HAMMER METALS LTD.

ANNUAL REPORT 2018

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 (resigned on 1 October 2018)
Ziggy Lubieniecki	Non-executive Director (appointed on 1 October 2018)
Simon Bodensteiner	Non-executive Director (resigned on 1 October 2018)
Nader El Sayed	Non-executive Director

COMPANY SECRETARY

Mark Pitts

PRINCIPAL AND REGISTERED OFFICE

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HMX

CORPORATE GOVERNANCE

The Company's corporate governance statement can be found at the following URL:
http://www.hammermetals.com.au/company-profile/corporate-governance/

CONTENTS

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

The team at Hammer Metals has continued to work diligently towards its goal of making a transformational new copper-gold discovery in the North West Queensland mineral province.

Early-stage exploration produced exciting results with the discovery of the Perentie copper-gold prospect in July 2018. It is expected that first pass RC drilling will be completed at Perentie before the end of 2018. Exploration within the Mount Philp IOCG prospect commenced in earnest and has quickly produced promising geochemical results at several locations. Both Perentie and Mount Philp display potential for large copper-gold deposits and will be a priority in 2019.

Drilling programs at the advanced Jubilee copper-gold project in joint venture with Glencore and the Millennium cobalt-copper project in joint venture with Global Energy Metals Corporation both produced some outstanding high-grade intersections and initial metallurgical sulphide flotation test work has commenced for both deposits. It is anticipated that the first mineral resource estimate for the Jubilee deposit will also be finalised in coming months.

Hammer has continued to acquire prospective ground to consolidate its ground position in the Mount Isa district with areas considered to be of lesser prospectivity relinquished. This has resulted in the area of the tenements held by Hammer remaining stable at around 3000km^2. The Queensland Government has indicated the further development of the North West Minerals Province is a priority and Hammer intends to work collaboratively with the relevant government agencies on programmes designed to progress the region through successful exploration and development.

Newmont withdrew from the Mount Isa Joint Venture with Hammer in June 2018 after the targets were considered not to meet their IOCG target-size criteria. Hammer considers the prospects remain highly prospective and is confident new partners will be secured to expedite exploration.

In September Hammer Metals announced changes to its Board and Management team. The changes are designed to streamline the Company's corporate and exploration operations, reduce costs and maximise the Company's chances of exploration success.

I am very pleased to have Ziggy Lubieniecki join the Board of Hammer Metals as a Non-Executive Director. Ziggy's experience and enthusiasm for creating wealth through exploration discovery is welcomed by myself and the team. Ziggy has a successful exploration career including credit for the discovery of the 6.2 million ounce Gruyere gold deposit and will provide high level exploration direction to the group.

Many thanks to Alex Hewlett and Simon Bodensteiner for their guidance and significant contributions to Hammer over their respective terms as Directors. Alex, as a founding Director of the Company in its present form has been instrumental in building and funding Hammer Metals during this period. Alex will continue to provide business development services in a consulting capacity with the Company.

The current Exploration Manager Mark Whittle will become Hammer's Chief Operations Officer. Mark has effectively guided Hammer's exploration effort in the Mount Isa region for the last 5 years and will now broaden his role to include additional stakeholder-engagement and commercial activities.

In conclusion I look forward to the next period of Hammer's development with anticipation and sharing the Company's potential with the investment community. Hammer has a large and strategic tenement position in the Mount Isa mining district and a hardworking and dedicated exploration team. Your Company has active joint ventures to assist in funding exploration and a range of exciting copper-gold targets including the recent Perentie discovery that will be drilled in coming weeks.

Sincerely

Russell Davis
Executive Chairman

CORPORATE STRATEGY

- Discover a large copper-gold deposit in the globally significant Mount Isa mining district through innovative and focused exploration
- Develop mining hubs centred centred on Hammers' Kalman and Elaine/Jubilee Deposits
- Continue to consolidate and improve the quality of Hammer's strategic tenement position in the region
- Operate safely and effectively
- Deliver financial returns to shareholders

OPERATIONAL HIGHLIGHTS

- A major new discovery of outcropping copper-gold mineralisation was made by Hammer at Perentie. Ground geophysics (SAM) is currently underway as a precursor to drilling before end of 2018.
- Multiple high-grade copper-gold intercepts in RC and diamond drilling at Jubilee. First-pass flotation metallurgical test work and the maiden Mineral Resource Estimate are currently underway.
- Infill diamond drilling program at the 75%-owned Millennium cobalt-copper deposit returns highest grade cobalt intersection to date. Initial metallurgical flotation recovery test work is in progress.
- RC and diamond drilling programs totalling 6600 metres in 59 holes completed at seven projects:
    - a. Jubilee (Cu-Au)
    - b. Millennium (Co-Cu)
    - c. Elaine Dorothy (Cu-Au-REE)
    - d. Pharaoh (Cu-Au)
    - e. Hammertime (Cu-Au)
    - f. Serendipity (Cu-Au)
    - g. Kalman West (Au-Cu-Zn)
- Mt Philp Breccia program targeting large breccia hosted IOCG deposits underway with first pass mapping, rock chip and soil geochemistry completed and multiple anomalous areas now under investigation. 6277 line kilometres of high resolution aeromagnetic and radiometric surveys flown.
- Copper-gold targets generated and ready for drilling at Prince of Wales, Lakeview, Toby (China Wall) and Trafalgar.

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 AS A WHOLE.

During the year Hammer pegged the remaining key sections of the Mount Philp Breccia allowing the company to proceed with a regional scale exploration program over this prospective zone.

Hammer also reached agreement on terms to sell its 75% interest in the Millennium cobalt-copper-gold project to its JV partner (GEMC) - a focussed TSX listed North American cobalt explorer and developer. This will allow Hammer to focus on its copper-gold exploration activities whilst maintaining significant exposure to the project through its proposed 20% shareholding in GEMC.

New joint venture partners are being sought to assist in expediting the exploration activity at Mount Isa following Newmont's withdrawal from the Mount Isa Joint Venture in June 2018.

Exploration credits were distributed to eligible shareholders through the Federal Government's Exploration Development Incentive Scheme ("EDI"). Based on the number of shares on record the EDI credit amounts to 0.067 cents per share.

A placement raising $1.24 million was completed on September 6th, 2017 and a 1 for 7 shareholder entitlement issue raising to $1.17 million on October 27th 2017.

A $0.8 million non-renounceable rights (option) issue and $200,000 share placement was finalised on September 12th, 2018.

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 (QLD)

HAMMER METALS IS ONE OF THE MOST ACTIVE MINERAL EXPLORERS IN THE MOUNT ISA REGION, FOCUSED ON DISCOVERING LARGE COPPER-GOLD DEPOSITS OF THE ERNEST HENRY STYLE AND HAS A RANGE OF PROSPECTIVE TARGETS AT VARIOUS STAGES OF TESTING.

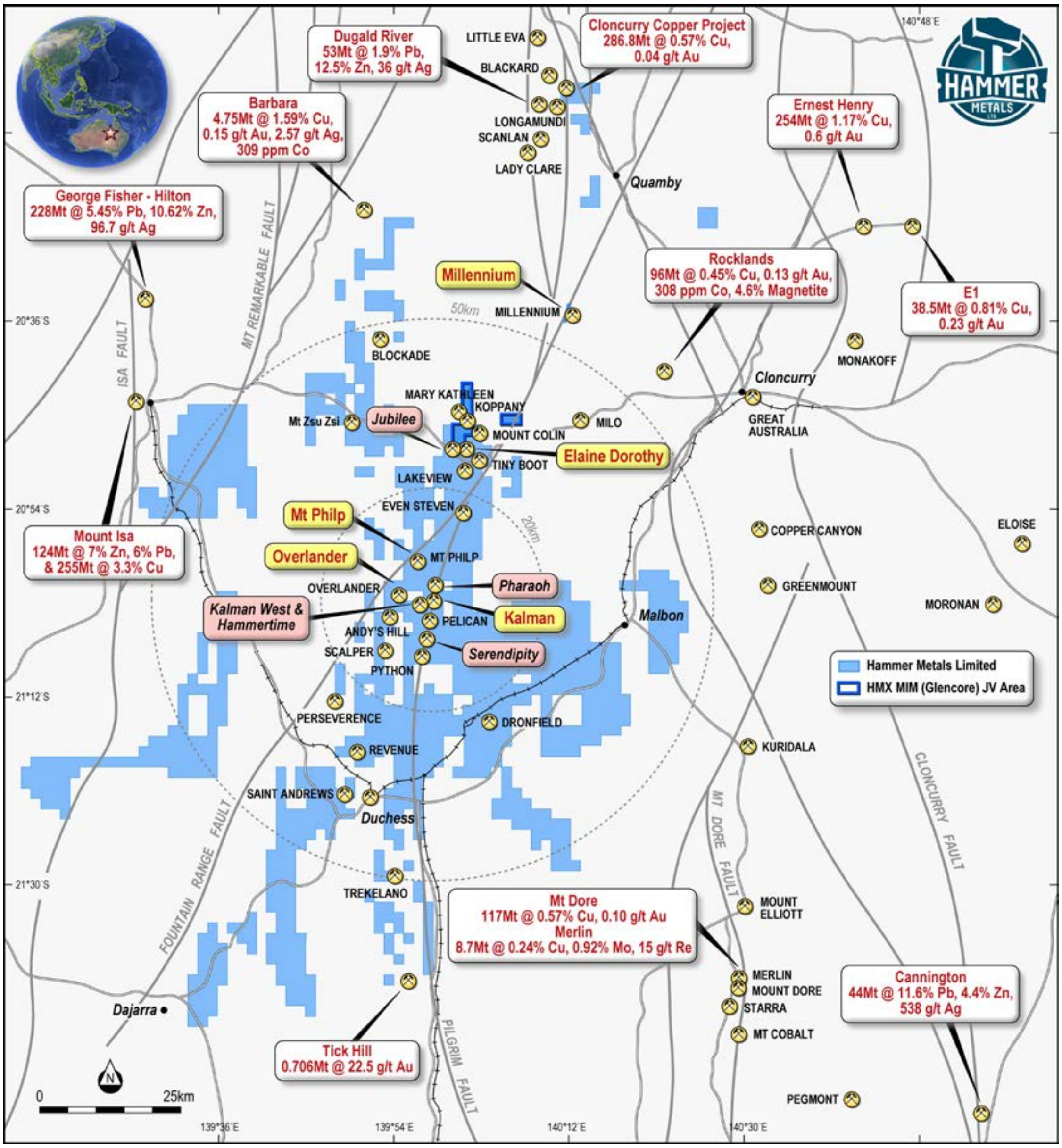
Hammer holds a strategic tenement position covering over 3,000km^2 within the Mount Isa mining district, with 100% interests in the Kalman (Cu-Au-Mo-Re) deposit, the Overlander North and Overlander South (Cu-Co) deposits and the Elaine-Dorothy (Cu-Au) deposit and a 75% interest in the Millennium (Cu-Co-Au) deposit.

The ground position is focused on major regional-scale structural zones and extends for over 100km from Mary Kathleen in the north to the Tick Hill area in the south.

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 continued to add highly prospective tenements to the Hammer portfolio whilst less prospective tenements were relinquished.

Successful drilling at the Jubilee (Cu-Au) deposit (51% interest) during the year will culminate in the estimation of the maiden Mineral Resource estimate for Jubilee in coming weeks.

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

COPPER-GOLD EXPLORATION

MARY KATHLEEN STRUCTURAL ZONE - JUBILEE

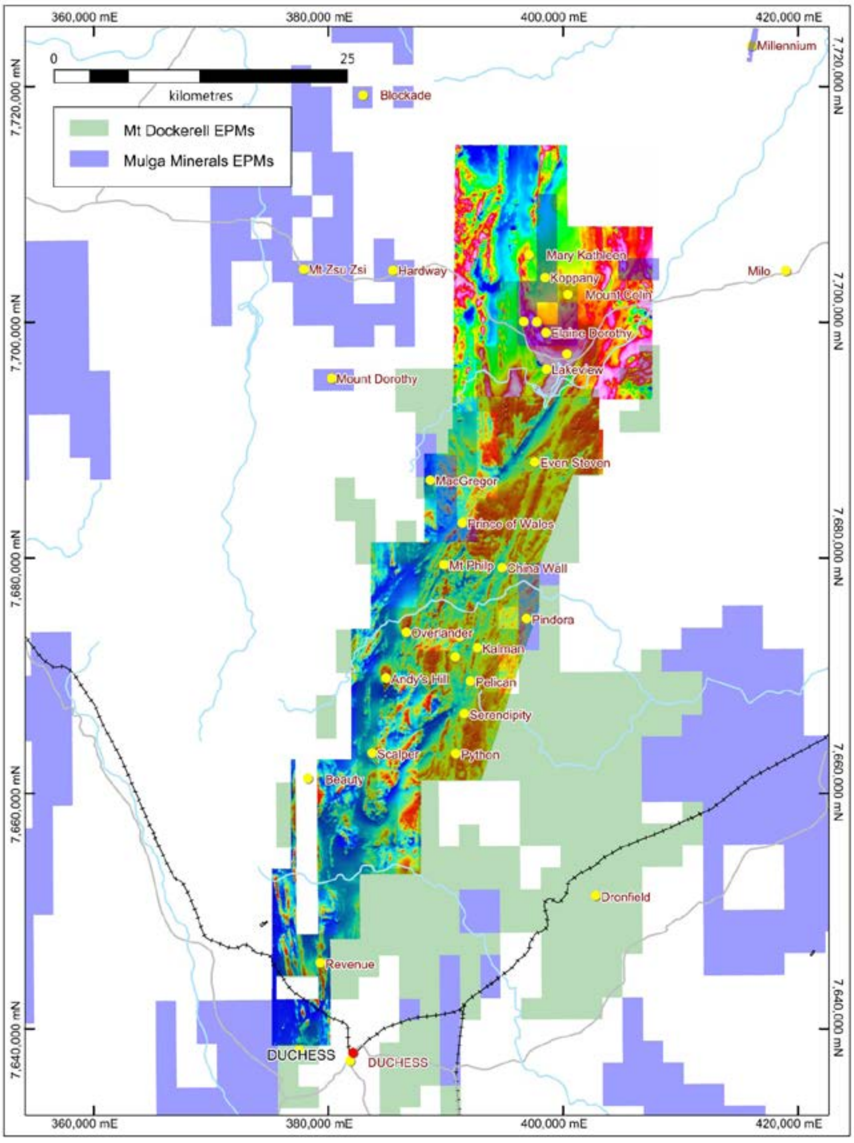
HAMMER HOLDS CONTIGUOUS TENEMENTS THAT SECURE A 15KM LONG SECTION OF THE MARY KATHLEEN STRUCTURAL ZONE AS FAR SOUTH AS THE LAKEVIEW PROSPECT WHERE THE STRUCTURE INTERSECTS THE FOUNTAIN RANGE AND PILGRIM FAULTS.

