HIPO Resources Limited

AND CONTROLLED ENTITIES

ABN 55 147 106 974

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Contents

Chairman's Letter

Dear Fellow Shareholders

I am pleased to report on the activities and progress made by Hipo Resources Limited during the 2018 Financial Year.

2018 has been transformational for the Company, shaped by a number of key events: the recapitalisation of the Company and retirement of all material debt; the appointment of a new Board; a change of company name to Hipo Resources Limited (ASX: HIP); an expansion of the company's mineral exploration activities to the Democratic Republic of the Congo ("DRC"); the farm-out of the majority of our exploration interests in Uganda so they become cost neutral to Hipo, and making strategic investments and partnerships in the battery minerals processing and battery technologies sectors.

It has been without doubt an extremely busy year for Hipo Resources and your new Board has every confidence that these new opportunities will yield better returns for shareholders.

I was appointed as Hipo's Executive Chairman only in June 2018 and my objective in this short timeframe has been to significantly lower Hipo's cost base so costs are more aligned with those of a junior exploration and project development company. I am also focussed on identifying project opportunities that have the capacity to add substantial value for shareholders. We have achieved these key milestones and Hipo now has a strong foundation for growth after much hard work and restructuring.

It is important to re-cap on the progress and main changes we have made this year so shareholders have a good account of the work that has been undertaken to ensure the Company has a solid base moving forward.

Sale of vermiculite assets in Uganda and retirement of A$5.5 million of debt

Following shareholder approval, in June 2018 the Company announced the completion of its restructure with the sale of the Namekara Vermiculite project in Uganda in exchange for the retirement of circa A$5.5 million in debt.

Retention of highly prospective phosphate, copper and rare earths exploration assets in Uganda

As part of the restructure, the Company retained a 75% farm in right to the prospective Busumbu Phosphate Project and exploration rights for the copper and rare earths mineralisation across the project. The Company also announced that it had reached agreement with African Minerals Ventures Ltd to earn 51% of the Busumbu Phosphate Project with AMV spending US$3m over three years, and Hipo retaining a 24% free carried interest in Busumbu for the first US$3m spent. Hipo is now pursuing potential partners for developing the copper and rare earths mineralisation.

A streamlined Board to oversee Hipo's growth and development

As part of the restructure process, the Company announced the appointment of Sam Jarvis and Dan Smith as Non-Executive Directors of the Company on 13 June 2018. Mr Smith also replaced Ms Susan Hunter as Company Secretary. Sam and Dan bring an appropriate mix of corporate, capital markets, governance, and resource sector expertise to Hipo, and importantly, we now have in place a functional, cohesive, decisive and cost conscious team driving the Company's future growth.

Strengthening the balance sheet

In April 2018 Hipo announced that it had raised $500,000 by way of convertible notes, and in May the Company completed the non-renounceable entitlement issue to raise a further circa $3.26m before costs.

This funding, and the removal of a significant $5.5m debt burden, has significantly strengthened Hipo's balance sheet and given the Company the financial flexibility to broaden its focus to the DRC and pursue investments in the battery minerals sector, one where we see considerable long-term potential.

Highly prospective lithium and cobalt prospects secured

In May, Hipo announced that it had secured an option over highly prospective lithium projects in the sought-after Manono province in the DRC, the Kamola Lithium Project. Hipo has an option to acquire 60% of Kamola, subject to formal agreements, with the option exercised on 13 July 2018 following successful technical and legal due diligence.

Due diligence confirmed the presence of two significant lithium bearing pegmatites on the licenses as well as three that are still to be tested.
The Company's joint venture partner, Crown Mining, is an established tin and tantalum mining company in the DRC, and Hipo looks forward to progressing the exploration and development of the Kamola Lithium Project and is confident significant value can be added to this project.

After the end of the financial year, Hipo announced that it had secured an option to earn 80% of prospective cobalt and copper projects within the DRC with strategic partner 1620 Capital. The cobalt and copper assets add further optionality to Hipo's battery mineral exploration portfolio in the DRC.

Investing in battery minerals processing and battery development technologies

As part of advancing the lithium projects, the Company announced that it had entered into a strategic partnership with St-Georges Eco Mining Limited ("St-Georges") where St-Georges has agreed to provide exclusive research and development services, utilising products, extraction methods and proprietary technology to develop the Company's project in respect of the separation, recovery, and purification of lithium from its identified lithium bearing pegmatites.

Post balance date, Hipo announced its intention to earn up to 35% of *Next-Battery Limited*, a very exciting technology business which is developing a unique higher performance Lithium-ion battery prototype based upon many years of cathode research and development by the Next Battery team.

Next-Battery represents a very unique investment opportunity for Hipo and the Board is very excited about its prospects in 2019 as *Next-Battery* advances prototype development and testing initiatives.

With its current portfolio of assets, Hipo has broad scope to deliver significant value for shareholders. Whilst the assets in Uganda still hold unlocked value, Hipo's Board sees considerable upside through supporting *Next-Battery's* initiatives and undertaking more extensive and intensive exploration activities at the Kamola Lithium Project in the DRC.

This is indeed an exciting time for Hipo and we are confident about the year ahead. I would like to thank the Company's shareholders and for their support of the Company. I look forward to a more prosperous 2019 and reporting on some solid and meaningful progress as the year unfolds.

Yours Sincerely

Maurice Feilich
Executive Chairman

Corporate Information

This financial report includes the consolidated financial statements of Hipo Resources Limited and controlled entities (the Group). The Group's functional presentation currency is AUD.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's Report.

Directors
Mr Maurice Feilich – Executive Chairman – Appointed 1 July 2017
Mr Samual Jarvis – Non-Executive Director – Appointed 13 June 2018
Mr Daniel Smith – Non-Executive Director – Appointed 13 June 2018

Company Secretary
Mr Daniel Smith – Appointed 13 June 2018

Registered Office
Level 2, 34 Colin Street
West Perth WA 6005

Principal Place of Business
Level 2, 34 Colin Street
West Perth WA 6005

Share Registry
Computershare Investor Services
Level 11, 172 St Georges Tce
Perth WA 6000

Auditors
RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

Stock Exchange
Australian Securities Exchange
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000
ASX Code: HIP

Website
www.hiporesources.com.au

Solicitors
Steinepreis Paganin
Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000

Competent Persons Statement

The information in this report that relates to exploration results and geological interpretation has been compiled by Mr Willard Matola Mbalaka. Mr Mbalaka is a full-time employee and Principal Consultant at South African geological consultancy and advisory firm, Kweneng Group and an independent consultant to the Company. A member of the Geological Society of South Africa (GSSA) and the South African Institute of Mining and Metallurgy, Mr Mbalaka is registered as Professional Scientist with the South African Council for Professional Natural Scientific Professions (SACNASP) which is a Recognised Professional Organisation (RPO). Mr Mbalaka has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code (2012)). Mr Mbalaka consents to the disclosure of this information in this report in the form and context in which it appears.

Directors' Report

Your Directors present the following report on Hipo Resources Limited ("the Company", "HIP" or "Hipo") and its controlled entities (referred to hereafter as "the Group") for the year ended 30 June 2018.

Directors

The names of the Directors in office during the year and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated:

Mr Maurice Feilich (Executive Chairman) appointed 1 July 2017 as Non-Executive Director and appointed as Executive Chairman on 13 June 2018
Mr Sam Jarvis (Non-Executive Director) appointed as Non-Executive Director on 13 June 2018
Mr Daniel Smith (Non-Executive Director) appointed as Non-Executive Director on 13 June 2018
Mr Simon Grant Rennick (Interim Chairman) resigned 13 June 2018
Mr Luca Bechis (Non-Executive Director) resigned 13 June 2018
Mr John Ryan (Executive Director) resigned 15 September 2017
Mr Julian Ford (Executive Chairman and Chief Executive Officer) resigned on 1 July 2017

Principal Activities

The principal activity of the Group for the year ended 30 June 2018 was the resource mineral exploration and exploitation, in particular vermiculite.

Overview

The 2018 financial year has been a transformational one for the Company, with the divestment or farm-out of non-core assets, as well as focus on building three pillars within the battery metals space. The three pillars are centred around lithium, cobalt and advanced battery technologies.

<u>Projects</u>

DRC Lithium Projects
On 5 April 2018, the Company announced that it had begun negotiations to enter into an exclusive option with Crown Mining Sarl ("Crown"), whereby the Company had the ability to earn via farm-in, a 60% interest in Mining Permits PE 13081, PR 4076 & PR 4072 ("Permits"). The Permits are located in the south-east of the Manono lithium province in the DRC, nearby to the large Manono lithium project being advanced by ASX-listed AVZ Minerals (ASX:AVZ).

The Permits and Licences ("Project Area") lie within the same geological and structural setting as the AVZ Mineral's Manono Project. The Manono Project is potentially one of the world's largest lithium rich LCT (Lithium Caesium Tantalum) pegmatite deposits. It was initially mined for its tin content between 1919 and 1980. The strike extent of the Manono pegmatites is at least 13km, with only a small shallow portion tested by historical exploration activities. The historical exploration activity indicates potential thickness of pegmatites is up to 250m in places.

Historical geological work previously published confirms that the Project Area under option has geological and mineralization characteristics identical to those of the much explored Manono-Kitotolo deposits namely, the presence and extraction of Sn-Nb-Ta in alluvium and laterite, the occurrence of undeformed type 3 granites, and the identification of a quartz-feldspar-mica pegmatite, possibly greisen, near the type 3 granites. These characteristics suggest an LCT pegmatite is the source of that Sn-Nb-Ta in the Project Area, and that a rare-element Li pegmatite exists below laterite and alluvial cover. It is worth noting that the Manono-Kitotolo pegmatites were not discovered until the thick laterites and alluvium were removed.

Directors' Report (continued)

After the financial year end, on 13 July 2018 the Company announced the successful conclusion of technical and legal due diligence at the Kamola Lithium Project.

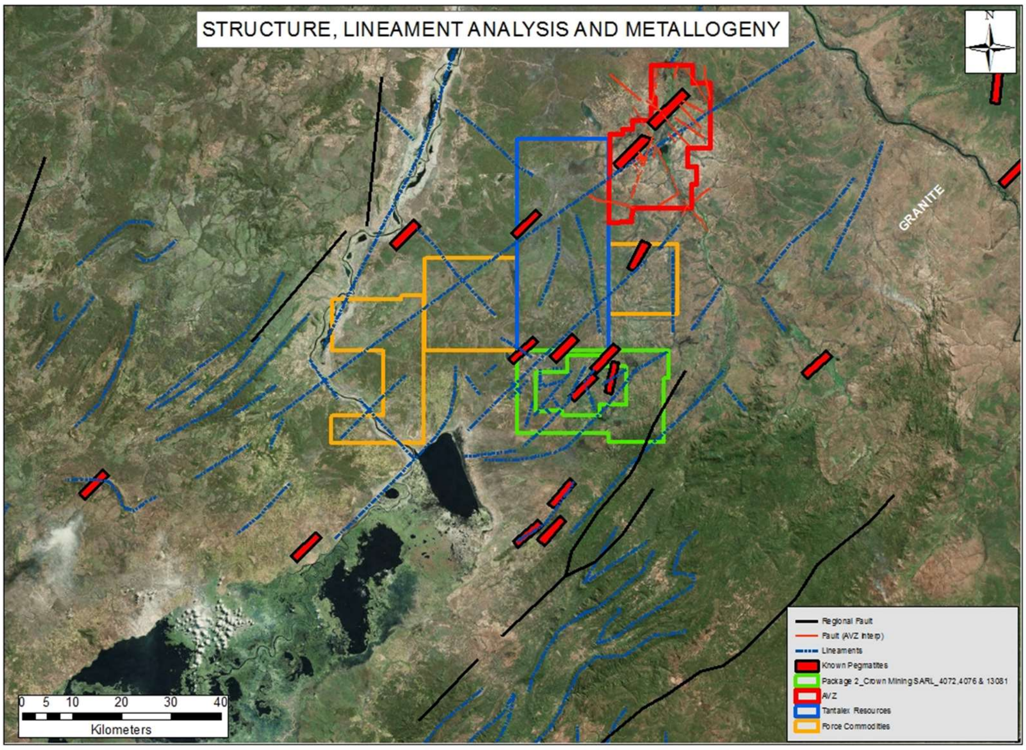

Image 1: Location of the Company's Kamola Lithium Project and mapped pegmatites

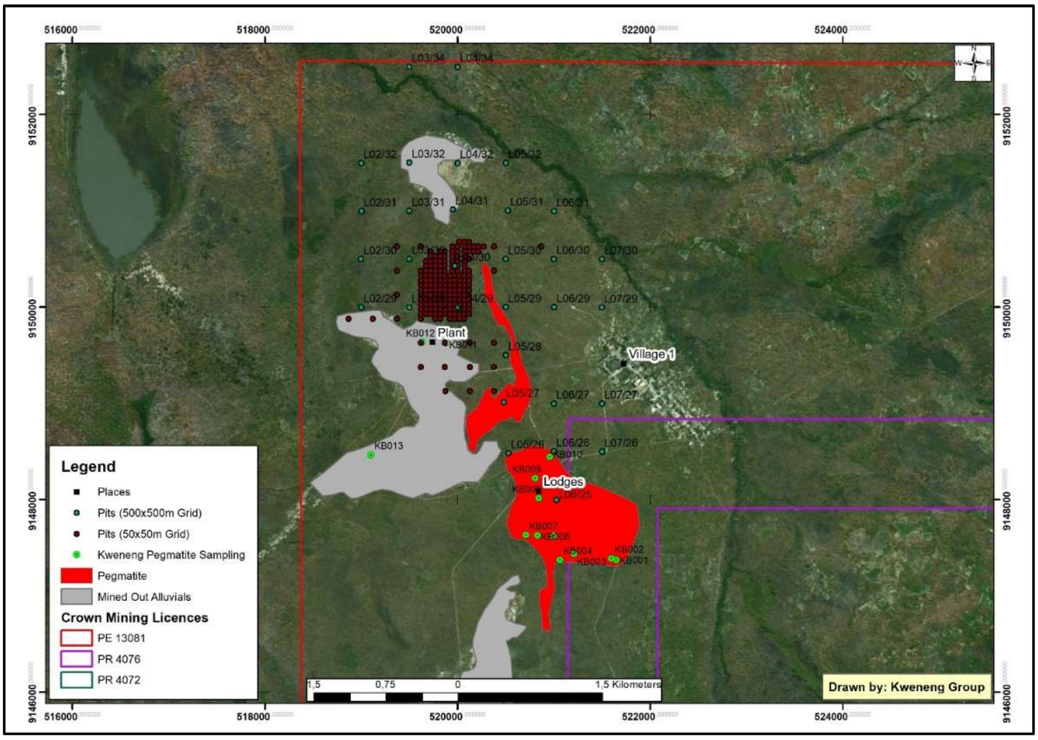

Image 2: shows the 2 main pegmatites that were sampled (rock chip) and confirmed as lithium bearing as part of the due diligence program.

