HIPO Resources Limited

ABN 55 147 106 974

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

Contents

Corporate Information

This financial report includes the financial statements of Hipo Resources Limited ("the Company"). Certain comparative information represents that of Hipo Resources Limited and its previously controlled entities. The figures presented in this report are those of the Company unless otherwise stated as consolidated. The functional presentation currency of the Company is AUD ($).

A description of the Company'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
Mr Samuel Jarvis – Non-Executive Director
Mr Daniel Smith – Non-Executive Director

Company Secretary
Mr Daniel Smith

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West Perth WA 6005

Principal Place of Business
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West Perth WA 6005

Share Registry
Computershare Investor Services
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Perth WA 6000

Auditors
RSM Australia Partners
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2 The Esplanade
Perth WA 6000

Stock Exchange
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Website
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Solicitors
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Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000

Directors' Report

The directors present their report on the Company at the end of, or during, the half-year ended 31 December 2018.

Directors

The persons who were directors of the Company during the half-year and up to the date of this report are:

Mr Maurice Feilich (Executive Chairman)
Mr Samuel Jarvis (Non-Executive Director)
Mr Daniel Smith (Non-Executive Director)

Results

The statement of comprehensive income shows a net loss for the half-year ended 31 December 2018 of $418,475 (2017: net profit from continuing operations of $409,084).

Review of Operations for the Half-Year ended 31 December 2018

Next-Battery

On 29 August 2018, the Company announced that it had entered into an earn-in agreement with Next-Battery Limited ("Next-Battery"). Pursuant to the agreement with Next-Battery, the Company would acquire an initial 25% interest in Next-Battery by funding USD 500,000 towards an agreed budget for technology development. The Company has the ability to acquire an additional 10% of Next-Battery through an additional USD 1,000,000 expenditure commitment. The Next-Battery's technology has the potential to demonstrate a (minimum) 100% increase in the specific energy of its commercial battery prototype, which could potentially double the EV driving range, assuming the same weight of battery.

On 4 October 2018, the Company announced that Next-Battery had commenced production on its first cathode for the battery prototype using its thin film technology to create a unique lattice structure. Production and testing of the Cathode are key stages for *Next-Battery* as it develops its superior battery prototype. The proprietary process significantly increases the surface area of the metal oxides in the Cathode which allows dimension reduction and doping to increase functionalisation and morphology control. This enables Cathodes that are ultra-porous, and lithium infused within a nanostructured surface, to enable faster lithium-ion transport and electron movement in a more energy dense structure.

On 20 November 2018, the Company announced that Next-Battery had achieved a key milestone in its cathode prototype development, with multiple demonstrations of elements of the cathode manufacturing process having been completed, including the deposition of several nano-meters of certain metal oxides on a substrate for testing.

On 10 December 2018, the Company announced that Next-Battery had signed a strategic relationship agreement with Lvchi Automobile Technology (Shanghai) Co Ltd ("Lvchi"). Lvchi AUTO group is a whole value chain operation platform company that focuses on new electric vehicles (EV), with targeted annual production of over 500,000 vehicles. The global design, research and development base of Lvchi is located at the Turin engineering centre in Italy. Lvchi also has technology centres in Coventry, England and Silicon Valley in California, USA.

Kamola Lithium Project 60% Joint Venture

On 5 April 2018, the Company announced that it had entered 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 Limited (ASX: AVZ).

The Permits and Licences ("Project Area") lie within the same geological and structural setting as the AVZ Minerals' 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 by the Company has geological and mineralisation 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.

On 13 July 2018 the Company announced the successful conclusion of technical and legal due diligence at the Kamola Lithium Project.