The Mary Kathleen structural corridor is highly mineralised and hosts several copper-gold, uranium and REE prospects including the Mary Kathleen uranium deposit (closed), Jubilee, Koppany, Chester, Blue Caesar and Elaine Dorothy.

The tenements are 100% owned by Hammer apart from EPM 14467 located adjacent to the Mary Kathleen uranium mine which is in joint venture with Mount Isa Mines Ltd (MIM), a subsidiary of Glencore.

Hammer holds a 51% interest in the tenement and is operator. Each party contributes to approved programs and budgets as per its percentage interest.

In late 2017 the Queensland Geological Survey (GSQ) in conjunction with Geoscience Australia flew a high resolution aeromagnetic and radiometric survey over the entire Mary Kathleen area. The data from this survey (provided at no cost by the GSQ) has been processed in conjunction with the high-resolution surveys flown by Hammer and others over adjacent areas extending 55km to the south to form a significant new dataset covering most of Hammer's tenement holding between the Pilgrim and Fountain Range faults. Interpretation of this outstanding dataset by Hammer's consultants is underway.



Magnetic Image

JUBILEE

THE JUBILEE COPPER-GOLD PROJECT FORMS PART OF THE JOINT VENTURE WITH MIM. RC AND DIAMOND DRILLING AT JUBILEE (26 HOLES FOR 2450 METRES) CONTINUED TO GENERATE STRONG COPPER AND GOLD RESULTS.

Significant intersections include:

- 5m at 7.34% Cu and 3.75g/t Au from 35m in HJRC009 within 8m of 4.72% Cu and 2.37g/t Au from 33m. Peak assays over a one metre interval are 14.9g/t Au and 12.45% Cu.
- 6m at 2.55% Cu and 1.25g/t Au from 60m in HJRC003 with peak values over a one metre interval of 4.46% Cu and 1.81g/t Au.
- 3m at 4.91% Cu and 5.73g/t Au from 26m in HJRC006 within 6m at 2.69% Cu and 2.89g/t Au from 23m. Peak assays of 9.29g/t Au and 9.17% Cu.
- 5.5m at 6.87% Cu and 14.5g/t Au from 74m within 14m at 2.19% Cu and 5.93g/t Au from 66m in HJDD003. Individual maximum assays over a one metre interval of 43g/t Au and 9.03% Cu.
- 4m at 6.27% Cu and 0.70g/t Au from 59m within 14m at 2.0% Cu and 0.28g/t Au from 58m in HJRC020.
- 2m at 4.63% Cu and 0.21g/t Au within 9m at 1.30% Cu and 0.14g/t Au from 51m in HJRC010.
- 5m at 3.36% Cu and 0.81g/t Au within 14m at 1.43% Cu and 0.37g/t Au from 113m in HJRC012.
- 3m at 2.95% Cu and 5.56g/t Au within 16m @ 1.18% Cu and 1.21g/t Au from 141m in HJRC013.
- 2m at 2.61% Cu, 1.13g/t Au and 0.11% Co within 5m at 1.44% Cu, 0.51g/t Au and 607ppm Co from 106m in HJRC023.

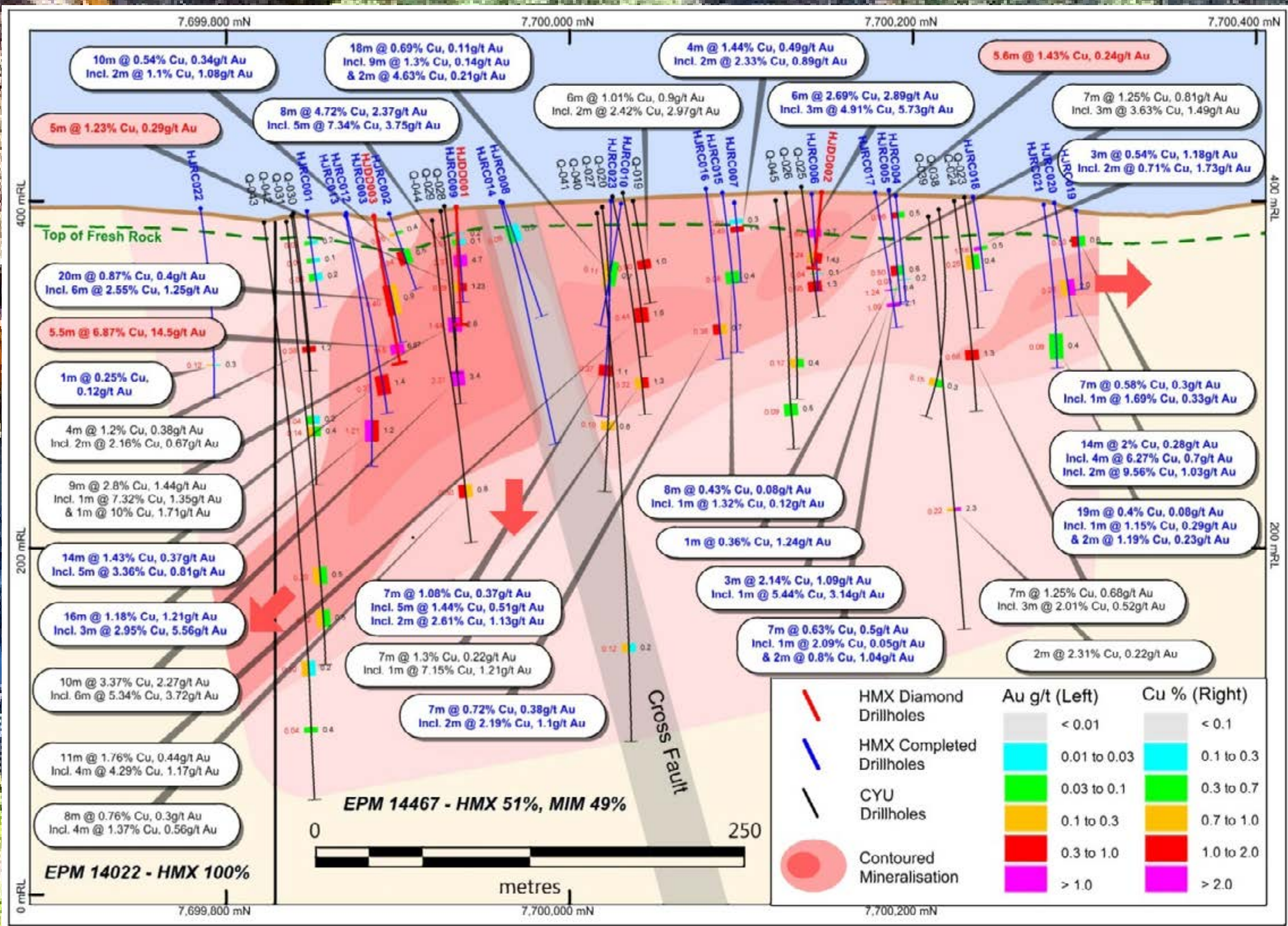
The sulphide mineralisation as defined is relatively close to surface and is therefore potentially amenable to extraction by open pit mining. The project is also well located, close to the sealed Barkly Highway, midway between Mount Isa and Cloncurry.

The diamond drilling was conducted to provide samples for preliminary metallurgical work on the Jubilee sulphide mineralisation. This metallurgical study will determine first pass comminution parameters in addition to copper, gold and cobalt recovery. The work will be conducted by ALS in South Australia and it is expected results will be available in late 2018.

Sufficient drilling has now been undertaken to provide the data for estimation of an initial Mineral Resource for the deposit. Resource estimation is underway and is expected to be completed in late 2018.

Rock chip sampling and mapping has also highlighted a mineralised trend extending between Jubilee and the currently undrilled Lakeview mine (4.5km to the south), enhancing the potential of the Jubilee structural trend for further discoveries.

Jubilee Drilling



Jubilee Long Section

PERENTIE

THE PERENTIE PROJECT IS A NEW COPPER-GOLD DISCOVERY MADE IN AUGUST 2018 BY SURFACE PROSPECTING AND ROCK CHIP SAMPLING. THE PROJECT INCORPORATES AN AREA OF APPROXIMATELY 50KM^2 CENTRED ON THE NORTH-WESTERN CORNER OF THE HIGHLY MAGNETIC WIMBERU GRANITE, A WILLIAMS-AGED GRANITE THAT IS CONSIDERED TO BE ASSOCIATED WITH THE DEVELOPMENT OF IRON OXIDE COPPER-GOLD (IOCG) MINERALISATION WITHIN THE MOUNT ISA INLIER.

Perentie forms part of the Dronfield Joint Venture on EPM 18084 between Hammer Metals (80%) and Kabiri Pty Ltd (20%). Previous exploration by Hammer in this area has focussed on strong magnetic and gravity features along the northern margin of the granite.

Recent grassroots prospecting and rock chip sampling has identified multiple mineralised trends with multi-kilometre strike lengths. These trends are located within zones of demagnetisation of the granite. The demagnetisation is caused by alteration of magnetite to hematite and is often accompanied by quartz-carbonate veining, brecciation and red-rock alteration.

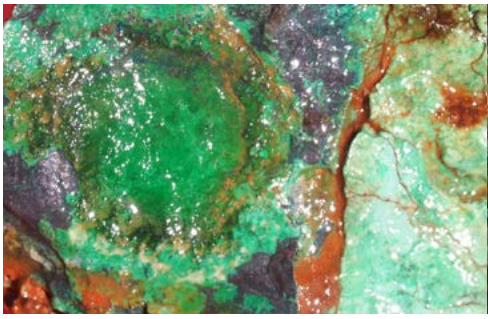
Three of these prospects Judith, Paddy B and Susan are located along one of these north-south structures where they intersect north-westerly faults. A parallel structure, termed the Rainbow Ridge – Trackside trend has now been defined over a 5km strike length.

Michael Burnett holding an example of Judith mineralisation

Multiple samples with strongly anomalous copper and gold with individual maximum grades of up to 31% Cu, 19g/t Au and 240g/t Ag are reported.

Surface geophysics and drilling will commence shortly on the higher ranked targets at Judith, Paddy B and Trackside.

