ANNUAL REPORT 2017

ABN 87 095 092 158

HAMMER METALS LIMITED (Hammer or The Company)
ABN 87 095 092 158

BOARD OF DIRECTORS

Russell Davis	Executive Chairman
Alex Hewlett	Executive Director / CEO
Simon Bodensteiner	Non-executive Director
Nader El Sayed	Non-executive Director

COMPANY SECRETARY

Mark Pitts

PRINCIPAL AND REGISTERED OFFICE

Suite 1, 827 Beaufort Street
Mt Lawley, WA 6052

Telephone: +61 8 6369 1195
Email: info@hammermetals.com.au
Website: www.hammermetals.com.au

POSTAL ADDRESS

PO Box 198
Mt Lawley WA 6929
Australia

AUDITORS

KPMG

235 St Georges Terrace
Perth WA 6000
Australia

Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129

SHARE REGISTRY

Advanced Share Registry Ltd
110 Stirling Highway
Nedlands WA 6009
Australia

Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723

STOCK EXCHANGE

ASX Limited
Level 40, Central Park,
152-158 St Georges Terrace
Perth WA 6000

ASX CODE
HMX

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CHAIRMAN'S LETTER

THE COMPANY IS CONSTANTLY GENERATING NEW EXPLORATION TARGETS AND ACQUIRING PROSPECTIVE TENEMENTS THAT WE BELIEVE WILL ENHANCE AND ADD VALUE TO THE MOUNT ISA PROJECT.

Dear Fellow Shareholders,

Hammer Metals has been operating in the Mount Isa Mineral Province in Northwest Queensland now for four years, working towards the Company's goal of making Australia's next large copper-gold discovery in this proven mining district.

Today Hammer has a commanding tenement position in the centre of the province with a substantial 100%-owned resource inventory containing copper, gold, molybdenum, rhenium, cobalt and iron, along with a range of grass roots to advanced exploration targets. Hammer also has joint ventures with Newmont Exploration Pty Ltd and MIM Limited that Hammer operate, and is currently finalising another joint venture with a Canadian cobalt explorer and developer over the Millennium cobalt project near Cloncurry. The Hammer team will also undertake the exploration programs on behalf of the Millennium joint venture.

The Company is constantly generating new exploration targets and acquiring prospective tenements that we believe will enhance and add value to the Mount Isa project.

The Hammer team is a small dedicated group, confident of our exploration strategy and the prospectivity of Hammer's tenements. Favourable indicators for large copper-gold deposits are present at multiple locations and the exploration team is working hard with the resources available to progressively test these targets and achieve its discovery objective.

In the year ahead we will strive to maintain an active program of drilling at our priority targets. We will also continue to seek new partners to assist Hammer with funding its programs - enabling more holes to be drilled and increasing our chances of discovery.

I would like to thank the Hammer team for all their efforts this past year, and you our shareholders for your continued support in this venture.

Sincerely

RUSSELL DAVIS
EXECUTIVE CHAIRMAN

CORPORATE STRATEGY

- Discover a large copper-gold deposit in the globally significant Mount Isa mining district through clever and focused exploration
- Develop a mining hub centred on hammer's Kalman and Overlander deposits
- Continue to consolidate and improve the quality of Hammer's tenement position in the region
- Operate safely and effectively
- Deliver financial returns to shareholders

OPERATIONAL HIGHLIGHTS

- Maiden Mineral Resource estimate announced for the Millennium Cobalt – Copper Deposit;
- Terms of an Option (Farm-out and Joint Venture) agreement on Millennium announced with North American company Global Energy Metals Corporation (GEMC);
- Acquired the Mount Isa tenement interests of China Yunnan Copper Resources Ltd (now AuKing Mining Limited) which includes the Elaine Dorothy copper-gold deposit and a 51% interest in the Mt Frosty Joint Venture with Glencore;
- Renegotiated Mt Frosty Joint Venture terms over the prospective Mary Kathleen structural zone, including a high grade copper-gold target at Jubilee and the Koppany copper and rare earth element prospects;
- Collaborative Drilling Initiative (CDI) grant awarded by the Queensland Department of Natural Resources for the drilling program at Dronfield;
- Diamond and RC drilling at Overlander and Dronfield (Newmont Farmin and JV) intercepts extensive alteration and low-grade copper. New copper-gold target identified at Tourist Zone west of Overlander;
- Airborne VTEM survey over Pilgrim Fault trend to north and south of Kalman identifies several strong conductors associated with known alteration and geochemical anomalism, including a significant gold anomaly at Serendipity and Kalman West;
- Initial RC drill test at Kalman West intercepts high grade gold values up to 36.9g/t Au;
- Follow-up RC drilling and sampling at Revenue returns encouraging copper-gold values with anomalous molybdenum-rhenium mineralisation;
- An "off-hole" Down-Hole EM (DHEM) conductor located above the Kalman South parent diamond drill hole (K140) drilled to test the deep copper-gold zone;
- Mining lease pegged over the historic Trafalgar copper-gold mine located on the Fountain Range Fault;
- Commenced the Mt Philp Breccia work program targeting large breccia hosted IOCG deposits;
- Significant new graphite, potash (potassium feldspar) and rare earth element prospects identified within Hammer's tenements;
- Exploration Development and Incentive Scheme Credits were distributed to eligible shareholders as a tax credit for the 2016-2017 tax year.

CORPORATE ACTIVITY

HAMMER'S CORPORATE ACTIVITIES ARE FOCUSSED ON ENHANCING THE CAPACITY OF OUR EXPLORATION TEAM TO MAKE DISCOVERIES THROUGH ADEQUATE FUNDING, AS WELL AS SECURING TENEMENTS OR PROJECTS THAT IMPROVE THE QUALITY AND POTENTIAL OF THE MOUNT ISA EXPLORATION PROJECT TENEMENTS.

During the year Hammer purchased the Mount Isa region tenement interests of AuKing Mining Ltd (formerly Chinalco Yunnan Copper Resources Ltd). The tenements acquired contained the Elaine Dorothy copper-gold resource as well as a range of advanced copper-gold targets, including the interest in the Mount Frosty Joint Venture with Glencore.

Hammer also reached agreement on terms to farm-out the Millennium cobalt-copper-gold project to GEMC - a focussed North American cobalt explorer and developer. GEMC will sole-fund the next phase(s) of exploration at Millennium.

Other joint venture partners are being sought to assist in expediting the exploration activity at Mount Isa.

In the 2016-2017 financial year joint venture expenditure of approximately $1.22 million was contributed by our farm-in and joint venture partner (Newmont Exploration Pty Ltd) on the Even Steven, Overlander and Dronfield joint venture project areas. Hammer is managing the current exploration programs in close co-operation with Newmont technical personnel.

Exploration tax credits were distributed to eligible shareholders through the Federal Government's Exploration Development Incentive Scheme ("EDI").

A placement raising $1.24 million (at 3.5 cents per share) was completed on September 6th 2017 and a 1 for 7 shareholder entitlement issue to raise up to $1.2 million (at 3.5 cents per share) was in progress at the time of this report.

At June 30th 2017 the Company had cash reserves of approximately $1.2 million plus $0.36 million in advanced farm-in and joint venture exploration expenditure.

Hammer management actively interacts with the investment and exploration community and keeps shareholders and potential investors informed with regular updates and conference presentations. Our website provides additional project and corporate information and access to previous announcements.

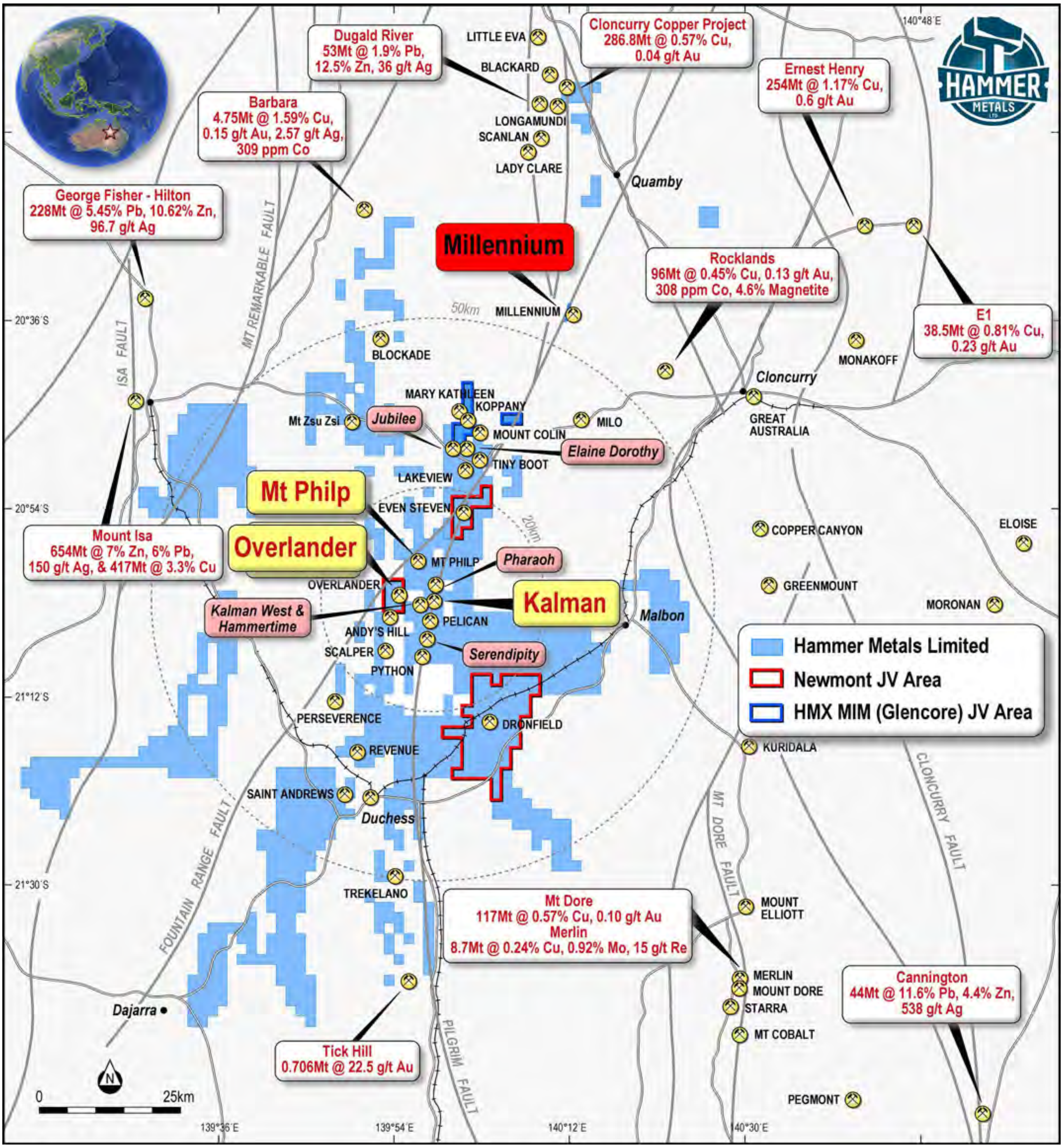
MOUNT ISA PROJECT

HAMMER METALS HOLDS A STRATEGIC TENEMENT POSITION COVERING OVER 3,000KM^2 WITHIN THE MOUNT ISA MINING DISTRICT, WITH 100% INTERESTS IN THE KALMAN (CU-AU-MO-RE) DEPOSIT, THE OVERLANDER NORTH AND OVERLANDER SOUTH (CU-CO) DEPOSITS, THE MILLENNIUM (CU-CO-AU) DEPOSIT AS WELL AS THE RECENTLY ACQUIRED ELAINE-DOROTHY (CU-AU) DEPOSIT.

Hammer is an active mineral explorer, focused on discovering large copper-gold deposits of the Ernest Henry style and has a range of prospective targets at various stages of testing.

Activity during the past year included multi-disciplinary exploration programs funded both internally and by our joint venture partners. Project acquisition and target generation activities were particularly successful in adding highly prospective tenements to the Hammer portfolio. Excluding the 3533m of resource drilling at Millennium, 4157m of mostly diamond drilling were drilled during the year on a range of copper-gold and gold targets.

Looking forward Hammer has an extensive pipeline of drilling targets to test. The Company will continue to seek joint ventures with suitable parties to assist in the funding of this work, whilst pursuing self-funded exploration on its own 100% owned targets.



MOUNT ISA PROJECT LOCATIONS - HAMMER RESOURCES IN YELLOW

EXPLORATION COPPER-GOLD

OVERLANDER / DRONFIELD / EVEN STEVEN

DURING THE YEAR EXPLORATION WAS CARRIED OUT UNDER THE FARM-IN AND JOINT VENTURE AGREEMENT WITH NEWMONT EXPLORATION PTY LTD ("NEWMONT") COVERING THREE OF HAMMER'S COPPER-GOLD TARGETS AT OVERLANDER, EVEN STEVEN AND DRONFIELD. THE JV IS TARGETING LARGE IOCG DEPOSITS OF THE "ERNEST HENRY STYLE" AND A COLLABORATIVE, MULTI-DISCIPLINARY EXPLORATION PROGRAM OF MAPPING, SOIL AND ROCK CHIP SAMPLING AND GROUND GEOPHYSICS WAS UNDERTAKEN, CULMINATING IN DIAMOND AND RC DRILLING PROGRAMS AT OVERLANDER AND DRONFIELD.

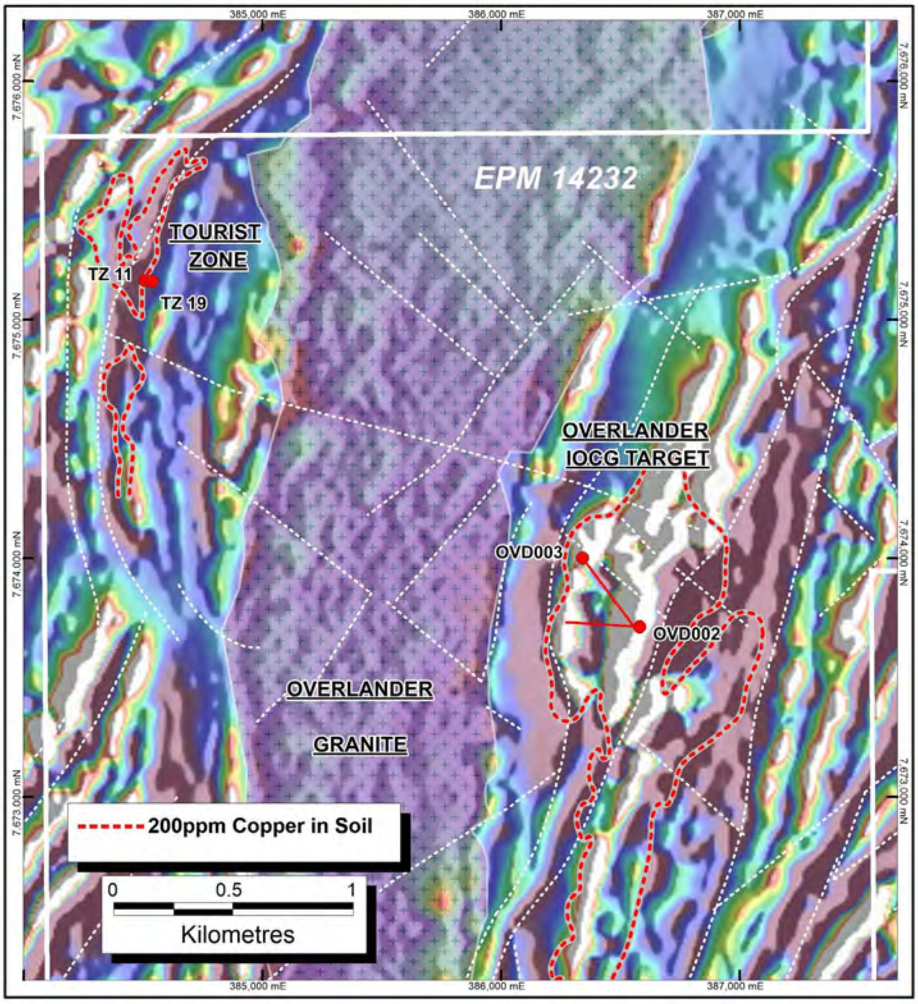
At Overlander low grade disseminated chalcopyrite was intercepted in association with favourable alteration and trace element abundances in the two holes drilled into the Overlander gravity-magnetic target adjacent to the Overlander North copper resource.

