

31 DECEMBER 2023 HALF-YEAR FINANCIAL REPORT

Hammer Metals Limited (ASX:HMX) ("Hammer" or the "Company") attaches the Interim Financial Report for the half-year ended 31 December 2023.

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

For further information please contact:

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ASX RELEASE

12 March 2024

DIRECTORS / MANAGEMENT

Russell Davis
Chairman

Daniel Thomas
Managing Director

David Church
Non-Executive Director

James Croser
Non-Executive Director

Mark Pitts
Company Secretary

Mark Whittle
Chief Operating Officer

CAPITAL STRUCTURE

ASX Code: HMX

Share Price (11/03/2024)	\$0.036
Shares on Issue	886m
Market Cap	\$32m
Options Unlisted	23.1m
Performance Rights	12m
Cash (31/12/2023)	\$1.8m

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

INTERIM FINANCIAL REPORT

6 MONTHS ENDED

31 DECEMBER 2023

HAMMER METALS LIMITED and its Controlled Entities

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HAMMER METALS LIMITED

and its Controlled Entities

BOARD OF DIRECTORS

Russell Davis (Non-executive Chairman)
Daniel Thomas (Managing Director)
David Church (Non-executive Director)
James Croser (Non-executive Director)

COMPANY SECRETARY

Mark Pitts

PRINCIPLE AND REGISTERED OFFICE

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West Perth WA 6005

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Telephone: +61 8 9426 8999

SHARE REGISTRY

Automic Registry Services
Level 5, 126 Philip Street
Sydney NSW 2000
Telephone: +61 2 9698 5414

SECURITIES EXCHANGE

Australian Securities Exchange Limited
Company code: HMX

HAMMER METALS LIMITED
and its Controlled Entities
DIRECTORS' REPORT

The directors present their report together with the condensed consolidated financial report for the period ended 31 December 2023 and the review report thereon.

DIRECTORS

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

Mr Russell Davis
Non-Executive Chairman

Mr Daniel Thomas
Managing Director

Mr David Church
Non-Executive Director

Mr James Croser Appointed 8 September 2023
Non-Executive Director

Mr Zbigniew Lubieniecki Resigned 7 September 2023
Non-Executive Director

REVIEW OF OPERATIONS

The Group incurred an after-tax loss for the half year ended 31 December 2023 of \$608,975 (31 December 2023: \$769,151).

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

Mount Isa Region Projects

The Group is continued its exploration focus on its Mount Isa project for large iron oxide copper-gold (IOCG) deposits of the Ernest Henry style. The Group has maintained its tenure in Mount Isa and holds approximately 2,800 km² of exploration permits in the region.

Mt. Isa project – wholly-owned projects

Hammer was actively exploring on its wholly owned Mount Isa projects with exciting results at South Hope, Mount Mascotte and Hardway. Significant intercepts at South Hope included 14m at 3.34% Cu within a broader envelope of 34m at 2.5% Cu (Hole HMSHRC010) and 6m at 1.05% Cu (Hole HMSHRC 011), in addition a preliminary interpretation of down hole EM indicates continuation of a steeply south plunging conductor at the prospect. (refer ASX announcement 5 December 2023)

Mt Mascotte results included 53m at 1.55% Cu (Hole HMMARC008) and a follow-up hole (HMMARC009) intersected 4m at 4.82% Cu, these intercepts illustrate potential along strike to the south which is to be followed up.

Encouraging drilling results at Hardway earlier in the year prompted follow-up drilling to further evaluate the high grade zones. A further 8 holes intersected consistent zones of copper oxide mineralisation, which confirmed historical intersections and increased confidence in the nature of the mineralisation. Significant intersections from this round of drilling included (see ASX Announcement 31 October 2023):

HAMMER METALS LIMITED and its Controlled Entities

- **47m at 1% Cu from 14m** in HMHWRC017, including:
 - **21m at 1.21% Cu from 25m**
- **43m at 0.9% Cu from 16m** within **88m at 0.62% Cu from surface** in HMHWRC014 (hole terminated in mineralisation), including:
 - **5m at 2.78% Cu and 0.1g/t Au from 31m.**
- **52m at 0.71% Cu** from 78m in HMHWRC019, including:
 - **3m at 3.9% Cu and 0.12g/t Au from 114m**
- **35m at 0.84% Cu** from 46m within **65m at 0.59% Cu from 20m** in HMHWRC015; and
- **19m at 1.02% Cu** from 56m within 77m at 0.42% Cu from surface in HMHWRC016.

