HAMMER METALS LIMITED

ABN 87 095 092 158

ANNUAL FINANCIAL REPORT

30 JUNE 2016

HAMMER METALS LIMITED
and its Controlled Entities

DIRECTORS' REPORT

The Directors present their report together with the financial report of Hammer Metals Limited ("the Company") and of the Group, being the Company and its subsidiaries, for the year ended 30 June 2016 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

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

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

Alexander Hewlett – Executive Director (appointed 26 June 2013)
BSc MAusIMM

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

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

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

Nader El Sayed – Independent Non-Executive Director (appointed 26 June 2013)
B.Comm, MA, CA

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

Simon Bodensteiner – Independent Non-Executive Director (appointed 8 September 2015)
MSc

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

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Name	Company	Period of Directorship
Russell Davis	Gold Road Resources Ltd	May 2004 – June 2016
Alexander Hewlett	None	-
Nader El Sayed	None	-
Simon Bodensteiner	None	-

3. COMPANY SECRETARY

Mark Pitts – Company Secretary (appointed 13 August 2010)
BBus, FCA

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

4. DIRECTORS' MEETINGS

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

Director	Meetings held	Meetings attended
Mr R Davis	7	7
Mr A Hewlett	7	7
Mr N El Sayed	7	7
Mr S Bodensteiner	5	4

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

5. PRINCIPAL ACTIVITY

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

6. OPERATING AND FINANCIAL REVIEW

The Group incurred an after tax loss for the year of $1,645,360 (2015: loss $3,912,374). Included in this amount is $309,384 of exploration expenditure written off (2015:$2,575,858 impairment and exploration expenditure written off).

Corporate:

The Company raised $2,628,600 during the period by:

- Private placement of 5,843,334 shares at $0.06 raising $350,600 (with 2,921,667 free attaching unlisted options expiring 30 July 2017);
- Issuing a convertible note of $650,000 to its largest shareholder Deutsche Rohstoff AG (with 5,416,667 free attaching unlisted options expiring 30 July 2017). The loan term is 24 months with interest accruing at 10% per annum and convertible by either the Lender or the Company;
- Share purchase plan raising $80,000 by issuance of 1,600,000 shares at $0.05 to participating shareholders.
- Private placement of 24,200,000 shares at $0.04 raising $968,000;
- Private placement of 18,923,075 shares at $0.065 raising $1,230,000;

The following options were granted during the year:

- 8,338,334 unlisted options expiring 30 July 2017 with an exercise price of $0.10
- 500,000 unlisted options expiring 6 August 2017 with an exercise price of $0.10
- 1,000,000 unlisted options expiring 30 November 2017 with an exercise price of $0.10
- 12,800,000 unlisted options expiring 30 June 2020 with and exercise price of $0.06
- 5,000,000 unlisted options expiring 29 June 2019 with an exercise price of $0.075

Queensland projects:

Mount Isa Region Projects:

Hammer Metals is focussed on the discovery of large copper-gold deposits in one of the world's most significant mining regions.

Hammer holds a large (2600km^2) tenement position in the centre of the Mount Isa Inlier in NW Queensland, including JORC resources at the Kalman copper-gold-molybdenum-rhenium deposit and the Overlander copper deposit.

During the year Ziggy Lubieniecki (Joint AMEC 2015 Prospector of the Year) joined Hammer's exploration team to assist with exploration targeting within the project tenements as well as generating new target areas. As a direct result of this work several new tenements have been acquired.

In November 2015 Hammer Metals Limited was awarded the Queensland Explorer of the Year Award at the 2015 Mining Resources Convention for its exploration activities in the Mount Isa region, including the discovery of the Overlander deposits.

In December 2015 Hammer signed a Farm In and Joint Venture agreement with Newmont Exploration Pty Ltd (Newmont) over the Overlander, Dronfield and Even Steven iron oxide copper-gold targets whereby Newmont may earn up to a 75% interest by spending US$10,500,000. Field work commenced in January, 2016 and several geochemical, mapping, geophysical programs have been completed or are underway. Drilling at the Overlander prospect is expected to commence in September 2016. Hammer is managing the first phases of exploration.

In May 2016 Hammer purchased a 100% interest in five Mining Leases that cover the Millennium cobalt-copper-gold prospect located 16km to the northwest of the Rocklands copper-cobalt mine near Cloncurry. Recent (2013) drilling by the previous operator at Millennium indicated the potential for significant cobalt-copper-gold mineralisation in the area of the old workings. A program of mapping, sampling and RC drilling has commenced and the estimation of an initial mineral resource estimate for Millennium is planned.

Hammer holds a range of prospective copper-gold targets at various stages of exploration in the Mount Isa region and will continue with its active exploration efforts over the next period.

DIRECTORS' REPORT (continued)

Mount Morgan Region Projects:

The Golden Peaks Project is a joint venture with Perilya Limited whereby Hammer may earn up to a 60% interest in EPM 15810 by spending $4 million.

During the year Hammer completed further assessment of the VTEM anomalies with a view to testing the better targets. The Mount Dick North target has been selected for drilling and, subject to permitting, it is anticipated that it will be drilled in the last quarter of 2016.

7. DIVIDENDS

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

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance date the company completed a placement of 32,250,000 shares at an issue price of $0.07 raising $2,257,500 before costs. In addition the company exercised its option to convert the convertible loan and balance of interest thereon to share capital by issue of 11,374,711 shares.

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

9. LIKELY DEVELOPMENTS

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

10. DIRECTORS' INTERESTS

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

Director	Ordinary shares	Options over ordinary shares
Mr R Davis	8,016,667	10,225,000
Mr A Hewlett	5,525,476	8,266,667
Mr N El Sayed	19,500	2,500,000
Mr S Bodensteiner	30,568	500,000

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

11. ENVIRONMENTAL REGULATIONS

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

12. REMUNERATION REPORT – AUDITED

12.1 Principles of compensation

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

Consequences of performance on shareholder wealth

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

Service contracts

Alexander Hewlett- Executive Director:

The Company has entered into a Consulting agreement with Mazza Resources Pty Ltd (an entity of which Mr Hewlett is the principal) on 22 September 2014. A Consulting fee of $220,000 per annum is payable with a 3 year term. The Company may terminate the agreement after twelve months by giving six months' notice or paying the executive an amount equal to six months of the consulting fee. The executive may, after twelve months from the commencement of the agreement, terminate this agreement by giving three months' notice to the Company. Currently the base cash component of remuneration is not dependent on the satisfaction of any performance condition. In an effort to reduce operating costs, Mr Hewlett has agreed to a 32% reduction of executive fees to $150,000 per annum from 1st August 2015. A further temporary reduction to $72,000 per annum was agreed in February 2016 to further reduce operating costs. Following a capital raising in April 2016 the Company agreed to increase the consulting fee payable to $150,000 per annum effective 1 June 2016.