A new zone (the Tourist Zone) was identified 2km west of Overlander in a corresponding geological position west of the Overlander granite. Drilling by a previous explorer returned results including 20m at 1.37% Cu and 0.29g/t Au within altered and brecciated rocks and warrants further drilling.

Two diamond holes were drilled into the western gravity-magnetic-IP target at Dronfield West and one RC hole into the eastern target. Strongly magnetite veined and altered granodiorite with disseminated sulphides, including chalcopyrite, were intercepted.

Both Overlander and Dronfield are large alteration zones displaying many characteristics of an IOCG system. The joint venture is presently reviewing the alteration patterns and assay results endeavouring to vector into higher grade mineralisation.

Hammer retains a 100% interest in the defined Inferred Mineral Resource at Overlander which stands at a combined 1.77Mt at 1.2% Cu containing approximately 21,000 tonnes of copper metal.



OVERLANDER AND TOURIST ZONE ON MAGNETIC IMAGE


DIAMOND DRILLING AT OVERLANDER

MARY KATHLEEN STRUCTURAL ZONE

HAMMER ACQUIRED THE MOUNT ISA TENEMENT INTERESTS OF AUKING MINING LTD (FORMERLY CHINALCO YUNNAN COPPER RESOURCES LTD) DURING THE YEAR. THE TENEMENTS SECURE A NUMBER OF ADVANCED IOCG AND SHEAR HOSTED COPPER-GOLD TARGETS (INCLUDING THE ELAINE-DOROTHY COPPER-GOLD DEPOSIT) THAT SIGNIFICANTLY ENHANCE HAMMER'S MOUNT ISA TENEMENT HOLDING.

One of the tenements that was purchased as part of the tenement package was a 51% interest in EPM 14467 located adjacent to the Mary Kathleen uranium mine. A new joint venture agreement was negotiated with Mount Isa Mines Ltd (MIM) which holds the remaining 49% interest in the tenement. Each party is to contribute to approved programs and budgets as per its % interest.

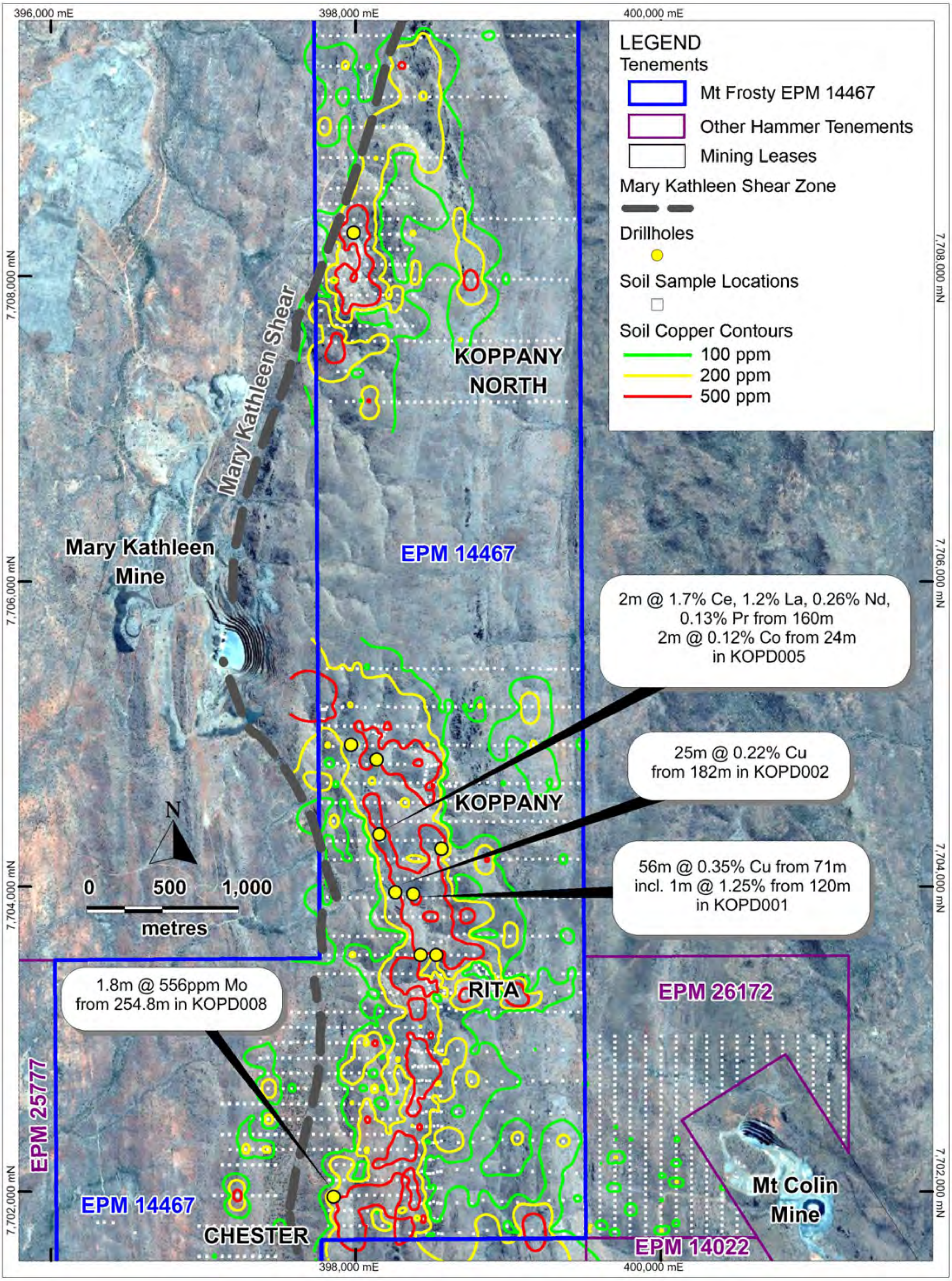
Hammer now holds contiguous tenements that secure a 15km long section of the Mary Kathleen structural zone as far south as the Tiny Boot prospect where the structure intersects the Fountain Range and Pilgrim Faults. The Mary Kathleen structural corridor is highly mineralised and hosts several copper-gold, uranium and REE prospects including Jubilee, Koppany, Chester, Blue Caesar and Elaine Dorothy.

At Elaine-Dorothy the previous owners delineated an Inferred Mineral Resource estimate of 27 Mt at 0.5% Cu and 0.08g/t Au. Significant gold intercepts within the deposit of up to 9m at 3.6g/t Au and 30m at 6.73g/t Au will be assessed for their potential for robust higher grade internal lodes.

At the Jubilee copper-gold prospect previous wide-spaced RC drilling indicates there is very good potential to delineate a resource with minimal infill drilling. RC drilling by the previous explorer returned sulphide mineralisation of up to 10m at 3.37% Cu and 2.27g/t Au and 9m at 2.8% Cu and 1.44g/t Au.

The copper-in-soil anomaly and old workings also continue to the north of the drilled area, suggesting good potential to extend the mineralised zone. Drilling will commence when the joint venture partners have finalized an agreed program and budget for the joint venture area.

Data compilation for the recently acquired tenements is well advanced. A high-resolution aeromagnetic and radiometric survey is to be conducted by the Queensland Geological Survey over the Mary Kathleen area later in 2017. This survey as presently planned covers all Hammer's tenements that cover the Mary Kathleen structural zone. This dataset will be available at no cost to Hammer.



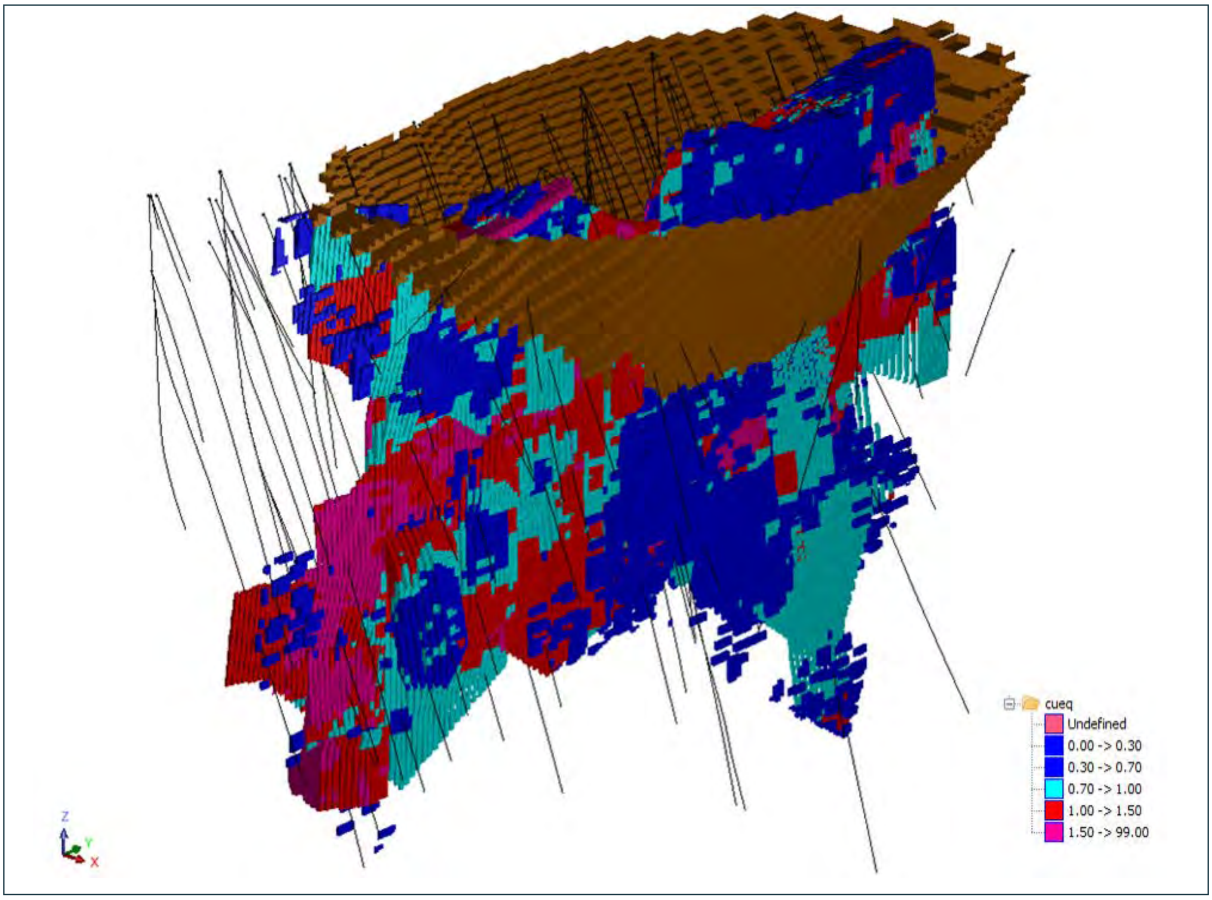
MT FROSTY JOINT VENTURE COPPER SOIL GEOCHEMISTRY

KALMAN

ACTIVITY AT KALMAN WAS FOCUSED ON TESTING FOR POTENTIAL EXTENSIONS OF THE HIGH GRADE COPPER-GOLD MINERALISATION AT DEPTH AT KALMAN SOUTH. HAMMER DRILLED ONE 904M DIAMOND DRILL HOLE (K140), WHICH INTERCEPTED LOW GRADE DISSEMINATED COPPER MINERALISATION, BUT NO MINERALISATION OF THE TENOR SEEN IN K106 DRILLED TO THE NORTH.

A down-hole EM (DHEM) survey was subsequently undertaken which indicated the hole had passed below the main conductive body. Testing of this target by drilling one or more wedge holes from K140 is under consideration.

The Kalman deposit remains an important asset for Hammer and we are keen to generate value from Kalman for shareholders. The Indicated and Inferred Mineral Resource at Kalman stands at 20Mt at 0.61% Cu, 0.14% Mo, 0.34g/t Au and 3.7g/t Re (1.8% CuEq). This equates to approximately 122,000 tonnes of contained copper, 28,000 tonnes of contained molybdenum, and 220,000 ounces of gold and 2.4 million ounces of rhenium. The deposit remains open down plunge.



KALMAN DEPOSIT BLOCK MODEL (CUEQ)

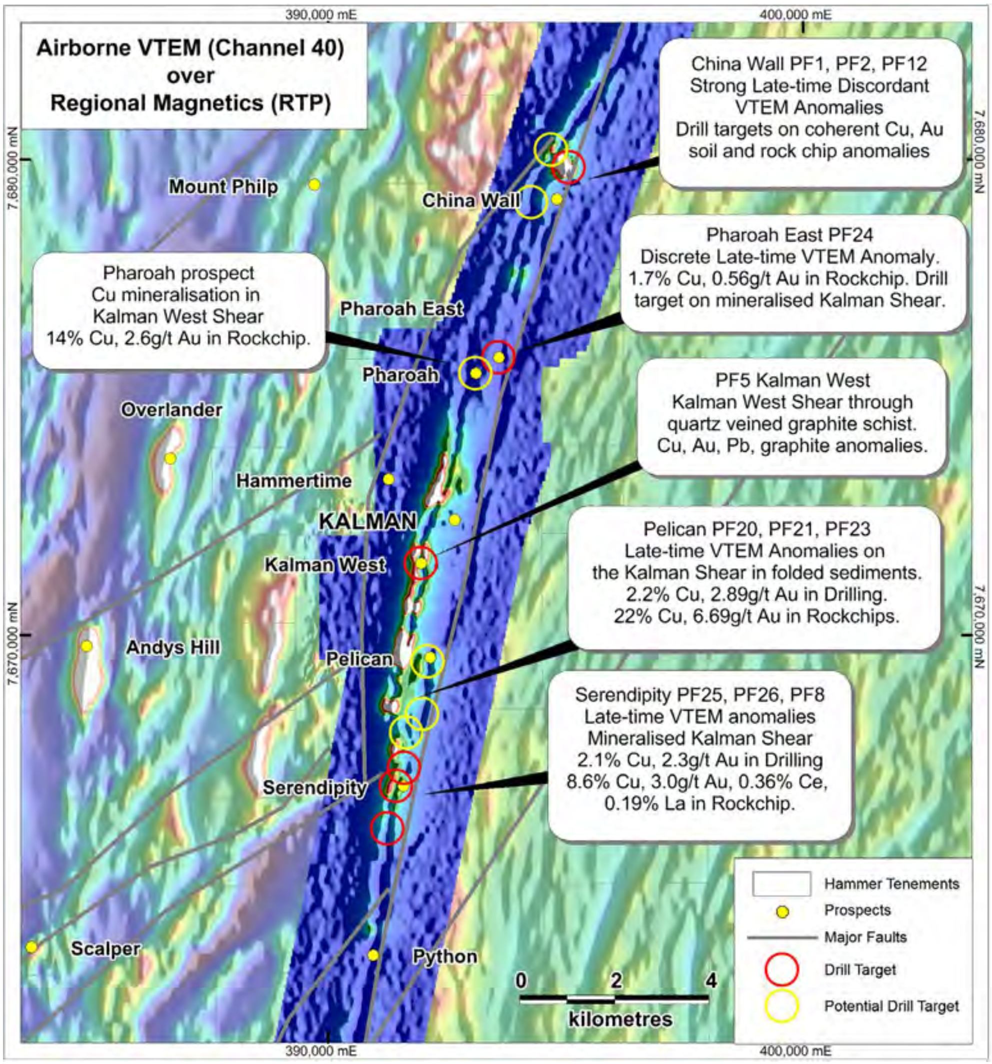
DRILLING AT KALMAN (K104)

PILGRIM FAULT VTEM

AN AIRBORNE VTEM MAX (VERSATILE TIME DOMAIN EM) SURVEY WAS COMPLETED OVER THE KALMAN DEPOSIT AND A 23KM SECTION OF THE PILGRIM FAULT TREND EITHER SIDE OF KALMAN FROM CHINA WALL IN THE NORTH TO PYTHON IN THE SOUTH.