In addition to those copper results recent drilling at Hardway continued to intersect REE mineralisation. Heavy elements dominate the total rare earth suite, particularly Yttrium (with an individual maximum grade of 0.24% Y₂O₃).

Two holes were drilled at Kalman North to test surface anomalism, returning a gold intercept of 4m at 1.14g/t Au.

Of particular note was the announcement by the Federal Minister for Resources who released an update to the 'Critical Minerals List' on 16 December 2023 noting the inclusion of molybdenum and rhenium. Hammers Kalman project is one of Australia's largest and highest grade deposits of molybdenum and rhenium.

Field work was completed at numerous other Hammer targets including Tourist Zone, Overlander, Pommern and Bulonga. (Refer to ASX Announcements – 21 August 2023, 30 November 2023). These targets have returned significant zones of copper and gold mineralisation and provide excellent targets for the company to pursue in the future.

Mount Isa East Joint Venture

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

The Farm-in and Joint Venture agreement was signed by Hammer and Japan Oil, Gas and Metals National Corporation ("JOGMEC") in November 2019. JOGMEC sold their position in the Mount Isa East Joint Venture ("JV") to Sumitomo Metal Mining Oceania Pty. Ltd. ("SMMO"), a subsidiary of Sumitomo Metal Mining ("SMM") (see ASX announcement 19 August 2022). SMM's demonstrated capabilities in exploration, project development and finance have been a significant boost to the JV in its pursuit to delineate and develop a large-scale iron oxide copper-gold project.

SMMO and Hammer completed a drill program over three prospects, Thunderer, Prince of Wales and Toby, comprising 1,991m of RC drilling. The results of drilling were released In February 2024. Copper mineralisation was intersected in most drillholes with some narrow but high-grade results at Thunderer and Prince of Wales.

Subsequent to the period, SMMO advised Hammer that they have earned their 60% interest through the expenditure of \$6,000,000 and they elected to continue to fund the Joint Venture. The focus for 2024 will commence with planned drilling at Shadow South to follow-up a geophysical anomaly (refer ASX announcement 8 November 2023).

Work programs and budgets are being set for 2024 with follow-up work to be prioritised following the receipt and interpretation of results from soil and rock chip sampling and geophysical surveys at Even Steven, Jimmy Creek, Agamemnon, Malbon and Dronfield.

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Yandal Gold/Lithium/Nickel Project

Hammer completed lithium focused geological mapping together with additional soil sampling over the Orelia North area. The results indicate that the granite to the west of the Orelia pegmatite swarm is a fractionated i-type granite ideal for the production of LCT pegmatites.

A Reverse Circulation drilling program designed to test beneath the outcropping pegmatite units in addition to testing the zones of the highest bottom-of-hole lithium responses has commenced (refer ASX announcement 19 February 2024). Drilling will also focus on historical gold intercepts at the prospect with the aim of delineating a near surface gold resource at North Orelia.

EVENTS AFTER BALANCE DATE

On 14 February 2024, the Group announced that the \$6 million earn-in milestone for the Mt Isa East Joint Venture (the "Joint Venture") had been reached by joint venture partner, Sumitomo Metal Mining Oceania ("Sumitomo"), resulting in Sumitomo earning a 60% interest in the project. The Group has elected to further dilute its interest at this time in accordance with the Joint Venture Agreement. The Group can elect to continue contributing to the Joint Venture in the future to maintain its interest at that point in time.

Also on 14 February, the Group announced that it had commenced preliminary discussions with Carnaby Resources Limited (ASX:CNB), with regards to a potential transaction with the Group. As advised in the announcement on this date, the discussions remain confidential and incomplete.

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.

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

The lead auditor's independence declaration is set on page 5 and forms part of the directors' report for the half year ended 31 December 2023.

Signed in accordance with a resolution of the directors:



R Davis
Non-Executive Chairman
Perth
Dated 12th March 2024

COMPETENT PERSON STATEMENT

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

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

In relation to our review of the financial report of Hammer Metals Limited for the half-year ended 31 December 2023, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH