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 executive fees to $150,000 per annum from 1st August 2015. A further temporary reduction to $72,000 per annum was agreed in February 2016 to further reduce operating costs. Following a capital raising in April 2016 the Company agreed to increase the consulting fee payable to $150,000 per annum effective 1 June 2016.

Mark Pitts – Company Secretary

Mr Pitts is a Partner in the corporate advisory firm Endeavour Corporate providing secretarial support, 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 month's written notice. Mr Pitts is not entitled to any termination payments other than for services rendered at time of termination.

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. In an effort to reduce operating costs during the year, all non-executive Directors agreed to a reduction in Director's fee to $20,000 (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.

DIRECTORS' REPORT (continued)

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[1] $	Termination payments $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors									
Executive									
Mr R Davis	2016	133,583	-	-	-	231,580	365,163	-	63%
	2015	210,830	-	-	-	102,747	313,577	-	33%
Mr A Hewlett	2016	137,183	-	-	-	231,580	368,763	-	63%
	2015	219,995	-	-	-	102,747	322,742	-	32%
Non-executive									
Mr N El Sayed	2016	26,668	-	-	2,533	28,947	58,148	-	50%
	2015	30,000	-	-	2,850	51,374	84,224	-	61%
Mr S Bodensteiner (appointed 8 September 2015)	2016	21,130			2,007	28,948	52,084	-	56%
	2015	-	-	-	-	-	-	-	-
Mr P Corr (resigned 8 September 2015)	2016	7,500	-	-	713	-	8,213	-	-
	2015	30,000	-	-	2,850	51,374	84,224	-	61%
Total, all specified Directors	2016	326,064	-	-	5,253	521,054	852,371	-	61%
	2015	490,825	-	-	5,700	308,242	804,767	-	38%
Executives									
Mr M Pitts	2016	45,500	-	-	-	18,224	63,724		29%
(Company Secretary)	2015	55,000	-	-	-	-	55,000	-	-
Total key management personnel and Directors of the Company and Group	2016	371,564	-	-	5,253	539,278	916,095		59%
	2015	545,825	-	-	5700	308,242	859,767	-	36%

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

The terms of granted options:

	Grant Date	Expiry Date	Exercise price	Number of granted options	Number of vested options	Lapsed/ forfeited during the year	Fair value per option
R Davis	10 June 2016	30 June 2020	$0.06	4,000,000	4,000,000	-	$0.058
A Hewlett	10 June 2016	30 June 2020	$0.06	4,000,000	4,000,000	-	$0.058
N El Sayed	10 June 2016	30 June 2020	$0.06	500,000	500,000	-	$0.058
S Bodensteiner	10 June 2016	30 June 2020	$0.06	500,000	500,000	-	$0.058
M Pitts	27 June 2016	30 June 2020	$0.06	500,000	500,000	-	$0.036

The fair value for these options was calculated using the Black Scholes option pricing model at grant date.

No options 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

Details of vesting profiles of the options granted as remuneration to each director and executive are detailed in the table below:

	Number of granted options	Date granted	% vested in current year	% forfeited / lapsed in current year	Financial years in which grant vested
R Davis	4,000,000	10 June 2016	100%	-	30 June 2016
A Hewlett	4,000,000	10 June 2016	100%	-	30 June 2016
N El Sayed	500,000	10 June 2016	100%	-	30 June 2016
S Bodensteiner	500,000	10 June 2016	100%	-	30 June 2016
M Pitts	500,000	27 June 2016	100%	-	30 June 2016

DIRECTORS' REPORT (continued)

12.6 Option holdings

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

Year ended 30 June 2016 Directors	Held at beginning of period	Granted [1]	Purchased	Exercised	Lapsed or Expired	Held at end of period	Vested and exercisable at end of period
Mr R Davis	5,600,000	4,625,000	-	-	-	10,225,000	10,225,000
Mr A Hewlett	4,100,000	4,166,667	-	-	-	8,266,667	8,266,667
Mr N El Sayed	2,000,000	500,000	-	-	-	2,500,000	2,500,000
Mr S Bodensteiner^	-	500,000	-	-	-	500,000	500,000
Mr P Corr*	2,000,000	-	-	-	-	2,000,000**	2,000,000**
Executives							
Mr M Pitts	1,000,000	500,000	-	-	-	1,500,000	1,500,000

[1]includes free attaching options related to shares issued during the period
*resigned 8 September 2015 ^appointed 8 September 2015
** held at date of resignation

Year ended 30 June 2015 Directors	Held at beginning of period	Granted	Purchased	Exercised	Lapsed or Expired	Held at end of period	Vested and exercisable at end of period
Mr R Davis	3,600,000	2,000,000	-	-	-	5,600,000	5,600,000
Mr A Hewlett	2,100,000	2,000,000	-	-	-	4,100,000	4,100,000
Mr N El Sayed	1,000,000	1,000,000	-	-	-	2,000,000	2,000,000
Mr P Corr*	1,000,000	1,000,000	-	-	-	2,000,000	2,000,000
Executives							
Mr M Pitts	1,000,000	-	-	-	-	1,000,000	1,000,000

*resigned 8 September 2015

12.6 Equity holdings and transactions

No shares were granted to key management personnel during the year as compensation (2015: 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 2016	Held at beginning of period	Purchases / entitlement issue	Sales	Held at end of period
Directors				
Mr R Davis	6,080,471	1,936,196	-	8,016,667
Mr A Hewlett	5,192,142	333,334	-	5,525,476
Mr N El Sayed	19,500	-	-	19,500
Mr S Bodensteiner^	10,568^	20,000		30,568
Mr P Corr*	70,000	-	-	70,000**
Executives				
Mr M Pitts	53,334	-	-	53,334