The objective was to find high-grade (conductive) bodies of copper-gold mineralisation similar to that occurring at Kalman South elsewhere along the fault corridor. A number of VTEM conductors were identified by the survey and classified by our consultants as significant and warranting follow-up.

Several of the conductors are associated with known geochemically anomalous zones and known mineralisation and others were associated with graphitic rocks. A systematic field based follow-up is underway with drilling at two of the prioritised targets (Serendipity and Pharaoh East) planned shortly.



PILGRIM FAULT VTEM IMAGE WITH TARGETS

FLYING VTEM OVER KALMAN

KALMAN WEST AND HAMMERTIME

THE KALMAN WEST AND HAMMERTIME PROSPECTS ARE SITUATED 1KM AND 2KM RESPECTIVELY WEST OF KALMAN ON NESTED (FLOWER) FAULT STRUCTURES THAT SPLAY OFF AND RE-JOIN THE PILGRIM FAULT TO THE NORTH AND SOUTH OF KALMAN.

Both of these structures (as does the Kalman structure) show extensive base metal and gold soil and rock chip anomalism and mineral occurrences along their length. The Ballara Fault which forms the footwall to the Hammertime mineralized zone dips moderately to shallowly east towards the Pilgrim Fault whilst the Kalman West structure appears to be dipping steeply to the west, parallel to the Kalman Fault.

Two RC holes drilled at Kalman West in July intercepted a new gold zone at the quartz veined contact between a graphite schist (with low grade zinc and lead values) and a calc-silcate rock. Significant gold results include 1m at 36.9g/t Au and 1m at 3.93g/t Au.

At Hammertime four areas showing stronger brecciation and copper-gold mineralisation have been selected for drill testing.

RC drilling is planned for both targets in the last quarter of 2017.

RC DRILLING AT KALMAN WEST


HAMMERTIME PROSPECT

MOUNT PHILP BRECCIA

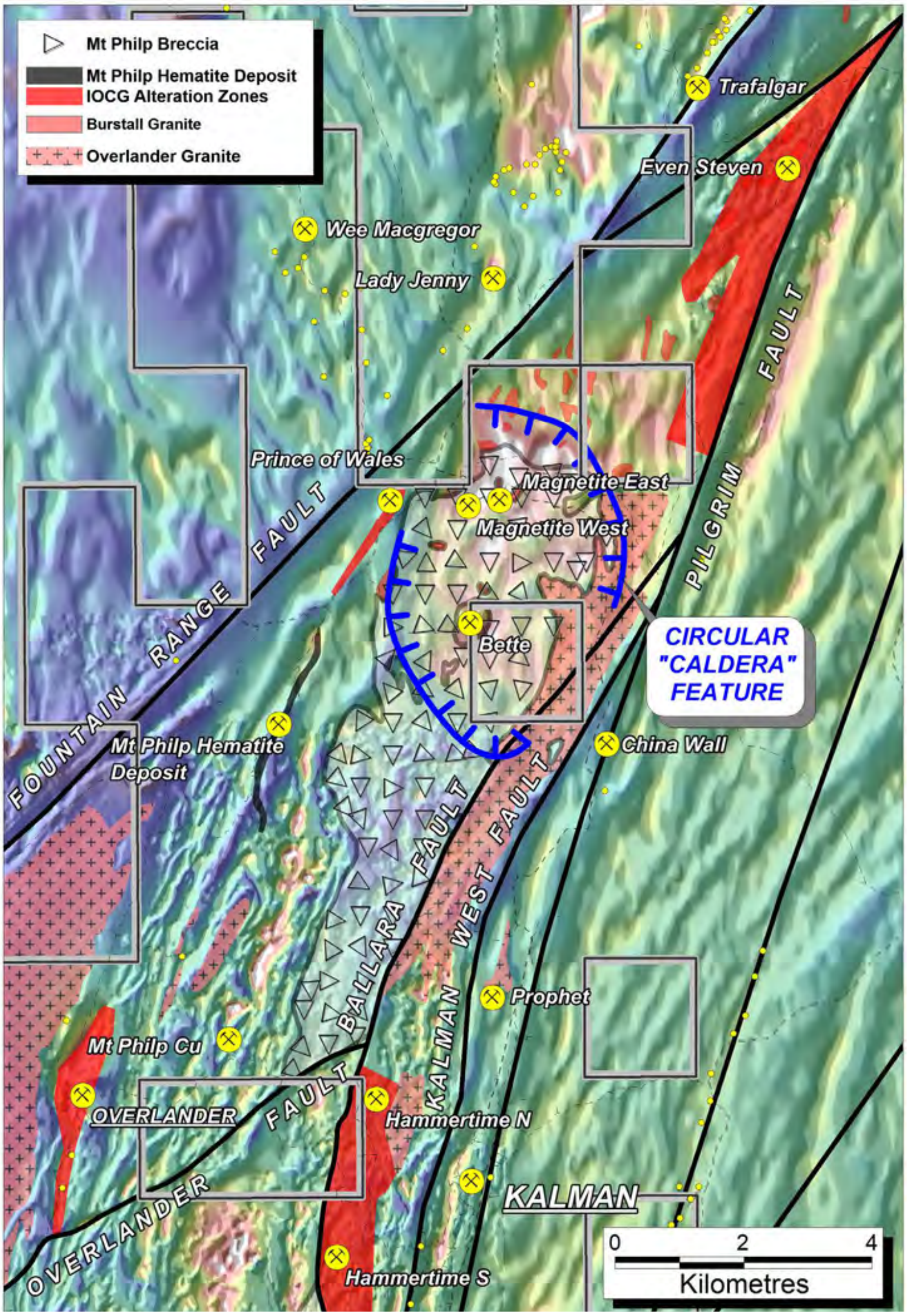
THE MOUNT PHILP BRECCIA PROJECT COVERS A STRONGLY ALTERED AND BRECCIATED SEQUENCE OF ROCKS COVERING AN AREA APPROXIMATELY 10KM LONG AND 7KM WIDE LOCATED BETWEEN THE REGIONAL SCALE FOUNTAIN RANGE AND PILGRIM FAULTS. BOTH FAULTS ARE MORE THAN 200KM IN LENGTH AND ARE MAJOR CRUSTAL FEATURES OF THE CENTRAL PORTION OF THE MOUNT ISA INLIER.

Hammer's 100%-owned Mt Philp haematite deposit is immediately adjacent to the breccia and is considered to be of epigenetic rather than sedimentary origin. Previous drilling intercepted low grade copper-gold mineralisation below the northern end of the deposit indicating the potential for an untested IOCG system at Mt Philp.

Hammer has recently consolidated its tenure position over the breccia with the prime exploration objective being for IOCG mineralisation. There are known occurrences of uranium, hematite (at the Mount Philp Iron Deposit), magnetite, copper, gold, cobalt REE's, scheelite and molybdenite occurring in the project area. The large scale of the alteration and brecciation, the favourable structural framework and extensive felsic and mafic intrusive activity are considered conducive to the formation of an IOCG deposit.

Reconnaissance soil sampling has been initiated over the breccia complex and is approximately 25% complete. It is planned to extend the area covered by the Mary Kathleen high resolution aeromagnetic and radiometric survey to the south over the Mount Philp area. This work will provide the basic datasets to progress exploration over this large IOCG target.

MT PHILP BRECCIA OUTCROP



MT PHILP BRECCIA ZONE ON MAGNETIC IMAGE

MT PHILP IRON DEPOSIT

COBALT EXPLORATION

MILLENNIUM

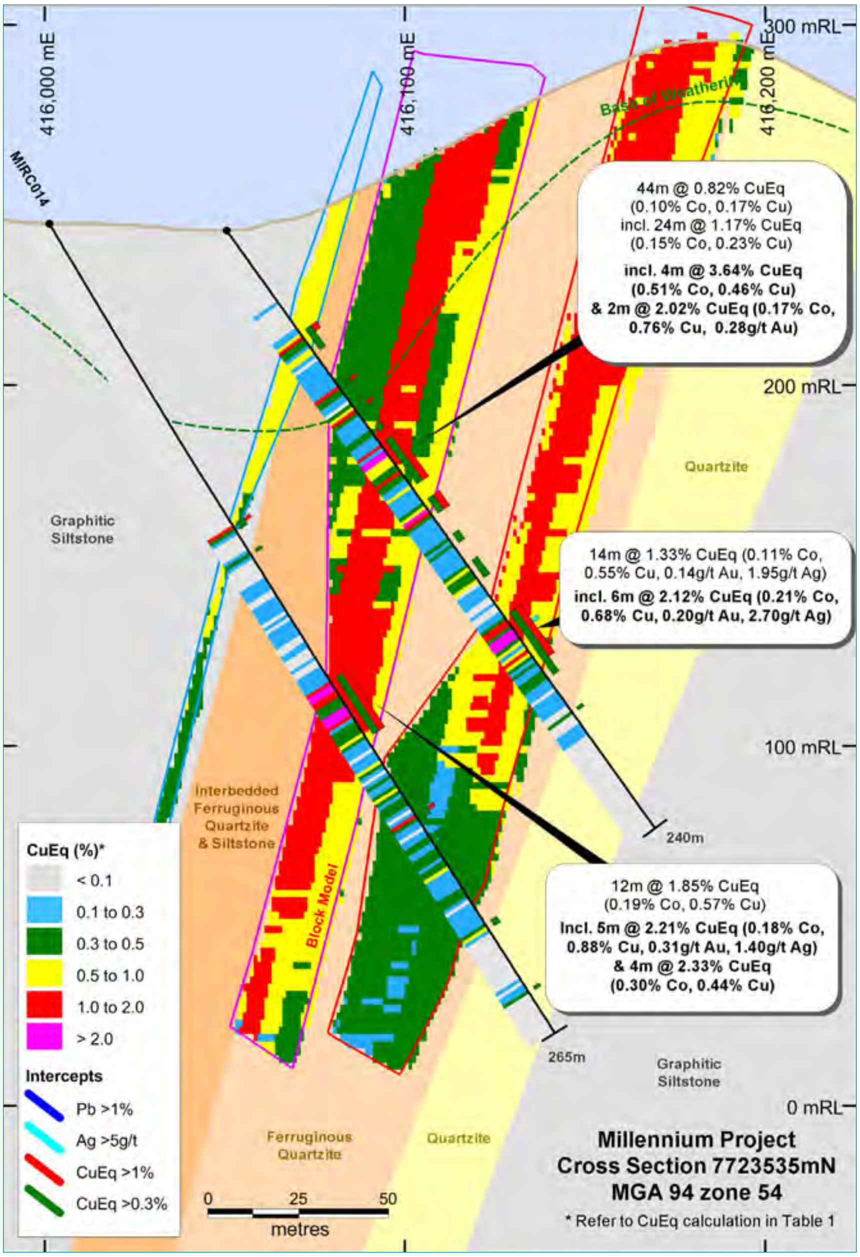
IN DECEMBER 2016 HAMMER ANNOUNCED THE MAIDEN MINERAL RESOURCE ESTIMATE FOR ITS 100%-OWNED MILLENNIUM COPPER-COBALT-GOLD DEPOSIT, JUST SEVEN MONTHS AFTER ACQUIRING THE PROJECT.

An Inferred Mineral Resource was estimated at 3.07Mt at 0.14% Co, 0.35% Cu and 0.12g/t Au (1.29% Cu Eq). There is considered to be significant potential to increase the size of the deposit in the untested, geochemically anomalous areas to the north of the deposit.

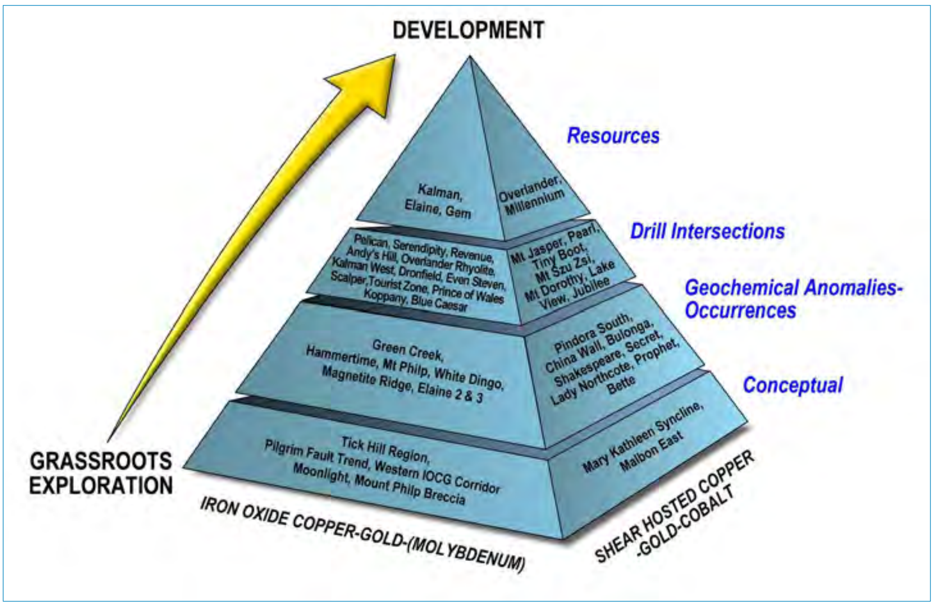
After receiving approaches from parties interested in advancing the cobalt potential of Millennium, Hammer signed a term sheet with Global Energy Metals Corporation (GEMC) in May 2017. GEMC can earn up to 75% interest in the five granted Millennium mining leases by spending up to CAD2.5 million on exploration over 36 months and CAD250,000 in staged cash payments. Hammer will operate the joint venture until GEMC earns a 65% interest.

Farming out Millennium will allow Hammer to direct its financial resources into its copper-gold exploration activities whilst retaining an active interest in the property.

MILLENNIUM COPPER-COBALT MINERALISATION



MILLENNIUM DRILL SECTION



HAMMER'S MOUNT ISA TARGET PYRAMID

OTHER COMMODITIES

IN THE COURSE OF HAMMER'S EXPLORATION ACTIVITIES THE POTENTIAL FOR SEVERAL OTHER COMMODITIES WITHIN THE TENEMENT HOLDING HAS BECOME APPARENT.

Potash – Regional K radiometric data had delineated a 5km by 2km zone of K_2O enrichment coinciding with a microcline-rich rhyoliteat Shire Bore. 31 rock chip samples collected by Hammer from the unit averaged 9% K_2O with a maximum of 12% K_2O. The unit is located near Duchess adjacent to the Mount Isa to Townsville railway line.

Graphite – High grade graphite was identified at Kalman West, Millennium and Pelican. The Kalman West graphite is considered to be "Extra Large" or "Jumbo Flake" due to its coarse flake size of up to 1.2mm.

Rare Earth Elements – Routine analysis of drill samples and rock chips for the rare earth element (REE) suite has identified a number of areas with strongly elevated REE's – particularly cerium and lanthanum – two REE's that are prevalent both at Mary Kathleen uranium mine and the Olympic Dam copper-uranium-gold mine in South Australia. In addition, previous drilling adjacent to Mary Kathleen at the Koppany prospect within the Mt Frosty Joint Venture returned very high grade REE's with values of up to 1.7% Ce, 1.2% La and 0.26% Nd over a one metre interval.