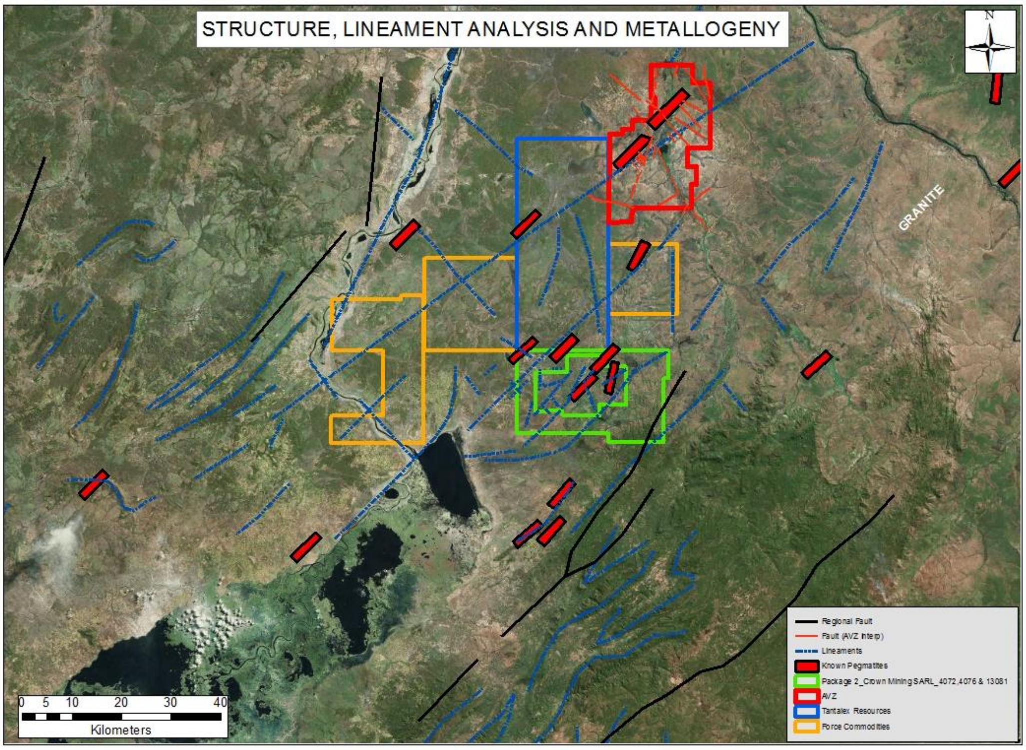

Image 1: Location of the Company's Kamola Lithium Project and mapped pegmatites

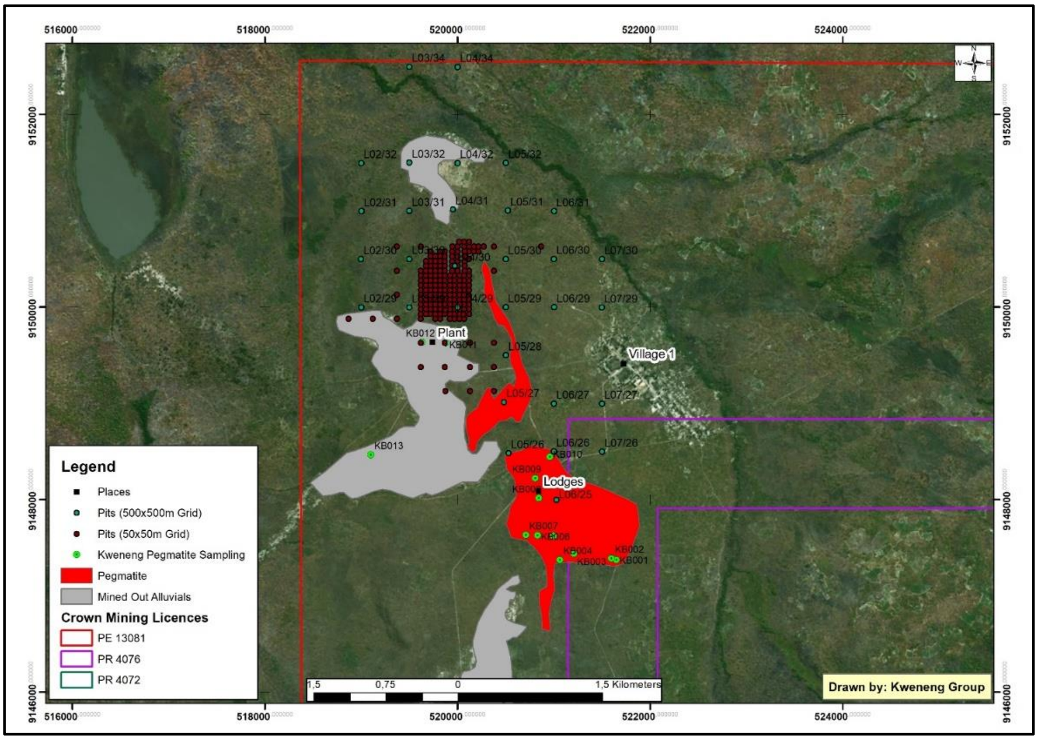

Image 2: shows the 2 main pegmatites that were sampled (rock chip) and confirmed as lithium bearing as part of the due diligence program.

On 15 November 2018, the Company reported that it had executed a Joint Venture Agreement with Crown Mining Sarl (“Crown”), where the Company can earn a 60% interest in the Kamola Lithium Project.

Key terms of the Joint Venture Agreement include:

- Both Parties to establish a DRC incorporated joint venture company which will be held 60% by the Company and 40% by Crown;
- The Company is to fund, at its election, up to USD 5m in exploration and project development expenditure within 3 years to maintain its JV interest;
- USD 1m to be spent on exploration activities (including drilling) within 12 months of commencement of the JV;
- The Company funding advanced on a loan account basis with Crown finance carried through to Definitive Feasibility Study stage; and
- The Company to issue the following shares and performance rights to Crown:
    - (a) The issue of 25,000,000 shares to Crown (or their nominee) on signing of the JV agreement (with 12,500,000 of the Shares to be subject to 6 months voluntary escrow);
    - (b) The issue of 25,000,000 performance rights convertible into ordinary shares on a one for one basis, on or before 31 December 2021, upon completion of a drilling program which demonstrates spodumene bearing mineralisation with minimum average grades of 1.2% Li_2O in an intersection of not less than 50 metres in one or more holes; and
    - (c) The issue of 25,000,000 performance rights convertible into ordinary shares on a one for one basis, on or before 31 December 2021, upon a minimum inferred JORC resource of 50 million tonnes at a minimum average grade of 1.2% Li_2O being declared at the Kamola lithium project.

St-Georges Lithium Processing

On 9 August 2018, the Company reported that it had entered into a strategic partnership with St George Eco Mining Limited (“St-Georges”) to enhance the Company’s lithium project. St-Georges is a Canadian listed company that has a proprietary and innovative lithium processing and extraction technology.