*resigned 8 September 2015 ** as at date of resignation ^shares held at date of appointed 8 September 2015

Year ended 30 June 2015	Held at beginning of period	Purchases / entitlement issue	Sales	Held at end of period
Directors				
Mr R Davis	4,941,741	1,138,730	-	6,080,471
Mr A Hewlett	4,647,142	545,000	-	5,192,142
Mr N El Sayed	19,500	-	-	19,500
Mr P Corr*	70,000	-	-	70,000
Executives				
Mr M Pitts	53,334	-	-	53,334

*resigned 8 September 2015

- 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 shares
Options issued for the acquisition of assets	30 June 2017	$0.20	12,300,000
Directors' options	30 June 2017	$0.20	2,000,000
Employee / contractor options	26 May 2017	$0.20	1,000,000
Advisor options	11 Sept 2016	$0.30	300,000
Advisor options	11 Sept 2017	$0.20	1,000,000
Directors' Options	30 Nov 2017	$0.135	6,000,000
Employee / Contractor Options	30 Nov 2017	$0.135	1,100,000
Attaching option	6 Feb 2018	$0.15	3,811,953
Attaching option	30 July 2017	$0.10	2,921,667
Note options	30 July 2017	$0.10	5,416,667
Advisor options	6 Aug 2017	$0.10	500,000
Attaching option	30 July 2017	$0.10	8,338,334
Employee / Contractor Options	30 Nov 2017	$0.10	1,000,000
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

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

Shares issued on exercise of options

The Company has not issued ordinary shares as a result of the exercise of options during this year or the previous financial year. (Refer Note 17 for details).

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

14. CORPORATE GOVERNANCE

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

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

15. INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

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

16. NON-AUDIT SERVICES

During the year, KPMG, the Company's auditor, did not perform any other services in addition to their statutory duties.

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

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' report for the financial year ended 30 June 2016.

18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

This report is made with a resolution of the Directors:

A Hewlett
Managing Director
Perth
22 September 2016

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 for the financial year ended 30 June 2016 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

22 September 2016

HAMMER METALS LIMITED
and its Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	30 June 2016 $	30 June 2015 $
Current Assets			
Cash and cash equivalents	11	1,892,094	391,707
Trade and other receivables	12	57,509	38,244
Other financial assets	13	535,433	-
Total current assets		2,485,036	429,951
Non-current assets			
Other financial assets	13	97,500	142,500
Plant and equipment	14	5,964	8,744
Exploration and evaluation expenditure	15	7,055,058	6,312,460
Total non-current assets		7,158,522	6,463,704
Total assets		9,643,558	6,893,655
Current liabilities			
Trade and other payables	16	155,387	139,158
Advanced cash call		510,561	-
Total current liabilities		665,948	139,158
Total liabilities		665,948	139,158
Net assets		8,977,610	6,754,497
Equity			
Share capital	17	39,800,503	37,277,606
Reserves	18	3,152,521	1,806,945
Accumulated losses		(33,975,414)	(32,330,054)
Total equity		8,977,610	6,754,497

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

HAMMER METALS LIMITED
and its Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	30 June 2016	30 June 2015
Continuing operations		**$**	**$**
Other income	4	39,922	-
Marketing expenses		(97,153)	(132,779)
Administrative expenses		(476,885)	(590,519)
Share based payments		(696,423)	(373,447)
Occupancy expenses		(45,359)	(45,484)
Depreciation	5	(6,019)	(12,823)
Project evaluation and generation expenses		(16,531)	(12,926)
Exploration expenditure written off	15	(309,384)	(129,346)
Loss on sale of exploration assets	15	-	(185,045)
Impairment of exploration assets and assets held for sale	15	-	(820,267)
Impairment of available for sale assets		(45,000)	-
Result from operating activities		(1,652,832)	(2,302,636)
Finance income		7,472	16,938
Finance expenses		-	-
Net finance income / (expense)	6	7,472	16,938
Loss before income tax		(1,645,360)	(2,285,698)
Income tax benefit	9	600,000	-
Net loss for the year from continuing operations		(1,045,360)	(2,,285,698)
Discontinued operations			
Loss from discontinued operation (net of tax)	8	-	(1,626,676)
Loss for the year		(1,045,360)	(3,912,374)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of financial assets		-	30,000
Other comprehensive loss for the year, net of income tax		-	30,000
Total Comprehensive loss for the year		(1,045,360)	(3,882,374)
Loss for the year attributable to:			
Owners of the Company		(1,045,360)	(3,912,374)
		(1,045,360)	(3,912,374)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(1,045,360)	(3,882,374)
		(1,045,360)	(3,882,374)
Loss per share:			
Basic and diluted loss per share	10(a)	(0.91) cents	(4.46) cents

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

HAMMER METALS LIMITED
and its Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Share based payment reserve	Fair value reserve	Convertible Note Reserve	Accumulated losses	Total
Balance at 1 July 2014	35,006,678	1,311,392	-	-	(28,417,680)	7,900,390
Total comprehensive loss for the period						
Loss for the year	-	-	-	-	(3,912,374)	(3,912,374)
Other comprehensive income / loss	-	-	30,000	-	-	30,000
Total comprehensive loss for the period	-	-	30,000	-	(3,912,374)	(3,882,374)
Shares issued for cash	2,450,000	-	-	-	-	2,450,000
Share issue costs	(179,072)	92,106	-	-	-	(86,966)
Share based payments	-	373,447	-	-	-	373,447
Balance at 30 June 2015	37,277,606	1,776,945	30,000	-	(32,330,054)	6,754,497
Balance at 1 July 2015	37,277,606	1,776,945	30,000	-	(32,330,054)	6,754,497
Total comprehensive loss for the period						
Loss for the year	-	-	-	-	(1,045,360)	(1,045,360)
Other comprehensive income / loss	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(1,045,360)	(1,045,360)
Shares issued for cash	2,628,600	-	-	-	-	2,628,600
Shares issued for asset acquisition	20,000	-	-	-	-	20,000
Issue of convertible note	-	-	-	650,000	-	650,000
Shares issued for convertible note interest	32,588	-	-	(35,847)	-	(3,259)
Share issue costs	(158,291)	-	-	-	-	(158,291)
Share based payments	-	731,423	-	-	-	731,423
Distribution to owners (Exploration Development Incentive credits)	-	-	-	-	(600,000)	(600,000)
Balance at 30 June 2016	39,800,503	2,508,368	30,000	614,153	(33,975,414)	8,977,610