SHIRE BORE AREA

GRAPHITIC SHALE OUTCROP AT KALMAN WEST

TARGET GENERATION AND TENEMENT ACQUISITION

ASIDE FROM THE ACQUISITION OF THE TENEMENTS DISCUSSED PREVIOUSLY, HAMMER APPLIED FOR SEVERAL NEW EXPLORATION PERMITS OVER TARGETS CONSIDERED TO HOLD GOOD POTENTIAL FOR COPPER-GOLD MINERALISATION THAT WERE IDENTIFIED BY A REGIONAL TARGETING EXERCISE.

A mining lease application was also submitted over the historic Trafalgar copper-gold mine. This prospect is situated adjacent to the Fountain Range Fault zone surrounded by exploration licenses held by Hammer and has had no previous drilling. A modest amount of oxidised copper mineralised material has been stockpiled on surface by a previous operator. This material will be assessed to determine whether it can be economically treated in the district.

TRAFALGAR MINE

OXIDE COPPER AT TRAFALGAR MINE

OTHER PROJECTS

PILBARA IRON ORE (WA) – HAMMER 100%

The Pilbara iron ore resource is a channel iron deposit situated approximately 100km west of Tom Price. The deposit is held under a retention license (E08/1997).

GOLDEN PEAKS PROJECT (QLD) – HAMMER 0% (FARM-IN AGREEMENT WITH PERILYA LIMITED)

In late 2016 two diamond drill holes were drilled to test for the source of VTEM anomalies at the Mt Dick North and Plummy's prospects within EPM 15810. The drill hole at Mt Dick North (239 m) intercepted zones of strongly altered volcanoclastics with sufficient disseminated sulphide (pyrite) to have potentially caused the VTEM anomaly however no significant base metal sulphides were recorded. The drill hole at Plummy's (197.5 m) intersected a sequence of banded volcanoclastic sediments and jasper containing minor disseminated pyrite.

The Farm-In Agreement period subsequently expired, with Hammer retaining no interest in the project.

COMPETENT PERSON'S STATEMENTS

EXPLORATION RESULTS

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

KALMAN, OVERLANDER AND MILLENNIUM RESOURCE ESTIMATES

The information in this report as it relates to Mineral Resource Estimations at the Kalman, Overlander and Millennium Deposits is based on information compiled by Ms Elizabeth Haren, a Competent Person who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and a full-time employee of Haren Consulting Pty Ltd. Ms Haren has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Haren consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

ANNUAL MINERAL RESOURCE STATEMENT

AS OF 30 JUNE 2017

The Company's Mineral Resource Statement has been compiled in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserved (The JORC Code 2012 and 2004 Editions) and Chapter 5 of the ASX Listing Rules and ASX Guidance Note 31. The Company has no Ore Reserve estimates.

The Company governs its activities in accordance with industry best-practice. The reported estimates for Overlander, Kalman and Millennium were generated by a reputable, independent consulting firm – Haren Consulting Pty Ltd. The resource reports and supporting data were subjected to internal analysis and peer-review before release.

In 2016, Hammer Metals commissioned Haren Consulting Pty Ltd to update the Kalman Resource based on new drilling and geological interpretation. The resource was issued on the 27th of September 2016.

In November 2016, Haren Consulting was contracted by Hammer Metals Limited to complete a maiden mineral resource estimate for the Millennium deposit. The estimate is based on good quality RC drilling data. The Mineral Resource was based on a series of 23 RC holes drilled by Hammer Metals following its acquisition of the tenements in May 2016 and 17 RC holes drilled by the previous operator in 2013-2014.
Drilling extends to a maximum down hole depth of 322m and the mineralisation was modelled from surface to a depth of approximately 280m below surface. The drill hole spacing is approximately 50 to 100m along strike.

There has been no material change to the Millennium resource estimate since its initial release to the ASX dated 6th December 2016.

CSA Global Pty Ltd conducted the Resource Estimate over the West Pilbara Iron Ore Deposit and this was reported to the ASX on the 26th of July 2010. In 2014, the Resource was updated to adhere to the JORC Code 2012 Edition, however the Resource Estimate remained unchanged.

Cerro Resources Limited, the previous tenure holder over the Mt. Philp Hematite Deposit reported the Resource Estimate to the ASX on the 12th of March 2012. The Mt Philp Resource Estimate adhered to the JORC Code 2004 edition.

In relation to the Overlander, West Pilbara and Mt Philp Resources, there have been no material changes to the Resource Estimates during the reporting period.

RESOURCE PROJECT	MINERAL RESOURCE COMPETENT PERSON	ORGANIZATION	ASX REPORTING DATE
Millennium	Ms. E. Haren	Haren Consulting	December 6th 2016
Kalman	Ms. E. Haren	Haren Consulting	September 27th 2016
Overlander	Ms. E. Haren	Haren Consulting	August 26th 2015
West Pilbara	Mr. C. Allen	CSA Global Pty Ltd	July 26th 2010
Mt. Philp	Mr. T. Leahey	Cerro Resource NL	September 28th 2012

KALMAN DEPOSIT JORC 2012 MINERAL RESOURCE ESTIMATE

(SEPTEMBER 27, 2016)

CLASSIFICATION	MINING METHOD	CUEQ CUT-OFF	TONNES KT	CUEQ %	CU %	MO %	AU PPM	AG PPM	RE PPM
Indicated	Open Pit	0.75%	7,100	1.5	0.48	0.12	0.27	1.4	2.9
Inferred	Open Pit	0.75%	6,200	1.6	0.44	0.15	0.24	1.5	3.9
Inferred	Underground	1.40%	7,000	2.4	0.89	0.16	0.5	2.9	4.5
Total			**20,000**	**1.8**	**0.61**	**0.14**	**0.34**	**1.9**	**3.7**

Note: (1) The copper equivalent equation is: CuEq= Cu+(0.864268*Au)+(0.011063*Ag)+(4.741128*Mo)+(0.064516*Re)

Note: (2) Copper Equivalent Price assumptions are: Cu: US$4,650/t; Au: US$1,250/oz; Ag: US$16/oz; Mo: US$10/lb; and Re: US$3,000/kg.

The Kalman Molybdenum-Rhenium-Copper-Gold-Silver (Mo-Re-Cu-Au-Ag) deposit is situated 60km southeast of Mt Isa within the Mt Isa Inlier, and forms part of the company's Kalman Project.

Drilling extends to a maximum down hole depth of 998.3m and the mineralisation was modelled from surface to a depth of approximately 800m below surface. The estimate is based on good quality RC and diamond core drilling data. The drill hole spacing is approximately 100m along strike with some 50 metre-spaced infill drilling.

In September 2016, Haren Consulting was contracted by Hammer Metals Limited to complete an update of the Mineral Resource estimate for the deposit. The estimate was reported to comply with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' by the Joint Ore Reserves Committee (JORC).

The Kalman Mineral Resource has been reported at two cut-off grades to reflect both open pit and underground mining scenarios. The Kalman Mineral Resource estimate comprises a combined 20Mt at 1.8% copper equivalent (CuEq) at 0.61% copper, 0.34 g/t gold, 0.14% molybdenum and 3.7 g/t rhenium in the Indicated and Inferred categories at revised cut-off grades.
(Refer to the ASX release dated 27th September 2016).

KALMAN DEPOSIT JORC 2012 MINERAL RESOURCE ESTIMATE (CONT'D)

The Kalman Mineral Resource Estimate disclosed as part of the 2015 review was last updated in March 2014 in accordance with the JORC Code (2012 Edition). The Resource estimate comprised a combined 30Mt at 1.3% copper equivalent (CuEq) at 0.54% Cu, 0.28% Au, 0.08% Mo and 2.2 g/t Re in the Inferred category. (Refer to the ASX Release dated 19th March 2014 for full details of the Resource Estimate.)

Based on the testing completed and the current understanding of the material characteristics it has been assumed that the Kalman material can be processed using a "typical" concentrator process flowsheet.

It is the company's opinion that the metals used in the metal equivalent equation have a reasonable potential for recovery and sale based on metallurgical recoveries in flotation test work undertaken to date. There are a number of well-established processing routes for copper-molybdenum deposits and the sale of resulting copper and molybdenum concentrates.

KALMAN DEPOSIT MINERAL RESOURCE ESTIMATE (2015)

(Reported at 0.3% CuEq cut-off above 100m RL and 1.0% CuEq cut-off below 100m RL)

CLASSIFICATION	MINING METHOD	TONNES KT	CUEQ %	CU %	AU PPM	AG PPM	MO %	RE PPM
Inferred	Open Pit	22,000	1.1	0.42	0.22	1.1	0.07	1.9
Inferred	Underground	8,300	1.9	0.87	0.42	2.0	0.11	2.9
Total		30,000	1.3	0.54	0.28	1.3	0.08	2.2

Note: (1) Numbers rounded to two significant figures

Note: (2) Totals may differ due to rounding

Note: (3) (CuEq = Cu + 0.594464Au + 0.010051Ag + 4.953866Mo + 0.074375Re)

The reasons for the update were:

- 8 holes (K131-K132 and K134-139) drilled by Hammer in 2014 were incorporated into the resource model. The drill holes intersected multiple, relatively shallow high grade molybdenum and copper intersections which were considered to have the potential to enhance the existing mineral resource model.
- The deposit was re-interpreted to improve mineralisation constraints.

The 2016 resource updated differed from the 2014 update in that the resulting total resource tonnage was reduced from 30,000kt to 20,000kt and average metal grades increased, primarily due to the use of more elevated cut-off grades.

OVERLANDER NORTH AND SOUTH DEPOSITS JORC 2012 MINERAL RESOURCE ESTIMATES (AUGUST 26, 2015)

(Reported at 0.7% Cu cut-off)

OVERLANDER NORTH MINERAL RESOURCE

CLASSIFICATION	TONNES	CU %	CO PPM	CU TONNES	CO TONNES
Indicated	253,000	1.4	254	3,414	64
Inferred	870,000	1.3	456	11,350	396
Total	1,123,000	1.3	410	14,764	461

Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence

Note: (2) Totals may differ due to rounding

OVERLANDER SOUTH MINERAL RESOURCE

CLASSIFICATION	TONNES	CU %	CO PPM	CU TONNES	CO TONNES
Indicated	-	-	-	-	-
Inferred	649,000	1.0	500	6,352	327
Total	649,000	1.0	500	6,352	327

Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence

Note: (2) Totals may differ due to rounding

OVERLANDER NORTH AND SOUTH COMBINED MINERAL RESOURCE

CLASSIFICATION	TONNES	CU %	CO PPM	CU TONNES	CO TONNES
Indicated	253,000	1.4	254	3,414	64
Inferred	1,518,000	1.2	476	17,700	723
Total	1,772,000	1.2	445	21,112	788

Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence

Note: (2) Totals may differ due to rounding

The 100%-owned Overlander Project is situated 60km to the southeast of the mining centre of Mount Isa in North West Queensland and 6km to the west of Hammer's Kalman copper-gold-molybdenum-rhenium deposit. It is a high-priority target area for both shear-hosted copper and IOCG copper mineralisation. The Overlander North and South Copper Deposits are situated approximately one kilometre apart within a common shear zone.

OVERLANDER NORTH AND SOUTH DEPOSITS JORC 2012 MINERAL RESOURCE ESTIMATES (CONT'D)

Drilling in the Overlander North deposit extends to a vertical depth of approximately 430m and the mineralisation was modelled from surface to a depth of approximately 420m below surface. Drilling in the Overlander South deposit extends to a vertical depth of approximately 215m and the mineralisation was modelled from surface to a depth of approximately 180m below surface. The resource estimates are based on good quality RC and diamond drilling data. Drill hole spacing is predominantly on a 40m by 20mspacing with additional drill holes between sections targeted at the higher-grade cores of the deposits.

Following additional drilling in 2014 and 2015, the Mineral Resource Estimates for the Overlander North and South shear-hosted copper Deposits were revised by Haren Consulting Pty Ltd and reported in accordance with the guidelines of the JORC Code (2012 Edition). They contain combined resources of 1,772,000 tonnes at 1.2% copper in the indicated and inferred categories (Refer to the ASX release dated August 26 2015). There has been no material change to the Overlander resource base during the financial year.

MT. PHILP DEPOSIT JORC 2004 MINERAL RESOURCE ESTIMATE

(MARCH 12, 2012)

CLASSIFICATION	TONNES	FE %	P %	SIO2 %	AL2O3 %	TIO2 %	LOI %
Indicated	19,110,000	41	0.02	38	1.3	0.38	0.29
Inferred	11,400,000	34	0.02	48	2.0	0.46	0.31
Total	30,510,000	39	0.02	42	1.6	0.41	0.30

Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence

Note: (2) Totals may differ due to rounding

The Mount Philp Iron Ore deposit is located in north-western Queensland, 1,500km northwest of Brisbane. The Mineral Resource Estimate is based on 48 diamond and reverse circulation (RC) drillholes completed in 2011 for a total of 3,801m. Drilling comprises fans located on a nominal 100m pattern along the strike length of the ironstone. The Mineral Resource was estimated and reported in-house by Cerro Resource NL.

The current resource totals 19.1Mt grading 41.4% iron and 37.9% silica in the Indicated category and 11.4Mts grading 33.8% iron and 47.4% silica in the Inferred category.
This resource is open at depth.

A resource estimate was first completed and reported to ASX by previous owners on 28th September 2012 and there has been no material change to the resource base during the financial year. A review of the resource estimate was completed for the purpose of compiling this statement and the principles and methodology of the resource estimation procedure and the resource classification procedure have been reconciled with the CIM Resource Reserve definitions and found to comply.

WEST PILBARA DEPOSIT JORC 2012 MINERAL RESOURCE ESTIMATE

(JULY 26, 2010)

CLASSIFICATION	MINING METHOD	FE %	P %	SIO2 %	AL2O3 %	TIO2 %	LOI %
Indicated	Open Pit	11,500,000	53	0.042	7.8	5.6	9.9
Inferred	-	-	-	-	-	-	-
Total	Open Pit	11,500,000	53	0.042	7.8	5.6	9.9

Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence

Note: (2) Totals may differ due to rounding

The West Pilbara Channel Iron Deposit is situated in the West Pilbara region of Western Australia about 100 km west of Tom Price, adjoining Atlas Iron's Anthiby Well iron ore project.

The deposit has been drilled with 40 Reverse Circulation holes totalling 2010m sampled on 1m intervals, on east-west sections spaced 100m apart. The drill holes are generally spaced 50m apart on section and drilled to between 42 and 60m depth.

Midas Resources Limited (now Hammer Metals Limited) commissioned CSA Global Pty Ltd (CSA) in July 2010 to estimate the Mineral Resource at its West Pilbara iron ore prospect. The West Pilbara deposit contains an Indicated Mineral Resource of 11.5Mt at 53.1% Fe, 0.042% P, 7.75% SiO_2, 5.57% Al_2O_3 and 9.86% LOI. This is based on an interpreted mineralised envelope with a nominal Fe cut-off of 50%. (Refer to the ASX release dated July 26th 2010).

In 2014 Hammer Metals commissioned CSA to convert the existing JORC 2004 resource statement to comply with the new 2012 JORC code. The JORC 2012 conversion statement was issued by CSA on October 30th 2014. The resource estimate remained unchanged. There has been no material change to the resource base of this project during the financial year.