Directors' Report (continued)

Image 3: PE 13081 lithium bearing pegmatite outcrop.

Namekara Vermiculite Mine

On 29 December 2017, the Company announced that it would undertake restructuring initiatives to reduce the Company's debt position ("Restructuring"). As part of the Restructuring, the Company would dispose of its interest in the Namekara Vermiculite Mine to Richmond Partners Masters Limited (the Company's major lender) in exchange for the retirement of ~A$5.5m in debt. Additionally, the Company would retain, subject to meeting minimum expenditure commitments, a 75% interest in the Busumbu Phosphate project, as well as all other non-vermiculite minerals.

On 13 June 2018, the Company announced the completion of the Restructure.

Busumbu Phosphate Project

The Busumbu Phosphate Project is located on the Busumbu ridge ~ 3km east of the Namekara Vermiculite Mine and on the existing Mining License.

Exploration work was completed by Gulf Industrial Limited (ASX Listed) in 2011 and 2012. The full results of the six-hole diamond drill program completed by Gulf Industrial in 2012 is included in an ASX release dated 26 November 2012 "*Confirmation of High Grade Phosphate Discovery – Busumbu*".

On 15 June 2018, the Company announced that it had secured a farm-in partner for its Busumbu Phosphate Project in Uganda that will result in BMZ retaining 24% of the project and being free carried for the first US$3m spent of exploration and development. The farm in with AMV results in HIP significantly and materially reducing any financial contribution to the exploration and development of the project for the first US$3m spent with the Company still retaining a significant stake in the asset for no upfront spend.

AMV is proposing to complete further detailed exploration work at the Busumbu Phosphate Project including, resource definition drilling, preliminary mine planning and optimisation studies, broad sampling and metallurgical test work and preliminary processing plant optimisation studies. The project is considered by the Board to be one of two "world-class" phosphate deposits in Uganda.

Directors' Report (continued)

The farm in obligation is for a minimum expenditure obligation of US$1m per annum for 3 years, and a commitment to take the project into commercial production within another 2 years. The minimum expenditure funding can be used as project development and operational funding if the Project moves into commercial production in an accelerated time frame which is very much the intention of AMV.

Exploration partners for copper and rare earths are also being pursued with two further farm in negotiations well advanced.

US Silver Assets

On 18 September 2017, the Company announced that it had successfully divested its non-core US silver assets. The Company held a 70% stake in two prospective US silver projects, the New Departure site in Montana and the Conjecture Silver project in Idaho. As a result of the transaction, the Company extinguished all future financial obligations associated with the US silver assets, including holding and lease costs and rehabilitation commitments. Pursuant to the transaction with Texas Energy Advisors LLC ("TEA"), the Company paid or will pay TEA a total of $70,000.

Capital Raisings

Prior to the 2018 financial year, the Company entered into an agreement to raise $1,000,000 through the placement of 25,000,000 fully paid ordinary shares at $0.04 per share to new cornerstone investor, Investmet Limited ("Investmet"). On 25 August 2018, the Company announced that it had received a further $250,000 from Investmet under the previously announced placement.

On 5 April 2018, the Company announced that it had raised $500,000 through a convertible note raising from a range of sophisticated investors. The funding from the convertible notes were used towards due diligence on the Company's lithium project in the DRC and working capital purposes.

On 12 April 2018, the Company announced that it was undertaking a one for one pro rata non-renounceable rights issue ("Rights Issue") to raise approximately $3,263,355 through the issue of up to 163,167,728 new fully paid ordinary shares at $0.02 each. As part of the Rights Issue, Shareholders were entitled to one free attaching option for every two shares subscribed for. The prospectus in respect of the Rights Issue was lodged with Australian Securities and Investments Commission ("ASIC") on 12 April 2018.

The results of the Rights Issue were announced on 18 May 2018, whereby the Company's shareholders had subscribed for a total of 80,237,005 new fully paid ordinary shares and 40,118,511 new options, raising $1,604,740 (before costs). Additionally, the Board (in consultation with the lead manager) had procured commitments to place the resultant shortfall under the Rights Issue. The shortfall shares and options were issued on 25 May 2018, raising $1,658,614 (before costs).

Shareholder Meetings

Following the Company's Annual General Meeting ("AGM") held on 30 November 2017, the Company announced that all resolutions put to Shareholders had been passed on a show of hands. The Resolutions the subject of the AGM included, amongst other things, the ratification of previous share placements, the ratification of the convertible note issue, and the approval of the Company to issue shares pursuant to a placement.

On 14 May 2018, the Company announced the results of its General Meeting ("GM"). The GM was convened to consider, amongst other things, the restructure of the heads of agreement between the Company and Richmond Partners Masters Limited, the issue of shares and options pursuant to the convertible note facility, participation in any Rights Issue shortfall by directors of the Company, and the proposed change to the Company name. All resolutions were passed on a show of hands.

Directors' Report (continued)

Name Change

Following shareholder approval at a general meeting of the Company, on 19 June the Company announced that the Company's name had officially changed with ASIC from Black Mountain Resources Limited to Hipo Resources Limited. The change of name was a reflection of the refocus of the Company's operations towards battery minerals and technologies. The Company's name and ASX ticker Code (ASX:HIP) were changed effective 20 June 2018.

Board Appointments

On 3 July 2017, the Company announced the appointment of Maurice Feilich as a Non-executive Director of the Company. Maurice Feilich has been involved in investment markets for ~30 years, commencing his career as an Institutional derivative broker at McIntosh Securities (later Merrill Lynch) in 1998. He joined Tricom Equities in 2000 as Head of Equities, and in 2010, became a founding partner of Sanlam Private Wealth. On the same day the Company announced the resignation of the CEO and Chairman, Mr Julian Ford, and that Mr Simon Grant-Rennick had been appointed as interim Chairman.

On 18 September 2018, in conjunction with the sale of the US silver assets the Company announced the resignation of Executive Director John Ryan from the board of the Company.

On 13 June 2018, as part of the Restructure initiatives and sale of the Company's interest in the Namekara Vermiculite Project, the Company announced the appointment of Mr Sam Jarvis and Daniel Smith as Non-executive Directors to the Board of the Company. On the same day Messer's Bechis and Grant-Rennick resigned from the Board. Additionally, Mr Smith replaced Susan Hunter as the Company Secretary. Non-executive Director Maurice Feilich was appointed as Executive Director. Mr Jarvis has over 20 years' experience in the resources, bulk commodities and energy sectors and has Degrees in Economics and Engineering (Hons). Mr Smith has over 10 years' primary and secondary capital markets expertise, and has advised on a number of IPOs, RTOs and capital raisings on the ASX.

Operating Results

The consolidated statement of profit or loss and other comprehensive income shows a consolidated net loss for the year ended 30 June 2018 to members of $280,078 (2017: net loss of $8,766,845).

Dividends

No dividend has been paid or recommended by the Directors since the commencement of the financial year.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity during the financial year other than as stated in the above overview.

After Balance Date Events

On 13 July 2018, the Company announced that it had successfully completed technical and legal due diligence at the Kamola lithium project, and that it will now proceed with the negotiations of a 60% farm in to what is potentially a world class project. The Kamola Lithium Project Joint Venture, to be held 60% by HIPO and 40% by Crown, will focus on the contiguous Mining License PE 13081 and Exploration Licenses PR 4072 and 4076. The licenses are located in the prolific and world class Manono and Kitolo Lithium pegmatite belt. Planned exploration activities at the Kamola lithium project will focus on the areas where lithium bearing pegamtites are identified and exposed.

Directors' Report (continued)

After Balance Date Events (cont'd)

On 20 July 2018, the Company announced the issue of 3,750,000 ordinary shares, 11,087,500 quoted options and 7,000,000 unlisted options. The share issue at $0.02 per share raised $75,000.

On 22 August 2018, the Company announced that it had secured an exclusive option over an 80% interest in a project prospective for cobalt in the DRC. In addition to the option, the Company has entered into a services agreement with 1620 Capital Ltd ("1620"), whereby 1620 would provide Hipo with technical and logistical support within the DRC on a cost plus basis. The Company considers that the services agreement with 1620 will provide Hipo with the resources required to advance its lithium and cobalt projects.

On 29 August 2018, the Company announced that it had begun negotiations to enter into an earn-in agreement with Next Battery Limited. Pursuant to the agreement with Next Battery, the Company would acquire an initial 25% interest in Next Battery by funding US$500,000 towards an agreed budget for the development of the Next Battery technology. The Company has negotiated the ability to acquire an additional 10% of Next Battery through the meeting of an additional US$1,000,000 in expenditure.

Likely Developments and Expected Results

The Company's focus on lithium and cobalt within the Democratic Republic of Congo, as well as its investment in Next Battery, is part of a three pillar approach towards the fast growing battery minerals and technology sector.

Financial Position

At 30 June 2018, the Group had net assets of $1,444,961 and cash reserves of $1,729,055 (2017: net liabilities $2,703,120, with cash reserves of $57,277).

Environmental Regulation

The Group operates within the resources sector and conducts its business activities with respect for the environment, while continuing to meet the expectations of the shareholders, employees and suppliers. The Group is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities in the relevant jurisdiction. The directors are not aware of any environmental law that is not being complied with.

The directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment. There have been no known breaches by the Group during the financial year.

Directors' Report (continued)

Information on Directors

Mr Maurice Feilich	-	Non-Executive Director (appointed 1 July 2017) Executive Chairman (appointed 13 June 2018)
Qualifications	-	B Comm
Experience	-	Maurice has been involved in investment markets for 30 years, commencing his career as an institutional derivative broker at Mcintosh Securities (later Merrill Lynch) in 1998. He joined Tricom Equities in 2000 as head of Equities, and in 2010 became a founding partner of Sanlam Private Wealth. Mr Feilich has a track record of success and solid networks in the small resources sector and he has provided capital markets and funding support to Hipo Resources Ltd since the Company's re-listing in November 2016.
Interest in Shares and Options	-	16,453,374 Ordinary Shares, 3,925,844 listed options ($0.02, expiring 30 June 2020)
Current directorships	-	None
Former directorships held in past three years	-	None

Mr Samuel Jarvis	-	Non-Executive Director (appointed 13 June 2018)
Qualifications	-	BCom, BEng.
Experience	-	Mr Jarvis has over 20 years' experience in the resources, bulk commodities and energy sectors and has Degrees in Economics and Engineering (Hons)..
Interest in Shares and Options	-	13,500,000 Ordinary Shares, 4,000,000 listed options ($0.02, expiring 30 June 2020)
Current directorships	-	Nil.
Former directorships held in past three years	-	Nil.

Mr Daniel Smith	-	Non-Executive Director and Company Secretary (appointed 13 June 2018)
Qualifications	-	BA, MAICD, GIA (Cert), RG146.
Experience	-	Mr Smith has over 10 years' primary and secondary capital markets expertise, and has advised on a number of IPOs, RTOs and capital raisings on the ASX. Dan's focus is on commercial due diligence, transaction structuring, and investor and stakeholder engagement. He is currently a director and company secretary of ASX and AIM-listed Europa Metals Ltd and ASX-listed Lachlan Star Limited, and is also a company secretary of Taruga Gold Limited and Vonex Limited.
Interest in Shares and Options	-	Nil
Current directorships	-	Europa Metals Ltd (ASX: EUZ), Lachlan Star Limited (ASX:LSA).
Former directorships held in past three years	-	Taruga Minerals Limited (ASX:TAR), PLC Financial Solutions (ASX:PLC).

Directors' Report (continued)

Directors Meetings

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Group for the time the Director held office during the year were as follows:

	Number of Meetings Eligible to Attend	Number of Meetings Attended
Director		
Mr Maurice Feilich [1]	8	8
Mr Samual Jarvis [2]	-	-
Mr Daniel Smith [3]	-	-
Mr Julian Ford [4]	-	-
Mr Simon Grant-Rennick [5]	8	8
Mr Luca Bechis [6]	8	7
Mr John Ryan [7]	3	-

[1] Mr Feilich was appointed Non-executive Director on 1 July 2017 and Executive Chairman on 13 June 2018.
[2] Mr Jarvis was appointed Non-executive Director on 13 June 2018.
[3] Mr Smith was appointed Non-executive Director on 13 June 2018.
[4] Mr Ford resigned as Executive Chairman and Chief Executive Officer on 1 July 2017.
[5] Mr Grant-Rennick was appointed Interim Chairman on 1 July 2017, and resigned as Interim Chairman and Non-Executive Director on 13 June 2018.
[6] Mr Bechis resigned as Non-Executive Director on 13 June 2018.
[7] Mr Ryan resigned as Non-Executive Director on 15 September 2017.

Shares under Option

Unissued ordinary shares of Hipo Resources Limited under option at the date of this report are as follows:

Type	Expiry Date	Issue Price of Shares	Number Under Option
Unlisted	30 April 2020	$0.05	2,000,000
Listed	30 June 2020	$0.02	95,333,873

Shares Issued on the Exercise of Options

There were no options exercised during the year.

Insurance of Officers

Directors and Officers insurance was arranged for the Company during the current year.

Directors' Report (continued)

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor can be found within the financial statements at Note 26 to the financial statements.

The Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 has been included as part of the financial report.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration.
B Details of remuneration.
C Service agreements.
D Share-based compensation.
E Additional disclosures relating to key management personnel

Directors' Report (continued)

Remuneration Report (Audited) (continued)

A Principles used to determine the nature and amount of remuneration

The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its board meetings.

The following items are considered and discussed as deemed necessary at the board meetings:

- make specific recommendations to the board on remuneration of directors and senior officers;
- recommend the terms and conditions of employment for the Executive Director;
- undertake a review of the Executive Director's performance, at least annually, including setting with the Executive Director goals for the coming year and reviewing progress in achieving those goals;
- consider and report to the Board on the recommendations of the Executive Director on the remuneration of all direct reports; and
- develop and facilitate a process for Board and Director evaluation.

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Directors' Fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $300,000 per annum.

Additional fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Retirement allowances for directors

Superannuation contributions required under the Australian Superannuation Guarantee Legislation continue to be made and are deducted from the directors' overall fee entitlements.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

A Principles used to determine the nature and amount of remuneration (cont'd)

Executive pay

The executive pay and reward framework has two components:

- Base pay and benefits, including superannuation; and
- Long-term incentives through participation in the Employee Share Option Plan.

The combination of these comprises the executive's total remuneration. The Group intends to revisit its long-term equity-linked performance incentives for executives as deemed necessary by the Board.

Base pay

The employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed every 12 months and may increase every 12 months.

Benefits

No benefits other than noted above are paid to Directors or Management except as incurred in normal operations of the business.

Long term incentives

Options are issued at the Board's discretion. Other than options disclosed in section D of the remuneration report, there have been no options issued to employees as at the date of this financial report.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

B Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are found below:

Key Management personnel and other executives of the Group

	Short- term employee benefits			Post-employment benefits		Share-based pay-ments	Total
30 June 2018	**Cash salary & Fees**	**Consulting fee**	**Non-Monetary Benefits**	**Super-annuation Pensions**	**Retire-ment Benefits**		
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Executive Directors							
Maurice Feilich [1]	105,000	-	-	-	-	-	105,000
Julian Ford [4]	-	-	-	-	-	-	-
Total Executive Directors	**105,000**	**-**	**-**	**-**	**-**	**-**	**105,000**
Non-executive Directors							
Samual Jarvis [2]	-	-	-	-	-	-	-
Daniel Smith [3]	-	-	-	-	-	-	-
Simon Grant-Rennick [5]	54,999	-	-	-	-	-	54,999
Luca Bechis [6]	-	-	-	-	-	-	-
John Ryan [7]	-	-	-	-	-	-	-
Total Non-executive Directors	**54,999**	**-**	**-**	**-**	**-**	**-**	**54,999**
Other Key Management Personnel							
Bronwyn Barnes [8]	15,000	-	-	-	-	-	15,000
Total Other Key Management Personnel	**15,000**	**-**	**-**	**-**	**-**	**-**	**15,000**
Total key management personnel compensation (Group)	**174,999**	**-**	**-**	**-**	**-**	**-**	**174,999**

[1] Mr Feilich was appointed Non-Executive Director on 1 July 2017 and Executive Chairman on 13 June 2018.
[2] Mr Jarvis was appointed Non-Executive Director on 13 June 2018.
[3] Mr Smith was appointed Non-Executive Director on 13 June 2018.
[4] Mr Ford resigned as Executive Chairman and Chief Executive Officer on 1 July 2017.
[5] Mr Grant-Rennick was appointed Interim Chairman on 1 July 2017, and resigned as Interim Chairman and Non-Executive Director on 13 June 2018.
[6] Mr Bechis resigned as Non-Executive Director on 13 June 2018.
[7] Mr Ryan resigned as Non-Executive Director on 15 September 2017.
[8] Ms Barnes was appointed as Interim Chief Executive Officer on 26 July 2017 for a term of three months.

Resignations received from Board and Executive Management during the year did not trigger any termination benefits.

No proportion of director and key management remuneration is linked to performance.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

	Short- term employee benefits			Post-employment benefits		Share-based pay-ments	Total
30 June 2017	**Cash salary & Fees**	**Consulting fee**	**Non-Monetary Benefits**	**Super-annuation Pensions**	**Retire-ment Benefits**		
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Executive Directors							
Julian Ford [1]	138,532	-	-	-	-	-	138,532
Simon Grant-Rennick [2]	150,001	-	-	-	-	-	150,001
John Ryan [3]	-	-	-	-	-	-	-
Jason Brewer [4]	23,333	15,000	-	-	-	-	38,333
Total Executive Directors	**311,866**	**15,000**	**-**	**-**	**-**	**-**	**326,866**
Non-executive Directors							
Luca Bechis [5]	20,000	-	-	-	-	-	20,000
Total Non-Executive Directors	**20,000**	**-**	**-**	**-**	**-**	**-**	**20,000**
Total key management personnel compensation (Group)	**331,866**	**15,000**	**-**	**-**	**-**	**-**	**346,866**

[1] Mr Ford was appointed as Chief Executive Officer of 29 November 2016.
[2] Mr Grant-Rennick was appointed Executive Director of Marketing on 10 November 2016.
[3] Mr Ryan resigned as Non-Executive Director on 15 September 2017.
[4] Mr Brewer resigned as Executive Director on 31 January 2017.
[5] Mr Bechis was appointed Non-Executive Director on 10 November 2016.

C Service agreements

No formal service agreements have been entered into by non-executive directors upon appointment to the board during the year ended 30 June 2018. Effective 1 July 2018 as the result of board resolution, all non-executive directors are entitled to $3,000 per month and no termination benefits.

D Share-based compensation

There were no shares or options issued to key management personnel as part of the compensation during the year ended 30 June 2018.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

E Additional disclosures relating to key management personnel

Key management personnel options

The numbers of options over ordinary shares in the company held during the year by each director of Hipo Resources Limited and other key management personnel of the Group, including their personally related parties are set out below.

2018 Name	Balance at the start of the year (or appointment)	Granted	Exercised	Expired, Forfeited and Other changes	Balance at the end of the year (or resignation)
Directors					
Executive Directors					
Maurice Feilich [1]	-	-	-	3,925,844 [8]	3,925,844
Julian Ford [4]	-	-	-	-	-
Total Executive Directors	-	-	-	3,925,844	3,925,844
Non-Executive Directors					
Samual Jarvis [2]	4,000,000	-	-	-	4,000,000
Daniel Smith [3]	-	-	-	-	-
Simon Grant-Rennick [5]	-	-	-	2,625,000 [9]	2,625,000
Luca Bechis [6]	-	-	-	-	-
John Ryan [7]	-	-	-	-	-
Total Non-Executive Directors	4,000,000	-	-	2,625,000	6,625,000
Total	4,000,000	-	-	6,550,844	10,550,844

[1] Mr Feilich was appointed Non-executive Director on 1 July 2017 and Executive Chairman on 13 June 2018.
[2] Mr Jarvis was appointed Non-executive Director on 13 June 2018.
[3] Mr Smith was appointed Non-executive Director on 13 June 2018.
[4] Mr Ford resigned as Executive Chairman and Chief Executive Officer on 1 July 2017.
[5] Mr Grant-Rennick was appointed Interim Chairman on 1 July 2017, and resigned as Interim Chairman and Non-executive Director on 13 June 2018.
[6] Mr Bechis resigned as Non-executive Director on 13 June 2018.
[7] Mr Ryan resigned as Non-executive Director on 15 September 2017.
[8] Mr Feilich received 1,300,844 options under the entitlement issue closed on 15 May 2018. Mr Feilich also received 2,625,000 options by the conversion of outstanding director fees under the entitlement issue shortfall on 31 May 2018.
[9] Mr Grant-Rennick received 2,625,000 options by the conversion of outstanding director fees under the entitlement issue shortfall on 31 May 2018.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

E Additional disclosures relating to key management personnel (continued)

Key management personnel shareholdings

The numbers of shares in the company held during the year by each director of Hipo Resources Limited and other key management personnel of the Group, including their personally related parties are set out below.

2018 **Name**	**Balance at the start of the year (or appointment)**	**Received during the year on the exercise of options**	**Other changes**	**Balance at the end of the year (or resignation)**
Directors				
Executive Directors				
Maurice Feilich [1]	2,601,687	-	12,851,687 [8]	15,453,374
Julian Ford [4]	-	-	-	-
Total Executive Directors	2,601,687	-	12,851,687	15,453,374
Non-Executive Directors				
Samual Jarvis [2]	13,500,000	-	-	13,500,000
Daniel Smith [3]	-	-	-	-
Simon Grant-Rennick [5]	3,500,000	-	5,250,000 [9]	8,750,000
Luca Bechis [6]	28,543,727	-	(28,543,727) [10]	-
John Ryan [7]	900,000	-	-	900,000
Total Non-Executive Directors	46,443,727	-	(23,293,727)	23,150,000
Total	49,045,414	-	(10,442,040)	38,603,374

[1] Mr Feilich was appointed Non-executive Director on 1 July 2017 and Executive Chairman on 13 June 2018.
[2] Mr Jarvis was appointed Non-executive Director on 13 June 2018.
[3] Mr Smith was appointed Non-executive Director on 13 June 2018.
[4] Mr Ford resigned as executive Chairman and Chief Executive Officer on 1 July 2017.
[5] Mr Grant-Rennick was appointed Interim Chairman on 1 July 2017, and resigned as Interim Chairman and Non-Executive Director on 13 June 2018.
[6] Mr Bechis resigned as Non-Executive Director on 13 June 2018.
[7] Mr Ryan resigned as Non-Executive Director on 15 September 2017.
[8] Mr Feilich received 2,601,687 shares under the entitlement issue closed on 15 May 2018. Mr Feilich also received 5,250,000 shares by the conversion of outstanding director fees under the entitlement issue shortfall on 31 May 2018, and received 5,000,000 shares upon conversion of convertible notes on 31 May 2018.
[9] Mr Grant-Rennick received 5,250,000 shares by the conversion of outstanding director fees under the entitlement issue shortfall on 31 May 2018.
[10] Mr Bechis transferred 28,543,727 shares to third party financiers as one of the conditions of the disposal of GLF Holdings Ltd as disclosed in note 32 to the financial statements.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Voting and comments made at the company's 2017 Annual General Meeting (AGM)

At the 2017 AGM, held on 30 November 2017, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Additional information

The earnings/(loss) of the consolidated entity for the five years to 30 June 2018 are summarised below, along with other factors that are considered to affect total shareholder return (TSR):

	2018 $	2017 $	2016 [1] $	2015 [1] $	2014 [1] $
Closing share price – 30 June	0.021	0.038	0.060	0.030	0.224
Profit/(loss) for the year attributable to owners of Hipo Resources Ltd	(280,078)	(8,766,845)	(352,464)	(19,560,410)	(3,577,481)
Basic EPS (cents)	(0.15)	(7.48)	(1.00)	(184.50)	(40.50)

[1] Earnings per share have been restated to post-consolidation amounts on a 1 for 10 basis from the 2016 financial year and before. Closing share prices have not been restated.

Other transactions and balances with key management personnel

Below are transactions with director-related entities:

Related Party	Type of Service	2018 $
Expenses		
LB International Limited [1, 5]	Interest expense on deferred advisory fee	**200,627**
LB International Limited [1]	Unsecured loan facility interest	**130,097**
LB International Limited [1]	Royalty Expense	**10,417**
Filmrim Pty Ltd [2]	Interest expense on convertible notes	**4,589**
Chaleyer Holdings Pty Ltd	Interest expense on convertible notes	**4,589**
Sanlam Private Wealth Pty Ltd [4]	Capital Raising Fees	**65,200**
Total Expenses		**415,519**
Borrowings		
Filmrim Pty Ltd [2]	Conversion of convertible notes and repayment of interest	**(55,000)**
Chaleyer Holdings Pty Ltd [3]	Conversion of convertible notes and repayment of interest	**(55,000)**
LB International Limited [5]	Loans and other debts forgiven	**(4,721,484)**
Total Borrowings		**(4,831,484)**

No amounts remained owing to directors as at 30 June 2018

[1] Luca Bechis is a Director and shareholder of LB International Limited. Interest accrued on deferred advisory fees owed to LB International during the year, which has now been forgiven as per note 32 to the financial statements.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Other transactions and balances with key management personnel (continued)

[2] Mr Feilich is a Director and shareholder of Filmrim Pty Ltd. Filmrim Pty Ltd was the holder of 50,000 $1 convertible notes which were converted to ordinary shares in the Company on 31 May 2018. Interest accrued up to the date of conversion in the amount of $5,000 was settled with cash payment, with $767 of interest accrued being forgiven and recognised in other income.

[3] Mr Feilich is a Director and shareholder of Chaleyer Holdings Pty Ltd. Chaleyer Holdings Pty Ltd was the holder of 50,000 $1 convertible notes which were converted to ordinary shares in the Company on 31 May 2018. Interest accrued up to the date of conversion in the amount of $5,000 was settled with cash payment, with $767 of interest accrued being forgiven and recognised in other income.

[4] Mr Feilich is a Director and shareholder of Sanlam Private Wealth Pty Ltd. Sanlam Private Wealth Pty Ltd was the lead advisor to the entitlement offer announced on 12 April 2018.

[5] *Disposal Related Transactions*
As announced on 19 February 2018, the Company entered into a restructuring heads of agreement ('**HoA**') with Richmond Partners Masters Limited ('**RPML**') (director-related company of Luca Bechis, resigned 13 June 2018), for the disposal of Namekara Mining Company Ltd ('**NMCL**') through the transfer of 100% of the shares of GLF Holdings Ltd ('**GLF**'), the 100% owner of NMCL.

The key terms of the disposal were as follows:

- (a) The Company to dispose of its interest in the Namekara Vermiculite Mine in exchange for the cancellation of all debt owed to RPML and LB International Ltd ('**LBI**'), extinguishment of any existing royalty obligation to RPML and transfer of the Company's interest in NMCL to RPML;
- (b) RPML to transfer its shareholding in the Company to a third-party financier;
- (c) HIP/BMZ to retain, subject to a minimum expenditure obligation of US$1,000,000 per annum for 3 years, and a commitment to take the project into commercial production within another 2 years, a 75% interest in its existing Busumbu Phosphate project as well as all other non-vermiculite minerals currently held by NMCL;
- (d) RPML to be free carried in respect of the residual 25% interest in respect of point (c); and
- (e) US$500,000 to be paid by the Company to LBI.