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 2016

	Note	30 June 2016 $	30 June 2015 $
Cash flows from operating activities			
Interest received		7,472	16,938
Cash payments in the course of operations		(591,990)	(904,559)
Payments for evaluation of new projects		(16,531)	(12,926)
Net cash used in operating activities	23	(601,049)	(900,547)
Cash flows from investing activities			
Payments for exploration expenditure		(1,168,730)	(2,449,538)
Reimbursement of exploration and evaluation expenditure from farm-in partner		128,675	-
Received as management fee from farm-in partners		39,922	-
Payments for acquisition of tenements		(50,000)	-
Research and development tax incentive claim received		-	589,242
Payments for purchase of plant and equipment		(3,239)	(5,672)
Net cash used in investing activities		(1,053,372)	(1,865,968)
Cash flows from financing activities			
Proceeds from issue of share capital		2,628,600	2,450,000
Proceeds from issue of convertible note		650,000	-
Transaction costs from issue of shares		(123,792)	(86,965)
Net cash from financing activities		3,154,808	2,363,035
Net (decrease) / increase in cash and cash equivalents		1,500,387	(403,480)
Cash and cash equivalents at 1 July		391,707	795,187
Cash and cash equivalents at 30 June	11	1,892,094	391,707

*cash and cash equivalents include deposits held

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

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 2016 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) (including Australian Interpretations) 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 22 September 2016.

(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).

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

Estimates and assumptions

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

(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 on 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 income statement in accordance with accounting policy 3(f). The carrying amounts of exploration and evaluation assets are set out in note 15.

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

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

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

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

2. BASIS OF PREPARATION (continued)

(e) New standards and interpretations not yet adopted

In the year ended 30 June 2016, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.
A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the Group.
The Group does not plan to adopt any standards early and the extent of the impact has not been determined.

(f) Going concern

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

For the year ended 30 June 2016, the Group has incurred a consolidated loss before tax of $1,645,360 and net operating cash outflows of $601,049 and net investing cash outflows of $1,053,372. As at 30 June 2016 the Group had $1,894,094 in cash and cash equivalents and net current assets of $1,819,088.

The Company may need to raise additional funds to meet its ongoing obligations and subject to the results of its ongoing exploration activities, expand or accelerate its work programs. The Company's capacity to raise additional funds via equity issues will be impacted by the success of ongoing exploration activities. In this instance, the Company would consider securing additional funds through a capital raising via preferential issues to existing shareholders (pro rata offers and/or share purchase plans), placements to new and existing investors or through the realisation of assets. If necessary the Group will delay exploration expenditure and the directors can also institute cost saving measures to further reduce corporate and administrative costs. Subsequent to the year end, the Company completed a placement with sophisticated investors raising $2,257,500 (before costs).

The Directors have reviewed the Group's and Company's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will be able to raise the required funding via the methods set out above.

The financial report does not contain any adjustments to the amounts or classification of recorded assets or liabilities which might be necessary if the Group was not to continue as a going concern.

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.

Prior year comparatives have been reclassified where necessary to conform with current year presentation.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Investments in associates

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

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

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

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

(iii) Joint arrangements

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

(iv) Transactions eliminated on consolidation

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

(v) *Business combinations*

Business combinations are accounted for by applying the acquisition method.

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(vi) Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.
Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

(vii) Contingent liabilities

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

(viii) Non-controlling interest

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

(b) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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 income statement on a straight-line basis over their estimated useful lives. The estimated useful lives in the current and comparative periods are as follows:

(i) plant and equipment 3 to 4 years

The residual value, if significant, is reassessed annually.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

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

(e) Cash and cash equivalents

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

(f) Impairment

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

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

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

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

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment (continued)

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

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

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

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

(g) Share capital

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

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

(h) Interest bearing borrowings

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

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 income statement as incurred.

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

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

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

(j) Finance income and expenses

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

(k) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement 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.

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Exploration and evaluation expenditure (continued)

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

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

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

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

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

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

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

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

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

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Non-current assets held for sale or distribution

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

(p) Discontinued operations

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

(q) Government grants

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

	30 June 2016	30 June 2015
4. OTHER INCOME	**$**	**$**
Management fee from farm-in partners	39,922	-

	30 June 2016	30 June 2015
5. RESULT FROM OPERATING ACTIVITIES	**$**	**$**
Net loss for the year before tax has been arrived at after the charging the following expenses:		
Depreciation of plant and equipment	6,019	12,823
Salary and wages	68,697	103,806
Contributions to defined contribution plans	5,253	5,700
Equity settled share based payment transactions	680,940	357,848
Other employment costs	7,675	9,893
Total employee costs in loss before tax	762,565	477,247

	30 June 2016	30 June 2015
6. FINANCE INCOME AND FINANCE COSTS	**$**	**$**
Recognised in loss for the year:		
Interest income	7,472	16,938
Interest expense	-	-
Net finance income	7,472	16,938

7. AUDITORS' REMUNERATION

	30 June 2016 $	30 June 2015 $
Auditors of the Company:		
Audit services:		
KPMG:		
Audit and review of financial reports	37,620	36,810

8. DISCONTINUED OPERATIONS

The Group's interest in the separately identified iron ore segment (refer note 24) have been discontinued. The revenue and expenses related to this segment are shown in the table below:

Results of discontinued operation	30 June 2016 $	30 June 2015 $
Revenue	-	-
Expenses	-	(431)
Impairment losses	-	(1,626,245)
Results from operating activities	-	(1,626,676)
Income Tax	-	-
Loss for the year	-	(1,626,676)
Basic and diluted loss per share	-	(1.85) cents