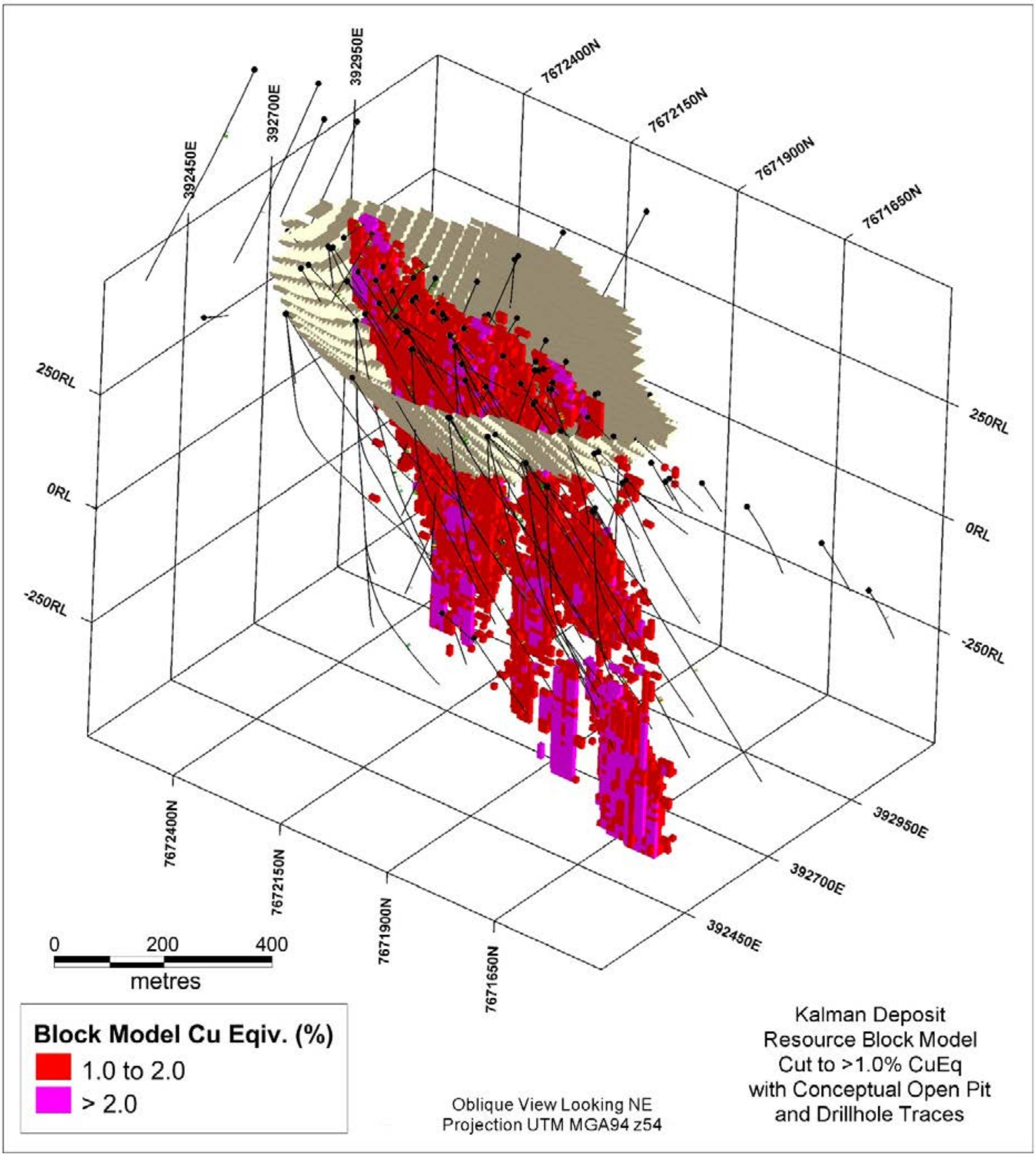
A range of other similar demagnetised zones are concealed under thin cover and are still to be evaluated.



KALMAN

NO WORK WAS UNDERTAKEN ON THE KALMAN DEPOSIT DURING THE YEAR. KALMAN 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) (refer ASX release 27 September 2016). The deposit remains open down plunge and at 0.14% Mo is one of the highest grade molybdenum resources in the world.



Kalman Deposit Block Model (CuEq)

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.

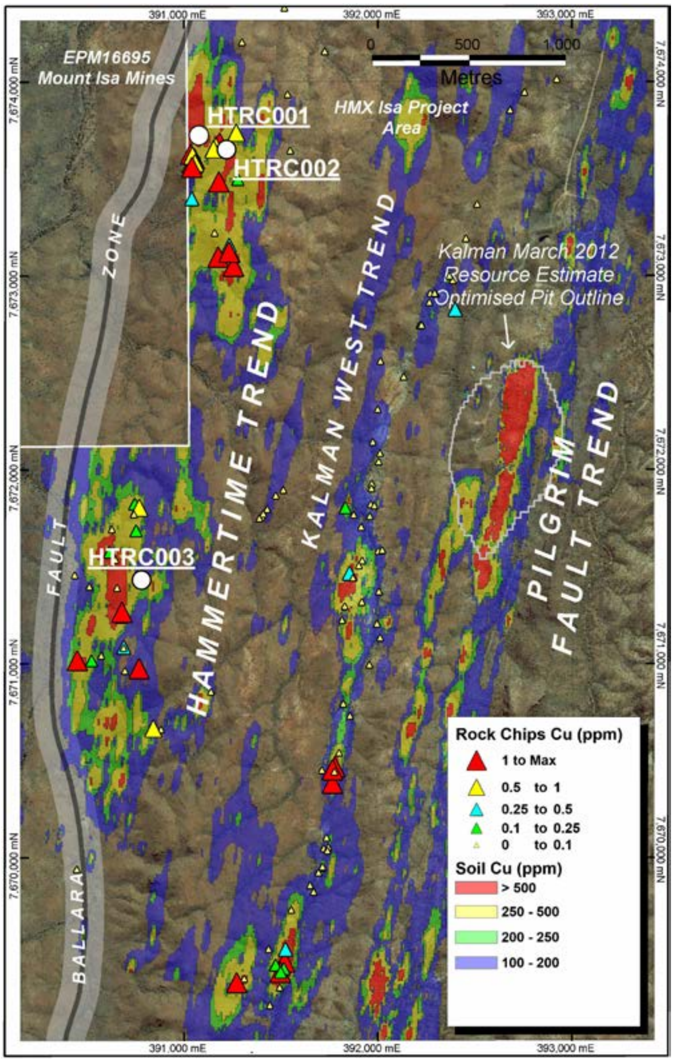
Both structures (as does the Kalman structure) show extensive base metal and gold soil and rock chip anomalism and mineral occurrences along their length. The Ballara Fault which forms the footwall to the Hammertime mineralized zone dips moderately to shallowly east towards the Pilgrim Fault whilst the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

An additional 6 RC holes were drilled at Kalman West to follow up the new gold zone located in 2017 which returned gold results including 1m at 36.9g/t Au and 1m at 3.93g/t Au. (Refer ASX release 28 August 2017).

The drilling intercepted several narrow intervals of elevated gold mineralisation including 1m at 3.47g/t Au from 4m in HKWRC007 and 1m at 2.78g/t Au from 76m in HKWRC006. Detailed surface mapping is underway to identify the orientation of the mineralised zone.

Two RC holes for 604m were drilled at Hammertime in areas showing stronger brecciation and copper-gold mineralisation at surface. Assay results were consistent with the previous drilling, intercepting wide zones of low grade copper and gold mineralisation in strongly altered and brecciated rocks.

The Hammertime prospect remains of interest due to the structural architecture and the size of the altered and mineralised zone (4km x 1km). Additional electrical geophysics (IP) is required to delineate targets for further drilling.



Hammertime Prospect

RC Drilling at Kalman West

MOUNT PHILP BRECCIA

THE MOUNT PHILP BRECCIA PROJECT COVERS A STRONGLY ALTERED AND BRECCIATED SEQUENCE OF ROCKS COVERING AN AREA APPROXIMATELY 7KM LONG AND 3KM 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. THE MT PHILP BRECCIA IS ONE OF THE LARGEST AREAS OF BRECCIA IN THE INLIER.

Hammer recently consolidated its tenure position over the breccia with the prime exploration objective being 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.

Hammer's 100%-owned Mt Philp haematite deposit is immediately adjacent to the breccia and is considered 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.

During the year an experienced consultant geologically mapped the breccia body and its immediate surrounds between the Fountain Range Fault and the Pilgrim Fault. The mapping highlighted several areas of strong alteration and brecciation with hallmarks of IOCG alteration. Additionally, zones of mylonite and strong silicification were found which are considered to have potential for Tick Hill style gold mineralisation.

Age dating of alteration zones and intrusive rocks from the Mt Philp Breccia by a Hammer commissioned consultant indicates rock ages consistent with rocks associated with the mineralising events and IOCG deposits in the Cloncurry belt 60km to the east. This is considered to further enhance the potential of Hammer's tenement position.

A high resolution aeromagnetic and radiometric survey was flown by Hammer over the area as well as soil geochemical sampling on a nominal 200 x 200 metre staggered pattern. The soil samples were analysed using a portable pXRF and will subsequently be submitted for multi-element analysis including gold. Rock chip sampling to follow up anomalies is in progress.

OVERLANDER / DRONFIELD / EVEN STEVEN

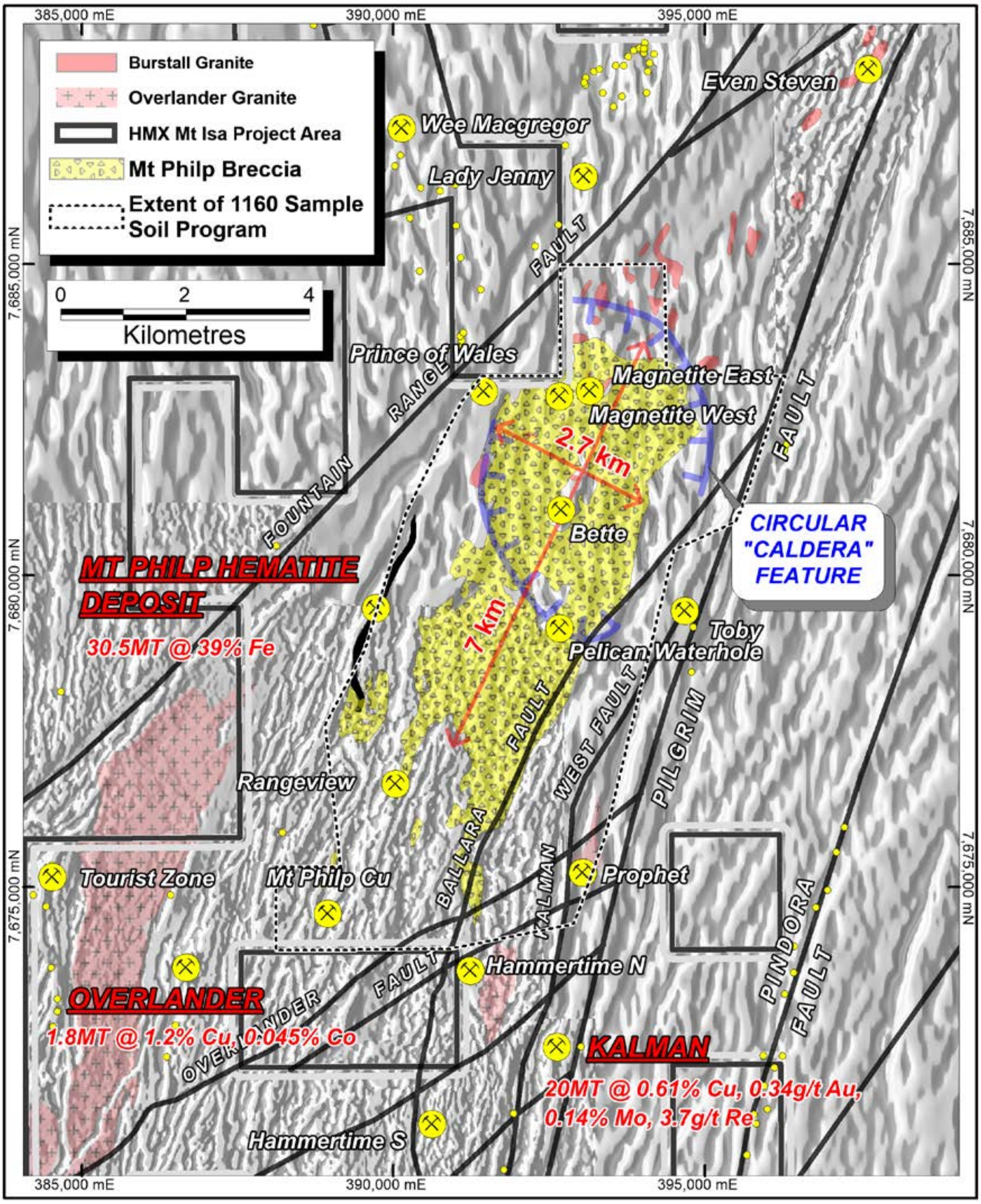
A NEGOTIATED CONCLUSION TO THE JOINT VENTURE WITH NEWMONT EXPLORATION AUSTRALIA PTY LTD WAS REACHED MID-YEAR WITH HAMMER RETAINING A 100% INTEREST IN THE THREE FORMER FARM-IN AREAS OF OVERLANDER, EVEN STEVEN AND DRONFIELD. (REFER TO ASX RELEASE DATED JUNE 4TH, 2018.)

The JV was 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. The areas display many characteristics of an IOCG system but ultimately did not meet Newmont's target size criteria.