As announced on 13 June 2018, the Group completed the disposal of GLF. Further details surrounding the disposal are disclosed in note 32 to the financial statements.

These transactions have been entered into on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

[End of Remuneration Report]

This report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of Directors pursuant to s298(2)(a) of the Corporations Act 2001.

Maurice Feilich
Executive Chairman

Perth, Western Australia, 30 September 2018

RSM Australia Partners

Level 32, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hipo Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 30 September 2018

D J WALL
Partner

RSM Australia Partners

Level 32, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
To the Members of Hipo Resources Limited

Opinion

We have audited the financial report of Hipo Resources Limited (**Company**) and its subsidiaries (**Group**), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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* (**Code**) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Disposal of subsidiaries
Refer to Note 32 in the financial statements</td></tr>
<tr><td>Disposal of US subsidiaries
On 18 September 2017 the Company divested its holding in Blue Mountain Mining Corporation and its subsidiaries (US subsidiaries). As part of the Share Sale Agreements, the Company paid $25,000 and is liable to pay a further $45,000 by 31 December 2018 in recognition of historic liabilities disposed of totalling $80,879 resulting in a gain on disposal of $10,879.
Disposal of GLF Holdings Ltd
On 1 January 2018, the Company decided to discontinue the operations of GLF Holdings Ltd and its subsidiaries (GLF Group). The GLF Group operated the Namekara Vermiculite Mine in Uganda. With its operations discontinued, the GLF Group was classified as held for sale and written down to its fair value less costs to sell.
On 7 February 2018, the Company entered into a Heads of Agreement with Richmond Partners Masters Limited for the disosal of the GLF Group resulting in a gain of $1,481,186. The disposal was finalised on 13 June 2018.
The disposal of these subsidiaries is considered to be a key audit matter because of the material gain on disposal brought to account and the exercise of judgment by management in relation to:
• Determining the date when control of the subsidiaries is lost, and the fair value of consideration received in accordance with AASB 10 Consolidated Financial Statements;
• Determining the gain or loss associated with the disposal of the subsidiaries in accordance with AASB 10 Consolidated Financial Statements;
• Determining the date that the GLF Group met the criteria for classification as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations; and
• Ensuring the presentation and disclosure of discontinued operations is in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.</td><td>Our audit procedures in relation to the disposals of the US subsidiaries and the GLF Group included:
• Reviewing the share sale agreements and Restructuring Heads of Agreement to understand the transactions, the consideration received and the related accounting considerations;
• Confirming management's determination regarding the dates that loss of control occurred;
• Assessing management's determination of the gains associated with the loss of control;
• Evaluating management's determination of the date that the GLF Group met the criteria for classification as held for sale; and
• Assessing the appropriateness of the disclosures in the financial report in respect of the discontinued operations and disposals.</td></tr>
</table>

RSM

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Hipo Resources Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

D J WALL
Partner
RSM AUSTRALIA PARTNERS
Perth, Western Australia
30 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue from continuing operations			
Revenue from continuing operations	2	**-**	-
Other income	2	**467,908**	1,144,258
Gain on sale of subsidiary	32	**10,879**	-
		478,787	1,144,258
Expenses			
Finance costs		**(251,319)**	(675,164)
Employee and director benefits expense	3	**(174,999)**	(331,867)
Exploration costs written off	13	**(149,633)**	-
Financial and company secretarial management expenses		**(42,169)**	(122,758)
Corporate advisory	4	**(10,417)**	(5,680,343)
Capital Investment Fee		**-**	(328,835)
ASX and share registry fees		**(57,612)**	(61,588)
Consultants and travel		**(43,017)**	(168,372)
Loss on debt/equity swap	22	**(142,910)**	-
Other expenses		**(476,814)**	(495,390)
Unrealised foreign currency (loss)/gain		**(71,705)**	51,818
Loss before income tax expense from continuing operations		**(941,808)**	(6,668,241)
Income tax expense	5	**-**	-
Net loss for after income expense tax from continuing operations		**(941,808)**	(6,668,241)
Profit after income tax expense from discontinued operations	32	**661,730**	(2,048,075)
Loss after income tax expense for the year		**(280,078)**	(8,716,316)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(208,826)**	(687,906)
Other comprehensive income for the year, net of income tax		**(208,826)**	(687,906)
Total comprehensive loss for the year		**(488,904)**	(9,404,222)
Loss attributable to:			
Owners of the Company		**(280,078)**	(8,766,845)
Non-controlling Interests		**-**	50,529
		(280,078)	(8,716,316)
Total comprehensive (loss) attributable to:			
Owners of the Company		**(615,277)**	(9,564,554)
Non-controlling Interests		**126,373**	160,332
		(488,904)	(9,404,222)
Basic and diluted loss per share (cents)	6	**(0.15)**	(7.48)

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

Consolidated Statement of Financial Position
As at 30 June 2018

	Note	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	**1,729,055**	57,277
Trade and other receivables	9	**17,058**	344,335
Inventories	10	**-**	658,458
Other assets	11	**135,796**	46,217
Total Current Assets		**1,881,909**	1,106,287
Non-Current Assets			
Plant and equipment	12	**-**	675,568
Exploration and evaluation expenditure	13	**-**	363,795
Mine properties	14	**-**	2,999,604
Total Non-Current Assets		**-**	4,038,967
TOTAL ASSETS		**1,881,909**	5,145,254
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**436,948**	3,414,643
Borrowings	16	**-**	1,502,509
Total Current Liabilities		**436,948**	4,917,152
Non-Current Liabilities			
Trade and other payables	15	**-**	2,861,487
Provisions	17	**-**	69,735
Total Non-Current Liabilities		**-**	2,931,222
TOTAL LIABILITIES		**436,948**	7,848,374
NET (LIABILITIES)		**1,444,961**	(2,703,120)
EQUITY			
Issued capital	18	**38,864,735**	34,227,750
Reserves	19	**50,200**	2,838,757
Accumulated losses	21	**(37,469,974)**	(36,454,458)
Parent interest		**1,444,961**	612,049
Non-controlling interest		**-**	(3,315,169)
TOTAL EQUITY		**1,444,961**	(2,703,120)

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees		**(2,024,879)**	(4,299,964)
Receipts from customers		**1,164,496**	801,322
Royalties paid		**(12,820)**	(23,073)
Interest paid		**(10,000)**	(268,947)
Net cash flows used in operating activities	28	**(883,203)**	(3,790,662)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		**(134,388)**	(313,326)
Payment of refundable deposit – Next Battery option		**(135,796)**	-
Funding to subsidiary prior to acquisition		**-**	(400,132)
Payments for plant and equipment		**(16,121)**	(93,264)
Payments for acquisition of subsidiary (net of cash acquired)	31	**-**	(26,738)
Payments for disposal off subsidiary (net of cash disposed)		**(692,115)**	-
Net cash flows used in investing activities		**(978,420)**	(833,460)
Cash flows from financing activities			
Proceeds from issue of shares		**3,173,240**	4,500,000
Funds received in advance for the issue of shares		**75,000**	-
Share issue costs		**(214,839)**	(496,320)
Repayment of borrowings		**-**	(1,291,285)
Proceeds from borrowings		**500,000**	1,973,940
Net cash flows from financing activities		**3,533,401**	4,686,335
Net decrease in cash and cash equivalents		**1,671,778**	62,213
Cash and cash equivalents at beginning of year		**57,277**	(5)
Effect of foreign currency translation		**-**	(4,931)
Cash and cash equivalents at end of year	8	**1,729,055**	57,277

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

	Issued Capital $	Accumulated Losses $	Option Reserve $	Foreign currency translation reserve $	Non-controlling interest $	Total $
Balance at 1 July 2016	23,627,095	(27,687,613)	1,557,813	1,948,034	(3,475,501)	(4,030,172)
Loss for the year	-	(8,766,845)	-	-	50,529	(8,716,316)
Other comprehensive income	-	-	-	(797,709)	109,803	(687,906)
Total Comprehensive Income	-	(8,766,845)	-	(797,709)	160,332	(9,404,222)
Transactions with owner, directly recorded in equity:						
Issue of shares	11,211,610	-	-	-	-	11,211,610
Issue of options	-	-	130,619	-	-	130,619
Share issue costs	(610,955)	-	-	-	-	(610,955)
Balance at 30 June 2017	**34,227,750**	**(36,454,458)**	**1,688,432**	**1,150,325**	**(3,315,169)**	**(2,703,120)**
Balance at 1 July 2017	**34,227,750**	**(36,454,458)**	**1,688,432**	**1,150,325**	**(3,315,169)**	**(2,703,120)**
Loss for the year	**-**	**(280,078)**	**-**	**-**	**-**	**(280,078)**
Other comprehensive income	**-**	**-**	**-**	**(335,199)**	**126,373**	**(208,826)**
Total Comprehensive Income	**-**	**(280,078)**	**-**	**(335,199)**	**126,373**	**(488,904)**
Transactions with owner, directly recorded in equity:						
Issue of shares	**5,051,939**	**-**	**-**	**-**		**5,051,939**
Issue of options	**-**	**-**	**-**	**-**	**-**	**-**
Disposal of subsidiaries	**-**	**(2,373,670)**	**-**	**(815,126)**	**3,188,796**	**-**
Share issue costs	**(414,954)**	**-**	**-**	**-**	**-**	**(414,954)**
Total transactions with owners	**4,636,985**	**(2,373,670)**	**-**	**(815,126)**	**3,188,796**	**4,636,985**
Transfer of reserve to accumulated losses	**-**	**1,638,232**	**(1,638,232)**	**-**	**-**	**-**
Balance at 30 June 2018	**38,864,735**	**(37,469,974)**	**50,200**	**-**	**-**	**1,444,961**

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

Notes to the Financial Statements

1. Summary of significant accounting policies

These consolidated financial statements and notes represent those of Hipo Resources Limited and controlled entities (“Group” or “Consolidated Entity”).

Hipo Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors’ Report.

The separate financial statements of the parent entity, Hipo Resources Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 30 September 2018 by the directors of the company.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. Hipo Resources Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Adoption of new and revised standards
In the current year, the company has reviewed all of the new and revised Australian Accounting 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 company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Notes to the Financial Statements

1. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Hipo Resources Limited and its subsidiaries as at 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of the Company.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Financial Statements

1. Summary of significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic condition, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the statement of comprehensive income.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognised additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(c) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Notes to the Financial Statements

1. Summary of significant accounting policies (cont'd)

(d) Foreign Currencies

The functional and presentation currency of the Group is Australian dollars.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The functional currency of the overseas subsidiaries is based on the primary economic environment in which the entity operates. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Group at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange difference are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(e) Income Tax (cont'd)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Cost is determined on the following basis:
(a) Vermiculite on hand is valued on an average total production cost method
(b) Stockpiles are valued at the average cost of mining and stockpiling the ore, including transport
(c) A proportion of related depreciation and amortisation charge is included in the cost of inventory

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(f) Inventories (cont'd)

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(i) Mine Properties

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

(j) Environmental Make Good Provision

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

(k) Plant and Equipment

Plant and equipment are stated at historical cost, including costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management, less accumulated depreciation and accumulated impairment losses.

The depreciable amount of all assets including capitalised lease assets are depreciated over their useful lives commencing from the time the asset is held ready for use.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(k) Plant and Equipment (cont'd)

The following depreciation rates are used in the calculation of depreciation.

Buildings	5%
Leasehold land	Over lease period
Leases property and license	10%
Plant and equipment	10% - 33%

The asset's residual value and depreciation rates are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the year that the item is derecognised.

(l) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(m) Employee Benefits

(i) *Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(m) Employee Benefits (cont'd)

(iii) *Share-based payments*

Share-based compensation benefits are provided to employees of the company at the Directors discretion.

The fair value of options granted is recognised as an option benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. If options are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement option is substituted for the cancelled option, the cancelled and new option is treated as if they were a modification.

The fair value at grant date is independently determined using an appropriate valuation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the company revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

(iv) *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period which they are incurred.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result, of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

(p) Revenue

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(p) Revenue (cont'd)

Sale of vermiculite
Sale of vermiculite is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest
Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. All revenue is stated net of the amount of goods and services tax (GST).

Other revenue
Other income is recognised when it is received or when the right to receive payments is established.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

An allowance account for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income. Other receivables are recognised at amortised cost, less any provision for impairment.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(t) Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. Trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(t) Financial Instruments (cont'd)

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are not expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return of return for similar financial assets.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(u) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(v) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(w) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Current and Non-Current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in its normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in its normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(y) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(z) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(z) Borrowings (cont'd)

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(aa) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

(bb) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

(cc) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectation of future events, management believes to be reasonable under the circumstances. The resulting accounting judgments and estimates will seldom equal the related actual results. In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts in the financial statements.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(cc) Significant Accounting Estimates and Judgments (cont'd)

Exploration and evaluation assets
The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(h). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the capitalised amount will be written off to the statement of comprehensive income.

Acquisition of Namekara Vermiculite Mine
Key estimates and judgments are applied in the acquisition accounting including determining the type of acquisition, the fair value of the assets and liabilities acquired and the fair value of the consideration paid. The acquisition was determined by the directors to be a business combination as detailed in note 31 to the financial statements.

Impairment of non-financial assets - Namekara Vermiculite Mine
The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined by management through a net present value forecast value-in-use calculations which require the application of key assumptions. The key assumptions included global sales volumes and prices, global product demand, product mix, forecast performance based on future production levels of the mine, operating costs and discount rates.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial, market value or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Environmental Make Good Provision
A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred.

(dd) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(dd) New Accounting Standards for Application in Future Periods (cont'd)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and assesses there to be no impact on the financial statements of the consolidated entity upon adoption.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. As the consolidated entity does not have any revenue from customers following the disposal of NMCL, the consolidated entity assesses there to be no impact on its financial statements.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (cont'd)

(dd) New Accounting Standards for Application in Future Periods (cont'd)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 January 2019 and assesses there to be no impact on the financial statements of the consolidated entity upon adoption.