St-Georges has agreed to provide exclusive research and development (“R&D”) services, utilising products, extraction methods and proprietary technology to develop the Company’s DRC lithium project (“Project”) in respect of the separation, recovery, and purification of lithium from its identified lithium bearing pegmatites. The St George technology, research and development package looks at developing innovative lithium recovery techniques which optimise project economics. In effect St George will provide ongoing R&D (benchmarked on a success only basis) as the Company proceeds through its exploration programme on the Kamolo Lithium Project.

1620 Service Agreement & DRC Cobalt Option

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 entered into a services agreement with 1620 Capital Ltd ("1620"), whereby 1620 would provide the Company with technical and logistical support within the DRC on a cost plus basis. The Company considers that the services agreement with 1620 will assist the Company with the resources required to advance its lithium and cobalt projects.

Corporate

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 ordinary shares were issue at $0.02 per share and raised $75,000.

Subsequent Events

As reported on 30 January 2019, the Company decided subsequent to the reporting date, after undertaking technical due diligence, not to exercise the exclusive option it had previously secured during the period to acquire an 80% interest in two highly prospective cobalt and copper licenses, PR 13283 and 13284, in the DRC.

Other than the above, no matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported for the half-year ended 31 December 2018.

Auditor's Independence Declaration

The Auditor's Independence Declaration included within these financial statements forms part of the Director's Report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors.

Maurice Feilich
Executive Chairman

Perth, Western Australia, 15 March 2019

Competent Person's 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.