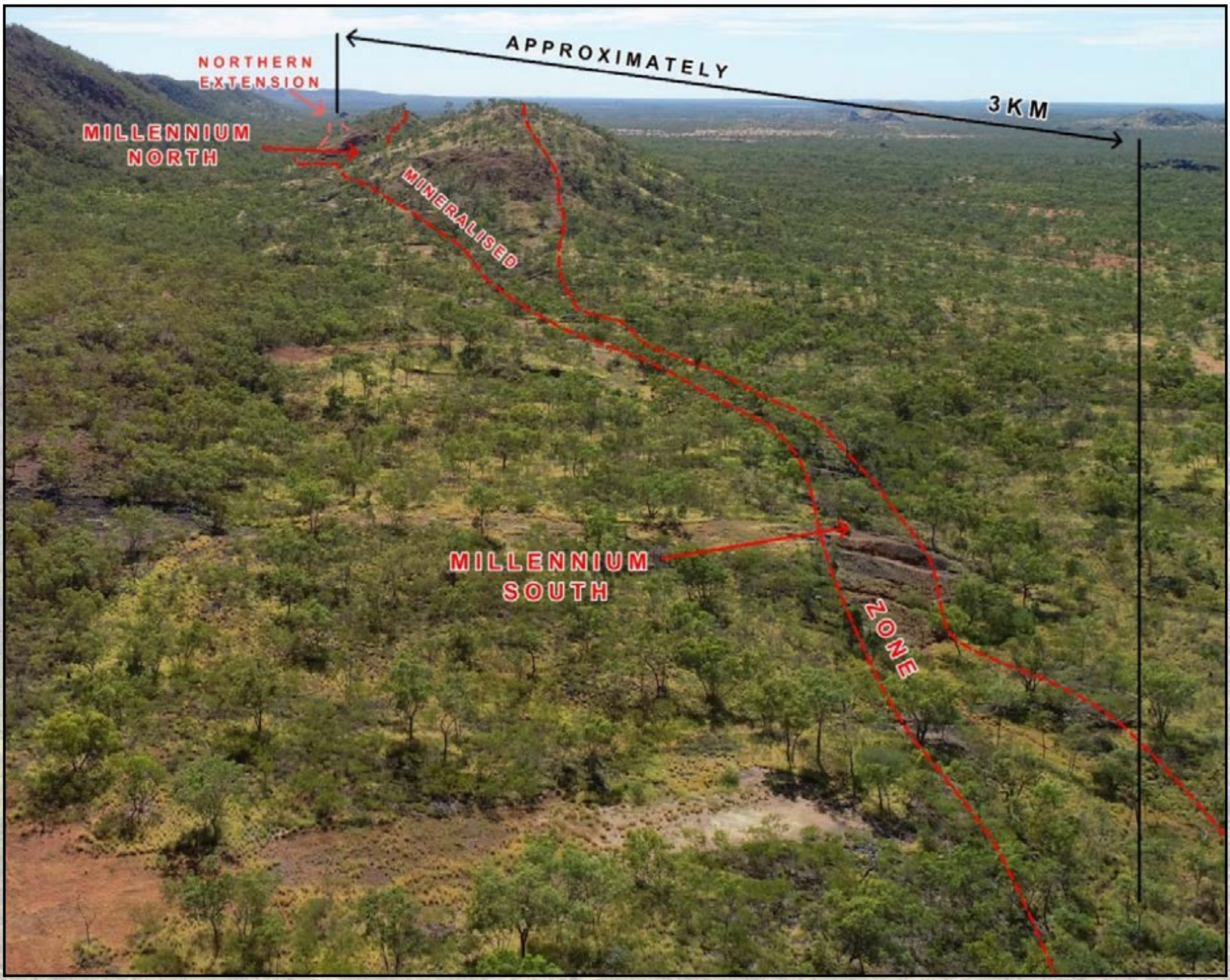
Hammer will continue to progress exploration on specific targets identified during the joint venture period. Amongst these opportunities are the partially tested IOCG potential at Overlander North, the Overlander cobalt potential, the copper-gold potential of the Tourist Zone and several copper-gold targets generated at Even Steven.

ELAINE DOROTHY

Hammer drilled two RC drill holes (for 322m) to target the interpreted near-surface "up-plunge" position of previous significant gold intercepts of 9m at 3.6g/t Au and 30m at 6.73g/t Au. Both RC holes intercepted low grade copper and gold mineralisation but no gold values above 1g/t Au were intercepted. No further work is planned at Elaine Dorothy at this time.



Mt Philp Breccia Zone on Magnetic Image

Oblique Photo of the Millennium Mineralised Zone

Millennium Copper-Cobalt Mineralisation

COBALT EXPLORATION

MILLENNIUM

THE MILLENNIUM COBALT-COPPER-GOLD PROJECT IS CURRENTLY A JOINT VENTURE WITH TSX LISTED GLOBAL ENERGY METALS CORPORATION (GEMC). HAMMER CURRENTLY HOLDS A 75% INTEREST AND OPERATES THE JOINT VENTURE. THE PROJECT COMPRISES FIVE GRANTED MINING LEASES LOCATED ABOUT 30KM NORTHWEST OF CLONCURRY AND LESS THAN 20KM FROM THE ROCKLANDS CU-CO-AU DEPOSIT.

An Inferred Mineral Resource is estimated at 3.07Mt at 0.14% Co, 0.35% Cu and 0.12g/t Au (refer ASX release 6 December 2016). There is considered to be significant potential to increase the size of the deposit at depth and in the untested, geochemically anomalous areas to the north of the deposit.

In June Hammer entered into a binding term sheet for the sale of its 75% interest in the project to GEMC. Consideration for the sale is the issue to Hammer of GEMC ordinary shares whereby Hammer will own a 19.9% interest in TSX-listed GEMC following the acquisition plus board representation. (Refer to ASX Release dated June 27th 2018 for full details of the proposed transaction.)

Under the terms of the Agreement GEMC will purchase the remaining 75% interest in the project along with the cobalt targets at Mt Dorothy and Cobalt Ridge. The sale is contingent on a number of approvals being received and completion of the final sale documentation ("Definitive Agreement").

Given Hammer's technical and jurisdictional expertise, it will remain as operator of the Property until at least the first anniversary of the date of the Definitive Agreement, with such engagement to be reviewed and renewed on an annual basis thereafter. Hammer shall receive an operator's fee of 10% of the expenditures carried out on the Property. Hammer will also have a right to appoint a representative to the GEMC board of directors.

Hammer will also co-operate with GEMC with a view to identifying and acquiring additional cobalt assets in the Mount Isa region.

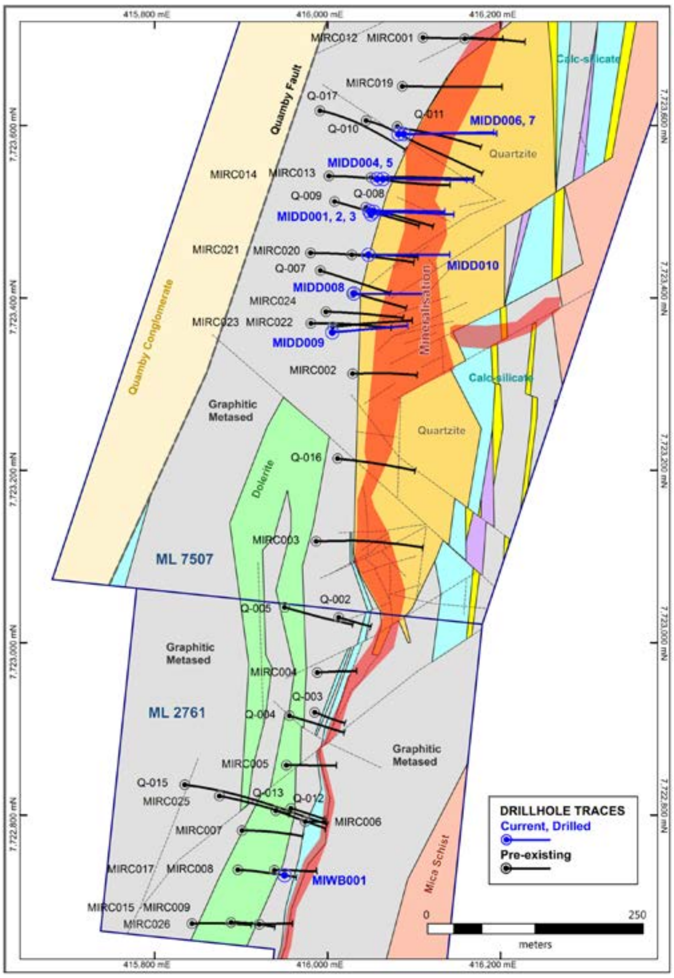
The work program that just concluded at Millennium, continues to highlight the potential for the project to be part of a much larger regional cobalt venture across the Mount Isa region of Northwest Queensland. With the proposed agreement Hammer will have the opportunity to have a significant interest in a focused cobalt explorer and developer, while retaining exposure to longer term value creation that the Millennium and other Mount Isa cobalt projects will offer. The sale to a focused cobalt explorer in GEMC will allow Hammer to concentrate on its other advanced copper-gold exploration programs in the Mount Isa mining district.

A 10-hole, 1141-metre diamond drilling program (MIDD001 – MIDD010) was completed at Millennium during the year.

The drilling program was designed to test the up-dip continuity at the northern end of the Millennium deposit. Drilling results generally agree with the previous deeper drilling with the further delineation of wide zones of cobalt and copper mineralisation.

Detailed logging of the drill core has permitted an enhanced understanding of the nature of the mineralisation and the geology of the deposit. All mineralisation intercepted in the program to date is un-oxidised primary sulphides, indicating a thin zone of oxidation to 10-15 metres depth.

The best cobalt intercept to date at the project was returned from in MIDD010 with 41 metres at 0.18% Co, 0.23% Cu and 0.11g/t Au from 14 metres.



Millennium Drill Hole Locations

Millennium (cont'd)

Significant results from the program include:

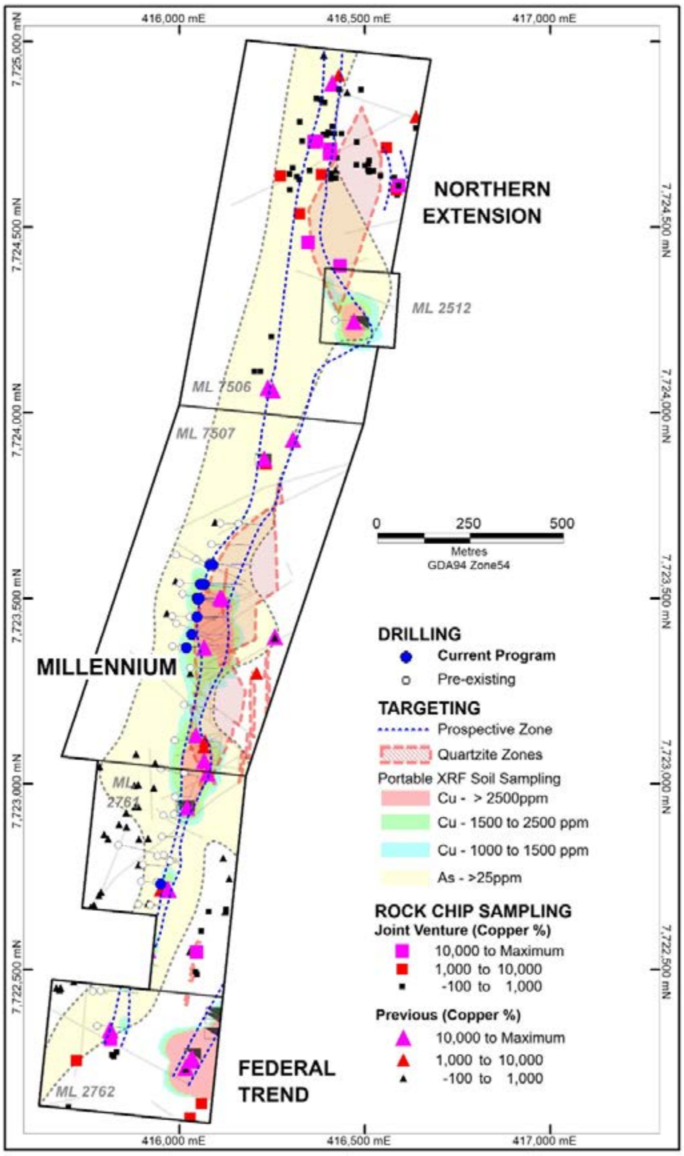
- **15 metres at 0.22% Co, 0.21% Cu and 0.18g/t Au** from 40 metres within a mineralised envelope of 41 metres at 0.18% Co, 0.11g/t Au and 0.23% Cu from 14m in MIDD010. **This zone includes a one metre interval of 1.85% Co (40-41m).**
- **7 metres at 0.11% Co and 0.15% Cu** from 24 metres in MIDD009 and 2 metres at 0.29% Co, 0.67% Cu and 0.24g/t Au from 70 metres in MIDD009.
- **8 metres at 0.12% Co and 0.19% Cu** from 39 metres including 3m @ 0.21% Co from 39 metres in MIDD001.
- **7 metres at 0.15% Co, 0.36% Cu and 0.12g/t Au** from 14 metres and **2 metres at 0.33% Co, 0.57% Cu and 0.11g/t Au** from 19 metres in MIDD003.

The results will now be fully assessed and interpreted followed by planning of any additional drilling required and undertaking preliminary metallurgical studies. Samples have been submitted for first pass metallurgical test work and results are expected shortly.