The Group has decided against early adoption of these standards and interpretations. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements

2. Revenue

	2018 $	2017 $
Revenue		
Other income – waiver of debts	**467,908**	812,545
Other income – gain on forfeiture of entitlements	**-**	246,220
Other income	**-**	85,493
	467,908	1,144,258

3. Employee and director benefits expense

Employee and director benefits expense for the year includes the following items:

	2018 $	2017 $
Employee benefits expense		
Directors fees	**159,999**	331,867
Salary and Wages	**15,000**	-
Total employee benefits expense	**174,999**	331,867

4. Corporate advisory expense

	2018 $	2017 $
Corporate advisory expense		
LBI deferred advisory fee	**-**	3,946,018
GLF right holders finder's fee	**-**	1,673,533
Other advisory expenses	**10,417**	60,792
	10,417	5,680,343

5. Income Tax

	2018 $	2017 $
Loss before income tax	**(280,078)**	**(8,716,316)**
Tax benefit, prima facie, at the Australian tax rate of 27.5% (2017: 27.5%)	**(77,021)**	(2,396,987)
Add / (less):		
Non-assessable income	**(29,125)**	(32,219)
Non-deductible expenses	**(8,965,522)**	1,792,991
Effect of difference in tax rate for foreign subsidiary	**-**	48,374
	(9,071,668)	(587,841)
Deferred tax assets not brought to account	**9,071,668**	587,841
Income tax expense/ (benefit)	**-**	-

Notes to the Financial Statements

5. Income Tax (cont'd)

At 30 June 2018, the Group has unused tax losses of $38,046,380 (2017: $6,843,247). The potential tax benefit at the Australian tax rate of 27.5% (2017: 27.5%) not recognised for unused tax losses is $10,462,755 (2017: $1,833,519). The unused tax losses are comprised of operating losses totalling $6,729,932 and capital losses totalling $31,316,448.

The benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by the relevant tax legislation; and

(iii) there are no changes in tax legislation which will adversely affect the Group in realising the benefit from the deductions for the losses.

6. Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit/ (loss) for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the loss and share data used in the basic earnings per share computations:

	2018 $	2017 $
Loss after income tax	**(280,078)**	(8,766,845)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**183,446,013**	117,229,143

7. Dividends Paid or Proposed

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

8. Cash and Cash Equivalents

	2018 $	2017 $
Current		
Cash at bank and in hand/(Bank overdraft)	**1,729,055**	57,277
	1,729,055	57,277

9. Trade and Other Receivables

	2018 $	2017 $
Current		
Trade receivables	**-**	209,623
Other receivables	**17,058**	134,712
	17,058	344,335

Notes to the Financial Statements

9. Trade and Other Receivables (cont'd)

Impairment of receivables
The Group has not recognized any provision for impairment of receivables as at 30 June 2018 (2017: nil).

10. Inventory

	2018 $	2017 $
Current		
Stock – large	-	3,254
Stock – medium	-	242,500
Stock – fine	-	14,196
Stock – super fine	-	36,434
Stock – premium	-	1,200
Consignment stock	-	206,713
Stock in transit	-	139,376
Stock – bulk bags	-	14,785
	-	658,458

Balance as at 30 June 2018 is nil as a result of the disposal of GLF Holdings Ltd, as per note 32 to the financial statements.

11. Other Assets

	2018 $	2017 $
Current		
Prepayments	-	46,217
Refundable deposit – Next-Battery option	**135,796**	-
	135,796	46,217

12. Plant and Equipment

	2018 $	2017 $
At cost	-	906,358
Accumulated Depreciation	-	(230,790)
	-	675,568

Balance as at 30 June 2018 is nil as a result of the disposal of GLF Holdings Ltd, as per note 32 to the financial statements.

Notes to the Financial Statements

12. Plant and Equipment (cont'd)

Movement in carrying amounts	Buildings $	Land $	Plant and Equipment $	Total $
Balance at 1 July 2016	-	-	-	-
Addition on acquisition of subsidiary	36,651	113,358	537,782	687,791
Additions (after acquisition)	1,421	44,550	39,960	85,931
Disposal	-	-	-	-
Depreciation expense	(2,265)	(190)	(86,872)	(89,327)
Translation differences	(537)	(1,824)	(6,466)	(8,827)
Balance at 30 June 2017	35,270	155,894	484,404	675,568
Balance at 1 July 2017	**35,270**	**155,894**	**484,404**	**675,568**
Additions	**-**	**406**	**15,942**	**16,348**
Disposal	**(179)**	**-**	**-**	**(179)**
Depreciation expense	**(1,665)**	**-**	**(61,655)**	**(63,320)**
Disposal of subsidiary	**(32,252)**	**(151,029)**	**(422,998)**	**(606,279)**
Translation differences	**(1,174)**	**(5,271)**	**(15,693)**	**(22,138)**
Balance at 30 June 2018	**-**	**-**	**-**	**-**

13. Exploration and Evaluation Expenditure

	2017 $	2016 $
Non – Current		
Exploration and evaluation expenditure – at cost	**-**	363,795
Movement		
Balance at beginning of period	363,795	-
Impairment of exploration costs	**(149,633)**	-
Exploration costs incurred	**150,613**	363,795
Disposal of subsidiary	**(352,475)**	-
Translation differences	**(12,300)**	-
Balance at end of period	**-**	363,795

The carrying value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Notes to the Financial Statements

14. Mine Properties

	2018 $	2017 $
Opening balance	**2,999,604**	-
Additions on acquisition of subsidiary	**-**	3,118,469
Amortisation	**(84,127)**	(111,650)
Forex movement	**(31,087)**	(7,215)
Disposal of subsidiary	**(2,884,390)**	-
Closing balance	**-**	2,999,604

During the year ended 30 June 2017, the Group had recognised as part of the business combination (refer to note 31 of the financial statements), mine property assets of $3,118,469 held by Namekara Mining Company Limited, a subsidiary of the acquired entity GLF Holdings Ltd. On 13 June 2018, The Group disposed of GLF Holdings Ltd as per note 32 to the financial statements, and as a result has derecognised the mine property asset held by Namekara Mining Company Limited.

15. Trade and Other Payables

	2018 $	2017 $
Current		
Trade payables	**119,946**	1,050,991
Deferred Advisory Fee [1]	**-**	1,584,137
Capital Investment Fee [2]	**44,002**	-
Other payables	**273,000**	779,515
	436,948	3,414,643
Non-Current		
Deferred Advisory Fee [1]	**-**	2,586,766
Capital Investment Fee [2]	**-**	274,721
	-	2,861,487

Trade and other payables are non-interest bearing and are normally settled within 30-60 days.

[1] Relates to advisory fee payable of US$3,000,000 to LB International Ltd on settlement of acquisition of GLF Holdings Ltd. The advisory fee is interest bearing and repayable at an amount equal to 66% of Namekara Mining Company Ltd and Industrial Minerals International Corporation net cash flow after-tax. The advisory fee has been forgiven as part of the disposal of GLF Holdings as per note 32 to the financial statements.

[2] Relates to amount payable of US$250,000 to LB International Ltd and Jonah Resources Ltd as the Company failed to invest a minimum of US$2,500,000 in GLF Holdings Ltd by 31 December 2016. The amount is only payable if the parties continue to hold at least 50% of the consideration shares on the 3 April 2019. The directors have determined that the likelihood of making this payment is highly probable, however the amount payable to LB International has been forgiven as part of as part of the disposal of GLF Holdings as per note 32 to the financial statements.

Notes to the Financial Statements

16. Borrowings

	2018 $	2017 $
Current		
Unsecured loan - LBI loan facility [1]	-	982,284
Unsecured loan - convertible notes [2,3]	-	520,225
	-	1,502,509

[1] As announced on 9 March 2017, the Group had a US$750,000 unsecured loan facility from its major cornerstone investor LB International Ltd to fund production growth at its Namekara Vermiculite Mine. Interest is payable on the loan facility at 10% per annum and the facility has a maturity date of 6 months from the date of issue of 6 March 2017. LB International Ltd is an entity controlled by Non-Executive Director Luca Bechis. No amounts remain payable in relation to this loan following the disposal of GLF Holdings Ltd as per note 32 to the financial statements.

[2] As announced on 5 April 2017, the Group issued 535,000 unsecured convertible notes to existing shareholders with a face value of $1 and expiry date of 18 March 2018. Interest is payable on the convertible notes at 10% per annum, compounded and paid on a quarterly basis. The convertible notes automatically convert on the expiry date to ordinary shares if not converted prior to that date. The convertible notes must be converted using the following formula:

$A = (N \times V)/CP$

Where:
A = number of conversion shares;
N = the number of notes specified for conversion;
V = the face value of each of the notes specified for conversion; and
CP = the conversion price, being the lower of $0.05 and the issued price of any shares issued between the issue date and expiry date.

The directors have valued the debt component of the convertible loan amounts at 30 June 2017 and determine it to be equal to the full, undiscounted face value of the loan payable.

[3] As announced on 5 April 2018, the Group issued 500,000 unsecured convertible notes with a face value of $1 and with a maturity of 6 months. The convertible notes were subject to automatic conversion on the same terms as the next subsequent capital raising, and attracted a 10% premium upon conversion. As announced 1 June 2018, the convertible notes were automatically converted following the successful entitlement issue, with 27,500,000 shares and 13,750,000 free attaching options issued to the convertible note holders. The convertible notes meet the definition of equity instruments under AASB 132 Financial Instruments: Presentation and were therefore recognised within issued capital.

Notes to the Financial Statements

17. Provisions

	2018 $	2017 $
Non-current		
Environmental make good	-	69,735
	-	69,735

Environmental make good

Management provides a rate of US$1 per tonne of vermiculite produced as environmental rehabilitation costs. There are no further environmental make good provisions following the disposal of GLF Holdings Ltd as per note 32 to the financial statements.

18. Issued Capital

	2018 $	2017 $
(a) **Issued and paid up capital**		
Ordinary shares - fully paid	**38,864,735**	34,227,750
	38,864,735	34,227,750

Movement in ordinary shares on issue:

	Date	No. of Shares	Issue Price	$
30 June 2016		**410,515,820**		**23,627,095**
1 for 10 share consolidation	22 August 2016	(369,464,190)		-
Placement shares	01 November 2016	45,000,000	$0.100	4,500,000
Issue of shares to GLF vendors	01 November 2016	33,190,380	$0.100	3,319,038
Issue of shares to African Phosphate	01 November 2016	18,500,000	$0.100	1,850,000
Conversion Debt to Equity under placement	01 November 2016	15,425,718	$0.100	1,542,572
Share issue costs		-		(610,955)
30 June 2017		**153,167,728**		**34,227,750**
Placement shares	01 July 2017	3,750,000	$0.040	150,000
Placement shares	27 July 2017	6,250,000	$0.040	250,000
Shares issued under entitlement issue	28 August 2017	80,237,005	$0.020	1,604,740
Shares issued under entitlement issue	15 May 2018	58,425,000	$0.020	1,168,500
Shares issued under entitlement issue to Directors for settlement of accrued directors' fees	31 May 2018	10,500,000	$0.025	262,500
Shares issued under entitlement issue to Consultants for settlement of accrued creditor balances	31 May 2018	14,005,723	$0.026	364,149
Shares issued upon conversion of convertible notes	31 May 2018	26,750,000	$0.026	695,500
Shares issued to Note Holders for settlement of accrued interest on convertible notes	31 May 2018	2,175,000	$0.026	56,550
Shares issued upon conversion of convertible notes	31 May 2018	27,500,000	$0.018	500,000
Share issue costs		-		(414,954)
30 June 2018		**382,760,456**		**38,864,735**

Notes to the Financial Statements

18. Issued Capital (cont'd)

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.
Management effectively manages the Group's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. The gearing ratios for the year ended 30 June 2018 and 30 June 2017 are as follows:

	Note	2018 $	2017 $
Total borrowings (including payables)	15, 16	**436,948**	7,778,639
Less cash and cash equivalents	8	**(1,729,055)**	(57,277)
Net debt		**(1,292,107)**	7,721,362
Total equity		**1,444,961**	(2,703,120)
Total capital		**152,854**	5,018,242
Gearing ratio		**286%**	155%

19. Reserves

	2018 $	2017 $
Reserves		
Option reserve	**50,200**	1,688,432
Foreign currency translation reserve	**-**	1,150,325
	50,200	2,838,757

Movement during the year	**Option reserve**	**Foreign currency translation reserve**
Balance at 30 June 2016	1,557,813	1,948,034
Options issued	130,619	-
Foreign currency translation	-	(797,709)
Balance at 30 June 2017	**1,688,432**	**1,150,325**
Options issued	**-**	**-**
Foreign currency translation	**-**	**(232,282)**
Disposal of subsidiaries	**-**	**(918,043)**
Transfer of reserve to accumulated losses	**(1,638,232)**	**-**
Balance at 30 June 2018	**50,200**	**-**

Notes to the Financial Statements

19. Reserves (cont'd)

Options reserve

The option reserve recognises options issued by the company. The balance of the options reserve transferred to accumulated losses during the year, as it was related to previously unexercised and expired options.

Summary of share options:

	Expiry Date	Exercise Price	Balance at start of year Number	Granted during the year Number	Exercised during the year Number	Forfeited/(expired) during the year Number	Balance at end of the year Number	Vested & exercisable at end of the year Number
2018								
Unlisted option	30 Jun 18	$0.125	**1,857,252**	**-**	**-**	**(1,857,252)**	**-**	**-**
Unlisted option	30 Apr 20	$0.05	**2,000,000**	**-**	**-**	**-**	**2,000,000**	**2,000,000**
Unlisted option	30 Jun 20	$0.02	**-**	**95,333,873**	**-**	**-**	**95,333,873**	**95,333,873**
			3,857,252	**95,333,873**	**-**	**(1,857,252)**	**97,333,873**	**97,333,873**
2017								
Unlisted option	25 July 16	$2.50	50,000	-	-	(50,000)	-	-
Unlisted option	30 Nov 16	$1.00	100,000	-	-	(100,000)	-	-
Unlisted option	31 Mar 17	$1.20	300,000	-	-	(300,000)	-	-
Unlisted option	30 Jun 18	$0.125	-	1,857,252	-	-	1,857,252	1,857,252
Unlisted option	30 Apr 20	$0.05	-	2,000,000	-	-	2,000,000	2,000,000
			450,000	3,857,252	-	(450,000)	3,857,252	3,857,252

The options issued in 2018 were free attaching options and did not require valuation.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of its foreign controlled subsidiaries.