MILLENNIUM JORC 2012 MINERAL RESOURCE ESTIMATE
(DECEMBER 26, 2016)

(Reported at 0.7% CuEq cut-off)

CLASSIFICATION	TONNES	CUEQ %	CU %	CO %	AU PPM
Inferred	5,890,000	1.1	0.32	0.11	0.11

(Reported at 1.0% CuEq cut-off)

CLASSIFICATION	TONNES	CUEQ %	CU %	CO %	AU PPM
Inferred	3,070,000	1.3	0.35	0.14	0.12

Note: (1) Numbers rounded to two significant figures to reflect appropriate levels of confidence

Note: (2) Totals may differ due to rounding

The Copper Equivalent (CuEq) equation has been calculated to reflect current and forecast pricing.
CuEq grades were calculated using estimated block grades for Co, Cu, Au and Ag.

Metal prices used were:

- Cu: US$4,600/t;
- Co: US$27,000/t;
- Au: US$1,330/oz; and
- Ag: US$20/oz.

The copper equivalent equation is:

CuEq = Cu % + (Co % * 5.9) + (Au ppm * 0.9) + (Ag ppm * 0.01)

Cut-offs of 0.7% and 1.0% CuEq has been applied for reporting Mineral Resources.

Previous preliminary metallurgical test-work indicated that acceptable copper-cobalt sulphide concentrates could be produced via conventional processing methods. Based on the test-work conducted, it is the company's opinion that all metals used in the metal equivalent calculation have a reasonable potential to be recovered.

The 100%-owned Millennium polymetallic deposit is situated on granted mining leases approximately 32km northwest of Cloncurry in North West Queensland and 19km northwest of the operating Rocklands copper-gold-cobalt mine. The Millennium deposit lies within five Mining Leases; ML's 2512, 2761, 2762, 7506 and 7507. Hammer currently has a 100% interest in all five Mining Leases. The tenements are in good standing and no known impediments exist.

In November 2016, Haren Consulting was contracted by Hammer Metals Limited to complete a maiden mineral resource estimate for the deposit. The estimate is based on good quality RC drilling data. The Mineral Resource was based on a series of 23 RC holes drilled by Hammer Metals following its acquisition of the tenements in May 2016 and 17 RC holes drilled by the previous operator in 2013-2014. Drilling extends to a maximum down hole depth of 322m and the mineralisation was modelled from surface to a depth of approximately 280m below surface. The drill hole spacing is approximately 50 to 100m along strike.

There has been no material change to the Millennium resource estimate since its initial release to the ASX dated 6th December 2016.

GOVERNANCE AND INTERNAL CONTROLS – RESOURCE CALCULATIONS

The Company ensures good governance in relation to resource estimation through the use of third party resource consultants and internal review in accordance with industry best practice. All reported resource estimates were generated by reputable, independent consulting firms. The resource reports and supporting data were subjected to internal analysis and peer review before release. The Company is not aware of any additional information, other than that reported, which would have a material effect on the estimates as reported.

Due to the nature, stage and size of the Company's existing operations, the Board believes there would be no efficiencies gained by establishing a separate mineral reserves and resources committee responsible for reviewing and monitoring the Company's processes for calculating mineral reserves and resources estimates and for ensuring that the appropriate controls are applied to such calculations.

The Company will report any future mineral reserves and resources estimates in accordance with the 2012 JORC Code.

RESOURCE BY COMMODITY

PRIMARY COMMODITY	PROJECT	LOWER CUT-OFF	TONNES KT	CUEQ (1) %	CU %	AU PPM	AG PPM	MO %	RE PPM	CO PPM	FE %	P %	SIO_2 %	AL_2O_3 %	TIO_2 %	LOI %
	Kalman	0.75% CuEq (Open Pit)	13,300	1.55	0.46	0.26	1.45	0.13	3.37							
	Kalman	1.4% CuEq (Underground)	7,000	2.4	0.9	0.5	2.9	0.2	4.5							
	Overlander	0.7% Cu	1,772		1.2					445						
Copper	Millennium	1% CuEq (2)	3,070	1.3	0.4	0.1				1400						
	Mt. Philp		30,510								39	0	42	1.6	0.41	0.3
Iron Ore	West Pilbara	50% Fe	11,500								53	0	7.8	5.6		9.9

(1) - CuEq = Cu + (0.864268 * Au) + (0.011063 * Ag) + (4.741128 * Mo) + (0.064516 * Re)

(2) - CuEq = Cu % + (Co % * 5.9)+(Au ppm * 0.9)+(Ag ppm * 0.01)

COMPETENT PERSONS STATEMENT

The information in this Annual Mineral Resources Statement is based on, and fairly represents information and supporting documentation reviewed by Mr Mark Whittle, a Competent Person who is a member of the AusIMM and a consultant to the company. Mr Whittle has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 JORC Code) and the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 JORC Code). Mr Whittle consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

TENEMENT INTERESTS AT END OF SEPTEMBER 2017

PROJECT	TENEMENT	STATUS	INTEREST %	COMMENT
Pilbara Iron Ore - WA	E08/1997	Granted	100%	Converting to Retention Licence
Mt Isa Project - QLD	EPM 12205	Granted	100%	
	EPM 13870	Granted	100%	Subject to 2% NSR
	EPM 14019	Granted	100%	
	EPM 14022	Granted	100%	
	EPM 14232	Granted	100%	
	EPM 14467	Granted	51%	
	EPM 15972	Granted	100%	
	EPM 16726	Granted	100%	
	EPM 16987	Granted	100%	
	EPM 17762	Granted	100%	
	EPM 18084	Granted	80%	
	EPM 18116	Granted	100%	
	EPM 19783	Granted	100%	
	EPM 19784	Granted	100%	
	EPM 25145	Granted	100%	
	EPM 25369	Granted	100%	
	EPM 25425	Granted	100%	
	EPM 25486	Granted	100%	
	EPM 25523	Granted	100%	
	EPM 25666	Granted	100%	
	EPM 25686	Granted	100%	
	EPM 25777	Granted	100%	
	EPM 25866	Granted	100%	
	EPM 25867	Granted	100%	
	EPM 25892	Granted	100%	
	EPM 25997	Granted	100%	
	EPM 26126	Granted	100%	
	EPM 26127	Granted	100%	
	EPM 26128	Granted	100%	
	EPM 26130	Granted	100%	
	EPM 26172	Granted	100%	
	EPM 26306	Granted	100%	
	EPM 26392	Granted	100%	
	EPM 26474	Application	100%	
	EPM 26511	Application	100%	
	EPM 26512	Application	100%	
	EPM 26628	Application	100%	
	ML 100125	Application	100%	
	ML 2512	Granted	100%	
	ML 2761	Granted	100%	
	ML 2762	Granted	100%	
	ML 7506	Granted	100%	
	ML 7507	Granted	100%	

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DIRECTORS' REPORT

1. DIRECTORS

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE FINANCIAL REPORT OF HAMMER METALS LIMITED ("THE COMPANY", "HAMMER") AND OF THE GROUP, BEING THE COMPANY AND ITS SUBSIDIARIES, FOR THE YEAR ENDED 30 JUNE 2017 AND THE AUDITOR'S REPORT THEREON.

RUSSELL DAVIS – EXECUTIVE CHAIRMAN

Appointed 13 January 2014

BSc (Honours) MBA MAusIMM, MAICD

Mr. 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. Russell has been a Director of Hammer Metals (Australia) Pty Ltd since its inception in 2012.

ALEXANDER HEWLETT – EXECUTIVE DIRECTOR

Appointed 26 June 2013

BSc MAusIMM

Alexander Hewlett is a Geologist graduating from the University of Western Australia. Alex worked as a resource-modelling geologist for CSA Global, before accepting management positions in ASX listed explorers including Managing Director of US Nickel Ltd and Chairperson of Groote Resources Ltd (now Northern Manganese Limited). Alex was employed as a consultant for a New York resource fund working as an analyst.

Alex is highly skilled at project identification and acquisition and has a flair for company and investor communications. He has raised significant funds for both domestic and international projects in the mining and exploration sector. Alex has also acquired packaged and vended project portfolio's into ASX listed companies including – White Star Resources, Groote Resources and Spitfire Resources as well as identifying and acquiring projects for US Nickel (later Kalgoorlie Mining Company).

Alex is a member of the Australasian Institute of Mining and Metallurgy, and been a Director of Hammer Metals (Australia) Pty Ltd since its inception in 2012.

NADER EL SAYED – INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 26 June 2013

B.Comm, MA, CA

Nader El Sayed holds a Bachelor of Commerce (Banking & Finance), Masters (Accounting) and is a member of the Australian Institute of Chartered Accountants. Nader is currently the Chief Executive Officer of Multiplant Holdings, a mining and civil services business based in Western Australia. Nader's previous roles include holding a senior management position with KPMG providing assurance, capital markets and other advisory services to key Australian and international resource companies. Nader brings a wealth of risk management, corporate governance, strategic and financial experience to the Board.

SIMON BODENSTEINER – INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 8 September 2015

MSc

Simon is the Chief Mining Engineer for major shareholder Deutsche Rohstoff AG, a Germany based resource and investment company. He is an experienced mining professional holding a Masters Degree in Mining Engineering and has previously held operational and senior technical positions at several Rio Tinto operations across Australia. Before joining Deutsche Rohstoff, he worked as a consultant for The Boston Consulting Group. Simon brings significant bulk and selective mining experience from underground and open pit operations to the Board.

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	Gold Road Resources Ltd	May 2004 – June 2016
Alexander Hewlett	Spectrum Rare Earths Limited	March 2017 – to date
Nader El Sayed	None	-
Simon Bodensteiner	None	-

3. COMPANY SECRETARY

MARK PITTS – COMPANY SECRETARY

(appointed 13 August 2010)

B.Bus, FCA

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. He 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	MEETINGS ATTENDED
Mr R Davis	7	7
Mr A Hewlett	7	7
Mr N El Sayed	7	7
Mr S Bodensteiner	7	7

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 $528,328 (2016: loss $1,045,360).
Included in this amount is $275,699 of exploration expenditure written off (2016: $309,384).

CORPORATE

The following equity transactions were undertaken during the year:

- Hammer raised $2,257,500 (before costs) during the period by private placement of 32,250,002 shares.
- The convertible note held in 2016 was converted to equity by issue of 11,374,711 shares.
- Hammer issued 1,250,000 shares for the acquisition of tenements in the Mt. Isa district from AuKing Mining Limited (formerly Chinalco Yunnan Copper Resources Limited (CYU)).

Subsequent to the year end, Hammer raised $1,242,500 (before costs) by private placement of 35,500,000 shares, and is undertaking a non-renounceable entitlement offer to raise up to approximately $1.17 million on the bases of 1 share for every 7 shares held at the record date. The offer is due to close on or around the 12th October 2017.

Hammer also completed the acquisition of 51% interest in the Mt. Frosty prospect by issue of 250,000 shares to AuKing Mining Limited (formerly Chinalco Yunnan Copper Resources Limited (CYU)).

The following options expired during the period:

- 300,000 unlisted options with an exercise price of $0.30 expired on 11 September 2016
- 1,000,000 unlisted options with an exercise price of $0.20 expired on 26 May 2017
- 14,300,000 unlisted options with an exercise price of $0.20 expired on 30 June 2017.

The following options expired after 30 June 2017:

- 8,338,334 unlisted options with an exercise price of $0.10 expired on 30 July 2017
- 500,000 unlisted options with an exercise price of $0.10 expired on 6 August 2017
- 1,000,000 unlisted options with and exercise price of $0.20 expired on 11 September 2017

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

EXPLORATION ACTIVITIES

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

During the year programs of geological mapping, geochemical sampling, airborne and ground based geophysical surveys and RC and diamond drilling were undertaken at several prospects. New resource estimates were calculated for the Kalman Cu-Au-Mo-Re deposit and the Millennium Co-Cu-Au deposit and several new drill targets defined.

Hammer currently has 37 granted tenements and 6 applications lodged covering an area of approximately 3000km^2.

Kalman Deposit

The Mineral Resource Estimate update for Kalman was completed during the period. The new estimate comprises a combined 20Mt at 1.8% CuEq[2] at 0.61% copper, 0.34g/t gold. 0.14% molybdenum and 3.7g/t rhenium in the Indicated and Inferred categories at revised cut-off grades.

Kalman Mineral Resource - refer ASX release dated 27th September 2017

CLASSIFICATION	MINING METHOD	CuEq CUT-OFF	TONNES KT	CuEq %	Cu %	Mo %	Au PPM	Ag PPM	Re PPM
Indicated	Open Pit	0.75%	7,100	1.5	0.48	0.12	0.27	1.4	2.9
Inferred	Open Pit	0.75%	6,200	1.6	0.44	0.15	0.24	1.5	3.9
Inferred	Underground	1.4%	7,000	2.4	0.89	0.16	0.50	2.9	4.5
Total			**20,000**	**1.8**	**0.61**	**0.14**	**0.34**	**1.9**	**3.7**

Note – Totals may differ due to rounding

The Company confirms that it is not aware of any information or data that materially affects the information included in the original market announcement and, in the case of estimated Mineral Resources or Ore Reserves, all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

An airborne VTEM and magnetic survey was completed over 23km of strike to the north and south of the Kalman deposit in late 2016. Several EM conductors were selected for further evaluation and follow up mapping and sampling programs were completed. A number of drill copper-gold and gold drill targets have been defined.

Millennium

In May 2016, the Company acquired five granted Mining Leases over the Millennium copper-cobalt-gold project near Cloncurry. The acquisition secures a prospective high-grade cobalt-copper-gold target that complements Hammer's existing tenement portfolio in the region.

An infill and extensional RC drilling programs were completed during the year. The objective of the program was to provide an initial test of the continuity of mineralisation in previous drilling. The lease area was geologically mapped in detail and together with drill data provided control for the construction of a three-dimensional geological model.

The maiden Mineral Resource Estimate for Millennium was announced on 6th December 2016. The resource model can now be used as a basis for mining and metallurgical studies. Petrological studies were undertaken on a range of the mineralised drill samples. There is significant potential to increase the size of the deposit in untested, geochemically anomalous zones to the north with additional drilling.

Millennium November 2016 Mineral Resource - Inferred- refer ASX release dated 6th December 2016

CuEq CUT-OFF	TONNES	CuEq (%)	Cu (%)	Co (%)	Au (PPM)
1.0%	3,070,000	1.29	0.35	0.14	0.12
0.7%	5,890,000	1.08	0.32	0.11	0.11

The Company confirms that it is not aware of any information or data that materially affects the information included in the original market announcement and, in the case of estimated Mineral Resources or Ore Reserves, all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

As announced on May 2017, Hammer signed a term sheet with Global Energy Metals Corporation (GEMC) to earn an interest in Hammer's Millennium project. The agreement includes the five granted Mining Leases and provides for a staged earn-in with GEMC having the right to earn 75% by spending CAD2,700,000 which includes CAD200,000 option fee payable to Hammer. GEMC have conducted their due diligence and the both parties have now executed a Definitive Agreement.

Acquisition of tenements

Hammer acquired 100% of the tenement interests in the Mount Isa district of AuKing Mining Limited (formerly Chinalco Yunnan Copper Resources Limited (CYU)).

The acquisition included a 100% interest in EPM's 14019, 14022 and 12205 which cover the previously defined Elaine-Dorothy copper-gold inferred mineral resource of 27 Mt at 0.53% Cu and 0.08g/t Au (CYU ASX release 18/10/2012), the GEM copper-gold resource (CYU ASX release 9/06/2010) and the Elaine uranium prospect (CYU ASX release 24/03/2010) as well as a range of other copper-gold drill intersections at the Mt Dorothy, Pindora and Prince of Wales prospects. The tenements also cover strike extensions of mineralised trends and favorable host rocks identified within Hammer's adjacent tenements.