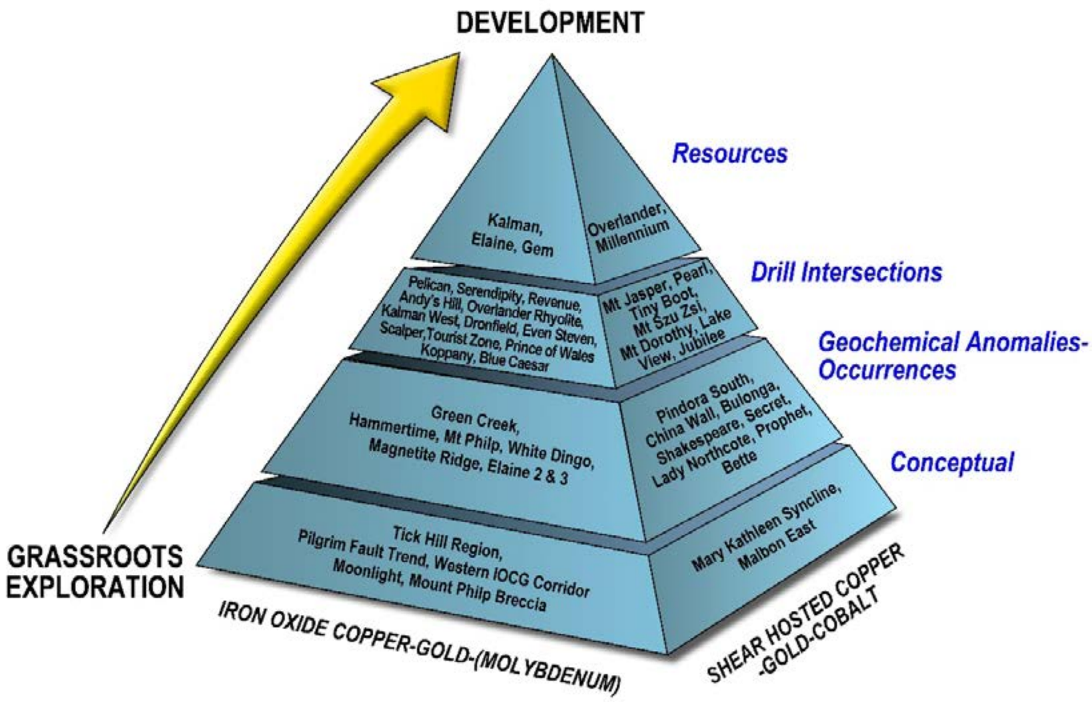
Rock chip sampling was conducted to test for additional zones of cobalt and copper mineralisation along the Millennium trend and the northern strike extension where similar host rock units and strong soil geochemical anomalies are located. This zone is located approximately 1km north of the current Millennium resource as defined.

Features such as, the continuation of elevated soil arsenic and copper geochemistry, presence of anomalous cobalt and copper in rock chip samples and analogous geology between the Millennium resource and the extension zone indicate that this area is a priority target for further investigation.

Peak values in the 71 rock chip samples taken were 0.12% Co, 0.21g/t Au, 42.6g/t Ag, 45.3% Cu, 0.16% Pb and 0.25% Zn. (Refer to ASX release dated June 5th, 2018.)



Millennium Rock Chip and Soil Sample Geochemical Plan



Hammer's Mount Isa Target Pyramid

OTHER COMMODITIES

As previously reported the significant potential of Hammer's tenement holding for several other commodities including iron ore, potash, graphite and rare earth elements has become apparent.

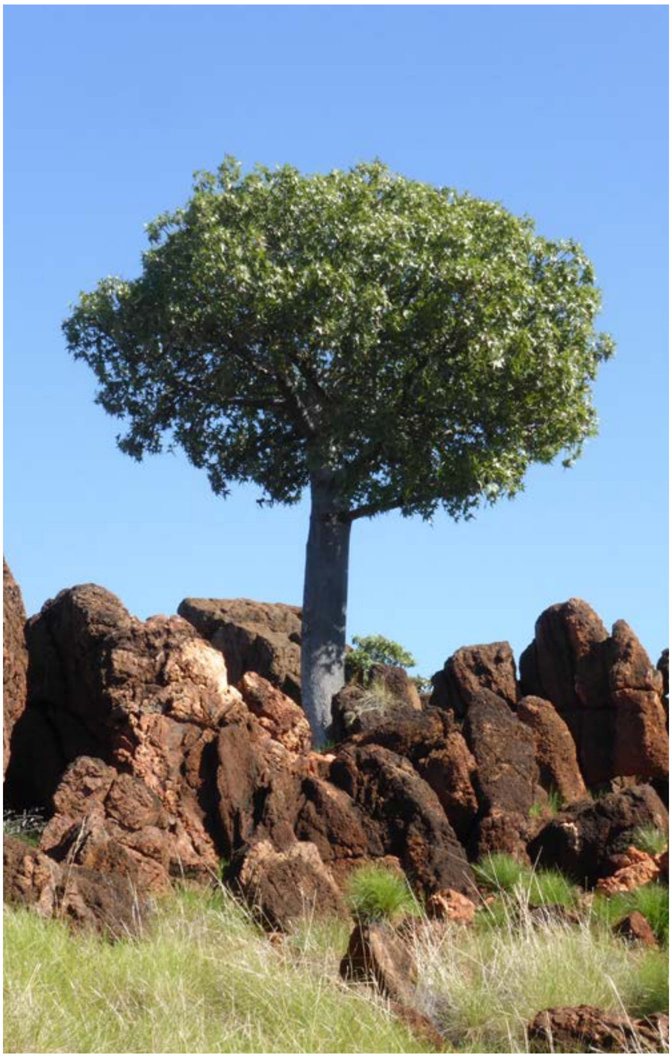
Partners will be sought to assist with advancing these targets.

PILBARA IRON ORE (WA) – HAMMER 100%

The Pilbara iron ore resource is a channel iron deposit situated approximately 100km west of Tom Price. The current Indicated Mineral Resource estimate for the project is 11.5 million tonnes at 53% Fe. The deposit is held under a retention license (E08/1997).

TARGET GENERATION AND TENEMENT ACQUISITION

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.



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.

MINERAL RESOURCE ESTIMATES

Where the Company refers to Mineral Resource Estimates for the following prospects:

- the Kalman deposit (ASX 27 September 2016);
- the Millennium Deposit (ASX 6 December 2016);
- the Pilbara Iron Ore Deposit (ASX 30 October 2014)

it confirms that it is not aware of any new information or data that materially affects the information included in those announcements and all material assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed.

ANNUAL MINERAL RESOURCE STATEMENT

As of 30 June 2018

The Company's Mineral Resource Statement has been compiled in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (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

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

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 20 million tonnes 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).

There has been no material change to the mineral resource estimates for Kalman during the financial year

OVERLANDER NORTH AND SOUTH DEPOSITS JORC 2012 MINERAL RESOURCE ESTIMATES

(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 60 kilometres to the southeast of the mining centre of Mount Isa in North West Queensland and 6 kilometres 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.

There has been no material change to the Overlander resource base during the financial year.

MT. PHILP DEPOSIT JORC 2004 MINERAL RESOURCE ESTIMATE

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, 1,500 kilometres northwest of Brisbane. The Mineral Resource Estimate is based on 48 diamond and reverse circulation (RC) drillholes completed in 2011 for a total of 3,801 metres. Drilling comprises fans located on a nominal 100 metre 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 19.1 million tonnes grading 41.4% iron and 37.9% silica in the Indicated category and 11.4 million tonnes 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

(Reported at 50% Fe cut-off)

Classification	Mining Method	Tonnes	Fe %	P %	SiO2 %	Al2O3 %	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 2010 metres sampled on 1 metre intervals, on east-west sections spaced 100 metres apart. The drill holes are generally spaced 50 metres apart on section and drilled to between 42 and 60 metres 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 11.5 million tonnes at 53.1% Fe, 0.042% P, 7.75% SiO2, 5.57% Al2O3 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

Classification	Tonnes	Cu %	Co %	Au ppm
Inferred	3,070,000	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
- Note: [3] 1.0% CuEq Cut-off (CuEq = Cu % + (Co % x 5.9) + (Au ppm x 0.9) + (Ag ppm x 0.01)

The 100%-owned Millennium polymetallic deposit is situated on granted mining leases approximately 32 kilometres northwest of Cloncurry in North West Queensland and 19 kilometres 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 resource estimate base of this project during the financial year.

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 %	SiO2 %	Al2O3 %	TiO2 %	LOI %
Copper	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						
	Millennium	1% CuEq (2)	3,070		0.4	0.1				1400						
Iron Ore	Mt. Philp		30,510								39	0	42	1.6	0.41	0.3
	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 2018

MT DOCKERELL MINING PTY LTD

Lease	Lease Name	Lease Status	Interest
EPM 18084	Dronfield	Granted	100%
EPM 13870	Pelican	Granted	100%
EPM 14232	Trafalgar	Granted	100%
EPM 15972	Pilgrim South	Granted	100%
EPM 16726	Malbon	Granted	100%
EPM 16987	Devoncourt	Granted	100%
EPM 17762	Trekelano	Granted	100%
EPM 18116	Malbon #2	Granted	100%
EPM 25369	Rats and Mice	Granted	100%
EPM 25425	Big Hope	Granted	100%
EPM 25486	Scalper	Granted	100%
EPM 25523	Ballara Fault	Granted	100%
EPM 25666	Hawk	Granted	100%
EPM 25686	Pilgrim Fault	Granted	100%
EPM 25777	Lake Corella	Granted	100%
EPM 25997	Petrogold	Granted	100%
EPM 26128	Undaunted	Granted	100%
EPM 26172	Brown Eye	Granted	100%
EPM 26306	Duchess North	Granted	100%
EPM 26392	Python	Granted	100%
EPM 26474	Enterprise	Granted	100%
EPM 26511	Sling Shot	Granted	100%
EPM 26628	Argylla	Granted	100%
EPM 26994	Mt Philp	Application	100%
EPM 26809	Rosebud	Application	100%
EPM 26902	Marriage	Application	100%
EPM 26904	Jady Jenny	Application	100%
EPM 27018	Dingo Creek	Application	100%

MULGA MINERALS PTY LTD

Lease	Lease Name	Lease Status	Interest
E08/1997	West Pilbara	Granted	100%
EPM 12205	Cloncurry	Granted	100%
EPM 14019	South Mary K	Granted	100%
EPM 14022	North Mary K	Granted	100%
EPM 14467	Mt Frosty	Granted	51%
EPM 19783	Malbon West #1	Granted	100%
EPM 19784	Malbon West #2	Granted	100%
EPM 25145	Green Creek	Granted	100%
EPM 25866	Malbon	Granted	100%
EPM 25867	Mt Jasper	Granted	100%
EPM 25892	Pearce's Bore	Granted	100%
EPM 26126	Cathay	Granted	100%
EPM 26127	Resolve	Granted	100%
EPM 26130	El Questro	Granted	100%
EPM 26512	Black Angel	Application	100%
EPM 26809	Malbon South	Application	100%

ELEMENT MINERALS AUSTRALIA PTY LTD

Lease	Lease Name	Lease Status	Interest
ML 2512	Rita Margaret	Granted	100%
ML 2761	This Time Maybe	Granted	100%
ML 2762	Federal	Granted	100%
ML 7506	Millennium 1	Granted	100%
ML 7507	Millennium 2	Granted	100%

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE FINANCIAL REPORT OF HAMMER METALS LIMITED ("THE COMPANY", "HAMMER") AND OF THE GROUP, COMPRISING THE COMPANY AND ITS SUBSIDIARIES, FOR THE YEAR ENDED 30 JUNE 2018 AND THE AUDITOR'S REPORT THEREON.

1. DIRECTORS

THE DIRECTORS AT ANY TIME DURING OR SINCE THE END OF THE FINANCIAL YEAR ARE:

RUSSELL DAVIS

EXECUTIVE CHAIRMAN
(APPOINTED 13 JANUARY 2014)

BSc (Honours) MBA MAusIMM, MAICD

Russell Davis is a Geologist with over 30 years' experience in the mineral resources business. He has worked on the exploration and development of a range of commodities for a number of international and Australian companies, holding senior technical and corporate positions including Chief Mine Geologist, Exploration Manager and Managing Director.

Mr Davis was a founding Director of Gold Road Resources Limited and also Syndicated Metals Limited where he was Managing Director from December 2007 to March 2012. Mr Davis has been a Director of Hammer Metals (Australia) Pty Ltd since its inception in 2012.

ALEXANDER HEWLETT

EXECUTIVE DIRECTOR
(APPOINTED 26 JUNE 2013)

BSc MAusIMM

Alexander Hewlett is a Geologist graduating from the University of Western Australia. Mr Hewlett 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). Mr Hewlett was employed as a consultant for a New York resource fund working as an analyst.

Mr Hewlett 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. Mr Hewlett 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).

Mr Hewlett 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. Mr Hewlett is also a director of ASX-listed companies Spectrum Metals Limited and Black Cat Syndicate Limited.

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. Mr El Sayed is currently the Chief Executive Officer of Multiplant Holdings, a mining and civil services business based in Western Australia. Mr El Sayed'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. Mr El Sayed brings a wealth of risk management, corporate governance, strategic and financial experience to the Board. Mr El Sayed is also a director of Spectrum Metals Limited.

SIMON BODENSTEINER

INDEPENDENT NON-EXECUTIVE DIRECTOR (APPOINTED 8 SEPTEMBER 2015)

MSc

Simon Bodensteiner, previously 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. Mr Bodensteiner brings significant bulk and selective mining experience from underground and open pit operations to the Board.

DIRECTORS' REPORT (CONTINUED)

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Name	Company	Period of Directorship
Russell Davis	Gold Road Resources Ltd	May 2004 – June 2016
Alexander Hewlett	Spectrum Rare Earths Limited	March 2017 – to date
	Black Cat Syndicate Limited	January 2018 – to date
Nader El Sayed	Spectrum Rare Earths Limited	October 2017 – to date
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. Mr Pitts is a Partner in the corporate advisory firm Endeavour Corporate providing secretarial support, corporate and compliance advice to a number of ASX listed public companies.