20. Financial Instruments

Financial Risk Management

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Notes to the Financial Statements

20. Financial Instruments (cont'd)

Financial Risk Management (cont')

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

The Group's activities expose it to a variety of financial risks including market risk, foreign currency risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to risks of changes in market interest rates relates primarily to its cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no variable rate interest bearing borrowings, its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At reporting date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	2018 $	2017 $
Financial Assets		
Cash and cash equivalents	**1,729,055**	57,277
Net exposure	**1,729,055**	57,277

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

Judgements of reasonably possible movements:	2018 $	2017 $
Post tax profit – higher / (lower)		
+ 0.5%	**8,645**	286
- 0.5%	**(8,645)**	(286)
Equity – higher / (lower)		
+ 0.5%	**8,645**	286
- 0.5%	**(8,645)**	(286)

Notes to the Financial Statements

20. Financial Instruments (cont'd)

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

– monitoring undrawn credit facilities;
– obtaining funding from a variety of sources; and
– managing credit risk related to financial assets;

The following table details the expected maturity of the Group's financial assets and liabilities based on the earliest date of maturity or payment respectively. The amounts are stated on an undiscounted basis and include interest.

2018		**Fixed Interest rate maturing in**					
Financial Instrument	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest Bearing**	**Total**	**Weighted average effective interest rate**
	$	**$**	**$**	**$**	**$**	**$**	
Financial Assets							
Interest bearing							
Cash and cash equivalents	**1,729,055**	-	-	-	-	**1,729,055**	**0.00%**
Non-interest bearing							
Receivables – other	-	-	-	-	**17,058**	**17,058**	
Total financial assets	**1,729,055**	-	-	-	**17,058**	**1,746,113**	
Financial Liabilities							
Non-interest bearing							
Trade payables and accruals	-	-	-	-	**436,948**	**436,948**	
Total financial liabilities	-	-	-	-	**436,948**	**436,948**	
2017							
Financial Assets							
Interest bearing							
Cash and cash equivalents	57,277	-	-	-	-	57,277	0.00%
Non-interest bearing							
Receivables – other	-	-	-	-	344,335	344,335	
Total financial assets	57,277	-	-	-	344,335	401,612	
Financial Liabilities							
Interest bearing							
Other Payables	-	1,584,137	2,586,766	-	-	4,170,903	5.00%
Borrowings	-	1,502,509	-	-	-	1,502,509	10.00%
Non-interest bearing							
Trade payables and accruals	-	-	-	-	2,105,227	2,105,227	
Total financial liabilities	-	3,086,646	2,586,766	-	2,105,227	7,778,639	

Notes to the Financial Statements

20. Financial Instruments (cont'd)

Price Risk

The consolidated entity was exposed to commodity price risk arises from vermiculite held as inventory during the year ended 30 June 2018.

The consolidated entity sold vermiculite at contracted prices through its now disposed subsidiary NMCL, of which was generally evaluated on an annual basis. The consolidated entity's revenues were exposed to fluctuation in the price of vermiculite. If the average selling price of vermiculite for the financial year had increased/decreased by 10% the change in the profit before income tax for the consolidated group would have been an increase /decrease of $107,602 (2017: $122,859).

If there was a 10% increase or decrease in market price of vermiculite, the net realisable value of inventory on hand would increase/(decrease) by nil (2016: $65,846), as no inventory was held following disposal of NMCL.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to secure its trade and other receivables. The Group is not exposed to a significant level of credit risk to any one customer as its trade debtors comprise several different customers.

Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

The Group's cash deposits are held with a major Australian banking institution. There are no significant concentrations of credit risk within the Group.

Notes to the Financial Statements

20. Financial Instruments (cont'd)

Foreign currency risks

There is exposure to foreign currency risk as part of its normal business. In particular, there is exposure to United States dollar currency risk some of its liabilities being denominated in United States dollars.

The following table details the amounts denominated in non-functional currency:

US$	2018 $	2017 $
Assets:		
Cash and cash equivalents	-	-
Trade and other receivables	-	209,623
Total assets	-	209,623
Liabilities:		
Trade and other payables	**(49,976)**	(4,529,709)
Borrowings	-	(982,284)
Total liabilities	**(49,976)**	(5,511,993)
Net liabilities at end of the year	**(49,976)**	(5,302,370)

UGX	2018 $	2017 $
Assets:		
Cash and cash equivalents	-	38,934
Trade and other receivables	-	116,261
Total assets	-	155,195
Liabilities:		
Trade and other payables	**(4,829)**	(773,890)
Total liabilities	**(4,829)**	(773,890)
Net liabilities at end of the year	**(4,829)**	(618,695)

The Foreign Exchange Sensitivity Analysis

The consolidated entity had net liabilities denominated in foreign currencies of $54,805 as at 30 June 2018 (2017: $5,921,065). Based on this exposure, had the Australian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $5,481 lower/higher (2017: $592,107 lower/ higher) and equity would have been $5,481 lower/higher (2017: $592,107 lower/ higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2018 was $71,705 (2017: $51,818).

Notes to the Financial Statements

20. Financial Instruments (cont'd)

Net Fair Values

Fair value estimation

The carrying value of financial assets and liabilities as presented in the statement of financial position are the same as their fair value. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

21. Accumulated Losses

	2018 $	2017 $
Accumulated losses at the beginning of the financial year	**(36,454,458)**	(27,687,613)
Loss for the year	**(280,078)**	(8,766,845)
Disposal of subsidiaries	**(2,373,670)**	-
Transfer of reserve to accumulated losses	**1,638,232**	-
Accumulated losses at the end of the financial year	**(37,469,974)**	(36,454,458)

22. Share-Based Payments

On 14 May 2018, shareholders approved the issue of 10,500,000 shares to Directors in lieu of cash settlement of previously accrued directors' fees of $210,000. The total fair value of the shares issued of $262,500 was determined by the share price on the grant date of $0.025. A loss of $52,500 has been recognised in the Statement of Comprehensive Income in connection with the debt for equity swap. The shares above included free attaching options on a 1:2 basis to the shares issued.

On 31 May 2018, the Board granted the issue of 14,005,723 shares to Consultants in lieu of cash settlement of previously accrued creditors balances of $280,114. The total fair value of the shares issued of $364,149 was determined by the share price on the grant date of $0.026. A loss of $84,034 has been recognised in the Statement of Comprehensive Income in connection with the debt for equity swap. The shares above included free attaching options on a 1:2 basis to the shares issued.

On 31 May 2018, the Board granted the issue of 2,175,000 shares to Note Holders in lieu of cash settlement of previously accrued interest on convertible notes of $50,174. The total fair value of the shares issued of $56,550 was determined by the share price on the grant date of $0.026. A loss of $6,376 has been recognised in the Statement of Comprehensive Income in connection with the debt for equity swap. The shares above included free attaching options on a 1:2 basis to the shares issued.

The Group had no other share-based payments during the year ended 30 June 2018.

During the year ended 30 June 2017, the Group had the following share-based payments:

On 11 November 2016, 18,500,000 post consolidation shares in the Group were issued to the owners of African Phosphate Pty Ltd at an issue price of $0.10 and a total transactional value of $1,850,000 as consideration for the right to acquire 100% of the issued capital in GLF Holdings Ltd under the share sale agreement.

On 11 November 2016, 15,425,718 post consolidation shares in the Group were issued to various debt holders at an issue price of $0.10 and a transactional value of $1,542,572 as part settlement of outstanding loans.

Notes to the Financial Statements

22. Share-Based Payments (cont'd)

On 26 October 2016, 1,237,500 unlisted options with an exercise price of $0.125 per option, exercisable by 30 June 2018, were issued as part of the recapitalisation of the Group. The transactional value of these options was $80,419 based on the Black Scholes valuation model.

On 5 April 2017, 2,000,000 unlisted options with an exercise price of $0.05 per option, exercisable by 30 April 2020, were issued as part of the Convertible Securities Agreement with L1 Capital Global Opportunities Master Fund. The transactional value of these options was $50,200 based on the Black Scholes valuation model.

Set out below are summaries of options granted during the year ended 30 June 2017 as disclosed above:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/10/2016	30/06/2018	$0.125	-	1,237,500	-	-	1,237,500
05/04/2017	30/04/2020	$0.050	-	2,000,000	-	-	2,000,000
			-	3,237,500	-	-	3,237,500
Weighted average exercise price			$0.000	$0.079	$0.000	$0.000	$0.079

The weighted average remaining contractual life of options outstanding at the end of the 2017 financial year was 2.13 years.

For the options granted during the financial year ended 30 June 2017, the valuation inputs used to determine the fair value at the grant date are:

Grant Date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
26/10/2016	30/06/2018	$0.100	$0.125	100.00%	0.00%	1.83%	$80,419
05/04/2017	30/04/2020	$0.042	$0.050	100.00%	0.00%	2.09%	$50,200

The Group had no other share-based payments during the year ended 30 June 2017.

Notes to the Financial Statements

23. Commitments and Contingent Liabilities

(a) Commitments

The Group has no commitments as at 30 June 2018.

(b) Contingent liabilities

During the year ended 30 June 2016, the Company negotiated with Mr Landau to have him agree to write down the amounts allegedly owed to him and his associated entities Doull Holdings Pty Limited and Okap Ventures Pty Limited to nil.

In the ordinary course, the Company would have had Mr Landau and his associated entities release these debts, and any claims against the Company in relation to those debts. However, Mr Landau, Okap Ventures Pty Ltd and Doull Holdings Pty Ltd are subject to interim asset preservation orders granted, at ASIC's request, by the Federal Court in Perth on 23 December 2015. As a result, Mr Landau, Okap Ventures Pty Ltd and Doull Holdings Pty Ltd do not presently have the ability to release the relevant debts, and any claims against the Company in relation to those debts.

On 12 April 2016, it was agreed between the Company and Mr Landau, that subject to the interim asset preservation orders being lifted or withdrawn:

- The Company will not be required to pay any of the outstanding directors fees due to him or his related entities;

- The Company will not be required to pay any additional amounts that may be due to him directly and or indirectly through his related companies including Okap Ventures Pty Limited; and

- All other amounts that may be due to him directly and or indirectly through his related companies would be written off.

A letter agreement was executed between the parties to reflect this.

The Company believes that if the interim asset preservation orders against Mr Landau and his associated entities are lifted or withdrawn, then as a result of the terms of the letter agreement, Mr Landau and his associated entities will not be able to claim any of the A$1,269,196 previously recorded in the Company's accounts as being due to Mr Landau and his associated entities Doull Holdings Pty Limited and Okap Ventures Pty Limited.

However, the Company understands that if the interim asset preservation orders are not lifted or withdrawn, and a trustee in bankruptcy is appointed in respect of Mr Landau or either Okap Ventures Pty Ltd or Doull Holdings Pty Ltd are placed into administration or liquidation, such a trustee in bankruptcy, administrator or liquidator could make a claim against the Company for these amounts. For this reason, the Company considers that the amount of $1,269,196 should be treated as a contingent liability.

If a trustee in bankruptcy, administrator or liquidator does seek to claim against the Company for these amounts, the Company will dispute the claim, on the bases set out above. If any such claim was made and upheld, the Company would seek to negotiate with the claimant to be able to satisfy the claimed amount by the issue of shares in the Company.

Notes to the Financial Statements

23. Commitments and Contingent Liabilities (cont'd)

(a) Contingent liabilities (cont'd)

Neither Mr Landau or any of his associated entities have any ongoing role or are associated with the Company in any way, save that two entities associated with Mr Landau – Doull Holdings Pty Ltd and ICBC Capital Pty Ltd (In Liquidation) hold shares in the Company, with Doull Holdings Pty Ltd holding 10,000 shares on a pre-consolidation basis, and ICBC Capital Pty Ltd (In Liquidation) holding 397,889 shares on a pre-consolidation basis.

The Company has no agreement, arrangement, or understanding with Mr Landau or any of his associated entities, other than the letter agreement referred to above.

During the year ended 30 June 2018 the Group has derecognised an amount totalling $426,503 previously recorded as creditors in the Group's consolidated financial statements that have been long outstanding. The Group is of the opinion that no amounts remain due to any parties in relation to the above amount and would dispute any claim made in relation the amount. The Group considers the above amount to be a contingent liability.

Following the disposal of the ABM Mining Corporation Limited and Magenta Mountain Mining Corporation Limited, the Group no longer considers there to be a contingent liability for any toll mining fees in connection to the long term lease at Lakeview Mill.

24. Related Party Disclosure

(a) Parent entity

Hipo Resources Limited is the ultimate Australian parent entity.

(b) Key management personnel

Disclosures related to key management personnel are set out in note 29 to the financial statements and the remuneration report included in the directors' report.

Notes to the Financial Statements

24. Related Party Disclosure (cont'd)

(c) Transactions and balances with related parties

Below are transactions and balances with director-related entities for the 2018 financial year:

Related Party	Type of Service	2018 $
Expenses		
LB International Limited [1, 5]	Interest expense on deferred advisory fee	**200,627**
LB International Limited [1]	Unsecured loan facility interest	**130,097**
LB International Limited [1]	Royalty Expense	**10,417**
Filmrim Pty Ltd [2]	Interest expense on convertible notes	**4,589**
Chaleyer Holdings Pty Ltd	Interest expense on convertible notes	**4,589**
Sanlam Private Wealth Pty Ltd [4]	Capital Raising Fees	**65,200**
Total Expenses		**415,519**
Borrowings		
Filmrim Pty Ltd [2]	Conversion of convertible notes and repayment of interest	**(55,000)**
Chaleyer Holdings Pty Ltd [3]	Conversion of convertible notes and repayment of interest	**(55,000)**
LB International Limited [5]	Loans and other debts forgiven	**(4,721,484)**
Total Borrowings		**(4,831,484)**

[1] Luca Bechis is a Director and shareholder of LB International Limited. Interest accrued on deferred advisory fees owed to LB International during the year, which has now been forgiven as per note 32 to the financial statements.