ALEXANDRA CARVALHO
PARTNER

12 March 2024
WEST PERTH,
WESTERN AUSTRALIA

HAMMER METALS LIMITED
and its Controlled Entities
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	31 December 2023 \$	30 June 2023 \$
Current assets			
Cash and cash equivalents		1,824,565	4,357,140
Trade and other receivables	8	721,180	252,649
Total current assets		<u>2,545,745</u>	<u>4,609,789</u>
Non-current assets			
Other financial assets	12	174,231	227,529
Plant & Equipment		3,491	3,981
Right-of-use assets		128,949	162,012
Exploration and evaluation expenditure	9	26,700,983	24,678,290
Total non-current assets		<u>27,007,654</u>	<u>25,071,812</u>
Total Assets		<u>29,553,399</u>	<u>29,681,601</u>
Current liabilities			
Trade and other payables		426,530	364,179
Employee leave liabilities		94,733	79,714
Lease liability		68,892	68,892
Total current liabilities		<u>590,155</u>	<u>512,785</u>
Non-current liabilities			
Lease liability		64,019	95,701
Total non-current liabilities		<u>64,019</u>	<u>95,701</u>
Total Liabilities		<u>654,174</u>	<u>608,486</u>
Net Assets		<u>28,899,225</u>	<u>29,073,115</u>
Equity			
Share capital	10	66,810,197	66,593,958
Reserves	10	667,107	1,382,293
Accumulated losses		(38,578,079)	(38,903,136)
Total Equity		<u>28,899,225</u>	<u>29,073,115</u>

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

HAMMER METALS LIMITED

and its Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	31 December 2023	31 December 2022
	\$	\$
Other income	132,966	137,345
Marketing expenses	(47,631)	(63,402)
Administrative expenses	(277,855)	(242,094)
Employee benefits expenses	(137,173)	(130,059)
Share based payments	13 (218,846)	(229,977)
Occupancy expenses	(22,100)	(19,778)
Depreciation	(33,554)	(33,059)
Fair value movement on financial assets	12 (53,298)	(194,210)
Results from operating activities	(657,491)	(775,234)
Financial income	51,288	10,070
Financial expenses	(2,772)	(3,987)
Net financing income	48,516	6,083
(Loss) before tax	(608,975)	(769,151)
Income tax benefit	-	-
(Loss) for the period	(608,975)	(769,151)
Other comprehensive income	-	-
Total comprehensive (loss) for the period	(608,975)	(769,151)
Basic and diluted gain/(loss) per share	(0.07) cents	(0.09) cents

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

HAMMER METALS LIMITED and its Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Share capital	Share based payment reserve	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2022	62,965,503	1,399,634	(37,617,600)	26,747,267
Profit/(Loss) for period	-	-	(769,151)	(769,151)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the period	-	-	(769,151)	(769,151)
Options exercised	146,200	(111,200)	-	35,000
Share based payments	-	229,977	-	229,977
Costs of equity issues	(5,338)	-	-	(5,338)
Balance at 31 December 2022	63,106,365	1,518,141	(38,386,751)	26,237,755
Balance at 1 July 2023	66,593,958	1,382,293	(38,903,136)	29,073,115
Profit/(Loss) for period	-	-	(608,975)	(608,975)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the period	-	-	(608,975)	(608,975)
Shares issued for cash	220,000	-	-	220,000
Lapse of options	-	(75,440)	75,440	-
Reallocation of historical balances in share-based payment reserve	-	(852,592)	858,592	-
Share based payments	-	218,846	-	218,846
Costs of equity issues	(3,761)	-	-	(3,761)
Balance at 31 December 2023	66,810,197	667,107	(38,578,079)	28,899,225

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

HAMMER METALS LIMITED and its Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	31 December 2023 \$	31 December 2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	51,228	10,070
Fuel rebate received	5,673	4,021
Payments to suppliers and employees	(408,226)	(591,606)
Net cash used in operating activities	<u>(351,325)</u>	<u>(577,515)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(1,981,284)	(2,494,332)
Management fees from farm-in and joint venture partners	74,514	165,056
Exploration incurred on behalf of JV partners	(1,048,623)	(873,573)
Reimbursement of exploration costs incurred on behalf of JV partners	592,358	1,155,454
Purchase of property, plant and equipment	-	(3,981)
Net cash used in investing activities	<u>(2,363,035)</u>	<u>(2,051,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	220,000	-
Proceeds from option exercises	-	35,000
Lease payments made	(34,454)	(67,688)
Transaction costs from issue of shares	(3,761)	(5,338)
Net cash provided by/(used in) financing activities	<u>181,785</u>	<u>(38,026)</u>
Net decrease in cash and cash equivalents	(2,532,575)	(2,666,917)
Cash at the beginning of the financial period	4,357,140	5,193,673
Cash at the end of the financial period	<u>1,824,565</u>	<u>2,526,756</u>

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

HAMMER METALS LIMITED and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

1. Reporting entity

Hammer Metals Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in mineral exploration in Western Australia and Queensland.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2023 are available upon request from the Company's registered office at Unit 1, 28-30 Mayfair Street, West Perth, WA, 6005 or at www.hammermetals.com.au.