Cash flows from (used in) discontinued operation	30 June 2016 $	30 June 2015 $
Net cash used in operating activities	-	(431)
Net cash from investing activities	-	(1,622)
Net cash from financing activities	-	-
Net cash flows for the year	-	(2,053)

9. INCOME TAX

(a) Income tax benefit	30 June 2016 $	30 June 2015 $
Current tax	-	-
Deferred tax	-	-
Total income tax benefit	-	-
Numerical reconciliation of income tax benefit to pre-tax accounting loss:		
Loss for year	(1,645,360)	(3,912,374)
Income tax benefit using the Company's domestic tax rate of 30% (2015: 30%)	(493,608)	(1,173,712)
Adjusted for:		
Non-deductible expenses	205,485	140,990
Changes in temporary differences	288,123	1,032,722
Prior year tax losses recognised for exploration development incentive credits distributed to shareholders	600,000	-
Income tax benefit	600,000	-

9. INCOME TAX (continued)

	30 June 2016 $	30 June 2015 $
(b) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary timing differences related to:		
Prepayments	5,458	5,028
Investments	4,500	-
Property, plant and equipment	4,837	5,747
Accrued expenses and provisions	6,573	3,213
Capital raising costs	102,535	117,474
Income tax losses	7,235,712	7,490,024
	7,359,615	7,621,486
(c) Recognised deferred tax assets & liabilities		
Temporary timing differences related to:		
Other financial assets	-	(9,000)
Exploration and evaluation expenditure	(2,116,517)	(1,893,738)
Income tax losses	2,116,517	1,902,738
	-	-

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

The Group participated in the Federal Government's Exploration Development Incentive Scheme ("EDI") which entitled the Group to distribute EDI exploration credits to eligible shareholders. EDI credits totalling $600,000 were distributed on 24th June 2016 and the Group's carried forward losses reduced accordingly.

(d) Movement of temporary differences recognised during the year ended 30 June 2016:

	Balance 1 July 2015	Profit or Loss	Other comprehensive income	Equity	Balance 30 June 2016
Other financial assets	(9,000)		9,000	-	-
Exploration and evaluations expenditure	(1,893,738)	(222,779)	-	-	(2,116,517)
Tax loss carry-forwards	1,902,738	222,779	(9,000)	-	2,116,517
	-	-	-	-	-

(e) Movement of temporary differences recognised during the year ended 30 June 2015:

	Balance 1 July 2014	Profit or Loss	Other comprehensive income	Equity	Balance 30 June 2015
Other financial assets	-	(9,000)	-	-	(9,000)
Exploration and evaluations expenditure	(1,271,817)	(621,921)	-	-	(1,893,738)
Tax loss carry-forwards	1,271,817	630,921	-	-	1,902,738
	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10.	**EARNINGS PER SHARE**	**30 June 2016 $**	**30 June 2015 $**
	(a) Basic and dilutive loss per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date.	(0.91) cents	(4.46) cents
	Options disclosed in Note 17(b) are potential ordinary shares which are considered anti-dilutive, therefore diluted earnings per share are the same as basic earnings per share.		
	(b) Weighted average number of shares used in calculation of basic and dilutive earnings per share	114,287,334	87,802,161

11.	**CASH AND CASH EQUIVALENTS**	**30 June 2016 $**	**30 June 2015 $**
	Cash at bank and on hand	1,892,094	391,707

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

12.	**TRADE AND OTHER RECEIVABLES**	**30 June 2016 $**	**30 June 2015 $**
	Current		
	GST receivable	18,183	6,781
	Security deposit	39,308	31,358
	Other receivables	18	105
		57,509	38,244

Trade and other receivables are non-interest bearing.
The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 25.

13.	**OTHER FINANCIAL ASSETS**	**30 June 2016 $**	**30 June 2015 $**
	Current		
	Advanced contributions from Farm-in partner (note 22)	535,433	-
	Non - Current		
	Investments in other entities		
	Listed shares	97,500	142,500

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

14.	**PLANT AND EQUIPMENT**	**30 June 2016 $**	**30 June 2015 $**
	Office equipment and fittings at cost	250,161	248,775
	Accumulated depreciation	(244,197)	(240,031)
	Net book value	5,964	8,744

Reconciliation of office equipment is as follows:

Opening carrying value	8,744	15,895
Additions	3,239	5,672
Depreciation	(6,019)	(12,823)
Closing carrying value	5,964	8,744

		30 June 2016 $	30 June 2015 $
15.	**EXPLORATION AND EVALUATION EXPENDITURE**		
	Balance at 1 July	6,312,460	5,271,109
	Exploration and evaluation expenditure incurred	1,130,657	2,367,853
	Exploration and evaluation assets acquired	50,000	-
	Exploration and evaluation expenditure impaired	(309,384)	(129,349)
	Reimbursement of costs on exploration and evaluation	(128,675)	
	Exploration and evaluation assets sold	-	(313,545)
	Exploration and evaluation expenditure impaired	-	(2,277,879)
	Research and Development Tax incentive received	-	(105,732)
	Exploration and evaluation assets reclassified from / (to) available for sale	-	1,500,000
	Balance at 30 June	7,055,058	6,312,460

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

The Company acquired the exploration assets of Element Minerals Australia Pty Ltd during the year. The purchase consideration was $50,000 settled in cash; in addition the company issued 500,000 shares to a third party in accordance with the purchase agreement as compensation to a previous JV partner of Element Minerals Australia Pty Ltd.