4. DIRECTORS' MEETINGS

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

Director	Meetings held	Meetings attended
Mr R Davis	6	5
Mr A Hewlett	6	6
Mr N El Sayed	6	6
Mr S Bodensteiner	6	5

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 $654,312 (2017: loss $528,328).

CORPORATE:

The following issues of ordinary shares were completed during the year:

- On 17 August 2017 the Company issued 250,000 shares at 4.3 cents per share to acquire tenements;
- On 12 September 2017 the Company completed a private placement of 35,500,000 shares at 3.5 cents per share, raising $1,242,500;
- On 19 October 2017, the Company allotted 8,553,581 shares at 3.5 cents per share, raising $299,375 before costs, as part of the Entitlement Issue;
- On 27 October 2017, the Company issued 24,883,515 shares at 3.5 cents per share, raising $870,923 before costs, representing the shortfall of the Entitlement Issue; and
- On 1 November 2017, the Company issued 1,428,571 shares to consultants in lieu of fees of $50,000, at 3.5 cents per share.

DIRECTORS' REPORT (CONTINUED)

Subsequent to the year end, the Company raised $806,776 (before costs) through a non-renounceable rights issue of 161,355,200 options. The offer was completed on the basis of 3 options for every 5 shares held, and the options were issued for 0.5 cents per option. The options issued under the offer are exercisable at 3 cents per share on or before 30 September 2020.

The following options were granted during the period:

- 2,412,798 options with an exercise price of $0.07 and an expiry date of 31 August 2020 were granted on 11 September 2017
- 1,500,000 options with an exercise price of $0.07 and an expiry date of 30 November 2019 were granted on 1 December 2017

The following options expired during the period:

- 8,338,334 options with an exercise price of $0.10 expired on 30 July 2017
- 500,000 options with an exercise price of $0.10 expired on 6 August 2017
- 1,000,000 options with an exercise price of $0.10 expired on 11 September 2017
- 7,100,000 options with an exercise price of $0.14 expired on 30 November 2017
- 1,000,000 options with an exercise price of $0.10 expired on 30 November 2017
- 3,811,953 options with an exercise price of $0.15 expired on 6 February 2018

No options have expired subsequent to the end of the financial year.

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

EXPLORATION ACTIVITIES:

The Group is focused on discovering large iron oxide copper-gold (IOCG) deposits of the Ernest Henry style (approximately 220 million tonnes at 1.1% Cu and 0.5g/t Au) within its strategic Mount Isa project area in Northwest Queensland.

The Group's tenure covers an area of approximately 3000km^2 in the central part of this world-class mining district.

During the past year programs of geological mapping, geochemical sampling, airborne and ground based geophysical surveys and RC and diamond drilling were undertaken at several prospects.

High grade copper and gold mineralisation was intercepted by several programs of RC and diamond drilling at the Jubilee project in joint venture with MIM Limited (a Glencore subsidiary). In addition, some of the highest-grade cobalt intercepts to date were returned from diamond drilling at the Millennium Cobalt Project in joint venture with TSX listed Global Energy Metals Corporation (GEMC). Drill core samples have now been collected from both projects for metallurgical test work.

In late June 2018 the Company announced the proposed sale of the Millennium project and several other exploration stage cobalt targets to GEMC - a focused cobalt explorer and developer. Hammer will retain exposure to the Millennium and the other projects through a significant shareholding in GEMC.

Active targeting and ground based exploration activities continued during the year on Hammer's 100%-owned tenure with drilling programs at Elaine, Kalman West, Hammertime, Pharaoh North and Serendipity. A new discovery was also made at Perentie within the Dronfield project area. Outcropping high grade copper and gold mineralisation has been located at surface at several localities at Perentie and further field mapping and rock chip sampling programs are currently underway to better define these targets.

In June 2018 it was announced that Hammer and Newmont Exploration Australia Pty Ltd had reached a negotiated conclusion to the Mt Isa Farm-In and Joint Venture Agreement that had commenced in December 2015 over the Overlander, Even Steven and Dronfield IOCG targets. Hammer retained a 100% interest in these highly prospective target areas and is seeking new partners to assist with advancing exploration on these targets and the Mount Isa Project as a whole.

DIRECTORS' REPORT (CONTINUED)

Following a period of successful tenement acquisition and consolidation activities a high resolution magnetic-radiometric survey was completed over the large Mount Philp Breccia IOCG target areas north of Kalman along with reconnaissance soil sampling and geological mapping. This area is one of several areas within Hammer's Mount Isa tenure that is considered to have significant potential for large copper-gold deposits.

Looking forward Hammer will continue to progress the advanced Jubilee copper-gold project as well as the new Perentie and Mount Philp Breccia copper-gold targets.

7. DIVIDENDS

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

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the year end, the Company raised $806,776 (before costs) through a non-renounceable rights issue of 161,355,206 options. The offer was completed on the basis of 3 options for every 5 shares held, and the options were issued for 0.5 cents per option. The options issued under the offer are exercisable at 3 cents per share on or before 30 September 2020. The Company also raised an additional $200,000 through the issue of 6,666,667 shares at $0.03 per share and 4,000,000 free attaching options exercisable at 3 cents per share on or before 30 September 2020. Additionally, 2,305,074 ordinary shares and 236,280 options exercisable at 7 cents on or before 31 August 2020 were issued to the underwriter in lieu of fees.

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	11,000,000	10,600,000
Mr A Hewlett	5,525,476	5,000,000
Mr N El Sayed	19,500	511,700
Mr S Bodensteiner	30,568	518,340

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

11. ENVIRONMENTAL REGULATIONS

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

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT – AUDITED

12.1 PRINCIPLES OF COMPENSATION

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

Consequences of performance on shareholder wealth

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

Service contracts

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.

DIRECTORS' REPORT (CONTINUED)

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.

Share trading policy

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

DIRECTORS' REPORT (CONTINUED)

12.2 Directors' and senior executives' remuneration

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

		Primary			Post-employment	Equity Compensation			
		Salary & fees $	Non-Monetary benefits $	Termination payments $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors									
Executive									
Mr R Davis	2018	150,000	-	-	-	-	150,000	-	-
	2017	150,000	-	-	-	-	150,000	-	-
Mr A Hewlett	2018	150,000	-	-	-	-	150,000	-	-
	2017	150,000	-	-	-	-	150,000	-	-
Non-executive									
Mr N El Sayed	2018	30,000	-	-	2,850	-	32,850	-	-
	2017	30,000	-	-	2,850	-	32,850	-	-
Mr S Bodensteiner	2018	30,000	-	-	2,850	-	32,850	-	-
	2017	30,000	-	-	2,850	-	32,850	-	-
Total, all specified Directors	**2018**	**360,000**	**-**	**-**	**5,700**	**-**	**365,700**	**-**	**-**
	2017	**360,000**	**-**	**-**	**5,700**	**-**	**365,700**	**-**	**-**
Other Key Management Personnel									
Executives									
Mr M Pitts	2018	42,000	-	-	-	1,405	43,405	3.2%	3.2%
(Company Secretary)	2017	50,000	-	-	-	-	50,000	-	-
Total key management personnel and Directors of the Company and Group	**2018**	**402,000**	**-**	**-**	**5,700**	**1,405**	**409,105**	**0.3%**	**0.3%**
	2017	**410,000**	**-**	**-**	**5,700**	**-**	**415,700**	**-**	**-**

DIRECTORS' REPORT (CONTINUED)

12.3 VALUE OF OPTIONS TO EXECUTIVES

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

12.4 OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

150,000 options were issued to the Company Secretary during the year. These options are exercisable at $0.07 on or before 30 November 2019. No options were issued to Directors. 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

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

Year ended 30 June 2018	Number of options granted	Date granted	% Vested	% Forfeited / Lapsed	Financial year in which grant vested
Key Management Person					
Mr M Pitts	150,000	15 December 2017	100%	-	30 June 2018

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

	Options issued to KMP
Underlying security spot price on grant date	$0.034
Exercise price	$0.07
Grant date	15 December 2017
Expiration date	30 November 2019
Life (years)	1.96
Volatility	86%
Risk free rate	1.91%
Dividend Yield	-
Number of options	150,000
Valuation per option	$0.00937
Remaining life (years)	1.42

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 2018	Held at beginning of period	Granted	Purchased	Exercised	Lapsed or Expired	Held at end of period	Vested and exercisable at end of period
Key Management Person							
Mr R Davis	6,625,000	-	-	-	(2,625,000)	4,000,000	4,000,000
Mr A Hewlett	6,166,667	-	-	-	(2,166,667)	4,000,000	4,000,000
Mr N El Sayed	1,500,000	-	-	-	(1,000,000)	500,000	500,000
Mr S Bodensteiner	500,000	-	-	-	-	500,000	500,000
Mr M Pitts	500,000	150,000	-	-	-	650,000	650,000

12.7 EQUITY HOLDINGS AND TRANSACTIONS

No shares were granted to key management personnel during the year as compensation (2017: 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 2018	Held at beginning of period	Purchases	Sales	Held at end of period
Mr R Davis	8,391,667	2,608,333	-	11,000,000
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:

		Transaction value year ended		Balance outstanding as at	
Key management Person	Transaction	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $
Mark Pitts	Accounting services	23,556	33,261	6,488	3,657
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:

	Expiry Date	Exercise price	Number of options
Directors' Options	30 June 2020	$0.06	9,000,000
Employee / Contractor Options	30 June 2020	$0.06	3,800,000
Advisor options	29 June 2019	$0.075	5,000,000
Advisor options	31 August 2020	$0.07	2,676,078
Employee / Contractor Options	30 November 2019	$0.07	1,500,000
Listed HMXOD options	30 September 2020	$0.03	165,355,206

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

DIRECTORS' REPORT (CONTINUED)

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. 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.

15. NON-AUDIT SERVICES

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

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

The lead auditor's independence declaration is set out on page 41 and forms part of the Directors' report for the financial year ended 30 June 2018.

17. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

This report is made with a resolution of the Directors:

R Davis

Executive Chairman

Perth

28 September 2018

KPMG

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

To the Directors of Hammer Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Hammer Metals Limited for the financial year ended 30 June 2018 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

28 September 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
Current Assets			
Cash and cash equivalents	10	934,045	838,027
Trade and other receivables	11	106,751	335,161
Other financial assets	12	454,746	359,954
Total current assets		**1,495,542**	**1,533,142**
Non-current assets			
Other financial assets	12	60,000	86,250
Plant and equipment	13	2,420	3,755
Exploration and evaluation expenditure	14	11,316,751	9,377,823
Total non-current assets		**11,379,171**	**9,467,828**
Total assets		**12,874,713**	**11,000,970**
Current liabilities			
Trade and other payables	15	273,932	132,142
Advanced cash call		448,007	359,954
Total current liabilities		**721,939**	**492,096**
Total liabilities		**721,939**	**492,096**
Net assets		**12,152,774**	**10,508,874**
Equity			
Share capital	16	44,907,743	42,655,110
Reserves	17	788,885	1,230,127
Accumulated losses		(33,543,854)	(33,376,363)
Total equity		**12,152,774**	**10,508,874**

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 2018

	Note	30 June 2018 $	30 June 2017 $
Other income	4	113,738	139,940
Marketing expenses		(146,544)	(75,986)
Administrative expenses		(565,933)	(493,951)
Share based payments		(14,054)	-
Occupancy expenses		(45,255)	(46,073)
Depreciation	5	(1,335)	(4,955)
Project evaluation and generation expenses		-	-
Exploration expenditure written off	14	-	(275,699)
Impairment of other financial assets		(9,500)	-
Other expenses		(9,582)	-
Result from operating activities	**5**	**(678,465)**	**(756,724)**
Finance income	6	6,794	28,784
Net finance income / (expense)		**6,794**	**28,784**
Loss before income tax		**(671,671)**	**(727,940)**
Income tax benefit	8	17,359	199,612
Net loss for the year from continuing operations		**(654,312)**	**(528,328)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of financial assets		(18,750)	(11,250)
Other comprehensive loss for the year, net of income tax		**(18,750)**	**(11,250)**
Total Comprehensive loss for the year		**(673,062)**	**(539,578)**
Loss per share:			
Basic and diluted loss per share (cents per share)	9(a)	(0.26)	(0.28)

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 2018

	Share capital	Share based payment reserve	Fair value reserve	Convertible Note Reserve	Accumulated losses	Total
Balance at 1 July 2016	**39,800,503**	**2,508,368**	**30,000**	**614,153**	**(33,975,414)**	**8,977,610**
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)
Share based payments	-	(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**
Balance at 1 July 2017	**42,655,110**	**1,211,377**	**18,750**	**-**	**(33,376,363)**	**10,508,874**
Loss for the year	-	-	-	-	(654,312)	(654,312)
Other comprehensive income / loss	-	-	(18,750)	-	-	(18,750)
Total comprehensive loss for the period	-	-	(18,750)	-	(654,312)	(673,062)
Shares issued for cash	2,412,798	-	-	-	-	2,412,798
Shares issued in lieu of fees	50,000	-	-	-	-	50,000
Share based payments	-	64,329	-	-	-	64,329
Options expired	-	(486,821)	-	-	486,821	-
Share issue costs	(210,165)	-	-	-	-	(210,165)
Balance at 30 June 2018	44,907,743	788,885	-	-	(33,543,854)	12,152,774

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
Cash flows from operating activities			
Interest received		6,794	28,784
Rental income received		3,600	-
Fuel rebate received		22,086	-
Cash payments in the course of operations		(624,683)	(830,704)
Net cash used in operating activities	**22**	**(592,203)**	**(801,920)**
Cash flows from investing activities			
Payments for exploration expenditure		(2,044,001)	(2,692,620)
Cash calls and management fees from farm-in and joint venture partners		92,384	206,515
Option fee received		193,997	-
Receipt of research and development grant		123,682	-
Sale of royalty	4	-	30,000
Proceeds on sale of equipment		30,000	
Payments for purchase of plant and equipment	13	-	(2,746)
Net cash used in investing activities		**(1,603,938)**	**(2,458,851)**
Cash flows from financing activities			
Proceeds from issue of share capital		2,412,798	2,251,158
Transaction costs from issue of shares		(120,640)	(44,454)
Net cash from financing activities		**2,292,158**	**2,206,704**
Net increase / (decrease) in cash and cash equivalents		96,018	(1,054,067)
Cash and cash equivalents at 1 July		838,027	1,892,094
Cash and cash equivalents at 30 June	10	**934,045**	**838,027**

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 2018 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 28 September 2018.