2. Statement of compliance

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

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2023. This report does not include all of the information required for full annual financial report and should be read in conjunction with the consolidated financial report of the Group as at and for the year ended 30 June 2023.

This consolidated interim financial report was approved by the Board of Directors on 12 March 2024.

3. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2023.

Adoption of new and revised standards

New Standards and Interpretations applicable for the half year ended 31 December 2023

In the period ended 31 December 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2023. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

4. Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. During the half-year ended 31 December 2023, the Group incurred a loss before tax of \$608,975 and net cash outflows from operating and investing activities of \$2,714,360. As at 31 December 2023, the Group had \$1,824,565 in cash and cash equivalents and net current assets of \$1,955,590.

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and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

4. Going Concern (continued)

Whilst not immediately required, the Group may need to raise additional funds to meet its planned and budgeted exploration expenditure as well as regular corporate overheads. The Group's capacity to raise additional funds will be impacted by the success of the ongoing exploration activities and market conditions. Additional sources of funding available to the Group include a capital raising via preferential issues to existing shareholders or placements to new and existing investors. If necessary, the Group can delay exploration expenditure and the directors can also institute cost saving measures to further reduce corporate and administrative costs.

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

5. Use of judgements and estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2023.

6. Financial risk management

During the half-year ended 31 December 2023, the Group's financial risk management objectives and policies were consistent with that disclosed in the consolidated financial report for the year ended 30 June 2023.

7. Operating Segments

The Group has three reportable segments, being mineral exploration in Queensland and Western Australia, and corporate activities. 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.

HAMMER METALS LIMITED and its Controlled Entities

7. Operating segments (continued)

Segment information

The following tables represent revenue and profit information and certain asset and liability information regarding geographical segments:

	QLD Exploration \$	WA Exploration \$	Corporate \$	Total \$
<i>31 December 2023</i>				
Segment income	-	-	132,966	132,966
Segment loss before income tax expense	(1,000)	-	(607,975)	(608,975)
<i>31 December 2022</i>				
Segment income	-	-	137,345	137,345
Segment loss before income tax expense	(1,213)	(70)	(767,868)	(769,151)
<i>31 December 2023</i>				
Segment assets	20,224,691	6,476,292	2,852,416	29,553,399
Segment liabilities	(10,043)	(1,475)	(642,656)	(654,174)
<i>30 June 2023</i>				
Segment assets	18,552,627	6,155,663	4,973,311	29,681,601
Segment liabilities	(23,090)	(4,875)	(580,521)	(608,486)

8. Trade and other receivables

	31 December 2023 \$	30 June 2023 \$
<i>Current</i>		
GST receivable	-	31,007
Security deposit	119,402	80,887
Other receivables – amounts due from JV partner for reimbursement of exploration expenditure, administration and other recharges	601,778	140,755
	<u>721,180</u>	<u>252,649</u>

Trade and other receivables are non-interest bearing.

9. Exploration and evaluation expenditure

	31 December 2023 \$	30 June 2023 \$
Balance at the beginning of the period	24,678,290	21,337,979
Exploration and evaluation expenditure incurred	2,022,693	4,593,665
Government grants received	-	(148,676)
Research and Development incentive credit	-	(1,104,678)
Balance at the end of the period	<u>26,700,983</u>	<u>24,678,290</u>

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

HAMMER METALS LIMITED and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

10. Capital and reserves

The following table summarises the shares issued during the six months ended 31 December 2023.

	31 December 2023 \$	30 June 2023 \$
Issued capital		
886,407,349 (30 June 2023: 879,740,682) ordinary fully paid shares	66,810,197	66,593,958
	Number of shares	\$
Movements for Ordinary shares:		
Balance at 30 June 2023	879,740,682	66,593,958
Exercise of options ¹	3,000,000	-
Share placement	3,666,667	220,000
Cost of shares issued	-	(3,761)
Balance at 31 December 2023	886,407,349	66,810,197

1 – The exercise of these options was completed during the year ended 30 June 2023, however the shares were issued in July 2023. Therefore the value of these was recognised during the comparative period.