		30 June 2016 $	30 June 2015 $
16.	**TRADE AND OTHER PAYABLES**		
	Trade creditors and accruals	155,387	139,158

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

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

		30 June 2016	30 June 2015	30 June 2016	30 June 2015
17.	**ISSUED CAPITAL**				
(a)	**Share capital**	**No.**	**No.**	**$**	**$**
	Ordinary shares				
	On issue at 1 July	101,825,401	71,005,107	37,277,606	35,006,678
	Shares issued for cash at $0.06 per share	5,843,334	-	350,600	
	Shares issued for cash at $0.05 per share	1,600,000	-	80,000	
	Shares issued in lieu of convertible note interest at $0.06 per share	543,141	-	32,588	
	Shares issued for cash at $0.04 per share	24,200,000	-	968,000	
	Shares issued for acquisition of asset at $0.04 per share	500,000	-	20,000	
	Shares issued for cash at $0.065 per share	18,923,075	-	1,230,000	
	Shares issued for cash at $0.135 per share	-	8,888,888	-	1,200,000
	Shares issued for cash at $0.08 per share	-	15,625,000	-	1,250,000
	Conversion of preference shares to ordinary shares at $0.10 per share	-	6,306,406	-	-
	Share issue costs	-	-	(158,291)	(179,072)
	On issue at 30 June – fully paid	153,434,951	101,825,401	39,800,503	37,277,606

17. ISSUED CAPITAL (continued)

(a) Share capital (continued)

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 (2015: NIL).

	30 June 2016 No.	30 June 2015 No.
Preference shares		
On issue at 1 July	-	6,306,406
Conversion of preference shares to ordinary shares at $0.10 per share	-	(6,306,406)
	-	-

(b) Options outstanding over ordinary shares

	30 June 2016 No.	30 June 2015 No.
Unlisted Options issued for acquisition of assets and related services exercisable at $0.20 expiring 30 June 2017	12,300,000	12,300,000
Director unlisted options exercisable at $0.20 expiring 30 June 2017	2,000,000	2,000,000
Employee unlisted options exercisable at $0.20 expiring 26 May 2017	1,000,000	1,000,000
Unlisted Options issued for professional services exercisable at $0.30 expiring 11 September 2016	300,000	300,000
Unlisted Options issued for professional services exercisable at $0.20 expiring 11 September 2017	1,000,000	1,000,000
Director unlisted options exercisable at $0.135 expiring 30 November 2017	6,000,000	6,000,000
Consultant and contractor unlisted options exercisable at $0.135 expiring 30 November 2017	1,100,000	1,100,000
Unlisted options exercisable at $0.15 expiring 6 February 2018	3,811,953	3,811,953
Unlisted options exercisable at $0.10 expiring 30 July 2017	8,338,334	-
Unlisted options issued for professional services exercisable at $0.10 expiring 6 August 2017	500,000	-
Consultant and contractor unlisted options exercisable at $0.10 expiring 30 November 2017	1,000,000	-
Directors and employee unlisted options exercisable at $0.06 expiring 30 June 2020	12,800,000	-
Consultant and contractor unlisted options exercisable at $0.075 expiring 29 June 2019	5,000,000	-
Loyalty options exercisable at $0.30 expiring 26 May 2016	-	2,116,674
	55,150,287	29,628,627

All options were granted for no cash consideration.

19,300,000 unlisted options were granted to directors or employees/contractors during the year. (2015: 7,100,000).

No unlisted options were exercised during the period.

2,116,674 unlisted options expired during the period.

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

	30 June 2016 $	30 June 2015 $
18. RESERVES		
Share based payment reserve [1]		
Balance at beginning of period	1,776,945	1,311,392
Options issued to Directors and executives	521,055	357,849
Options issued to Employees and contractors	159,885	-
Options issued for professional services	50,483	107,704
Employee share options lapsed / forfeited	-	-
	2,508,368	1,776,945
Fair value reserve [2]		
Balance at beginning of period	30,000	-
Net increase/(decrease) in the market value of listed shares available for sale	-	30,000
	30,000	30,000
Convertible note reserve [3]		
Balance at beginning of period	-	-
Issue of convertible note	650,000	-
Conversion to equity	(35,847)	-
	614,153	-
	3,152,521	1,806,945

[1] The share based payment reserve is used to record the fair value of options issued to Directors and employees under various share based payment schemes and options issued for the acquisition of assets.
[2] The fair value reserve is used to record changes in the fair value of available for sale investments until the investments are derecognised or impaired.
[3] The convertible note reserve is used to record the face value of convertible notes issued that are accounted for as equity instruments. On 26 July 2015, the Company entered into a convertible note with its largest shareholder Deutsche Rohstoff AG (the "Lender") which has been accounted for as an equity instrument, on the basis there is no obligation by the Company to deliver cash or another financial asset to repay principle or interest.
The term of the convertible note is 24 months with interest accruing at 10% per annum. The conversion price is set at 6 cents and is convertible by either the Lender or the Company at any time during the term subject to the share price being above 6 cents and subject to a minimum of 12 months interest being paid. If not converted prior to maturity date, then at the maturity date, should the share price be less than the conversion price, the Company may elect to convert all or part of the moneys owing under the note into shares; or should the share price be above conversion price, either the Lender or the Company may elect to convert any or all of the moneys owing under the note into shares.

19. COMMITMENTS

a) Operating Lease Commitments

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

b) Exploration Expenditure Commitments

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

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

The Company can apply for exemption from compliance with the minimum exploration expenditure requirements. Due to the nature and scale of the Company's exploration activities the Company is unable to estimate its likely tenement holdings and therefore minimum expenditure requirements more than 1 year ahead.
These obligations are not provided for in the financial report and are payable:

	Consolidated		The Company	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	$	$	$	$
Minimum exploration expenditure not later than 1 year	913,821	1,119,886	-	-

20. SHARE BASED PAYMENTS

The following options were granted during the period:

Date Granted	No of options	Expiry date	Purpose	Contractual life of option
6 Aug 2015	500,000	6 Aug 2017	For professional services by third party	2 Years
20 Nov 2015	1,000,000	30 Nov 2017	To consultants as part of incentive package	2 Years
10 Jun 2016	9,000,000	30 Jun 2020	To directors as part of incentive package	4 Years
[1]27 Jun 2016	3,800,000	30 Jun 2020	To employees and contractors as part of incentive package	4 Years
27 Jun 2016	5,000,000	29 Jun 2019	For professional services by third party	3 Years

[1]Options granted pursuant to the Hammer Metals Limited Incentive Option Plan

The fair value of services rendered in return for share options is based on the fair value of share options granted, measured using the Black-Scholes model.