(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).

ii. Ore Reserves and Mineral Resources

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(D) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and assumptions

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 14.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(E) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are not yet effective and have not been applied in preparing this financial report.

- AASB 9 Financial Instruments includes revised guidance on the classification and measurement requirements of financial liabilities and assets, including a new expected credit loss model for calculating impairment, and general hedge accounting requirements. AASB 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The adoption of AASB 9 is not expected to have a material impact on the Group's financial assets or financial liabilities.
- AASB 15 Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided for determining whether, how much and when revenue is recognised. New disclosures about revenue are also introduced. AASB 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The impact on the Group's revenue recognition of the adoption of AASB 15 is not expected to have a material impact.
- AASB 16 Leases provides a new lessee accounting model requiring the recognition of assets and liabilities for all leases with a term greater than 12 months, unless the underlying asset is of low value. It requires the lessee to recognise a right-of-use asset, representing the rights to use the underlying lease asset and a lease liability representing the obligation of lease payments. AASB 16 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The impact on the Group's financial assets and financial liabilities of the adoption of AASB 16 has yet to be determined and will depend upon the leases in place on transition.
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions. The standard makes amendments to AASB 2 Share-based Payment. The amendments address the accounting for the effects of vesting and non-vesting conditions and the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled, is effective for annual reporting periods beginning on or after 1 January 2018 and it is not expected that this will have a significant impact on the consolidated financial statements.

(F) GOING CONCERN

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

For the year ended 30 June 2018, the Group has incurred a consolidated loss before tax of $671,671 and net cash outflows from operating and investing activities of $2,196,140. As at 30 June 2018 the Group had $934,045 in cash and cash equivalents and net current assets of $773,603.

As announced on the 12 September 2018, the Company completed a non-renounceable rights issue of 161,355,200 options, raising $806,776 before costs of the offer. Furthermore, the Company has agreed to issue an additional 6,666,667 shares at $0.03 per share to raise an additional $200,000 as a share placement to the underwriter of the rights issue.

Whilst not immediately required, the Group will need to raise additional funds to meet its ongoing obligations and tenement expenditure commitments 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.

However, should the above planned activities to raise or conserve capital not be successful, there exists a material uncertainty surrounding the Group's ability to continue as a going concern and, therefore, realise its assets and dispose of its liabilities in the ordinary course of business and at the amounts stated in the financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

(A) BASIS OF CONSOLIDATION

i. Subsidiaries

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

ii. Investments in associates

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

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

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

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

iii. Joint arrangements

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

iv. Transactions eliminated on consolidation

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

v. Business combinations

Business combinations are accounted for by applying the acquisition method.

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

vi. Contingent liabilities

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

vii. Non-controlling interest

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) FOREIGN CURRENCY

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

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

(C) PLANT AND EQUIPMENT

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

- office equipment 3 to 4 years

The residual value, if significant, is reassessed annually.

(D) FINANCIAL INSTRUMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(K) INCOME TAX

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(N) EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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 commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified are; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale.

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

Farm-in arrangements (in the exploration and evaluation phase)

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

Farm-out arrangements (in the exploration and evaluation phase)

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

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

(O) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

4.	OTHER INCOME	30 June 2018 $	30 June 2017 $
	Management fee from farm-in partners	110,138	109,940
	Rental income	3,600	-
	Sale of royalty	-	30,000
		113,738	**139,940**

5.	RESULT FROM OPERATING ACTIVITIES	30 June 2018 $	30 June 2017 $
	Net loss for the year before tax has been arrived at after the charging the following expenses:		
	Depreciation of plant and equipment	1,335	4,955
	Salary and wages	105,000	60,000
	Superannuation expense	5,609	5,700
	Share based payments	14,054	-
	Other employment costs	10,948	9,088
	Total employee costs	**135,611**	**74,788**

6.	FINANCE INCOME AND FINANCE COSTS	30 June 2018 $	30 June 2017 $
	Recognised in loss for the year:		
	Interest income	6,794	28,784
	Net finance income	**6,794**	**28,784**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. AUDITORS' REMUNERATION	30 June 2018 $	30 June 2017 $
Auditors of the Company - KPMG		
Audit services:		
Audit and review of financial reports	41,322	38,341
Non-audit services:		
Taxation compliance services	23,319	17,750
	64,641	**56,091**

8. INCOME TAX	30 June 2018 $	30 June 2017 $
(A) INCOME TAX BENEFIT		
Current tax	17,359	199,612
Deferred tax	-	-
Total income tax benefit	**17,359**	**199,612**
Numerical reconciliation of income tax benefit to pre-tax accounting loss:		
Loss before income tax	(671,671)	(727,940)
Income tax benefit using the Company's domestic tax rate of 27.5% (2017: 30%)	(184,710)	(218,382)
Adjusted for:		
Non-deductible expenses	1,345	1,258
Temporary differences and tax losses not recognised	183,365	217,124
Research and development income tax benefit	17,359	-
Prior year tax losses recognised for exploration development incentive credits distributed to shareholders	-	199,612
Income tax benefit	**17,359**	**199,612**
(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
Investments	14,438	7,875
Property, plant and equipment	2,083	3,252
Accrued expenses and provisions	(2,635)	7,998
Capital raising costs	77,108	70,309
Income tax losses	10,434,781	7,723,344
	10,525,775	**7,818,693**
(C) RECOGNISED DEFERRED TAX ASSETS & LIABILITIES		
Temporary timing differences related to:		
Other financial assets		
Exploration and evaluation expenditure	(3,112,107)	(2,813,347)
Income tax losses	3,112,107	2,813,347
	-	**-**

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. During the previous financial year, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX (continued)

(D) MOVEMENT OF TEMPORARY DIFFERENCES RECOGNISED DURING THE YEAR ENDED 30 JUNE 2018:

	Balance 1 July 2017	Profit or Loss	Other comprehensive income	Equity	Balance 30 June 2018
Other financial assets	-				
Exploration and evaluation expenditure	(2,813,347)	(298,760)	-	-	(3,112,107)
Carried-forward tax losses	2,813,347	298,760	-	-	3,112,107
	-	-	-	-	

(E) 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 2017
Other financial assets	-				
Exploration and evaluation expenditure	(2,116,517)	(696,830)	-	-	(2,813,347)
Carried-forward tax losses	2,116,517	696,830	-	-	2,813,347
	-	-	-	-	-

9. LOSS PER SHARE	30 June 2018 $	30 June 2017 $
(a) Basic and dilutive loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date.	(0.26) cents	(0.28) cents
Options disclosed in Note 16(b) are potential ordinary shares which are considered anti-dilutive, therefore diluted earnings per share are the same as basic earnings per share.		
(b) Weighted average number of shares used in calculation of basic and dilutive earnings per share	250,689,415	190,148,769

10. CASH AND CASH EQUIVALENTS	30 June 2018 $	30 June 2017 $
Cash at bank and on hand	**934,045**	**838,027**

The Group's exposure to interest rate risk and sensitivity analysis for Financial assets and financial liabilities are disclosed in Note 24.

11. TRADE AND OTHER RECEIVABLES	30 June 2018 $	30 June 2017 $
Current		
GST receivable	33,193	20,658
Security deposit	46,808	46,808
Other receivables	26,750	267,695
	106,751	**335,161**

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 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. OTHER FINANCIAL ASSETS	30 June 2018 $	30 June 2017 $
Current		
Advanced contributions from Farm-in partners (note 21)	**454,746**	**359,954**
Non - Current		
Investments in other entities		
Listed shares	**60,000**	**86,250**

The Group's exposure to equity price risk and sensitivity analysis in disclosed in Note 24.

13. PLANT AND EQUIPMENT	30 June 2018 $	30 June 2017 $
Office equipment and fittings at cost	252,906	252,906
Accumulated depreciation	(250,486)	(249,151)
Net book value	**2,420**	**3,755**
Reconciliation of office equipment is as follows:		
Opening carrying value	3,755	5,964
Additions	-	2,746
Depreciation	(1,335)	(4,955)
Closing carrying value	**2,420**	**3,755**

14. EXPLORATION AND EVALUATION EXPENDITURE	30 June 2018 $	30 June 2017 $
Balance at 1 July	9,377,823	7,055,058
Exploration and evaluation expenditure incurred	2,833,157	2,631,288
Exploration and evaluation assets acquired	9,750	63,750
Exploration and evaluation expenditure impaired	-	(275,699)
Research and development grant received	(106,323)	
Reimbursement of costs on exploration and evaluation	(797,982)	(96,574)
Balance at 30 June	**11,316,751**	**9,377,823**

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.	TRADE AND OTHER PAYABLES	30 June 2018 $	30 June 2017 $
	Trade creditors and accruals	**273,932**	**132,142**

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 24.

16.	ISSUED CAPITAL	30 June 2018 No.	30 June 2017 No.	30 June 2018 $	30 June 2017 $
(A)	SHARE CAPITAL				
	Ordinary shares				
	On issue at 1 July	198,309,674	153,434,961	42,655,110	39,800,503
	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 acquisition of asset at $0.043 per share	250,000	-	10,750	-
	Shares issued for cash at $0.035 per share	68,937,096	-	2,412,798	-
	Shares issued in lieu of fees at $0.035 per share	1,428,571	-	50,000	-
	Share issue costs	-	-	(220,915)	(81,954)
	On issue at 30 June – fully paid	**268,925,341**	**198,309,674**	**44,907,743**	**42,655,110**

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 (2017: NIL).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. ISSUED CAPITAL (continued)

(b) Options outstanding over ordinary shares	30 June 2018 No.	30 June 2017 No.
Unlisted options exercisable at $0.10 expiring 30 July 2017	-	8,338,334
Unlisted options exercisable at $0.10 expiring 6 August 2017	-	500,000
Unlisted options exercisable at $0.20 expiring 11 September 2017	-	1,000,000
Unlisted options exercisable at $0.135 expiring 30 November 2017	-	6,000,000
Unlisted options exercisable at $0.135 expiring 30 November 2017	-	1,100,000
Unlisted options exercisable at $0.10 expiring 30 November 2017	-	1,000,000
Unlisted options exercisable at $0.15 expiring 6 February 2018	-	3,811,953
Unlisted options exercisable at $0.075 expiring 29 June 2019	5,000,000	5,000,000
Unlisted options exercisable at $0.06 expiring 30 June 2020	12,800,000	12,800,000
Unlisted options exercisable at $0.07 expiring 31 August 2020	2,412,798	-
Unlisted options exercisable at $0.07 on or before 30 November 2019	1,500,000	-
	21,712,798	**39,550,287**

All options were granted for no cash consideration.
No unlisted options were granted to directors during the year (2017: nil).
3,912,798 unlisted options were granted to employees, consultants and contractors during the year (2017: nil)
No unlisted options were exercised during the period.
21,750,287 fully vested unlisted options expired unexercised during the period.
Options carry no voting rights until converted to fully paid ordinary shares.

17. RESERVES

	30 June 2018 $	30 June 2017 $
Share-based payment reserve [1]		
Balance at beginning of period	1,211,377	2,508,368
Options issued to Directors and executives	-	-
Options issued to Employees and contractors	64,329	-
Options issued for professional services	-	-
Adjustment to valuation of options issued due to vesting conditions not met	-	30,000
Fully vested options expired unexercised during the period	(486,821)	(1,326,991)
	788,885	**1,211,377**
Fair value reserve [2]		
Balance at beginning of period	18,750	30,000
Net increase/(decrease) in the market value of listed shares available for sale	(18,750)	(11,250)
	-	**18,750**
Convertible note reserve [3]		
Balance at beginning of period	-	614,153
Conversion to equity	-	(614,153)
	-	**-**
	788,885	**1,230,127**

[1] The share-based payment reserve is used to record the fair value of options issued to Directors and employees and consultants 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. 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		Company	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	$	$	$	$
Minimum exploration expenditure not later than 1 year	2,116,750	2,163,643	-	-

19. 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	39,550,287	$0.10
Granted during the period	3,912,798	$0.07
Expired / lapsed or exercised during the period	(21,750,287)	$0.12
Outstanding at 30 June	21,712,798	$0.07
Exercisable at 30 June	21,712,798	

The options outstanding at year end have exercise prices ranging from $0.06 to $0.075 a weighted average remaining contractual life of 1.75 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. 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)

The key management personnel compensation comprised:	30 June 2018 $	30 June 2017 $
Short-term employee benefits	402,000	410,000
Post-employment benefits	5,700	5,700
Share- based payments	1,405	-
	409,105	**415,700**

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	
	Transaction	30 June 2018 $	30 June 2017 $	30 June 2018 $	30 June 2017 $
Mark Pitts	Accounting services	23,556	33,261	6,488	3,657

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

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 (2017: Nil)

150,000 options were issued to executives in regard to their employment or provision of services during this financial year (2017: Nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTIES (continued)

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 2017, loans to subsidiaries totalled $9,525,764 (2017: $8,831,482). These loans have been impaired by $3,013,273 at 30 June 2018 (2017: $3,013,273).

