number of options	\$
Unlisted options (Share based payment reserve)		
Unlisted options on issue	<u>26,850,000</u>	<u>1,291,610</u>
No unlisted options were granted, exercised or expired during the period		
	Number of rights	\$
Performance rights (Share based payment reserve)		
Performance rights on issue	<u>8,000,000</u>	<u>58,729</u>

The following performance rights were granted during the period (refer note 12):

	Number of options	Fair value per security on grant date¹	Vesting Condition	Expiry Date
Managing Director Performance Rights (granted 29 November 2021)				
- Tranche 6	1,000,000	\$0.044	Note 2	29/11/2024
- Tranche 7	1,000,000	\$0.044	Note 3	29/11/2024
- Tranche 8	1,000,000	\$0.044	Note 4	29/11/2024

Notes:

- The fair value has been determined by reference to the underlying market price of the Company's ordinary shares on the date of grant.
- Tranche 7 performance rights include a vesting condition requiring the Company announcing a new JORC 2012 compliant mineral resource estimate of 50,000 tonnes Cu or an equivalent KPI at the sole discretion of the board
- Tranche 7 performance rights include a vesting condition requiring the Company announcing a new JORC 2012 compliant mineral resource estimate of 100,000 tonnes Cu or an equivalent KPI at the sole discretion of the board
- Tranche 7 performance rights include a vesting condition requiring the Company announcing a new JORC 2012 compliant mineral resource estimate of 200,000 tonnes Cu or an equivalent KPI at the sole discretion of the board

HAMMER METALS LIMITED and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

9. Capital and reserves (continued)

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

	Number of options	Vesting Date	Vesting Condition	Expiry Date
Managing Director Performance Rights				
- Tranche 3	750,000	21/10/2021	-	13/12/2023
- Tranche 4	750,000	21/10/2021	(a)	13/12/2023

Notes:

- (a) Tranche 2 performance rights included a vesting condition of maintaining a minimum share price of \$0.036 for a period of 30 Days

Dividends

No dividends were declared or paid during the six months ended 31 December 2021 (31 December 2020: NIL).

	31 December 2021 \$	30 June 2021 \$
Reserves		
Share based payment reserve ⁽¹⁾		
Balance at beginning of period	1,291,101	1,144,698
Options issued to Directors and Executives	-	105,750
Options exercised during the period	-	(15,000)
Performance rights issued during the period	3,854	-
Performance rights exercised during the period	(27,429)	(25,392)
Further vesting expense of options and rights issued in previous periods	24,084	81,045
	<u>1,291,610</u>	<u>1,291,101</u>

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

10. Exploration Expenditure Commitments

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

The Group can apply for exemption from compliance with the minimum exploration expenditure requirements. Due to the nature and scale of the Group's exploration activities the Group is unable to estimate its likely tenement holdings and therefore minimum expenditure requirements more than 1 year ahead. The commitment for minimum exploration expenditure payable as at 31 December 2021, payable within one year, is \$2,582,796 (31 December 2020: \$1,812,721). These obligations are not provided for in the financial report.

HAMMER METALS LIMITED and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

11. Financial instruments

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

	31 December 2021 \$	30 June 2021 \$
Financial assets carried at fair value through profit or loss		
Equity securities – listed on TSXV at quoted prices (level 1 fair value hierarchy)	551,946	484,299
Financial assets carried at amortised cost		
Cash and cash equivalents	7,959,850	9,706,093
Trade and other receivables	284,775	140,842
Financial liabilities carried at amortised cost		
Trade and other payables	(1,036,442)	(1,123,965)
Lease liabilities	(265,556)	(296,592)

12. Share based payments

Details of the number and terms of performance rights issued is included in Note 9 above. The fair value of services rendered in return for performance rights is based on the fair value of rights granted, measured by reference to the underlying market value of the Company's shares as quoted on the Australian Securities Exchange on the date of grant.

The total fair value of performance rights issued during the period was \$132,000. These share-based payments contain vesting conditions which are not linked to market-based events, the timing of which is not practicable to estimate, and therefore the recognition of the fair value of these share-based payments is recorded evenly over their expected life. Accordingly, an expense of \$3,854 has been recognised during the period.

During prior financial years the Group issued a number of equity instruments which were classified as share-based payments that have continued to be recognised in the loss for the period over their vesting period. An expense of \$24,084 has been recognised during the period with respect to these share-based payments.

The total amount expended in the statement of profit and loss and other comprehensive income for the period was \$27,938 (31 December 2020: \$156,232).

**HAMMER METALS LIMITED
and its Controlled Entities**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**

12. Share based payments (continued)

Incentive Option Plan

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

- a) The plan will be available to directors, employees and other permitted persons of the Company and its subsidiaries.
- b) Options are granted for no consideration.
- c) The options are issued at an exercise price as determined by the Board from time to time.
- d) The number of shares the subject of options issued under this plan and other similar plans will not exceed 5% of the Company's issued capital from time to time.
- e) If a holder ceases to be an eligible participant of the plan during the exercise period of a vested option, the holder may exercise the options within 30 days of ceasing to be an eligible participant and thereafter the options will lapse.
- f) The options issued under this plan shall not be quoted on ASX.
- g) The options' terms are at the discretion of the Directors.

13. Subsequent events

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

The impact of the Coronavirus (COVID-19) pandemic is ongoing for the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to develop and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

**HAMMER METALS LIMITED
and its Controlled Entities**

DIRECTORS' DECLARATION

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

- a) the condensed consolidated financial statements and notes set out on pages 6 to 15, are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the six-month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



R Davis
Non-executive Chairman

Perth

Dated 16th March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF HAMMER METALS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hammer Metals Limited (the company) and controlled entities (consolidated entity) which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2021, or during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Hammer Metals Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

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

Independence

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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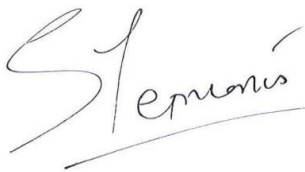
Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

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

PKF Perth

PKF PERTH



SIMON FERMANIS
PARTNER

16 MARCH 2022
WEST PERTH,
WESTERN AUSTRALIA