20. SHARE BASED PAYMENTS (continued)

The following inputs were used in the measurement of the fair values at grant date of the share based payment plans:

	6 Aug 2015 2 year option	**20 Nov 2015 2 year option**	**10 Jun 2016 4 year option**	**27 Jun 2016 4 year option (1)**	**27 Jun 2016 3 year option**
Fair value at grant date	\$0.031	\$0.014	\$0.058	\$0.036	\$0.007
Share price at grant date	\$0.073	\$0.047	\$0.083	\$0.060	\$0.060
Exercise price	\$0.10	\$0.10	\$0.06	\$0.06	\$0.075
Expected volatility	94%	89%	91%	83%	60%
Option life	2 years	2 years	4 years	4 years	3 years
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate (based on government bonds)	1.95%	2.08%	1.73%	1.65%	1.59%

(1) Options granted pursuant to the Hammer Metals Limited Incentive Option Plan

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

The total amount expended in the statement of profit and loss and other comprehensive income for the period was \$696,423 (2015: \$373,447).

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 particpant 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	29,628,627	\$0.19
Granted during the period	27,638,334	\$0.06
Expired / lapsed or exercised during the period	(2,116,674)	\$0.02
Outstanding at 30 June	55,150,287	\$0.13
Exercisable at 30 June	55,150,287	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. RELATED PARTIES

Key Management Personnel Compensation:

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

Executive Directors
Mr R Davis (Chairman)
Mr A Hewlett
Non-executive Directors
Mr N El Sayed
Mr S Bodensteiner (appointed 8 September 2015)
Mr P Corr (resigned 8 September 2015)

Executives
Mr M Pitts (Company Secretary)

The key management personnel compensation comprised:	30 June 2016 $	30 June 2015 $
Short-term employee benefits	371,564	545,825
Post-employment benefits	5,253	5,700
Share- based payments	539,278	308,242
	916,095	859,767

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

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

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

		Transaction value year ended		Balance outstanding as at	
Key management Person	Transaction	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Mark Pitts	Accounting services	47,032	44,242	7,315	3,085

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

21. RELATED PARTIES (continued)

Convertible Note

On 26 July 2015, the Company entered into a two year convertible note for $650,000 from its largest shareholder Deutsche Rohstoff A.G.

The term of the convertible note is 24 months with interest accruing at 10% per annum. The conversion price is set at 6 cents and is convertible by either the Lender or the Company at any time during the term subject to the share price being above 6 cents and subject to a minimum of 12 months interest being paid. If not converted prior to maturity date, then at the maturity date, should the share price be less than the conversion price, the Company may elect to convert all or part of the moneys owing under the note into shares; or should the share price be above conversion price, either the Lender or the Company may elect to convert any or all of the moneys owing under the note into shares.

During the year, the company exercised its option to settle interest on the convertible note for the first six months by the issue of 543,141 shares at a conversion price of 6 cents per share. Subsequent to the year end, the Company has elected to convert the full note and balance of interest liability by the issue of 11,374,711 shares (refer Note 27).

Equity instruments

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

9,000,000 options were issued to directors in this financial year (2015:6,000,000)

500,000 options were issued to executives in regard to their employment or provision of services during this financial year (2015: 1,000,000).

No shares were granted to key management personnel during the year as compensation (2015: Nil).

Other related party disclosure

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

Transactions between the Company and its controlled entities consisted of:

a. Loans advanced by Hammer Metals Limited. The loans are interest free, unsecured and repayable at call. During the financial year ended 30 June 2016, loans to subsidiaries totalled $6,864,666 (2015: $5,709,006). These loans have been impaired by $2,335,736 at 30 June 2016 (2015: $2,335,494).
b. Expenses incurred by Hammer Metals Limited are on-charged to controlled entities at cost.
c. Administrative services are provided at no cost to the controlled entities.

22. INTEREST IN OTHER ENTITIES

Name	**Country of Incorporation**	**Percentage held 2016**	**Percentage held 2015**
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%
Hammer Bulk Commodities Pty Ltd (i)	Australia	100%	100%
Midas Metals Asia Pty Ltd (i)	Australia	85%	85%
Element Minerals Australia Pty Ltd	Australia	100%	0%

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

The investments held in controlled entities are included in the financial statements of the parent at cost.

22. INTEREST IN OTHER ENTITIES (continued)

Joint arrangements

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

Golden Peaks

The Group has a farm-in agreement in relation to tenements held in the Mt. Morgan region. The Group can earn in up to a 60% interest in the project. The Group interest in the above arrangement written down to Nil and is included in Exploration and evaluation assets (refer note 15).

Dronfield

The Group has a farm-in agreement in relation to one tenement held in the Mt. Isa region. The Group can earn in up to an 80% interest in the project. The Group interest in the above arrangement includes capitalised exploration phase expenditure totalling $154,340 at 30 June 2016 and is included in exploration and evaluation assets (note 15).

Mt Isa – Newmont

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

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

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

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

At 30 June 2016, Newmont have spent $435,613 on the relevant interest area.

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

23. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	30 June 2016 $	30 June 2015 $
Loss for the year	(1,045,360)	(3,912,374)
Adjustments for:		
Depreciation	6,019	12,823
Share based payments	696,923	373,447
Exploration expenditure and assets held for sale written off and impaired	309,384	2,575,858
Assets available for sale impaired	45,000	-
Loss on sale of assets	-	201,045
Distribution of exploration development incentive credits	(600,000)	-
Management fee from farm-in partners	(39,922)	-
Add/(less):		
Decrease in provision for annual and long service leave entitlements	-	31,667
(Decrease) / increase in rehabilitation provision	-	(16,000)
Decrease / (increase) in trade and other receivables	(14,573)	6,910
Increase / (decrease) in trade and other payables	41,480	(173,923)
Net cash used in operating activities	(601,049)	(900,547)

24. SEGMENT INFORMATION

The Group has four reportable segments being:

- Gold exploration
- Iron ore exploration (i)
- Base Metals exploration
- Copper-Gold exploration

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

For the year ended 30 June 2016	Copper-Gold $	Gold $	Iron Ore[(i)] (Discontinued) $	Base Metals $	Total Segments $
External revenues	39,922	-	-	-	39,922
Interest income	-	-	-	-	-
Depreciation	-	-	-	-	-
Reportable segment loss after tax	(269,462)	-	-	-	(269,462)
Reportable segment assets	7,055,058	-	-	-	7,055,058
Capital expenditure (incl. acquisitions)	1,180,657	-	-	-	1,180,657
Reportable segment liabilities	(598,947)	-	-	-	(598,947)