(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.

21. INTEREST IN OTHER ENTITIES

Name	Country of Incorporation	Percentage held 2018	Percentage held 2017
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.

Joint arrangements

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

Dronfield

The Group has a farm-in agreement in relation to a tenement held in the Mt. Isa region. The Group has earned an 80% interest in the project. The Group's interest in the above arrangement includes capitalised exploration phase expenditure totalling $187,376 at 30 June 2018 and is included in exploration and evaluation assets (note 14).

Mt Isa – Newmont

The Group had a farm-out agreement with Newmont Exploration Australia Pty Ltd (Newmont) that commenced in December 2015 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 could earn up to 75% of the Group's interest in the area by spending US$10,500,000.

US$75,000 was reimbursed to the Group on commencement for project consolidation costs.

During the year, Newmont met the criteria to acquire the first 35% interest in the project, but elected to discontinue and withdraw from the arrangement. The joint venture was terminated in June 2018.

21. INTEREST IN OTHER ENTITIES (continued)

Joint arrangements (continued)

Mt Frosty – Mt Isa Mines (Glencore)

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

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

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

Mulga acts as the initial manager of the joint venture. The Group's interest in the above arrangement includes capitalised exploration phase expenditure totalling $240,465 at 30 June 2018 and is included in exploration and evaluation assets (note 14).

Millennium Project – Global Energy Metals Corporation (GEMC)

The Millennium cobalt-copper-gold project is currently a joint venture with TSX listed Global Energy Metals Corporation (GEMC). GEMC can earn up to a 75% interest in the five granted mining leases at Millennium by spending CAD2.5 million. GEMC has earned a 25% interest to date. Hammer operates the joint venture.

During the financial year Hammer also negotiated and entered into a binding term sheet for the sale of its 75% interest in the project to GEMC. Consideration for the sale is the issue to Hammer of GEMC ordinary shares whereby Hammer will own a 19.9% interest in TSX-listed GEMC following the acquisition plus board representation.

Under the terms of the Agreement GEMC will purchase the remaining 75% interest in the project along with the cobalt targets at Mt Dorothy and Cobalt Ridge. The sale is contingent on a number of approvals being received and completion of the final sale documentation ("Definitive Agreement").

22. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	30 June 2018 $	30 June 2017 $
Loss for the year	(654,312)	(528,328)
Adjustments for:		
Depreciation	1,335	4,955
Share based payments	14,054	-
Exploration expenditure written off	-	275,699
Impairment expense	17,000	-
Distribution of exploration development incentive credits	-	(199,612)
Management fee from farm-in partners	(58,053)	(109,940)
Profit on sale of assets	(30,000)	(30,000)
Research & development income tax benefit	(17,359)	-
Add/(less):		
Decrease / (increase) in trade and other receivables	(6,657)	(94,673)
Increase / (decrease) in trade and other payables	141,789	(120,021)
Net cash used in operating activities	(592,203)	(801,920)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SEGMENT INFORMATION

The Group has one reportable segment, being Copper-Gold exploration in the Mount Isa region in Australia.

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

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

24. 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 is 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:

Consolidated		Carrying amount	
	Note	30 June 2018 $	30 June 2017 $
Cash and cash equivalents	10	934,045	838,027
Trade and other receivables	11	106,751	335,161
Advanced contributions from Farm-in partners	12	454,746	359,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS DISCLOSURES (continued)

Impairment losses

None of the Group's trade and other receivables are past due and impaired (2017: Nil).

Liquidity risk

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

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

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

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

Market risk

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

Currency risk

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

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

Interest rate risk

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

Profile

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

	Carrying amount	
	30 June 2018 $	30 June 2017 $
Fixed rate instruments		
Cash and cash equivalents	20,972	20,480
Weighted average interest rates	2.40%	2.18%
Variable rate instruments		
Cash and cash equivalents	913,073	817,547
Weighted average interest rates	0.26%	0.66%

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)

24. FINANCIAL INSTRUMENTS DISCLOSURES (continued)

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.

Consolidated	Loss		Equity	
	50bp increase	50bp decrease	50bp increase	50bp decrease
30 June 2018				
Variable rate instruments	4,565	(4,565)	4,565	(4,565)
30 June 2017				
Variable rate instruments	4,087	(4,087)	4,087	(4,087)

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 2018 $	30 June 2017 $
Financial assets carried at fair value		
Equity securities – listed on ASX at quoted prices	60,000	83,250
Financial assets carried at amortised costs		
Cash and cash equivalents	934,045	838,027
Trade and other receivables	106,751	335,161
Advanced contributions from Farm-in partners	454,746	359,954
Financial liabilities carried at amortised costs		
Trade and other payables	(273,932)	(132,142)
Advanced cash call	(448,007)	(359,954)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. PARENT ENTITY DISCLOSURES

	Company	
Financial Position	**30 June 2018 $**	**30 June 2017 $**
Assets		
Current assets	6,874,306	7,865,208
Non-current assets	5,511,161	3,135,762
Total assets	**12,385,467**	**11,000,970**
Liabilities		
Current liabilities	232,693	492,096
Total liabilities	**232,693**	**492,096**
Net Assets	**12,152,774**	**10,508,874**
Equity		
Issued capital	44,907,743	42,655,110
Accumulated losses	(33,543,854)	(33,376,363)
Reserves	788,885	1,230,127
Total equity	**12,152,774**	**10,508,874**
Financial Performance		
Loss for the year	(654,312)	(1,126,517)
Other comprehensive income	-	(11,250)
Total Comprehensive income	**(654,312)**	**(1,137,767)**

Contingent liabilities of the parent entity

There are no contingent liabilities at 30 June 2018 (2017: None)

Commitments of the parent entity

For details on commitments, see note 19.

26. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the year end, the Company raised $806,776 (before costs) through a non-renounceable rights issue of 161,355,200 options. The offer was completed on the basis of 3 options for every 5 shares held, and the options were issued for 0.5 cents per option. The options issued under the offer are exercisable at 3 cents per share on or before 30 September 2020. The Company also raised an additional $200,000 through the issue of 6,666,667 shares at $0.03 per share and 4,000,000 free attaching options exercisable at 3 cents per share on or before 30 September 2020.

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

DIRECTORS' DECLARATION

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

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

i. *giving a true and fair view of the Group's financial position as at 30 June 2018 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 2018 pursuant to Section 295A of the Corporation Act 2001.

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

Signed in accordance with a resolution of the Directors:

R Davis
Executive Chairman

Perth

Dated 28 September 2018

KPMG

Independent Auditor's Report

To the shareholders of Hammer Metals Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 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 2018
- 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.

Material uncertainty related to going concern

We draw attention to Note 2(f), "Going Concern" in the financial report. The conditions disclosed in Note 2(f) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this involved:

- Evaluating the feasibility, quantum and timing of the Group's plans to raise additional shareholder funds to address going concern;
- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular in light of the history of loss making operations; and
- Determining the completeness of the Group's going concern disclosures for the principle matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key Audit Matters

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

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Capitalised exploration and evaluation ("E&E") assets ($11,316,751)

Refer to Note 14 to the Financial Report

The key audit matter	**How the matter was addressed in our audit**
Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to: • The significance of the activity to the Group's business and the balance (being 88% 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.	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;

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, Mt Frost 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.	• 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.

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 Director's Report. The Chairman's Letter, Operations Report 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 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's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group 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_responsibilities/ar1.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 2018, 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 2018.

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

28 September 2018

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 16 October 2018.

(A) ORDINARY SHAREHOLDERS

Twenty largest holders of ordinary shares	Number of shares	% held
BNP PARIBAS NOMINEES PTY LTD	43,864,400	15.76%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	25,535,722	9.18%
DAVIS FAMILY CAPITAL PTY LTD <THE DAVIS SUPER FUND A/C>	11,000,000	3.95%
DJ CARMICHAEL PTY LTD	10,800,312	3.88%
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,350,462	3.72%
ZENITH PACIFIC LIMITED	10,000,000	3.59%
SAMLISA NOMINEES PTY LTD	9,000,000	3.23%
CITICORP NOMINEES PTY LIMITED	8,599,507	3.09%
CENTRAL MUTUAL (INVESTMENTS) PTY LTD <CENTRAL MUTUAL (INV) A/C>	6,783,333	2.44%
LUNDIE INVESTMENTS PTY LTD <PATASH INVESTMENTS S/F A/C>	6,673,888	2.40%
MR ZBIGNIEW WALDEMAR LUBIENIECKI	5,871,160	2.11%
ELEFANTINO PTY LTD <TALULA A/C>	4,150,000	1.49%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,596,414	1.29%
GECKO RESOURCES PTY LTD <JOHN SANTUL SUPER FUND A/C>	3,000,000	1.08%
GECKO RESOURCES PTY LTD	2,500,000	0.90%
MR ZBIGNIEW WALDEMAR LUBIENIECKI	2,461,540	0.88%
VALSER HOLDINGS PTY LTD <THE C A LANDALE FAMILY A/C>	2,371,429	0.85%
DR DIANMIN CHEN	2,342,857	0.84%
MRS NATASHA KAY CLARKE	2,340,296	0.84%
SCINTILLA STRATEGIC INVESTMENTS LIMITED	2,250,000	0.81%
	173,491,320	**62.33%**

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 278,297,082

The number of shareholders holding less than a marketable parcel is 862.

There is no current on market buy back.

The Company has no ordinary shares which are subject to voluntary escrow.

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Category of shareholding	Number of shareholders
1 – 1,000	133
1,001 – 5,000	72
5,001 – 10,000	80
10,001 – 100,000	339
100,001 and over	238
Total	**862**

(B) OPTIONS HOLDERS OF LISTED OPTIONS

Twenty largest holders of HMXOD Listed Options	Number of options	% held
BNP PARIBAS NOMINEES PTY LTD	21,095,063	12.76%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	10,857,142	6.57%
DAVIS FAMILY CAPITAL PTY LTD <THE DAVIS SUPER FUND A/C>	6,924,110	4.19%
DJ CARMICHAEL PTY LTD	6,600,000	3.99%
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,520,000	3.94%
ZENITH PACIFIC LIMITED	6,000,000	3.63%
SAMLISA NOMINEES PTY LTD	5,400,000	3.27%
CITICORP NOMINEES PTY LIMITED	5,000,000	3.02%
CENTRAL MUTUAL (INVESTMENTS) PTY LTD <CENTRAL MUTUAL (INV) A/C>	5,000,000	3.02%
LUNDIE INVESTMENTS PTY LTD <PATASH INVESTMENTS S/F A/C>	4,069,999	2.46%
MR ZBIGNIEW WALDEMAR LUBIENIECKI	4,004,332	2.42%
ELEFANTINO PTY LTD <TALULA A/C>	4,000,000	2.42%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,745,742	2.27%
GECKO RESOURCES PTY LTD <JOHN SANTUL SUPER FUND A/C>	3,690,000	2.23%
GECKO RESOURCES PTY LTD	3,522,696	2.13%
MR ZBIGNIEW WALDEMAR LUBIENIECKI	3,375,000	2.04%
VALSER HOLDINGS PTY LTD <THE C A LANDALE FAMILY A/C>	3,080,000	1.86%
DR DIANMIN CHEN	3,040,000	1.84%
MRS NATASHA KAY CLARKE	3,000,000	1.81%
SCINTILLA STRATEGIC INVESTMENTS LIMITED	2,550,717	1.54%
	111,474,801	**67.41%**

Listed options do not entitle the holder to vote at general meetings of shareholders and are not entitled to dividends when declared.

The total number of listed options on issue is 165,355,206

There is no current on market buy back.

There are no listed options subject to voluntary escrow.

DISTRIBUTION OF LISTED OPTIONHOLDERS

Category of shareholding	Number of optionholders
1 – 1,000	20
1,001 – 5,000	13
5,001 – 10,000	25
10,001 – 100,000	95
100,001 and over	118
Total	**271**

(C) UNQUOTED SECURITIES

The Company has the following unquoted securities on issue.

Category of security	Number	Number of holders
Options expiring 30 June 2020 exercisable at $0.06	9,000,000	4
Options expiring 29 June 2019 exercisable at $0.075	5,000,000	1
Options expiring 30 June 2020 exercisable at $0.06	3,800,000	6
Options expiring 31 August 2020 exercisable at $0.07	2,676,078	1
Options expiring 30 November 2019 exercisable at $0.07	1,500,000	8

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