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hipo Resources Limited for the half year ended 31 December 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 review; and

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

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 15 March 2019

D J WALL
Partner

Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Note	Half-Year 31 Dec 2018 $	Consolidated Half-Year 31 Dec 2017 $
Other income		57,872	665,487
Gain on disposal of subsidiaries	10	-	10,879
Finance costs		(131,439)	(131,123)
Employee and director benefits expense		(96,000)	(15,000)
Exploration costs written off	4	(15,135)	-
Financial and company secretarial expenses		(18,000)	(17,559)
Corporate advisory		-	(10,417)
ASX and share registry fees		(35,428)	(28,425)
Consultants and travel		(29,625)	(3,976)
Other expenses		(148,209)	(130,016)
Unrealised foreign exchange (loss) / gain		(2,511)	69,234
(Loss)/profit before income tax expense from continuing operations		**(418,475)**	**409,084**
Income tax expense		-	-
Net (loss)/profit after income tax expense from continuing operations		**(418,475)**	**409,084**
Loss after income tax expense from discontinued operations	10	-	(819,456)
Loss after income tax for the half-year		**(418,475)**	**(410,372)**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to operating result			
Foreign currency translation differences		-	(208,827)
Total comprehensive loss for the half-year		**(418,475)**	**(619,199)**
Loss attributable to:			
Owners of the Company		(418,475)	(410,372)
Non-controlling Interests		-	-
		(418,475)	**(410,372)**
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(418,475)	(745,572)
Non-controlling Interests		-	126,373
		(418,475)	**(619,199)**
Basic and diluted loss per share (cents per share)		(0.11)	(0.26)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents		815,136	1,729,055
Trade and other receivables		5,793	17,058
Other assets		-	135,796
Total Current Assets		**820,929**	**1,881,909**
Non-Current Assets			
Investments	3	755,951	-
Exploration and evaluation expenditure	4	300,000	-
Total Non-Current Assets		**1,055,951**	**-**
TOTAL ASSETS		**1,876,880**	**1,881,909**
LIABILITIES			
Current Liabilities			
Trade and other payables	5	260,188	436,948
Total Current Liabilities		**260,188**	**436,948**
TOTAL LIABILITIES		**260,188**	**436,948**
NET ASSETS		**1,616,692**	**1,444,961**
EQUITY			
Issued capital	6	38,943,152	38,864,735
Reserves		561,989	50,200
Accumulated losses		(37,888,449)	(37,469,974)
TOTAL EQUITY		**1,616,692**	**1,444,961**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2018

	Issued capital $	Accumulated losses $	Share-based payments reserve $	Foreign currency translation reserve $	Non-controlling interest $	Total $
Consolidated 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 half-year	-	(410,372)	-	-	-	(410,372)
Other comprehensive income	-	-	-	(335,200)	126,373	(208,827)
Total comprehensive (loss)/profit for the half-year	**-**	**(410,372)**	**-**	**(335,200)**	**126,373**	**(619,199)**
Transactions with owners in their capacity as owners:						
Issue of shares	400,000	-	-	-	-	400,000
Share issue costs	(20,795)	-	-	-	-	(20,795)
Disposal of subsidiary	-	(1,465,769)	-	(1,723,027)	3,188,796	-
Consolidated balance at 31 December 2017	**34,606,955**	**(38,330,599)**	**1,688,432**	**(907,902)**	**-**	**(2,943,114)**
Balance at 1 July 2018	**38,864,735**	**(37,469,974)**	**50,200**	**-**	**-**	**1,444,961**
Loss for the half-year	-	(418,475)	-	-	-	(418,475)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the half-year	**-**	**(418,475)**	**-**	**-**	**-**	**(418,475)**
Transactions with owners in their capacity as owners:						
Issue of placement shares	75,000	-	-	-	-	75,000
Issue of share-based payments	-	-	511,789	-	-	511,789
Share issue costs	3,417	-	-	-	-	3,417
Balance at 31 December 2018	**38,943,152**	**(37,888,449)**	**561,989**	**-**	**-**	**1,616,692**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the half-year ended 31 December 2018