24. SEGMENT INFORMATION (continued)

For the year ended 30 June 2015	Copper-Gold $	Gold $	Iron Ore[i] (Discontinued) $	Base Metals $	Total Segments $
External revenues	-	-	-	-	-
Interest income	-	-	-	-	-
Depreciation	-	-	-	-	-
Reportable segment loss after tax	(892,020)	(70,519)	(1,626,676)	(185,045)	(2,774,260)
Reportable segment assets	6,312,460	-	-	-	6,312,460
Capital expenditure (incl. acquisitions)	2,230,850	14,164	888	3,139	2,249,041
Reportable segment liabilities	(89,194)	-	-	-	(89,194)

(i) The Iron Ore segment includes exploration assets held by the subsidiary Mulga Minerals Ltd. The Company has relinquished a number of tenements held in this group of assets and applied for remaining tenement to be held on a retention status based on the holding being an uneconomical reserve. The Company does not have planned exploration in this area and accordingly the segment costs have been expensed as a discontinued operation.
$1,500,000 impairment expense is included in the prior year segment loss for this segment in relation to Mt. Philp (refer note 15).

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

	30 June 2016 $	30 June 2015 $
Other income		
Total other income for reportable segments	39,922	-
Other income	-	-
Consolidated other income	39,922	-
Loss after tax		
Total loss for reportable segments	(269,462)	(2,774,260)
Unallocated amounts: corporate expenses	(775,898)	(1,138,114)
Consolidated loss after tax	(1,045,360)	(3,912,374)
Assets		
Total assets for reportable segments	7,055,058	6,312,460
Other assets	2,588,500	581,195
Consolidated total assets	9,643,558	6,893,655
Liabilities		
Total liabilities for reportable segments	598,947	89,194
Other liabilities	67,001	49,964
Consolidated total liabilities	665,948	139,158

24. SEGMENT INFORMATION (continued)

	30 June 2016	30 June 2015
Capital expenditure	**$**	**$**
Total capital expenditure for reportable segments	1,180,657	2,249,041
Other capital expenditure	3,239	5,672
Consolidated total capital expenditure	1,183,896	2,254,713

25. FINANCIAL INSTRUMENTS DISCLOSURES

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

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

Credit risk

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

Trade and other receivables

As the Company operates in the mining explorer 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 calls amounts are reduced as and when expenditure in terms of the farm-in/ joint venture agreement are incurred.

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

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

Exposure to credit risk

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

Consolidated		**Carrying amount**	
	Note	**30 June 2016**	**30 June 2015**
		$	**$**
Cash and cash equivalents	11	1,892,094	391,707
Trade and other receivables	12	57,509	38,244
Advanced contributions from Farm-in partner	13	535,433	-

25. FINANCIAL INSTRUMENTS DISCLOSURES (continued)

Impairment losses
None of the Group's trade and other receivables are past due and impaired (2015: 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 2016	**30 June 2015**
	$	**$**
Fixed rate instruments		
Cash and cash equivalents	20,000	-
Weighted average interest rates	2%	-
Variable rate instruments		
Cash and cash equivalents	1,872,094	391,707
Weighted average interest rates	0.92%	1.34%

25. FINANCIAL INSTRUMENTS DISCLOSURES (continued)

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity (2015: Nil)

Cash flow sensitivity analysis for variable rate instruments
A change of 50 basis points 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 2015 was performed using a change of 100 basis points.

Consolidated	**Loss**		**Equity**	
	100bp increase	**100bp** decrease	**100bp** increase	**100bp** decrease
30 June 2016				
Variable rate instruments	9,360	(9,360)	9,360	(9,360)
30 June 2015				
Variable rate instruments	3,917	(3,917)	3,917	(3,917)

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 2016 **$**	**30 June 2015** **$**
Financial assets carried at fair value		
Equity securities – listed on ASX at quoted prices	97,500	142,500
Financial assets carried at amortised costs		
Cash and cash equivalents	1,892,094	391,707
Trade and other receivables	57,509	38,244
Advanced contributions from Farm-in partner	535,433	-
Financial liabilities carried at amortised costs		
Trade and other payables	(155,387)	(139,158)
Advanced cash call	(510,561)	-

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

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

Capital Management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.
There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.
Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. PARENT ENTITY DISCLOSURES

	Company	
Financial Position	**30 June 2016**	**30 June 2015**
	$	**$**
Assets		
Current assets	6,956,913	3,770,012
Non-current assets	3,085,223	3,133,003
Total assets	10,042,136	6,903,015
Liabilities		
Current liabilities	665,948	89,771
Total liabilities	665,948	89,771
Net Assets	9,376,188	6,813,244
Equity		
Issued capital	39,800,503	37,277,606
Accumulated losses	(33,576,836)	(32,271,307)
Reserves	3,152,521	1,806,945
Total equity	9,376,188	6,813,244
Financial Performance		
Loss for the year	(1,305,529)	(3,798,389)
Other comprehensive income	-	30,000
Total Comprehensive income	(1,305,529)	(3,768,389)

Contingent liabilities of the parent entity
There are no contingent liabilities at 30 June 2016 (2015: None)
Commitments of the parent entity
For details on commitments, see note 19.

27. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance date the company completed a placement of 32,250,000 shares at an issue price of $0.07 raising $2,257,500 before costs. In addition the company exercised its option to convert the convertible loan and balance of interest thereon to share capital by issue of 11,374,711 shares.

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

DIRECTORS' DECLARATION

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 2016 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 2016 pursuant to Section 295A of the Corporation Act 2001.

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

Signed in accordance with a resolution of the Directors:

A Hewlett
Managing Director

Perth

Dated 22nd September 2016

Independent auditor's report to the members of Hammer Metals Limited

Report on the financial report

We have audited the accompanying financial report of Hammer Metals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, and 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 ended on that date, notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in section 12 of the directors' report for the year ended 30 June 2016. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Hammer Metals Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth

22 September 2016