6. OPERATING AND FINANCIAL REVIEW (CONT'D)

Acquisition of tenements (cont'd)

A review of the near-surface gold potential of the Elaine deposit is underway. Drilling is planned to test the depth and lateral extent of the high grade gold values intercepted in the previous drilling.Exploration activities (CONT'D)

The acquisition also includes CYU's 51% interest in EPM 14467 (Mt Frosty), located adjacent to the Mary Kathleen uranium mine and which covers the Blue Caesar, Jubilee and Koppany copper prospects. The acquisition of this tenement was completed in August 2017 with a new JV agreement entered into with Mt. Isa Mines Limited (MIM). The key terms of the Joint Venture agreement are as follows

- Each party to the Joint Venture will contribute exploration expenditure according to their participating interest (Hammer-51%/ MIM-49%)
- Dilution provisions apply if a party elects not to contribute to a program. If a party's participating interest falls below 10% their interest will convert to a 3% Net Profits Royalty.

Regional Exploration

Exploration data compilation and targeting activity has been ongoing during the year, resulting in several new tenement acquisitions including the Trafalgar mining lease application over the historic Trafalgar copper-gold mine. Ground follow up of the priority targets is progressively being undertaken.

An RC drilling program has recently been completed on two prospects at Kalman West and Revenue (refer to ASX announcement on 28 August 2017). Hammer is highly encouraged by the results of both programs with further drilling to follow up on the gold results at Kalman West a priority.

Prospects held by Hammer with potential for other commodities such as graphite, potassium (in potassium-rich rhyolite), and Rare Earth Elements have also been reviewed and will be considered for potential farmout.

Newmont – Farm-in and JV

In December 2015, the Company executed a farm-in and JV agreement with Newmont Exploration Pty Ltd (Newmont), encompassing three of Hammer's IOCG prospects – Overlander, Even Steven and Dronfield - covering approximately 250km^2 (<10%) of Hammer's Mount Isa project. The JV area includes 17 sub-blocks of EPM's 14232, 18116 and 25369 held 100% by Hammer and all sub-blocks in EPM18084 (Dronfield) in which Hammer can earn an 80% interest. The joint venture is targeting an Ernest Henry style IOCG copper- gold deposit. Hammer has been managing the initial joint venture exploration activities utilising in-house technical support from Newmont. Hammer retains 100% ownership of the existing resources at Kalman (Cu-Au-Mo-Re), Overlander (Cu) and Mt Philp (Fe).

Comprehensive programs of geological mapping, geochemical sampling and geophysics were undertaken during the year. A three hole diamond and RC drilling program was completed at Dronfield in the first half of 2017 and two diamond drill holes were completed at Overlander in 2016. Reviews and assessment of the results of these programs are in progress. Specifically, an assessment of the alteration and mineralisation will be completed with a view to vectoring to stronger mineralisation within these large alteration zones. Newmont has met the expenditure required to enter into Stage 1 (35% earn-in) with the compilation reports in progress to be completed before the earn-in phase is completed.

Golden Peaks Project - Mt. Morgan

The Golden Peaks Project was a joint venture with Perilya Limited whereby Hammer could earn up to a 60% interest in EPM 15810. The farm-in agreement expired in April 2017 and Hammer retains no interest in the project.

7. DIVIDENDS

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

8. EVENTS SUBSEQUENT TO BALANCE DATE

On 18th August 2017, 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).

On 12th September 2017, the Group completed a placement of 35,500,000 shares to sophisticated investors raising $1.2 million. As announced on 6th September, the Company is also undertaking a non-renounceable entitlement offer to raise up to approximately $1.17 million on the bases of 1 share for every 7 shares held at the record date. The offer is due to close on or around the 12th October 2017.

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	OPTIONS OVER ORDINARY SHARES
Mr R Davis	8,391,667	6,000,000
Mr A Hewlett	5,525,476	6,000,000
Mr N El Sayed	19,500	1,500,000
Mr S Bodensteiner	30,568	500,000

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.

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

Alexander Hewlett- Executive Director:

The Company has entered into a Consulting agreement with Mazza Resources Pty Ltd (an entity of which Mr Hewlett is the principal) on 22 September 2014. A Consulting fee of $220,000 per annum is payable with a 3-year term. The Company may terminate the agreement after twelve months by giving six months' notice or paying the executive an amount equal to six months of the consulting fee. The executive may, after twelve months from the commencement of the agreement, terminate this agreement by giving three months' notice to the Company. Currently the base cash component of remuneration is not dependent on the satisfaction of any performance condition. In an effort to reduce operating costs, Mr Hewlett has agreed to a 32% reduction of fees to $150,000. The original term of the Consulting agreement expired on 22 September 2017 and the Company and Mr Hewlett have agreed to roll the agreement forward on a similar basis and for a term to be agreed.

Russell Davis – Executive Chairman:

The Company has entered into an Executive Service agreement with Mr Davis on 22 September 2014. An Executive service fee of $220,000 per annum is payable with a 3-year term. The Company may terminate the engagement after twelve months by giving six months' notice or paying the executive an amount equal to six months of the executive fee. The executive may, after twelve months from the commencement of the agreement, terminate this agreement by giving three months' notice to the Company. Currently the base cash component of remuneration is not dependent on the satisfaction of any performance condition. In an effort to reduce operating costs, the Mr Davis has agreed to a 32% reduction of fees to $150,000. The original term of the Consulting agreement expired on 22 September 2017 and the Company and Mr Davis have agreed to roll the agreement forward on a similar basis and for a term to be agreed.

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.

12. REMUNERATION REPORT – AUDITED (CONT'D)

12.1 PRINCIPLES OF COMPENSATION (CONT'D)

NON-EXECUTIVE DIRECTORS

From 1 July 2013, all non-executive Directors receive a fixed Directors' fee of $30,000 (plus superannuation benefits of 9.5%) per annum.

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.

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.

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:

		Primary			Post-employment	Equity compensation			
		SALARY & FEES $	NON-MONETARY BENEFITS(1) $	TERMINATION PAYMENTS $	SUPERANNUATION BENEFITS $	OPTIONS $	TOTAL $	PROPORTION OF REMUNERATION PERFORMANCE RELATED	VALUE OF OPTIONS AS PROPORTION OF REMUNERATION %
DIRECTORS									
Executive									
Mr R Davis	2017	150,000	-	-	-	-	150,000	-	0%
	2016	133,583	-	-	-	231,580	365,163	-	63%
Mr A Hewlett	2017	150,000	-	-	-	-	150,000	-	0%
	2016	137,183	-	-	-	231,580	368,763	-	63%
Non-executive									
Mr N El Sayed	2017	30,000	-	-	2,850	-	32,850	-	0%
	2016	26,668	-	-	2,533	28,947	58,148	-	50%
Mr S Bodensteiner	2017	30,000	-	-	2,850	-	32,850	-	0%
	2016	21,130	-	-	2,007	28,948	52,084	-	56%
Mr P Corr (resigned 8 September 2015)	2017	-	-	-	-	-	-	-	-
	2016	7,500	-	-	713	-	8,213	-	-
Total, all specified Directors	2017	360,000	-	-	5,700	-	365,700	-	0%
	2016	326,064	-	-	5,253	521,054	852,371	-	61%
Executives									
Mr M Pitts (Company Secretary)	2017	50,000	-	-	-	-	50,000	-	0%
	2016	45,500	-	-	-	18,224	63,724	-	29%
Total key management personnel and Directors of the Company and Group	2017	410,000	-	-	5,700	-	415,700	-	0%
	2016	371,564	-	-	5,253	539,278	916,095	-	59%

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

No options were granted as compensation during the year; and no options previously granted as compensation have been exercised during the year or to the date of this report.

12.5 ANALYSIS OF OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

No options were granted as remuneration in the current year.

The table below details the vesting profiles of the options granted as remuneration to each key management person in the prior year.

	NUMBER OF GRANTED OPTIONS	DATE GRANTED	% VESTED	% FORFEITED / LAPSED	FINANCIAL YEARS IN WHICH GRANT VESTED
R Davis	4,000,000	10 June 2016	100%	-	30 June 2016
A Hewlett	4,000,000	10 June 2016	100%	-	30 June 2016
N El Sayed	500,000	10 June 2016	100%	-	30 June 2016
S Bodensteiner	500,000	10 June 2016	100%	-	30 June 2016
M Pitts	500,000	27 June 2016	100%	-	30 June 2016

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:

YEAR ENDED 30 JUNE 2017	HELD AT BEGINNING OF PERIOD	GRANTED	PURCHASED	EXERCISED	LAPSED OR EXPIRED	HELD AT END OF PERIOD	VESTED AND EXERCISABLE AT END OF PERIOD
R Davis	10,225,000	-	-	-	(3,600,000)	6,625,000*	6,625,000
A Hewlett	8,266,667	-	-	-	(2,100,000)	6,166,667*	6,166,667
N El Sayed	2,500,000	-	-	-	(1,000,000)	1,500,000	1,500,000
S Bodensteiner	500,000	-	-	-	-	500,000	500,000
M Pitts	1,500,000	-	-	-	(1,000,000)	500,000	500,000

*Subsequent to the year end on 30 July 2017, 625,000 options held by Mr R Davis and 166,667 options held by Mr A Hewlett expired.

12.7 EQUITY HOLDINGS AND TRANSACTIONS

No shares were granted to key management personnel during the year as compensation (2016: 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:

YEAR ENDED 30 JUNE 2017	HELD AT BEGINNING OF PERIOD	PURCHASES / ENTITLEMENT ISSUE	SALES	HELD AT END OF PERIOD
Mr R Davis	8,016,667	2,391,667	(2,016,667)	8,391,667
Mr A Hewlett	5,525,476	-	-	5,525,476
Mr N El Sayed	19,500	-	-	19,500
Mr S Bodensteiner	30,568	-	-	30,568
Mr M Pitts	53,334	-	-	53,334

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:

KEY MANAGEMENT PERSON	TRANSACTION	TRANSACTION VALUE YEAR ENDED 30 JUNE 2017 $	TRANSACTION VALUE YEAR ENDED 30 JUNE 2016 $	BALANCE OUTSTANDING AS AT 30 JUNE 2017 $	BALANCE OUTSTANDING AS AT 30 JUNE 2016 $
Mark Pitts	Accounting services	33,261	47,032	3,657	7,315

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

- END OF REMUNERATION REPORT -

13. SHARE OPTIONS

Unissued shares under option

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

TRANSACTION	EXPIRY DATE	EXERCISE PRICE	NUMBER OF SHARES
Directors' Options	30 Nov 2017	$0.135	6,000,000
Employee / Contractor Options	30 Nov 2017	$0.135	1,100,000
Employee / Contractor Options	30 Nov 2017	$0.10	1,000,000
Directors' Options	30 June 2020	$0.06	9,000,000
Attaching option	6 Feb 2018	$0.15	3,811,953
Employee / Contractor Options	30 June 2020	$0.06	3,800,000
Advisor options	29 June 2019	$0.075	5,000,000

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 not issued ordinary shares as a result of the exercise of options during this year or the previous financial year.

No shares have been issued since the year end to the date of this report as a result of the exercise of 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.

16. NON-AUDIT SERVICES

During the year, KPMG, the Company's auditor provided taxation compliance services in addition to their statutory duties.

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 45 and forms part of the Directors' report for the financial year ended 30 June 2017.

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:

A HEWLETT
MANAGING DIRECTOR

Perth

Dated 26th September 2017

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 2017 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

26 September 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTE	30 JUNE 2017 $	30 JUNE 2016 $
CURRENT ASSETS			
Cash and cash equivalents	11	838,027	1,892,094
Trade and other receivables	12	335,161	57,509
Other financial assets	13	359,954	535,433
Total current assets		**1,533,142**	**2,485,036**
NON-CURRENT ASSETS			
Other financial assets	13	86,250	97,500
Plant and equipment	14	3,755	5,964
Exploration and evaluation expenditure	15	9,377,823	7,055,058
Total non-current assets		9,467,828	7,158,522
Total assets		**11,000,970**	**9,643,558**
CURRENT LIABILITIES			
Trade and other payables	16	132,142	155,387
Advanced cash call		359,954	510,561
Total current liabilities		492,096	665,948
Total liabilities		492,096	665,948
Net assets		**10,508,874**	**8,977,610**
EQUITY			
Share capital	17	42,655,110	39,800,503
Reserves	18	1,230,127	3,152,521
Accumulated losses		(33,376,363)	(33,975,414)
Total equity		**10,508,874**	**8,977,610**

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 2017

	NOTE	30 JUNE 2017 $	30 JUNE 2016 $
Other income	4	139,940	39,922
Marketing expenses		(75,986)	(97,153)
Administrative expenses		(493,951)	(476,885)
Share based payments		-	(696,423)
Occupancy expenses		(46,073)	(45,359)
Depreciation	5	(4,955)	(6,019)
Project evaluation and generation expenses		-	(16,531)
Exploration expenditure written off	15	(275,699)	(309,384)
Impairment of available for sale assets		-	(45,000)
Result from operating activities		**(756,724)**	**(1,652,832)**
Finance income		28,784	7,472
Net finance income / (expense)	**7**	**28,784**	**7,472**
Loss before income tax		**(727,940)**	**(1,645,360)**
Income tax benefit	9	199,612	600,000
Net loss for the year from continuing operations		**(528,328)**	**(1,045,360)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of financial assets		(11,250)	-
Other comprehensive loss for the year, net of income tax		(11,250)	-
Total Comprehensive loss for the year		**(539,578)**	**(1,045,360)**
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(528,328)	(1,045,360)
		(528,328)	(1,045,360)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(539,578)	(1,045,360)
		(539,578)	(1,045,360)
LOSS PER SHARE:			
Basic and diluted loss per share	10(a)	(0.28) cents	(0.91) cents

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 2017

	SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	FAIR VALUE RESERVE	CONVERTIBLE NOTE RESERVE	ACCUMULATED LOSSES	TOTAL
Balance at 1 July 2015	**37,277,606**	**1,776,945**	**30,000**	**-**	**(32,330,054)**	**6,754,497**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD						
Loss for the year	-	-	-	-	(1,045,360)	(1,045,360)
Other comprehensive income / loss	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(1,045,360)	(1,045,360)
Shares issued for cash	2,628,600	-	-	-	-	2,628,600
Shares issued for asset acquisition	20,000	-	-	-	-	20,000
Issue of convertible note	-	-	-	650,000	-	650,000
Shares issued for convertible note interest	32,588	-	-	(35,847)	-	(3,259)
Share issue costs	(158,291)	-	-	-	-	(158,291)
Share based payments	-	731,423	-	-	-	731,423
Distribution to owners (Exploration Development Incentive credits)	-	-	-	-	(600,000)	(600,000)
Balance at 30 June 2016	**39,800,503**	**2,508,368**	**30,000**	**614,153**	**(33,975,414)**	**8,977,610**
Balance at 1 July 2016	**39,800,503**	**2,508,368**	**30,000**	**614,153**	**(33,975,414)**	**8,977,610**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD						
Loss for the year	-	-	-	-	(528,328)	(528,328)
Other comprehensive income / loss	-	-	(11,250)	-	-	(11,250)
Total comprehensive loss for the period	-	-	(11,250)	-	(528,328)	(539,578)
Shares issued for cash	2,258,658	-	-	-	-	2,258,658
Shares issued for asset acquisition	63,750	-	-	-	-	63,750
Conversion of convertible notes	614,153	-	-	(614,153)	-	-
Share issue costs	(81,954)	30,000	-	-	-	(51,954)
Options lapsed	-	(1,326,991)	-	-	1,326,991	-
Distribution to owners (Exploration Development Incentive credits)					(199,612)	(199,612)
Balance at 30 June 2017	**42,655,110**	**1,211,377**	**18,750**	**-**	**(33,376,363)**	**10,508,874**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2017

	NOTE	30 JUNE 2017 $	30 JUNE 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		28,784	7,472
Cash payments in the course of operations		(830,704)	(591,990)
Payments for evaluation of new projects		-	(16,531)
Net cash used in operating activities	23	(801,920)	(601,049)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(2,692,620)	(1,168,730)
Reimbursement of exploration and evaluation expenditure from farm-in partner		96,575	128,675
Received as management fee from farm-in partners	4	109,940	39,922
Payments for acquisition of tenements		-	(50,000)
Sale of Royalty	4	30,000	-
Payments for purchase of plant and equipment	14	(2,746)	(3,239)
Net cash used in investing activities		(2,458,851)	(1,053,372)
Cash flows from financing activities			
Proceeds from issue of share capital		2,251,158	2,628,600
Proceeds from issue of convertible note		-	650,000
Transaction costs from issue of shares		(44,454)	(123,792)
Net cash from financing activities		2,206,704	3,154,808
Net (decrease) / increase in cash and cash equivalents		(1,054,067)	1,500,387
Cash and cash equivalents at 1 July		1,892,094	391,707
Cash and cash equivalents at 30 June	11	838,027	1,892,094

*cash and cash equivalents include deposits held

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 2017 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 26 September 2017.