	Half-Year 31 Dec 2018 $	Consolidated Half-Year 31 Dec 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(330,479)	(1,716,287)
Receipts from customers	-	1,164,496
Royalty payment	-	(12,820)
Interest paid	(1,595)	-
Net cash used in operating activities	**(332,074)**	**(564,611)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation	(15,135)	(992)
Payments for plant and equipment	-	(16,121)
Payments for investments	(556,030)	-
Payments for disposal of subsidiaries	-	(25,000)
Net cash used in investing activities	**(571,165)**	**(42,113)**
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from issue of shares	-	400,000
Share issue costs	(10,680)	(20,795)
Proceeds from borrowing	-	200,000
Net cash (used in) / provided by financing activities	**(10,680)**	**579,205**
Net decrease in cash held	**(913,919)**	**(27,519)**
Cash and cash equivalents at the beginning of the half-year	1,729,055	57,277
Cash and cash equivalents at the end of the half-year	**815,136**	**29,758**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the half-year ended 31 December 2018

Note 1 – Summary of Significant Accounting Policies

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below.

Certain comparative information represents that of Hipo Resources Limited and its previously controlled entities. The figures presented in these financial statements and the accompanying notes are those of the Company unless otherwise stated as consolidated.

New and Revised Accounting Standards

In the half-year ended 31 December 2018, the Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the annual reporting period beginning on or after 1 July 2018. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the entity's accounting policies.

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 2 – Segment Information

Management has determined the operating segments based on the geographical reports reviewed by the board of directors that are used to make strategic decisions. The Company has mineral exploration operations in the Democratic Republic of Congo (DRC), investments operated in Ukraine by Next-Battery Ltd (see note 3) and its head office located in Australia. The Company previously controlled entities with mineral production operations in Uganda and mineral exploration operations in the USA.

	Australia	USA	Ukraine	DRC	Uganda	Total
31 December 2018	**$**		**$**	**$**	**$**	**$**
Revenue						
Other income	57,872	-	-	-	-	57,872
Total segment revenue	57,872	-	-	-	-	57,872
Result						
Segment result	(403,340)	-	-	(15,135)	-	(418,475)
Assets and Liabilities at						
31 December 2018						
Segment assets	820,929	-	755,951	300,000	-	1,876,880
Segment liabilities	(260,188)	-	-	-	-	(260,188)

Consolidated	**Australia**	**USA**	**Ukraine**	**DRC**	**Uganda**	**Total**
31 December 2017	**$**		**$**	**$**	**$**	**$**
Revenue						
Other income	665,487	-	-	-	-	665,487
Gain from disposal of subsidiaries	-	10,879	-	-	-	10,879
Total segment revenue	665,487	10,879	-	-	-	676,366
Result						
Loss after income tax expense from discontinued operations	-	-	-		(819,456)	(819,456)
Segment result	398,205	10,879	-	-	(819,456)	(410,372)

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 3 – Investments

	31 December 2018 $	30 June 2018 $
Non-Current		
Next-Battery Ltd	755,951	-
	755,951	-

On 22 October 2018, the Company entered into subscription and shareholder agreements for the right to earn up to a 35% equity interest in Next-Battery Ltd ("Next-Battery"), an unlisted private company incorporated in Gibraltar and operated in Ukraine, under the following terms:

(a) An initial 25% interest by spending USD 500,000 on an agreed budget for the development of the Next-Battery technology;
(b) The option to spend an additional USD 1,000,000 on Next-Battery technology development for a further 10% equity interest; and
(c) Issuing 10,000,000 ordinary shares in the Company to Next-Battery (or nominee) on the following milestone basis:
   a. 5,000,000 ordinary shares upon demonstration of a prototype battery demonstrating a minimum 50% increase in specific energy compared to current Tesla battery model; and
   b. 5,000,000 ordinary shares upon demonstration of a prototype battery demonstrating a minimum 100% increase in specific energy compared to current Tesla battery model.

As at 31 December 2018 the Company had completed the initial spending commitment of USD 500,000 (approximately $691,826) to earn an initial 25% interest in Next-Battery. In addition the total estimated fair value of the performance shares granted of $64,125 as detailed in note 8 has been capitalised as it comprises the acquisition cost of the initial 25% interest.