	Number of options	\$
Unlisted options (Share based payment reserve)		
Unlisted options on issue	23,100,000	555,895

A total of 7,000,000 unlisted options expired unexercised during the period. The previously recognised value of \$75,440 was reversed through accumulated losses upon their expiry.

A total of 3,000,000 unlisted options exercisable at \$0.035 each were exercised during the previous period, however the conversion only occurred in July 2023.

A total of \$858,592 relating to historical options which had expired during past financial periods was recycled through accumulated losses during the period.

The following options were issued to directors during the period (refer Note 13):

	Number of options	Exercise Price	Expiry Date	Vesting Date
Director Options – J Croser	4,000,000	\$0.08	30/11/2026	Immediate
Director Options – D Church	1,500,000	\$0.08	30/11/2026	Immediate
Management Options Tranche 1	2,000,000	\$0.08	30/11/2026	Immediate
Management Options Tranche 2	2,000,000	\$0.08	30/11/2026	15/12/2024

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

10. Capital and reserves (continued)

Performance rights (Share based payment reserve)	Number of rights	\$
Performance rights on issue	12,000,000	111,212

The following performance rights were granted during the period and will be expensed over the expected vesting period for each tranche:

	Number of rights	Fair value per security on grant date	Vesting Condition	Expiry Date
Management Performance Rights				
- Tranche 1A	500,000	\$0.0520 ^{a}	Note {c}	15/12/2027
- Tranche 1B	500,000	\$0.0502 ^{b}	Note {d}	15/12/2027
- Tranche 2A	500,000	\$0.0520 ^{a}	Note {e}	15/12/2027
- Tranche 2B	500,000	\$0.0490 ^{b}	Note {f}	15/12/2027
- Tranche 3	7,000,000	\$0.0520 ^{a}	Note {g}	15/12/2027

Notes:

- a) The fair value has been determined by reference to the underlying market price of the Company's ordinary shares on the date of grant, being \$0.0520.
- b) The fair value has been determined by reference to the underlying market price of the Company's ordinary shares on the date of grant, adjusted for the expected likelihood of the market-based vesting condition being achieved. The adjustment for the expected likelihood of the condition being met was determined by reference to a Monte Carlo simulation, using a risk-free rate of 4.098% and expected volatility of 103.3%.
- c) Tranche 1A performance rights include a vesting condition requiring continuous service for 12 months from the date of issue.
- d) Tranche 1B performance rights include a vesting condition requiring continuous service for 12 months from the date of issue, in addition to the share price of the Company's shares listed on the ASX achieving a premium of 50% over the 15-day VWAP prior to the issue date, or \$0.0780.
- e) Tranche 2A performance rights include a vesting condition requiring continuous service for 24 months from the date of issue.
- f) Tranche 2B performance rights include a vesting condition requiring continuous service for 24 months from the date of issue, in addition to the share price of the Company's shares listed on the ASX achieving a premium of 100% over the 15-day VWAP prior to the issue date, or \$0.1040.
- g) Tranche 3 performance rights include a vesting condition requiring the completion (to the Board's satisfaction) of a material transaction to the value of a minimum of 30% of the Company's market capitalisation, determined based on the 30-day VWAP immediately prior to the completion or announcement of the transaction.

5,000,000 performance rights lapsed unexercised during the period. The value of these rights was reversed during a previous financial period.

No performance rights were exercised during the period.

HAMMER METALS LIMITED and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

10. Capital and reserves (continued)

Reserves	31 December 2023 \$	30 June 2023 \$
Share based payment reserve ⁽¹⁾		
Balance at beginning of period	1,382,293	1,399,364
Options exercised utilising cashless exercise facility	-	(100,200)
Options exercised for cash	-	(11,000)
Options exercised, with shares being issued in subsequent financial period	-	(77,100)
Derecognition of value of performance rights previously recognised	-	(93,302)
Options issued during the period	177,295	194,850
Derecognition of value of options upon lapse	(75,440)	-
Performance rights issued during the period	19,390	-
Further vesting expense of performance rights issued during previous financial periods	22,161	69,681
Reversal of historical expired share-based payments	(858,592)	-
	667,107	1,382,293

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

Dividends

No dividends were declared or paid during the six months ended 31 December 2023 (31 December 2022: NIL).

11. Exploration Expenditure Commitments

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

The Group can apply for exemption from compliance with the minimum exploration expenditure requirements. Due to the nature and scale of the Group's exploration activities the Group is unable to estimate its likely tenement holdings and therefore minimum expenditure requirements more than 1 year ahead. The commitment for minimum exploration expenditure payable as at 31 December 2023, payable within one year, is \$4,127,088 (30 June 2023: \$3,785,310). These obligations are not provided for in the financial report.