(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).

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 economical 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.

Estimates and assumptions (cont'd)

(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.

(iv) Impairment of assets

The recoverable amount of each non-financial asset is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policy note 3(f). Determination of the recoverable amount of an asset based on a discounted cash flow model, requires the use of estimates and assumptions, including: the appropriate rate at which to discount the cash flows, the timing of the cash flow and the expected life of the relevant area of interest, exchange rates, commodity prices, ore reserves, future capital requirements and future operation performance. Changes in these estimates and assumptions impact the recoverable amount of the asset, and accordingly could result in an adjustment to the carrying amount of that asset.

(v) Measurement of fair values

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level that is significant to the entire measurement.

(E) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In the year ended 30 June 2017, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the Group.

The Group does not plan to adopt any standards early and the extent of the impact has not been determined.

(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 2017, the Group has incurred a consolidated loss before tax of $727,940 and net operating cash outflows of $801,920 and net investing cash outflows of $2,458,851. As at 30 June 2017 the Group had $838,027 in cash and cash equivalents and net current assets of $1,041,046

As announced on the 12th September 2017, the Company completed a private placement of 35,500,000 shares raising $1,242,500. The Company is also undertaking a non-renounceable entitlement offer to raise approximately $1.17 million. The offer is due to close on or around the 12th October 2017.

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

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

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

The Directors have reviewed the Group's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group has sufficient funds available for at least the next 12 months and when required will be able to raise further funding via the methods set out above.

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.

(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 exceed 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.

(vi) Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

(vii) 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.

(viii) 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:

(i) office equipment 3 to 4 years

The residual value, if significant, is reassessed annually.

(D) FINANCIAL INSTRUMENTS

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in current assets unless management intends to hold the investment for greater than twelve months from the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the fair value reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of profit and loss and other comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on quoted bid prices at reporting date.

(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

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss, calculated as the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in equity.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(F) IMPAIRMENT (CONT'D)

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.

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.

Preference shares

Non-redeemable preference shares are classified as equity, because they bear dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

(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.

(J) FINANCE INCOME AND EXPENSES

Net finance income

Net finance income comprise 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.

(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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(N) EXPLORATION AND EVALUATION EXPENDITURE (CONT'D)

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.

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 commercial 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) NON-CURRENT ASSETS HELD FOR SALE OR DISTRIBUTION

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets or components of a disposal group, are remeasured in accordance with the Groups' accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying value amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets which continue to be measured in accordance with the Group's accounting policy. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(P) DISCONTINUED OPERATIONS

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale or distribution (see note 3(o)), if earlier.

(Q) GOVERNMENT GRANTS

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. 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 on a systematic basis over the useful life of the asset.

	30 JUNE 2017 $	30 JUNE 2016 $

4. OTHER INCOME

Management fee from farm-in partners	109,940	39,922
Sale of Royalty	30,000	(97,153)
	139,940	**(476,885)**

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	4,955	6,019

6. EMPLOYMENT COSTS

Salary and wages	60,000	68,697
Contributions to defined contribution plans	5,700	5,253
Equity settled share based payment transactions	-	680,940
Other employment costs	9,088	7,675
Total employee costs in loss before tax	74,788	762,565

7. FINANCE INCOME AND FINANCE COSTS

Recognised in loss for the year:		
Interest income	28,784	7,472
Net finance income	28,784	7,472

8. AUDITORS' REMUNERATION

Auditors of the Company:		
Audit services:		
KPMG:		
Audit and review of financial reports	38,341	37,620
Taxation compliance services	17,750	-
	56,091	37,620

	30 JUNE 2017 $	30 JUNE 2016 $

9. INCOME TAX

(A) INCOME TAX BENEFIT

Current tax	199,612	600,000
Deferred tax	-	-
Total income tax benefit	199,612	600,000
Numerical reconciliation of income tax benefit to pre-tax accounting loss:		
Loss before income tax	(727,940)	(1,645,360)
Income tax benefit using the Company's domestic tax rate of 30% (2016: 30%)	(218,382)	(493,608)
Adjusted for:		
Non-deductible expenses	1,258	205,485
Temporary differences and tax losses not recognised	217,124	288,123
Prior year tax losses recognised for exploration development incentive credits distributed to shareholders	199,612	600,000
Income tax benefit	199,612	600,000

(B) UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items:		
Temporary timing differences related to:		
Prepayments	5,915	5,458
Investments	7,875	4,500
Property, plant and equipment	3,252	4,837
Accrued expenses and provisions	7,998	6,573
Capital raising costs	70,309	102,535
Income tax losses	7,723,344	7,235,712
	7,818,693	7,359,615

(C) RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

Temporary timing differences related to:		
Other financial assets		-
Exploration and evaluation expenditure	(2,813,347)	(2,116,517)
Income tax losses	2,813,347	2,116,517
	-	-

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.

The Group participated in the Federal Government's Exploration Development Incentive Scheme ("EDI") which entitled the Group to distribute EDI exploration credits to eligible shareholders. EDI credits totalling $199,612 were distributed on 28th June 2017 and the Group's carried forward losses reduced accordingly.

(D) MOVEMENT OF TEMPORARY DIFFERENCES RECOGNISED DURING THE YEAR ENDED 30 JUNE 2017:

	BALANCE 1 JULY 2016	PROFIT OR LOSS	OTHER COMPREHENSIVE INCOME	EQUITY	BALANCE 30 JUNE 2016
Other financial assets					
Exploration and evaluations expenditure	(2,116,517)	(696,830)	-	-	(2,813,347)
Tax loss carry-forwards	2,116,517	696,830	-	-	2,813,347
	-	-	-	-	-

(E) MOVEMENT OF TEMPORARY DIFFERENCES RECOGNISED DURING THE YEAR ENDED 30 JUNE 2016:

Other financial assets	(9,000)		9,000	-	-
Exploration and evaluations expenditure	(1,893,738)	(222,779)	-	-	(2,116,517)
Tax loss carry-forwards	1,902,738	222,779	(9,000)	-	2,116,517
	-	-	-	-	-

10. LOSS PER SHARE

	30 JUNE 2017 $	30 JUNE 2016 $
(a) Basic and dilutive loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date.	(0.28) cents	(0.91) cents
Options disclosed in Note 17(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	190,148,769	114,287,334

11. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	838,027	1,892,094

The Group's exposure to interest rate risk and sensitivity analysis for Financial assets and financial liabilities are disclosed in Note 25.

12. TRADE AND OTHER RECEIVABLES

CURRENT		
GST receivable	20,658	18,183
Security deposit	46,808	39,308
Other receivables	267,695	18
	335,161	57,509

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 25.

13. OTHER FINANCIAL ASSETS

	30 JUNE 2017 $	30 JUNE 2016 $
CURRENT		
Advanced contributions from Farm-in partner (note 22)	359,954	535,433
NON - CURRENT		
Investments in other entities		
Listed shares	86,250	97,500

The Group's exposure to equity price risk and sensitivity analysis in disclosed in Note 25.

14. PLANT AND EQUIPMENT

	30 JUNE 2017 $	30 JUNE 2016 $
Office equipment and fittings at cost	252,906	250,161
Accumulated depreciation	(249,151)	(244,197)
Net book value	3,755	5,964
Reconciliation of office equipment is as follows:		
Opening carrying value	5,964	8,744
Additions	2,746	3,239
Depreciation	(4,955)	(6,019)
Closing carrying value	3,755	5,964

15. EXPLORATION AND EVALUATION EXPENDITURE

	30 JUNE 2017 $	30 JUNE 2016 $
Balance at 1 July	7,055,058	6,312,460
Exploration and evaluation expenditure incurred	2,631,288	1,130,657
Exploration and evaluation assets acquired	63,750	50,000
Exploration and evaluation expenditure impaired	(275,699)	(309,384)
Reimbursement of costs on exploration and evaluation	(96,574)	(128,675)
Balance at 30 June	9,377,823	7,055,058

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).

The Golden Peaks Project was a joint venture with Perilya Limited whereby Hammer could earn up to a 60% interest in EPM 15810. The farm-in agreement expired in April 2017 and Hammer retains no interest in the project. Exploration and evaluation expenditure in relation to this project was expensed to profit and loss and included in the exploration and evaluation expenditure impaired amount above.

The Company acquired 4 tenements on 27 March 2017, the consideration paid was 1,250,000 shares issued on completion. The market value of shares issued on completion was $63,750.

	30 JUNE 2017 $	30 JUNE 2016 $

16. TRADE AND OTHER PAYABLES

Trade creditors and accruals	132,142	155,387

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 25.

17. ISSUED CAPITAL

	30 JUNE 2017 NO.	30 JUNE 2016 NO.	30 JUNE 2017 $	30 JUNE 2016 $
(A) SHARE CAPITAL				
ORDINARY SHARES				
On issue at 1 July	153,434,961	101,825,411	39,800,503	37,277,606
Shares issued for cash at $0.07 per share	32,250,002	-	2,258,658	-
Conversion of convertible note to ordinary shares	11,374,711	-	614,153	-
Shares issued for acquisition of asset at $0.051 per share	1,250,000	-	63,750	-
Shares issued for cash at $0.06 per share	-	5,843,334	-	350,600
Shares issued for cash at $0.05 per share	-	1,600,000	-	80,000
Shares issued in lieu of convertible note interest at $0.06 per share	-	543,141	-	32,588
Shares issued for cash at $0.04 per share	-	24,200,000	-	968,000
Shares issued for acquisition of asset at $0.04 per share	-	500,000	-	20,000
Shares issued for cash at $0.065 per share	-	18,923,075	-	1,230,000
Share issue costs	-	-	(81,954)	(158,291)
On issue at 30 June – fully paid	198,309,674	153,434,961	42,655,110	39,800,503

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 (2016: NIL).

17. ISSUED CAPITAL (CONT'D)

(B) OPTIONS OUTSTANDING OVER ORDINARY SHARES

	30 JUNE 2017 $	30 JUNE 2016 $
Unlisted options exercisable at $0.10 expiring 30 July 2017	8,338,334	8,338,334
Unlisted options issued for professional services exercisable at $0.10 expiring 6 August 2017	500,000	500,000
Unlisted Options issued for professional services exercisable at $0.20 expiring 11 September 2017	1,000,000	1,000,000
Director unlisted options exercisable at $0.135 expiring 30 November 2017	6,000,000	6,000,000
Consultant and contractor unlisted options exercisable at $0.135 expiring 30 November 2017	1,100,000	1,100,000
Consultant and contractor unlisted options exercisable at $0.10 expiring 30 November 2017	1,000,000	1,000,000
Unlisted options exercisable at $0.15 expiring 6 February 2018	3,811,953	3,811,953
Consultant and contractor unlisted options exercisable at $0.075 expiring 29 June 2019	5,000,000	5,000,000
Directors and employee unlisted options exercisable at $0.06 expiring 30 June 2020	12,800,000	12,800,000
Unlisted Options issued for acquisition of assets and related services exercisable at $0.20 expiring 30 June 2017	-	12,300,000
Director unlisted options exercisable at $0.20 expiring 30 June 2017	-	2,000,000
Employee unlisted options exercisable at $0.20 expiring 26 May 2017	-	1,000,000
Unlisted Options issued for professional services exercisable at $0.30 expiring 11 September 2016	-	300,000
	39,550,287	55,150,287

All options were granted for no cash consideration.

No unlisted options were granted to directors or employees/contractors during the year. (2016: 19,300,000).

No unlisted options were exercised during the period.

15,600,000 unlisted options expired during the period.

Options carry no voting rights until converted to fully paid ordinary shares.

	30 JUNE 2017 $	30 JUNE 2016 $

18. RESERVES

Share based payment reserve [1]		
Balance at beginning of period	2,508,368	1,776,945
Options issued to Directors and executives	-	521,055
Options issued to Employees and contractors	-	159,885
Options issued for professional services	-	50,483
Adjustment to valuation of options issued due to vesting conditions not met	30,000	-
Employee share options lapsed / forfeited	(1,326,991)	-
	1,211,377	2,508,368
Fair value reserve[2]		
Balance at beginning of period	30,000	30,000
Net increase/(decrease) in the market value of listed shares available for sale	(11,250)	-
	18,750	30,000
Convertible note reserve[3]		
Balance at beginning of period	614,153	-
Issue of convertible note	-	650,000
Conversion to equity	(614,153)	(35,847)
	-	614,153
	1,230,127	3,152,521

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

[2] The fair value reserve is used to record changes in the fair value of available for sale investments until the investments are derecognised or impaired.

[3] The convertible note reserve is used to record the face value of convertible notes issued that are accounted for as equity instruments. On 7 September 2016, the Company issued shares for the conversion of the convertible note and related charges.

19. COMMITMENTS

A) OPERATING LEASE COMMITMENTS

The operating lease over the Company's head office is currently on a month to month basis. There are no other operating leases.

B) 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		THE COMPANY	
	30 JUNE 2017 NO.	30 JUNE 2016 NO.	30 JUNE 2017 $	30 JUNE 2016 $
Minimum exploration expenditure not later than 1 year	2,163,643	913,821	-	-

20. SHARE BASED PAYMENTS

INCENTIVE OPTION PLAN

The Hammer Metals Incentive Option Plan was approved by shareholders on 10 June 2016. The key features of this plan are:

a) The plan will be available to directors, employees and other permitted persons of the Company and its subsidiaries.

b) Options are granted for no consideration.

c) The options are issued at an exercise price as determined by the Board from time to time.

d) The number of shares the subject of options issued under this plan and other similar plans will not exceed 5% of the Company's issued capital from time to time.

e) If a holder ceases to be an eligible participant of the plan during the exercise period of a vested option, the holder may exercise the options within 30 days of ceasing to be an eligible participant and thereafter the options will lapse.

f) The options issued under this plan shall not be quoted on ASX.

g) The options' terms are at the discretion of the Directors.

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 share options on issue is as follows:

	NO OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at 1 July	55,150,287	$0.13
Granted during the period	-	-
Expired / lapsed or exercised during the period	(15,600,000)	($0.20)
Outstanding at 30 June	39,550,287	$0.10
Exercisable at 30 June	34,550,287	

The options outstanding at year end have exercise prices ranging from $0.06 to $0.20 an weighted average remaining contractual life of 17 months.

21. 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 R Davis (Chairman)

Mr A Hewlett

Non-executive Directors

Mr N El Sayed

Mr S Bodensteiner

Executives

Mr M Pitts (Company Secretary)

	30 JUNE 2017 $	30 JUNE 2016 $
Short-term employee benefits	410,000	371,564
Post-employment benefits	5,700	5,253
Share- based payments	-	539,278
	415,700	916,095

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	
KEY MANAGEMENT PERSON	**TRANSACTION**	**30 JUNE 2017 NO.**	**30 JUNE 2016 NO.**	**30 JUNE 2017 $**	**30 JUNE 2016 $**
Mark Pitts	Accounting services	33,261	47,032	3,657	7,315

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

Convertible Note

On 26 July 2015, the Company entered into a two-year convertible note for $650,000 from one of its largest shareholder Deutsche Rohstoff A.G. The term of the convertible note was 24 months with interest accruing at 10% per annum. The conversion price was set at 6 cents and convertible by either party at any time during the term subject to the share price being above 6 cents and subject to a minimum of 12 months interest being paid.