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 4 – Exploration and Evaluation Expenditure

	31 December 2018 $	30 June 2018 $
Non-Current		
Exploration and evaluation expenditure – at cost	**300,000**	**-**
Movement		
Balance at beginning of period	-	**363,795**
Impairment of exploration costs	**(15,135)**	**(149,633)**
Exploration costs incurred	**315,135**	**150,613**
Disposal of subsidiary	**-**	**(352,475)**
Translation differences	**-**	**(12,300)**
Balance at end of period	**300,000**	**-**

On 15 November 2018, the Company executed a Joint Venture Agreement with Crown Mining Sarl ("Crown"), where the Company can earn a 60% interest in the Kamola Lithium Project through the funding of up to USD 5m in exploration and project development expenditure within 3 years. On 30 November 2018, the shareholders of the Company approved the issue of ordinary shares and performance rights to Crown as detailed in note 8. The total fair estimated fair value of these ordinary shares and performance rights was capitalised as exploration and evaluation expenditure within the statement of financial position. All exploration expenditure in relation to the Kamola Lithium Project incurred prior to the execution of the JV Agreement was expensed as detailed above.

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

- the continuance of the Company'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.

Note 5 – Trade and Other Payables

	31 December 2018 $	30 June 2018 $
Current		
Trade creditors	84,253	119,946
Capital investment fee [1]	48,850	44,002
Other payables	127,085	273,000
	260,188	436,948

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

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 5 – Trade and Other Payables (cont'd)

[1] Relates to a total fee of USD 250,000 payable to LB International Ltd and Jonah Resources Ltd as the Company failed to invest a minimum of USD 2,500,000 in GLF Holdings Ltd by 31 December 2016. The fee is only payable if both parties continue to hold a minimum combined interest of 50% of the consideration shares of GLF Holdings Ltd on 3 April 2019. The directors have determined the likelihood of this payment to be highly probable. While the expected future payment of this fee to LB International Ltd was forgiven as part of the disposal of GLF Holdings Ltd as disclosed in note 10, the portion of the fee payable to Jonah Resources Ltd remains expected to be owed by the Company.

Note 6 – Issued Capital

	31 December 2018 $	30 June 2018 $
Issued capital		
Ordinary shares	38,943,152	38,864,735
	38,943,152	38,864,735

(a) Movements for the period:

Ordinary shares	No. of Shares	$
Opening balance as at 1 July 2018	382,760,456	38,864,735
Issue of placement shares	3,750,000	75,000
Share issue costs	-	3,417
Closing balance as at 31 December 2018	386,510,456	38,943,152

(b) Options outstanding over ordinary shared capital as at the reporting date were as follows:

	Expiry date	Exercise price ($)	Balance at start of the period	Number issued during the period	Number exercised during the period	Number expired during the period	Balance at end of the period
Unlisted option	20/04/2020	$0.05	2,000,000	-	-	-	2,000,000
Listed option	30/06/2020	$0.02	95,333,873	11,087,500	-	-	106,421,373
Unlisted option	31/10/2020	$0.02	-	7,000,000	-	-	7,000,000
			97,333,873	18,087,500	-	-	115,421,373

Note 7 – Dividends

No dividends were declared or paid during the half-year ended 31 December 2018 (2017: Nil).

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 8 – Share-Based Payments

(1) On 20 July 2018, 7,000,000 unlisted options exercisable at $0.02 per option, exercisable by 31 October 2020, were granted and issued to a service provider of the Company. These options were granted in three tranches with the following vesting conditions:

Tranche 1: 2,000,000 options exercisable upon the Company achieving a 10-day VWAP of $0.045 per share
Tranche 2: 2,500,000 options exercisable upon the Company achieving a 10-day VWAP of $0.065 per share
Tranche 3: 2,500,000 options exercisable upon the Company achieving a 10-day VWAP of $0.085 per share

The total estimated fair value of these options of $80,650 was determined using a barrier option pricing model. The Company has recognised public relations expense of $15,860 during the period for the grant of these options.

(2) On 20 July 2018, 11,087,500 listed options exercisable at $0.02 per option, exercisable by 30 June 2020, were granted and issued to the 2017 Convertible Note holders. The total estimated fair value of these options of $129,724 was determined using a Black-Scholes option pricing model and recognised as finance costs within profit and loss during the period.