HAMMER METALS LIMITED and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

12. Financial instruments

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

	31 December 2023 \$	30 June 2023 \$
Financial assets carried at fair value through profit or loss		
Equity securities – listed on ASX and TSXV at quoted prices (level 1 fair value hierarchy)	174,231	227,529
Financial assets carried at amortised cost		
Cash and cash equivalents	1,824,565	4,357,140
Trade and other receivables	721,180	252,649
Financial liabilities carried at amortised cost		
Trade and other payables	(426,530)	(364,179)
Lease liabilities	(132,911)	(164,593)

13. Share based payments

The following options were granted during the period:

	Number of options granted	Date granted	% Vested	% Forfeited / Lapsed	Date which grant vested / will vest
Key Management Personnel					
James Croser	4,000,000	7/9/2023	100%	-	N/A
David Church	1,500,000	17/11/2023	100%	-	N/A
Dan Thomas – T1	2,000,000	17/11/2023	100%	-	N/A
Dan Thomas – T2	2,000,000	17/11/2023	11%	-	15/12/2024

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

HAMMER METALS LIMITED and its Controlled Entities

13. Share based payments (continued)

	Director Options – J Croser	Director Options – D Church	Management Options – D Thomas
Underlying security spot price on grant date	\$0.055	\$0.05	\$0.05
Exercise price	\$0.08	\$0.08	\$0.08
Grant date	7 September 2023	17 November 2023	17 November 2023
Expiration date	30 November 2026	30 November 2026	30 November 2026
Vesting date	Immediate	Immediate	Note (a)
Life (years)	3.25	3	3
Volatility	80%	75%	75%
Risk free rate	3.841%	4.172%	4.172%
Dividend Yield	-	-	-
Number of options	4,000,000	1,500,000	4,000,000
Valuation per option	\$0.0258	\$0.0199	\$0.0199
Remaining life (years)	2.9	2.9	2.9

(a) – 2,000,000 options issued to Dan Thomas vest immediately upon grant, with the remaining 2,000,000 vesting on 15 December 2024.

In addition to the above options issued during the period, the Company also issued 9,000,000 performance rights to Mr Dan Thomas, as set out in Note 10 to these Financial Statements.

During prior financial years the Group issued a number of equity instruments which were classified as share-based payments that have continued to be recognised in the loss for the period over their vesting period. An expense of \$22,161 has been recognised during the period with respect to these share-based payments.

The total amount expended in the statement of profit and loss and other comprehensive income for the period was \$218,846 (31 December 2022: \$229,977).

HAMMER METALS LIMITED

and its Controlled Entities

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

13. Share based payments (continued)

Incentive Option Plan

The Hammer Metals Incentive Option Plan was approved by shareholders on 17 November 2023.

The key features of this plan are:

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

14. Subsequent events

On 14 February 2024, the Group announced that the \$6 million earn-in milestone for the Mt Isa East Joint Venture (the "Joint Venture") had been reached by joint venture partner, Sumitomo Metal Mining Oceania ("Sumitomo"), resulting in Sumitomo earning a 60% interest in the project. The Group has elected to further dilute its interest at this time in accordance with the Joint Venture Agreement. The Group can elect to continue contributing to the Joint Venture in the future to maintain its interest at that point in time.

Also on 14 February, the Group announced that it had commenced preliminary discussions with Carnaby Resources Limited (ASX:CNB), with regards to a potential transaction with the Group. As advised in the announcement on this date, the discussions remain confidential and incomplete.

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.

HAMMER METALS LIMITED and its Controlled Entities

DIRECTORS' DECLARATION

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

- a) the condensed consolidated financial statements and notes set out on pages 6 to 18, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the six-month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



R Davis
Non-executive Chairman

Perth

Dated 12th March 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF HAMMER METALS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hammer Metals Limited (the company) and controlled entities (consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, and notes to the financial statements, including material policy information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2023, or during the half year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

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

Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 4 in the half-year financial report, which indicates that the consolidated entity has incurred an operating loss of \$608,975 and cash outflows from operating and investing activities of \$2,714,360 for the half-year ended 31 December 2023. These conditions, along with other matters as set forth in Note 4, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Independence

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

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

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

PKF Perth

PKF PERTH



ALEXANDRA CARVALHO

PARTNER

12 MARCH 2024

WEST PERTH,

WESTERN AUSTRALIA