[2] Mr Feilich is a Director and shareholder of Filmrim Pty Ltd. Filmrim Pty Ltd was the holder of 50,000 $1 convertible notes which were converted to ordinary shares in the Company on 31 May 2018. Interest accrued on the convertible notes up to the date of conversion in the amount of $5,000 was settled with cash payment, with $767 of interest accrued being forgiven and recognised in other income.

[3] Mr Feilich is a Director and shareholder of Chaleyer Holdings Pty Ltd. Cheleyer Holdings Pty Ltd was the holder of 50,000 $1 convertible notes which were converted to ordinary shares in the Company on 31 May 2018. Interest accrued on the convertible notes up to the date of conversion in the amount of $5,000 was settled with cash payment, with $767 of interest accrued being forgiven and recognised in other income.

[4] Mr Feilich is a Director and shareholder of Sanlam Private Wealth Pty Ltd. Sanlam Private Wealth Pty Ltd was the lead advisor to the entitlement offer announced on 12 April 2018.

Notes to the Financial Statements

24. Related Party Disclosure (cont'd)

(c) Transactions with related parties (cont'd)

[5] *Disposal Related Transactions*
As announced on 19 February 2018, the Company entered into a restructuring heads of agreement ('**HoA**') with Richmond Partners Masters Limited ('**RPML**') (director-related company of Luca Bechis, resigned 13 June 2018), for the disposal of Namekara Mining Company Ltd ('**NMCL**') through the transfer of 100% of the shares of GLF Holdings Ltd ('**GLF**'), the 100% owner of NMCL.

The key terms of the disposal were as follows:

(a) The Company to dispose of its interest in the Namekara Vermiculite Mine in exchange for the cancellation of all debt owed to RPML and LB International Ltd ('**LBI**'), extinguishment of any existing royalty obligation to RPML and transfer of the Company's interest in NMCL to RPML;
(b) RPML to transfer its shareholding in the Company to a third-party financier;
(c) HIP/BMZ to retain, subject to a minimum expenditure obligation of US$1,000,000 per annum for 3 years, and a commitment to take the project into commercial production within another 2 years, a 75% interest in its existing Busumbu Phosphate project as well as all other non-vermiculite minerals currently held by NMCL;
(d) RPML to be free carried in respect of the residual 25% interest in respect of point (c); and
(e) US$500,000 to be paid by the Company to LBI.

As announced on 13 June 2018, the Group completed the disposal of GLF. Further details surrounding the disposal of GLF as disclosed in note 32 to the financial statements.

These transactions have been entered into on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Notes to the Financial Statements

24. Related Party Disclosure (cont'd)

(c) Transactions with related parties (cont'd)

Below are transactions and balances with director-related entities for the 2017 financial year:

Related Party	Type of Service	2017 $
Expenses		
LB International Limited [1, 3]	Advisory Fees and Interest Accrued	**4,220,843**
LB International Limited [1, 3]	Capital Investment Fee	**328,835**
LB International Limited [3]	Working Capital Fee	**163,194**
LB International Limited [3]	Variation Fee	**27,674**
LB International Limited [3]	Royalty Expense	**12,276**
African Phosphate Pty Ltd [3]	Finder's Fee	**1,673,533**
Total Expenses		**6,426,355**
Borrowings		
LB International Limited [1]	Loaned Funds	**(982,284)**
Jason Brewer [2]	Loaned Funds	**(170,900)**
Jason Brewer [2]	Repayment of Debt	**170,900**
Total Borrowings		**(982,284)**
Balance owing to directors and directors' related companies included in trade and other payable		
Luca Bechis		
Royalty [3]		12,048
Deferred advisory fee [1, 3]		4,170,903
Capital investment fee [3]		274,721
Total Luca Bechis		**4,457,672**

[1] Luca Bechis is a Director of LB International Limited. Advisory and capital investment fees were outstanding as at 30 June 2017. Borrowings were outstanding as at 30 June 2017.

[2] During 2017 Jason Brewer loaned funds to the amount of $170,900 to the Group for working capital purposes, of which was fully repaid during the period following the capital raising completed 11 November 2016. No interest was charged in relation to loans from Jason Brewer during the year.

[3] *Acquisition Related Transactions*
As announced on 5 February 2016, a binding heads of agreement had been entered into with African Phosphate Pty Ltd (director-related company of Jason Brewer and Simon Grant-Rennick, appointed 10 November 2016), giving the Group their right to acquire 100% of the shares of GLF Holdings Ltd under a share sale agreement (director-related company of Luca Bechis, appointed 10 November 2016). On 11 November 2016, the Group completed the acquisition of 100% of the shares of GLF Holdings Ltd.

As part of these transactions the owners of African Phosphate Pty Ltd received 18,500,000 post consolidation shares in the Group as a finder's fee, along with a future royalty of 1% of future production revenue up to 31 December 2026. The Royalty was later reassigned to LB International Ltd, a director controlled entity of Luca Bechis, as part of the US$750,000 bridging loan provided to Namekara Mining Company Ltd on 6 March 2017.

24. Related Party Disclosure (cont'd)

(c) Transactions with related parties (cont'd)

Under the share sale agreement to acquire 100% of the shares in GLF Holdings Ltd, the previous owners of GLF Holdings Ltd received 33,190,380 shares in the Group and $33,215 in cash payments.

The following shares were issued to directors of the Group, or their controlled entities, as a result of the above transactions:

Jason Brewer	5,500,000
Simon Grant-Rennick	3,500,000
Luca Bechis	28,211,577

As part of the acquisition of GLF Holdings Ltd, a deferred advisory fee was payable of US$3,000,000 to LB International Ltd. The advisory fee was interest bearing at 5% and repayable at an amount equal to 66% of Namekara Mining Company Ltd and Industrial Minerals International Corporation net cashflow after-tax. Costs incurred by LB International in relation to the above advisory agreement were on-charged to the Group by way of the working capital fee of $163,194 and subsequent variation fee of $27,674.

25. Events after the Reporting Date

On 13 July 2018, the Company announced that it had successfully completed technical and legal due diligence at the Kamola lithium project, and that it will now proceed with the negotiations of a 60% farm in to what is potentially a world class project. The Kamola Lithium Project Joint Venture, to be held 60% by HIPO and 40% by Crown, will focus on the contiguous Mining License PE 13081 and Exploration Licenses PR 4072 and 4076. The licenses are located in the prolific and world class Manono and Kitolo Lithium pegmatite belt. Planned exploration activities at the Kamola lithium project will focus on the areas where lithium bearing pegamtites are identified and exposed.

On 20 July 2018, the Company announced the issue of 3,750,000 ordinary shares, 11,087,500 quoted options and 7,000,000 unlisted options. The share issue at $0.02 per share raised $75,000.

On 22 August 2018, the Company announced that it had secured an exclusive option over an 80% interest in a project prospective for cobalt in the DRC. In addition to the option, the Company has entered into a services with 1620 Capital Ltd ("1620"), whereby 1620 would provide Hipo with technical and logistical support within the DRC on a cost plus basis. The Company considers that the services agreement with 1620 will provide Hipo with the resources required to advance its lithium and cobalt projects.

On 29 August 2018, the Company announced that it had begun negotiations to enter into a earn-in agreement with Next Battery Limited. Pursuant to the agreement with Next Battery, the Company would acquire an initial 25% interest in Next Battery by funding US$500,000 towards an agreed budget for the development of the Next Battery technology. The Company has negotiated the ability to acquire an additional 10% of Next Battery through the meeting of an additional US$1,000,000 in expenditure.

Notes to the Financial Statements

26. Auditors' Remuneration

	2018 $	2017 $
Audit and review of financial reports:		
- RSM Australia Partners	**60,000**	59,100
- RSM Eastern Africa	**16,990**	8,491
	76,990	67,591
Non-audit services:		
- Independent Expert Report	**10,000**	10,000
	10,000	10,000

27. Operating Segment

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The Group only had customers in relation to its mineral production operations in Uganda, and operates only in the mineral exploration industry within the geographical segments of Australia, USA and Uganda.

30 June 2018	Australia $	USA $	Uganda $	Total $
Revenue				
Sales to external customers	-	-	1,076,020	1,076,020
Other Income	467,908	-	-	467,908
Gain on sale of subsidiary	10,879		-	10,879
Total segment revenue	478,787	-	1,076,020	1,554,807
Result				
Segment result	(941,808)	-	(819,456)	(1,761,264)
Gain on disposal of discontinued operations	-	-	1,481,186	1,481,186
	(941,808)	-	661,730	(280,078)

Assets and Liabilities at 30 June 2018	Australia $	USA $	Uganda $	Total $
Total assets as per the statement of financial position	1,881,909	-	-	1,881,909
Total liabilities as per the statement of financial position	436,948	-	-	436,948

Notes to the Financial Statements

27. Operating Segment (cont'd)

30 June 2017	Australia $	USA $	Uganda $	Total $
Revenue				
Sales to external customers	-	-	1,228,591	1,228,591
Other Income	996,139	148,119	-	1,144,258
Total segment revenue	996,139	148,119	1,228,591	2,372,849
Result				
Segment result	(6,836,671)	168,430	(2,048,075)	(8,716,316)

Assets and Liabilities at 30 June 2017	Australia $	USA $	Uganda $	Total $
Total assets as per the statement of financial position	36,794	-	5,108,460	5,145,254
Total liabilities as per the statement of financial position	5,938,381	84,085	1,825,909	7,848,375

28. Cash Flow Information

Reconciliation of Cash Flow from Operations

	2018 $	2017 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax for the year	**(280,078)**	(8,716,316)
Depreciation and amortisation	**147,447**	200,977
GLF right holder finder's fee	**-**	1,673,533
Other income – waiver of debts	**(467,908)**	(812,454)
Unrealised revaluation loss/(gain)	**213,690**	(77,947)
Loss on debt for equity swap	**142,910**	50,200
Accrued interest and finance costs on convertible notes	**-**	12,605
Exploration costs written off	**149,633**	-
Interest expense paid in shares	**49,103**	-
Director fees paid in shares	**159,999**	-
Accounting fees paid in shares	**40,000**	-
Public relations fees paid in shares	**40,000**	-
Gain on disposal of subsidiaries	**(1,492,065)**	-
Movements in assets and liabilities:		
- Trade and other receivables	**71,419**	(336,175)
- Inventory	**(40,059)**	(658,458)
- Other assets	**(89,579)**	(46,217)
- Trade and other payables	**402,550**	4,849,855
- Provisions	**69,735**	69,735
Net Cash used in Operating Activities	**(883,203)**	(3,790,662)

Notes to the Financial Statements

28. Cash Flow Information (cont'd)

Non-Cash Investing Activities

On 13 June 2018, $4,721,484 in trade and other payables were forgiven as part of the disposal of GLF Holdings Ltd as per note 32 to the financial statements.

During 2017 the following non-cash investing transactions took place.

On 11 November 2016, 18,500,000 post consolidation shares in the Group issued to the owners of African Phosphate Pty Ltd as consideration for the right to acquire 100% of the issued capital in GLF Holdings Ltd under the share sale agreement.

On 11 November 2016, 33,190,380 post consolidation shares in the Group issued to the previous owners of GLF Holdings Ltd to acquire 100% of the capital in GLF Holdings Ltd under the share sale agreement.

Non-Cash Financing Activities

On 31 May 2018, 24,505,723 ordinary shares and 12,252,862 free attaching options were issued as settlement of outstanding trade creditors and director fees under the entitlement issue shortfall.

On 31 May 2018, 56,425,000 ordinary shares and 13,750,000 free attaching options were issued as settlement of convertible loans to the Company.

During 2017 the following non-cash financing transactions took place.

On 11 November 2016, 15,425,718 post consolidation shares were issued as part settlement of outstanding loans to the value of $1,542,572 of loans were settled by shares.

On 26 October 2016, 1,237,500 unlisted options with an exercise price of $0.125 per option, exercisable by 30 June 2018, were issued as part of the recapitalisation of the Group.

On 5 April 2017, 2,000,000 unlisted options with an exercise price of $0.05 per option, exercisable by 30 April 2020, were issued as part of the Convertible Securities Agreement with L1 Capital Global Opportunities Master Fund.

29. Directors and Key Management Disclosures

Key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2018.

	2018 $	2017 $
Short-term employee benefits	**174,999**	331,866
Consulting fee	**-**	15,000
Total	**174,999**	346,866

Notes to the Financial Statements

30. Subsidiaries and Non-Controlling Interests

(a) Interests in Subsidiaries

The following table sets out the Group's interests in principal subsidiaries at 30 June 2018 and 30 June 2017.

	County of Incorporation	% Equity Interest	
		2018	2017
		%	%
Blue Mountain Mining Corporation [2]	USA	-	100
Magenta Mountain Mining Corporation [2]	USA	-	100
ABM Mining Corporation [2]	USA	-	70
GLF Holdings Ltd [1 3]	BVI	-	100
Industrial Minerals International Corporation Ltd [1 3]	BVI	-	100
East African Vermiculite Pty Ltd [1 3]	BVI	-	100
Namekara Mining Company Ltd [1 3]	Uganda	-	100

[1] Acquired 10 November 2016.

[2] Disposed 18 September 2017 as per note 32 to the financial statements.

[3] Disposed 13 June 2018 as per note 32 to the financial statements.

Notes to the Financial Statements

30. Subsidiaries and Non-Controlling Interests (cont'd)

(b) Non-controlling interests (NCI)

The following table sets out the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. Amounts disclosed are before intercompany eliminations.