(3) On 22 October 2018, the Company entered into a subscription and shareholder agreement with Next Metals Ltd to acquire up to a 35% interest in Next-Battery Ltd under which the Company must issue 10,000,000 performance shares to Next-Battery Ltd which vest upon the achievement of the various milestones as detailed in note 3. The total estimated fair value of these performance shares of $64,125 was determined by the share price on the grant date of $0.019 and the estimated likelihood of each of the milestones being achieved. These performance shares are not subject to expiry. The total fair value was recognised as non-current investment as detailed in note 3.

(4) On 30 November 2018, shareholders approved the issue of 10,000,000 unlisted options exercisable at $0.02 per option, exercisable by 31 December 2020, to 1620 Capital Pty Ltd for services to be provided to the Company. These options were granted in three tranches with the following vesting conditions:

Tranche 1: 3,400,000 options exercisable upon obtaining a maiden JORC resource for either its current lithium or cobalt projects
Tranche 2: 3,300,000 options exercisable upon the Company achieving a 10-day VWAP of $0.040 per share
Tranche 3: 3,300,000 options exercisable upon the Company achieving a 10-day VWAP of $0.070 per share

The total estimated fair value of these options of $50,030 was determined using a barrier option pricing model. The Company has recognised consultants and travel expense of $2,080 during the period for the grant of these options.

(5) On 30 November 2018, shareholders approved the issue of 25,000,000 ordinary shares and 50,000,000 performance rights to Crown Mining Sarl ("Crown") as per the agreed terms of Joint Venture with Crown to earn a 60% interest in the Kamola Lithium Project in the DRC. The total estimated fair value of these ordinary shares of $300,000 was determined by the share price on the grant date of $0.012 and recognised as capitalised exploration and evaluation as detailed in note 4. The total estimated fair value of the performance rights was determined by the share price on the grant date and the estimated likelihood of each of the milestones being achieved before expiry.

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 8 – Share-Based Payments (cont'd)

No value has been assigned to the performance rights as they are only exercisable upon the achievement of various milestones directly correlated with the exploration success of the Kamola Lithium Project before the expiry date of 31 December 2021. While it is estimated that the exploration activity of the Kamola Lithium Project will be successful, the likelihood of these milestones being achieved before expiring has been estimated as nil due to a lack of progress and reliable information as at the grant date suggesting otherwise.

The Company had no other share-based payments during the half-year ended 31 December 2018.

For the options granted during the half-year ended 31 December 2018, the inputs used to determine the fair value at the grant date were as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	10-day VWAP share price barrier	Number of options	Value per option	Fair value at grant date	Note
20/07/2018	31/10/2020	$0.0210	$0.02	105.00%	0.00%	2.05%	$0.045	2,000,000	$0.0122	$24,400	1
20/07/2018	31/10/2020	$0.0210	$0.02	105.00%	0.00%	2.05%	$0.065	2,500,000	$0.0116	$29,000	1
20/07/2018	31/10/2020	$0.0210	$0.02	105.00%	0.00%	2.05%	$0.085	2,500,000	$0.0109	$27,250	1
20/07/2018	30/06/2020	$0.0210	$0.02	105.00%	0.00%	2.05%	-	11,087,500	$0.0117	$129,724	2
30/11/2018	31/12/2020	$0.0120	$0.02	105.00%	0.00%	2.00%	-	3,400,000	$0.0053	$18,020	4
30/11/2018	31/12/2020	$0.0120	$0.02	105.00%	0.00%	2.00%	$0.040	3,300,000	$0.0052	$17,160	4
30/11/2018	31/12/2020	$0.0120	$0.02	105.00%	0.00%	2.00%	$0.070	3,300,000	$0.0045	$14,850	4
								28,087,500		$260,404	

		Consolidated
	31 December 2018	**31 December 2017**
	$	**$**
Recognised as public relations expense during the period	15,860	-
Recognised as finance costs during the period	129,724	-
Recognised as consultants and travel expense during the period	2,080	-
Total value of options expensed during the period	147,664	-
Fair value yet to vest	112,740	-
Total fair value of options granted during the period	260,404	-

Total value of options expensed during the period	147,664	-
Recognised as non-current investment (see note 3)	64,125	-
Recognised as capitalised exploration and evaluation expenditure (see note 4)	300,000	-
Total movement in the share-based payment reserve	511,789	-

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 9 – Related Party Transactions

There were no transactions with related parties during the half-year ended 31 December 2018.