On 7 September 2016, the Company issued 11,374,711 shares for the conversion of the convertible note of $650,000 and settlement of the related interest.

Equity instruments

All options refer to options over ordinary shares of Hammer Metals Limited, which are exercisable on a one for one basis.

No options were issued to directors in this financial year (2016: 9,000,000)

No options were issued to executives in regard to their employment or provision of services during this financial year (2016: 500,000).

No shares were granted to key management personnel during the year as compensation (2016: Nil).

Other related party disclosure

The Company has a related party relationship with its controlled entities.

Transactions between the Company and its controlled entities consisted of:

a) Loans advanced by Hammer Metals Limited. The loans are interest free, unsecured and repayable at call. During the financial year ended 30 June 2016, loans to subsidiaries totalled $8,831,482 (2016: $6,864,666). These loans have been impaired by $3,013,273 at 30 June 2017 (2016: $2,335,736).

b) Expenses incurred by Hammer Metals Limited are on-charged to controlled entities at cost.

c) Administrative services are provided at no cost to the controlled entities.

22. INTEREST IN OTHER ENTITIES

NAME	COUNTRY OF INCORPORATION	PERCENTAGE HELD 2017	PERCENTAGE HELD 2016
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%
Element Minerals Australia 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.

22. INTEREST IN OTHER ENTITIES (CONT'D)

Joint arrangements

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

Dronfield

The Group has a farm-in agreement in relation to one tenement held in the Mt. Isa region. The Group can earn in up to an 80% interest in the project. The Group interest in the above arrangement includes capitalised exploration phase expenditure totalling $187,376 at 30 June 2017 and is included in exploration and evaluation assets (note 15).

Mt Isa – Newmont

The Group has a farm-out agreement with Newmont Exploration Pty Ltd (Newmont) in relation to three of the Group's IOCG prospects; Overlander, Even Steven and Dronfield; covering approximately 250km^2 of the Groups Mt. Isa Project and encompasses sub-blocks of 4 tenements in which the Group has an interest. Newmont can earn up to 75% of the Group's interest in the area by spending US$10,500,000 as follows:

- US$75,000 reimbursed to the Group on commencement for project consolidation costs
- Newmont can earn 35% interest in the Farm-in area by spending a total of US$1,450,000 within two years of commencement date (Stage 1) including a minimum of US$500,000 expenditure within 9 months before it can withdraw
- Newmont can then elect to earn up to a 65% interest by spending an additional US$3,050,000 within two years of earning the 35% interest (Stage 2)
- If the Group does not elect to contribute to further expenditure at this point Newmont can elect to earn up to a 75% interest by funding additional expenditure of US$6,000,000 or by completing a pre-feasibility study (Stage 3).

At the Group's option Newmont can earn up to an 80% interest by financing Hammer's share of future expenditure until production commences (Stage 4).

Hammer will manage the exploration for the Farm-in / Joint Venture until Newmont has completed Stage 2 expenditure and has earned a 65% interest.

The Group receives advanced cash calls from its farm-in/joint venture partner which is classified as a current asset. A corresponding current liability is recognised as it is the Manager of exploration activities and is required to spend amounts advanced on behalf of Newmont.

Newmont has met the expenditure required to enter into Stage 1 (35% earn-in) with the compilation reports in progress to be completed before the earn-in phase is completed.

Mt Frosty – Mt Isa Mines (Glencore)

Subsequent to the year end, as announced on 18th August 2017, 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 will contribute 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 will act as the initial manager of the joint venture.

23. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	30 JUNE 2017 $	30 JUNE 2016 $
Loss for the year	(528,328)	(1,045,360)
Adjustments for:		
Depreciation	4,955	6,019
Share based payments	-	696,923
Exploration expenditure written off	275,699	309,384
Assets available for sale impaired	-	45,000
Distribution of exploration development incentive credits	(199,612)	(600,000)
Management fee from farm-in partners	(109,940)	(39,922)
Proceeds from sale of Royalty	(30,000)	-
Add/(less):		
Decrease / (increase) in trade and other receivables	(94,673)	(14,573)
Increase / (decrease) in trade and other payables	(120,021)	41,480
Net cash used in operating activities	(801,920)	(601,049)

24. SEGMENT INFORMATION

The Group has one reportable segment being Copper-Gold exploration, other segments were inactive during the current and prior year.

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.

FOR THE YEAR ENDED 30 JUNE 2017	COPPER - GOLD $	TOTAL SEGMENTS $
External revenues	139,940	139,940
Reportable segment loss after tax	(135,759)	(135,759)
Reportable segment assets	10,005,472	10,005,472
Capital expenditure (incl. acquisitions)	2,699,429	2,699,429
Reportable segment liabilities	(446,229)	(446,229)
External revenues	39,922	39,922
Reportable segment loss after tax	(269,462)	(269,462)
Reportable segment assets	7,055,058	7,055,058
Capital expenditure (incl. acquisitions)	1,180,657	1,180,657
Reportable segment liabilities	(598,947)	(598,947)

	30 JUNE 2017 $	30 JUNE 2016 $

24. SEGMENT INFORMATION(CONT'D)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	30 JUNE 2017 $	30 JUNE 2016 $
OTHER INCOME		
Total other income for reportable segments	139,940	39,922
Other income	-	-
Consolidated other income	139,940	39,922
LOSS AFTER TAX		
Total loss for reportable segments	(135,759)	(269,462)
Unallocated amounts: corporate expenses	(392,569)	(775,898)
Consolidated loss after tax	(528,328)	(1,045,360)
ASSETS		
Total assets for reportable segments	10,005,472	7,055,058
Other assets	995,498	2,588,500
Consolidated total assets	11,000,970	9,643,558
LIABILITIES		
Total liabilities for reportable segments	446,229	598,947
Other liabilities	45,867	67,001
Consolidated total liabilities	492,096	665,948
CAPITAL EXPENDITURE		
Total capital expenditure for reportable segments	2,635,679	1,180,657
Other capital expenditure	2,745	3,239
Consolidated total capital expenditure	2,638,424	1,183,896

25. FINANCIAL INSTRUMENTS DISCLOSURES

Overview

The Company and Group have 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 are incurred.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any other counterparty to fail to meet its obligations. No allowance for impairment has been made.

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:

		CARRYING AMOUNT	
CONSOLIDATED	NOTE	30 JUNE 2017 $	30 JUNE 2016 $
Cash and cash equivalents	11	838,027	1,892,094
Trade and other receivables	12	335,161	57,509
Advanced contributions from Farm-in partner	13	359,954	535,433

Impairment losses

None of the Group's trade and other receivables are past due and impaired (2016: 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	
CONSOLIDATED	30 JUNE 2017 $	30 JUNE 2016 $
Fixed rate instruments		
Cash and cash equivalents	20,480	20,000
Weighted average interest rates	2.18%	2%
Variable rate instruments		
Cash and cash equivalents	817,547	1,872,094
Weighted average interest rates	0.66%	0.92%

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 (2016: 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 2016 was performed on the same basis.

25. FINANCIAL INSTRUMENTS DISCLOSURES (CONT'D)

CONSOLIDATED	LOSS 100BP INCREASE	LOSS 100BP DECREASE	EQUITY 100BP INCREASE	EQUITY 100BP DECREASE
30 JUNE 2017				
Variable rate instruments	4,087	(4,087)	4,087	(4,087)
30 JUNE 2016				
Variable rate instruments	9,360	(9,360)	9,360	(9,360)

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 2017 $	30 JUNE 2016 $
FINANCIAL ASSETS CARRIED AT FAIR VALUE		
Equity securities – listed on ASX at quoted prices	83,250	97,500
FINANCIAL ASSETS CARRIED AT AMORTISED COSTS		
Cash and cash equivalents	838,027	1,892,094
Trade and other receivables	335,161	57,509
Advanced contributions from Farm-in partner	359,954	535,433
FINANCIAL LIABILITIES CARRIED AT AMORTISED COSTS		
Trade and other payables	(132,142)	(155,387)
Advanced cash call	(359,954)	(510,561)

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.

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.

26. PARENT ENTITY DISCLOSURES

	COMPANY	
	30 JUNE 2017 $	30 JUNE 2016 $
FINANCIAL POSITION		
Assets		
Current assets	7,865,208	6,956,913
Non-current assets	3,135,762	3,085,223
Total assets	11,000,970	10,042,136
Liabilities		
Current liabilities	492,096	665,948
Total liabilities	492,096	665,948
Net Assets	10,508,874	9,376,188
Equity		
Issued capital	42,655,110	39,800,503
Accumulated losses	(33,376,363)	(33,576,836)
Reserves	1,230,127	3,152,521
Total equity	10,508,874	9,376,188
FINANCIAL PERFORMANCE		
Loss for the year	(1,126,517)	(1,305,529)
Other comprehensive income	(11,250)	-
Total Comprehensive income	(1,137,767)	(1,305,529)

CONTINGENT LIABILITIES OF THE PARENT ENTITY

There are no contingent liabilities at 30 June 2017 (2016: None)

COMMITMENTS OF THE PARENT ENTITY

For details on commitments, see note 19.

27. EVENTS SUBSEQUENT TO BALANCE DATE

On 18th August 2017, 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).

On 12th September 2017, the Group completed a placement of 35,500,000 shares to sophisticated investors raising $1.2 million. As announced on 6th September, the Company is also undertaking a non-renounceable entitlement offer to raise up to approximately $1.17 million on the bases of 1 share for every 7 shares held at the record date. The offer is due to close on or around the 12th October 2017.

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 Corporatons Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2017 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 2017 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:

A HEWLETT
MANAGING DIRECTOR

Perth

Dated 26th September 2017

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 2017 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 2017
- *Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows* for the 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* (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

The ***Key Audit Matters*** we identified are:

- *Capitalised exploration and evaluation ("E&E") assets; and*
- *Going Concern basis of accounting*

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.

These matters were 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 these matters.

Capitalised exploration and evaluation ("E&E") assets ($9,377,823)	
Refer to Note 15 'Exploration and Evaluation expenditure'	
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 86% of total assets); and • the greater level 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 presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for the Mt Isa, Golden Peaks and Millennium areas where significant capitalised E&E exists. In addition to the assessments above, and given volatile base metal prices/financial position of the Group we paid particular attention to: • 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 and capacity to continue the relevant E&E activities; • The ability of the Group to fund the continuation of activities; and • Results from latest activities regarding the existence or otherwise of economically recoverable reserves/commercially viable quantity of reserves.	Our audit 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 joint venture agreements 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. • We analysed the Group's determination of recoupment through successful development and exploitation of the area by evaluating the Group's documentation of planned future/continuing activities including work programmes and project and corporate budgets.

KPMG

<table>
<tr><th colspan="2">Going concern basis of accounting</th></tr>
<tr><td colspan="2">Refer to Note 2(f) to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Note 2(f).

The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at these judgements does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following:
• The Group's planned levels of operational and exploration expenditures, and the ability of the Group to manage cash outflows within available funding, and
• The Group's ability to raise additional funds from shareholders or other parties and the projected timing thereof. This included source of funds, availability of fund type, feasibility and status/progress of securing those funds.

In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.</td><td>Our procedures included:
• We analysed the cash flow projections by:
  ◦ Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with those used by the Directors, and tested by us, as set out in the capitalised exploration and evaluation key audit matter, their consistency with the Group's intentions, as outlined in Directors minutes, ASX announcements and funding documents, and their comparability to past practices;
  ◦ Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific area we focused on related to the timing and extent of forecast cash inflows from capital raisings and/or funding; and
  ◦ Assessing the planned levels of operating and exploration expenditures for consistency of relationships and trends to the Group's historical results and our understanding of the business, industry and economic conditions of the Group
• We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.</td></tr>
</table>

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.

The Other Information we obtained prior to the date of this Auditor's Report was the *Directors' report*. The *Chairman's Letter to Shareholders, Corporate Strategy, Highlights, Corporate, Exploration, Future Activities, Competent Person's Statement, Annual Mineral Resource Statement, Tenement Schedule and ASX Additional Information are* expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will 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. 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 this 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: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Hammer Metals Limited for the year ended 30 June 2017, 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 2017.

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

26 September 2017

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 3 October 2017.

(A) ORDINARY SHAREHOLDERS

TWENTY LARGEST HOLDERS OF ORDINARY SHARES	NUMBER OF SHARES	% HELD
Merrill Lynch (Australia) Nominees Pty Ltd	28,239,300	12.07%
Deutsche Rohstoff AG	22,658,439	9.68%
BNP Paribas Nominees Pty Ltd	22,334,661	9.54%
JP Morgan Nominees Australia Ltd	11,004,244	4.70%
Mr Russell John Davis & Mrs Susan Valerie Davis <The Davis Super Fund a/c>	8,391,667	3.59%
Zenith Pacific Limited	7,000,000	2.99%
Two Tops Pty Ltd	6,035,715	2.58%
Mr Zbigniew Waldemar Lubieniecki	5,871,160	2.51%
HSBC Custody Nominees (Australia) Limited	4,155,513	1.78%
Elefantino Pty Ltd <Talula A/C>	4,150,000	1.77%
Citicorp Nominees Pty Limited	4,128,937	1.76%
Central Mutual (Inv) Pty Ltd <The Central Mutual (Inv) A/C>	3,733,333	1.60%
Jetosea Pty Ltd	3,571,429	1.53%
Samlisa Nominiees Pty Ltd	3,000,000	1.28%
Sauron Capital Pty Ltd <Senator Investment A/C>	2,700,000	1.15%
Bernard Owen Stephens and Erin Josephine Stephens <The Stephens Group S/F A/C>	2,500,000	1.07%
Mr Zbigniew Waldemar Lubieniecki	2,461,540	1.05%
Dr Dianmin Chen	2,050,000	0.88%
Auking Mining Limited	2,000,000	0.85%
Bedel & Sowa Corp Pty Ltd	2,000,000	0.85%
	147,985,938	**63.23%**

SIGNIFICANT SHAREHOLDERS ARE:

SHAREHOLDER	NUMBER OF SHARES
Deutsche Rohstoff AG*	35,158,439
Resource Capital Fund VI L.P*	25,000,000

*includes shares held by related entities.

Each fully paid ordinary share entitles the holder to one vote at general meetings of shareholders and is entitled to dividends when declared.

The total number of shares on issue is 234,059,674

The number of shareholders holding less than a marketable parcel is 328.

There is no current on market buy back.

The Company has 2,000,000 ordinary shares which are subject to voluntary escrow, the escrow period expires on 17 November 2017.

DISTRIBUTION OF ORDINARY SHAREHOLDERS

CATEGORY OF SHAREHOLDING	NUMBER OF SHAREHOLDERS
1 – 1,000	119
1,001 – 5,000	82
5,001 – 10,000	84
10,001 – 100,000	275
100,001 and over	187
Total	**747**

(B) OPTIONS HOLDERS OF LISTED OPTIONS

There are currently no listed options on issue.

(C) UNQUOTED SECURITIES

The Company has the following unquoted securities on issue.

CATEGORY OF SECURITY	NUMBER	NUMBER OF HOLDERS
Options expiring 30 November 2017 exercisable at $0.135	7,100,000	7
Options expiring 6 February 2018 exercisable at $0.15	3,811,953	2
Options expiring 30 November 2017 exercisable at $0.10	1,000,000	1
Options expiring 30 June 2020 exercisable at $0.06	12,800,000	10
Options expiring 29 June 2019 exercisable at $0.075	5,000,000	1

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