Summarised statement of financial position	ABM Mining Corporation 2018 $	ABM Mining Corporation 2017 $
Current assets	-	-
Non-current assets	-	-
Total assets	-	-
Current liabilities	-	84,085
Non-current liabilities	-	10,966,485
Total liabilities	-	11,050,570
Net liabilities	-	11,050,570

Summarised statement of profit or loss and other comprehensive income	ABM Mining Corporation 2018 $	ABM Mining Corporation 2017 $
Revenue	-	168,007
Expenses	-	(423)
Profit/ (Loss) for the period	-	168,430
Other comprehensive income/ (loss)	-	-
Total comprehensive income/ (loss)	-	168,430

Summarised cash flows	ABM Mining Corporation 2018 $	ABM Mining Corporation 2017 $
Cash flows from operating activities	-	16
Cash flows from investing activities	-	-
Cash flows from financing activities	-	74
Net increase/ (decrease) in cash and cash equivalents	-	90

Notes to the Financial Statements

31. Business Combination

On 11 November 2016, the Group acquired 100% of the ordinary shares of GLF Holdings Ltd for a total consideration of $3,352,253. GLF Holdings Ltd is 100% owner of Namekara Mining Company Ltd which operates a Vermiculite Mine in Uganda. The values identified in relation to the acquisition of GLF Holdings Ltd are final as at 30 June 2017

Details of the acquisition are as follows:

Consideration	**$**
Cash	33,215
Hipo Resources Ltd Shares	3,319,038
	3,352,253

Tangible assets acquired and liabilities assumed at the date of acquisition	**$**
Current assets	
Cash and cash equivalents	6,477
Trade and other receivables	207,598
Inventory	121,177
Non-current assets	
Plant and equipment	687,791
Mine properties	3,118,469
Current liabilities	
Trade and other payables	(565,018)
Loans payable	(161,028)
Non-current liabilities	
Provisions	(63,213)
	3,352,253

Goodwill on acquisition of subsidiary	**$**
Consideration transferred	3,352,253
Less fair value of identifiable tangible net assets acquired	(3,352,253)
Less fair value of identifiable intangible net assets acquired	-
Net goodwill on acquisition	-

Net cash outflow on acquisition of subsidiary	**$**
Consideration paid in cash	33,215
Less cash and cash equivalent balance acquired	(6,477)
Net cash outflow on acquisition of subsidiary	26,738

The Company has now disposed of GLF Holdings Ltd and its subsidiaries on 13 June 2018 as disclosed in note 32 to the financial statements.

32. Disposal of Subsidiaries and Discontinued Operations

Disposal of US Subsidiaries

Description

On 18 September 2017 the consolidated entity sold ABM Mining Corporation Limited and Magenta Mountain Mining Corporation Limited (incorporated in the USA), subsidiaries of Hipo Resources Limited, for nil consideration, resulting in a profit before income tax of $10,879. As part of the sale agreement, HIP has paid $25,000, and is liable to pay a further $45,000 by 31 December 2018 in recognition of historic liabilities disposed.

Notes to the Financial Statements

32. Disposal of Subsidiaries and Discontinued Operations (cont'd)

Details of the disposal

	Consolidated 2018 $	Consolidated 2017 $
Total sale consideration	**-**	-
Carrying amount of net liabilities disposed	**80,879**	-
Upfront settlement in recognition of liabilities disposed	**(25,000)**	-
Deferred settlement in recognition of liabilities disposed	**(45,000)**	-
Disposal costs	**-**	-
Gain on disposal before income tax	**10,879**	-
Gain on disposal after income tax	**10,879**	-

Disposal of GLF Group

Description

On 1 January 2018, the Company decided to discontinue operations of its wholly owned subsidiaries GLF Holdings Ltd, Industrial Minerals International Corporation Ltd, East African Vermiculite Pty Ltd and Namekara Mining Company Ltd (together the '**GLF Group**'), as management had made the decision to dispose of the GLF Group. Subsequently on 7 February 2018, the company entered into a Restructuring Heads of Agreement ('**HoA**') with Richmond Partners Masters Limited ('**RPML**') for the sale of the GLF Group for nil consideration, resulting in a profit before income tax of $1,481,186. The sale was finalised on 13 June 2018.

The key terms of the disposal were as follows:

(a) The Company to dispose of its interest in the Namekara Vermiculite Mine in exchange for the cancellation of all debt owed to RPML and LB International Ltd ('**LBI**'), extinguishment of any existing royalty obligation to RPML and transfer of the Company's interest in NMCL to RPML;

(b) RPML to transfer its shareholding in the Company to a third-party financier;

(c) HIP/BMZ to retain, subject to a minimum expenditure obligation of US$1,000,000 per annum for 3 years, and a commitment to take the project into commercial production within another 2 years, a 75% interest in its existing Busumbu Phosphate project as well as all other non-vermiculite minerals currently held by NMCL;

(d) RPML to be free carried in respect of the residual 25% interest in respect of point (c); and

(e) US$500,000 to be paid by the Company to LBI.

Notes to the Financial Statements

32. Disposal of Subsidiaries and Discontinued Operations (cont'd)

Financial performance information

	Consolidated	
	2018	**2017**
	$	**$**
Revenue from operations	**1,076,020**	1,228,591
Cost of sales	**(1,298,730)**	(1,381,478)
Other operating costs	**(13,568)**	(247,431)
Finance costs	**(130,097)**	(67,719)
Salary, wages and other employee benefits	**(156,481)**	(811,387)
Royalty	**(12,820)**	(23,073)
Consultants and travel	**(14,699)**	(307,294)
Depreciation	**(147,447)**	(200,977)
Other expenses	**(121,634)**	(237,307)
Profit before income tax expense	**(819,456)**	(2,048,075)
Income tax expense	**-**	-
Profit after income tax expense	**(819,456)**	(2,048,075)
Gain on disposal after income tax	**1,481,186**	-
Profit after income tax expense from discontinued operations	**661,730**	(2,048,075)

Cash flow information

	Consolidated	
	2018	**2017**
	$	**$**
Net cash from operating activities	**(343,943)**	(2,386,566)
Net cash used in investing activities	**307,318**	1,448,091
Net cash used in financing activities	**-**	975,864
Net increase in cash and cash equivalents from discontinued operations	**(36,625)**	37,389

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2018	**2017**
	$	**$**
Cash and cash equivalents	**2,310**	-
Trade and other receivables	**130,765**	-
Inventories	**698,517**	-
Other current assets	**35,129**	-
Plant and equipment	**606,279**	-
Exploration and evaluation expenditure	**352,475**	-
Mine properties	**2,884,390**	-
Total Assets	**4,709,865**	-
Trade and other payables	**970,708**	-
Borrowings	**1,091,703**	-
Provisions	**71,960**	-
Total liabilities	**2,134,371**	-
Net assets	**2,575,494**	-

Notes to the Financial Statements

32. Disposal of Subsidiaries and Discontinued Operations (cont'd)

Details of the disposal

	Consolidated 2018 $	Consolidated 2017 $
Deferred advisory fee and accrued interest forgiven	**4,436,210**	-
Capital investment fee forgiven	**262,320**	-
Royalties forgiven	**22,955**	-
Total sale consideration	**4,721,485**	-
Carrying amount of net assets disposed	**(2,575,494)**	-
Upfront settlement in recognition of outstanding loans	**(664,805)**	-
Gain on disposal before income tax	**1,481,186**	-
Gain on disposal after income tax	**1,481,186**	-

33. Parent Entity Information

The following details information related to the parent entity, Hipo Resources Limited, as at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in Note 1 to the financial statements.

	2018 $	2017 $
Current assets	**1,881,909**	36,794
Non-current assets	**-**	3,198,466
Total assets	**1,881,909**	3,235,260
Current liabilities	**436,948**	3,076,893
Non-current liabilities	**-**	2,861,487
Total liabilities	**436,948**	5,938,380
Contributed equity	**38,864,735**	34,227,750
Accumulated losses	**(37,469,974)**	(38,619,302)
Reserves	**50,200**	1,688,432
Total (deficiency in equity)/equity	**1,444,961**	(2,703,120)
Loss after income tax	**(488,904**	(9,710,505)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(488,904)**	(9,710,505)

Guarantees

The Company has not entered into any other guarantees in relation to any debts.

Other Commitments and Contingencies

The Company has no commitments to acquire property, plant and equipment as at 30 June 2018.

Other than disclosed in Note 23 to the financial statements, the Parent Entity had no contingent liabilities as at 30 June 2018.

Notes to the Financial Statements

33. Parent Entity Information (cont'd)

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1 to the financial statements, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment. The Company has no commitments to acquire property, plant and equipment as at 30 June 2018.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, are in accordance with the *Corporations Act 2001* and:

    a. Comply with Australian Accounting Standards, which, as stated in accounting policy note 1(a) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and

    b. Give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date;

In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Board of Directors.

Maurice Feilich
Executive Chairman

Perth, Western Australia, 30 September 2018

ASX Additional Information

The following additional information is required by the Australian Securities Exchange. The information is current as at 25 September 2018.

1. Shareholdings

The issued capital of the Group as at 25 September 2018 is 386,510,456ordinary fully paid shares, 106,421,373 listed options (exercisable at $0.02, on or before 30 June 2020), and 2,000,000 unlisted options (exercisable at $0.05, on or before 30 April 2020). All issued ordinary fully paid shares carry one vote per share.

(a) Distribution schedule and number of holders of equity securities as at 25 September 2018

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares	129	171	40	188	234	762
Listed Options – 2c 30.06.2020	12	22	16	73	93	216
Unlisted Options – 5c 30.04.2020	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 25 September 2018 is 405.

(b) 20 largest holders of quoted equity securities as at 25 September 2018

The names of the twenty largest holders of fully paid ordinary shares (ASX code: HIP) as at 25 September 2018 are:

Rank	Name	Shares	% of Total Shares
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	27,466,746	7.11
2	CITICORP NOMINEES PTY LIMITED	18,038,669	4.67
3	PERSHING AUSTRALIA NOMINEES PTY LTD <INDIAN OCEAN A/C>	17,574,575	4.55
4	INVESTMET LIMITED	13,750,000	3.56
5	CLAYMORE VENTURES LIMITED	13,500,000	3.49
6	ROOKHARP INVESTMENTS PTY LIMITED	10,000,000	2.59
7	FILMRIM PTY LTD	8,653,374	2.24
8	NAZDALL PTY LTD	8,000,000	2.07
9	MR RONALD BOWEN + MRS AGNES BOWEN <CANDY SUPER FUND A/C>	7,500,000	1.94
10	JOHN WARDMAN & ASSOCIATES PTY LTD	7,150,000	1.85
11	LANGLEYCOURT PROPERTIES LIMITED	7,000,000	1.81
12	MR MICHAEL SHIRLEY	7,000,000	1.81
13	SEEFELD INVESTMENTS PTY LTD <SEEFELD A/C>	6,800,000	1.76
14	2428 PTY LTD	6,780,000	1.75
15	DELTA RESOURCE MANAGEMENT PTY LTD	6,250,000	1.62
16	924 PTY LTD <ZOLOTO S/F A/C>	5,500,000	1.42

Rank	Name	Shares	% of Total Shares
17	MR JOSEPHUS JEFFREY VERHEGGEN	5,180,000	1.34
18	GREYWOOD HOLDINGS PTY LTD	5,000,000	1.29
19	MR VICTOR LORUSSO	5,000,000	1.29
20	PERTH SELECT SEAFOODS PTY LTD	5,000,000	1.29
	TOTAL	**191,143,364**	**49.45**

Stock Exchange Listing – Listing has been granted for 386,510,456 fully paid ordinary shares of the Company on issue on the Australian Securities Exchange under (ASX:HIP), and 106,421,373 listed options (exercisable at $0.02, on or before 30 June 2020) under (ASX:HIPO).

The unquoted securities on issue as at 25 September 2018 are detailed below in part (d).

(c) Substantial shareholders

Substantial shareholders in Hipo Resources Ltd and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Name	Shares	% of Total Shares
Richmond Partners Master Limited	27,641,577	7.31%

(d) Unquoted Securities

The number of unquoted securities on issue as at 25 September 2018:

Unquoted Security	Number on Issue
Unlisted Options – exercisable at 2c expiring on 31.10.2020	7,000,000
Unlisted Options – exercisable at 5c expiring on 30.04.2020	2,000,000

(e) Holder Details of Unquoted Securities

Optionholders that hold more than 20% of a given class of unquoted securities as at 25 September 2018 other than options issued under an employee incentive scheme:

Security	Name	Number of Securities
Unlisted Options – exercisable at 2c expiring on 31.10.2020	Waldorf and Statler	7,000,000
Unlisted Options – exercisable at 5c expiring on 30.04.2020	L1 Capital Opportunities Master Fund	2,000,000

(f) Restricted Securities as at 25 September 2018

The Company had the following restricted securities as at 25 September 2018 –

Security	Escrow Period
51,690,380 Fully Paid Ordinary Shares	Under escrow until 26 October 2017.

(g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

(h) On-Market Buy-Back

The Company is not currently undertaking an on-market buy-back.

(i) Corporate Governance

The Board of Hipo Resources Ltd is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at http://www.hiporesources.com.au/corporate/corporate-governance.aspx .

(j) Application of Funds

During the financial year, Hipo Resources Ltd confirms that it has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with the Company's business objectives.

Competent Persons Statement

The information in this report that relates to exploration results and geological interpretation has been compiled by Mr Willard Matola Mbalaka. Mr Mbalaka is a full-time employee and Principal Consultant at South African geological consultancy and advisory firm, Kweneng Group and an independent consultant to the Company. A member of the Geological Society of South Africa (GSSA) and the South African Institute of Mining and Metallurgy, Mr Mbalaka is registered as Professional Scientist with the South African Council for Professional Natural Scientific Professions (SACNASP) which is a Recognised Professional Organisation (RPO). Mr Mbalaka has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code (2012)). Mr Mbalaka consents to the disclosure of this information in this report in the form and context in which it appears.

Mining Claim Schedule

Mining Tenement (Claim)	Reference (BLM Serial No.)	Interest Held
Namekara Mining Company Limited, Uganda		
MINING LICENSE 4651	ML 4651	Nil[1]

[1] The Company retains a 75% farm-in right in the Busumbu Phosphate Project (refer announcement 15 June 2018), which sits within ML 4651 and EL 1534. As announced on 15 June 2018, Hipo and Namekara Mining Company reached an agreement with African Minerals Ventures Ltd to earn 51% of the Busumbu Phosphate Project ("project") by spending US$3m over 3 years. Hipo's residual 24% interest is carried during the earn in period.