Note 10 – Disposal of Subsidiaries

Disposal of US Subsidiaries

Description

On 18 September 2017 the Company sold ABM Mining Corporation Limited and Magenta Mountain Mining Corporation Limited (incorporated in the USA), subsidiaries of the Company, for nil consideration, resulting in a gain before income tax of $10,879. As part of the sale agreement, the Company paid $25,000 and is liable to pay a further $45,000 in recognition of historic liabilities disposed.

Details of the disposal

		Consolidated
	31 December 2018 $	**31 December 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
Income tax expense	-	-
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 ("NMCL") as management had made the decision to dispose of these subsidiaries (together "the GLF Group"). Subsequently on 7 February 2018, the Company entered into a Restructuring Heads of Agreement with Richmond Partners Masters Limited ("RPML") for the sale of the GLF Group for nil consideration. 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) The Company to retain, subject to a minimum expenditure obligation of USD 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) USD 500,000 to be paid by the Company to LBI.

Notes to the Financial Statements
For the half-year ended 31 December 2018

Note 10 – Disposal of Subsidiaries (cont'd)

Disposal of GLF Group (cont'd)
Financial performance information

		Consolidated
	31 December 2018 $	**31 December 2017 $**
Revenue from operations	-	1,076,020
Cost of sales	-	(1,298,730)
Other operating costs	-	(13,568)
Finance costs	-	(130,097)
Salary, wages and other employee benefits	-	(156,481)
Royalty	-	(12,820)
Consultants and travel	-	(14,699)
Depreciation	-	(147,447)
Other expenses	-	(121,634)
Loss before income tax expense	-	(819,456)
Income tax expense	-	-
Loss after income tax expense	-	(819,456)
Loss on disposal after income tax	-	-
Loss after income tax expense from discontinued operations	-	(819,456)

Cash flow information

		Consolidated
	31 December 2018 $	**31 December 2017 $**
Net cash used in operating activities	-	(343,943)
Net cash from investing activities	-	307,318
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	-	(36,625)

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 10 – Disposal of Subsidiaries (cont'd)

Carrying amounts of assets and liabilities disposed

	31 December 2018 $	30 June 2018 $
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

Note 11 – Commitments

On 15 November 2018 the Company executed a Joint Venture ("JV") Agreement with Crown Mining SARL ("Crown") under which the Company can earn a 60% interest in the Kamola Lithium Project through the funding of USD 5m on a loan account basis under the following terms:

(a) Spending a minimum of USD 1m within the first 12 months of incorporation of the JV Company;
(b) Spending a minimum of USD 2.5m within the first 24 months of incorporation of the JV Company; and
(c) Spending a minimum of USD 5m within the first 36 months of incorporation of the JV Company.

The above funding commitments must be maintained to retain a 60% interest in the Kamola Lithium Project.

Other than the above, there has been no change in commitments since the last annual reporting date.

Note 12 – Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 13 – Events Subsequent to Reporting Date

As reported on 30 January 2019, the Company decided subsequent to the reporting date, after undertaking technical due diligence, not to exercise the exclusive option it had previously secured during the period to acquire an 80% interest in two highly prospective cobalt and copper licenses, PR 13283 and 13284, in the DRC.

Notes to the Financial Statements

For the half-year ended 31 December 2018

Note 13 – Events Subsequent to Reporting Date (cont'd)

Other than the above, no matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported for the half-year ended 31 December 2018.

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
   (a) Complying with the Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and

   (b) Giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year then ended.

2. 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.

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

Executive Chairman
Maurice Feilich

Perth, Western Australia, 15 March 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Hipo Resources Limited

We have reviewed the accompanying half-year financial report of Hipo Resources Limited (**company**), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hipo Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Hipo Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) Giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

D J WALL
Partner
RSM Australia Partners

Perth, WA
Dated: 15 March 2019