



HIPO Resources Limited

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20 March 2020

Mr Daniel Nicholson  
Adviser, Listings Compliance (Perth)  
ASX Compliance  
Level 40, Central Park,  
152-158 St Georges Terrace  
Perth WA 6000

**RE: Hipo Resources Limited (“HIP”): Queries regarding Accounts**

Dear Daniel,

The Company refers to your letter dated 17 March 2020, regarding the above, and provides the following responses to your queries in the order in which they appear.

**1. Is HIP able to confirm that in the Directors’ Opinion the Half Year Accounts:**

**(a) comply with the relevant Accounting Standards; and**

*Yes, confirmed*

**(b) give a true and fair view of HIP’s financial performance and position?**

*Yes, confirmed*

**2. Please explain the basis for and the factors considered by the Directors to satisfy themselves as to the carrying value attributed to Next-Battery, being \$755,951, in the statement of financial position as set out on pages 8 and 13 of the Half Year Accounts. In answering this question, please comment specifically on whether any historical audited or reviewed financial statements for Next-Battery have been received by HIP?**

*The Company has not received historical audited or reviewed financial information from Next-Battery.*

*The carrying value of Next Battery is based upon the Company’s awareness of Next Battery’s historical expenditure and present activities as a result of the Company’s site visits to the Ukraine facility and technical reports produced by Next battery staff. Further, the carrying value is based on an understanding of the status of Next Battery’s current capital raising program previously announced to the market and the effect of the capital raising in terms of the commercialization of Next-Battery’s technologies, which were also set out in announcements in 2019.*

*As referred to above, Next-Battery is undertaking a capital raising program which has seen CEO Benton Wilcoxon in the USA for the last 8 weeks with the raising almost complete until world markets and COVID-19 delayed completion. Next-Battery continues to operate as a*



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*going concern and, as such the Board considered it appropriate to carry the investment value of Next-Battery at cost.*

**3. Why was no financial information for Next-Battery made available to the Auditors in conducting their audit of the Annual Report?**

*Next-Battery is incorporated in Gibraltar and is not required to undertake annual audits of its accounts nor prepare financial statements. They do keep financial records in relation to all expenditure in Ukraine. As part of the 2020 Financial Audit for HIP, the Company has arranged for that information to be processed at the Gibraltar company level to assist with the audit process.*

**4. Did HIP take any steps following the release of the Annual Report to ensure its Auditors had access to financial information for Next-Battery for the period ended 31 December 2019? Please comment specifically on what steps, if any, were taken?**

*Yes, HIP spoke with Next Metals, the majority shareholder in Next Battery. However, due to the significant cost in preparing Gibraltar financial accounts which Next Metals as the majority (75%) owner was unwilling to expend whilst concluding its current capital raising process, no audit or review process was undertaken. HIP is hopeful that, upon completion of the current capital raising in Next Battery, the incoming investors will require the preparation of audited accounts for the company.*

**5. What steps has HIP taken since the release of the Half Year Accounts to obtain an unqualified conclusion with regards to its future financial statements?**

*Following the conclusion of the capital raising noted in 4 above, the financial information regarding Next-Battery should be available for the Full Year accounts of HIP.*

**6. What steps does HIP intend to take to obtain an unqualified audit conclusion with regards to its future financial statements?**

*As per points 3 and 7*

**7. Does HIP consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the HIP's current business activities.**

*Yes, the Company believes it has sufficient operations to warrant continued quotation of its securities pursuant to LR12.1. The 25% minority interest in Next Battery has never been HIP's main undertaking and was made to leverage off its existing lithium exploration and development exposure. HIP currently has 4 limbs to its business activities:*

- a) 60%, \$5m farm in interest in DRC Kamola lithium project which is currently being renegotiated given market conditions in relation to both hard rock lithium and the DRC. To date the Company has spent approximately \$300,000 before renegotiations commenced;*
- b) 25% carried joint interest in copper / phosphate project in Uganda. Uganda has been the Company's main focus over the past 3 years with over \$4m in on ground expenditure and \$5m in share-based payments all expensed before retaining the carried interest and entering into the DRC lithium farm in 18 months ago;*



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- c) 25% interest in Next Battery as represented on the balance sheet (\$755,951). ASX queries in relation to the minority interest have been addressed elsewhere in the Company's response; and
  - d) Review of various projects that leverage off its strategic minerals and battery metals exposure.

**8. Does HIP consider that the financial condition of HIP is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.**

*Yes, the Company considers its financial conditions sufficient to warrant continued listing pursuant to LR12.2.*

*The Company has sufficient cash for the next 2 quarters (circa \$420,00 cash) and its Board has a track-record in accessing funding, through either debt or equity, as and when required.*

**9. If the answer to questions 7 or 8 is "No", please explain what steps HIP has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.**

*Not applicable*

**10. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of HIP's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of HIP have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of HIP and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?**

*Yes*

**11. If the answer to Question 10 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of HIP's Corporate Governance Disclosure?**

*Not applicable*

**12. What enquiries did the Board make of management to satisfy itself that the financial records of HIP have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of HIP?**

*The board has outsourced its accounting services for the preparation of the financial report to a third party chartered accountant practice, and have provided all available information to them for the preparation of the financial report, however as noted in points 3 and 4, have not been able to obtain sufficient financial information from Next-Battery in order for them to assess fair value of the investment. All members of the board have also reviewed the financial statements of the company to satisfy themselves that they have been properly maintained and are fairly stated in all aspects and comply with the accounting standards.*



- 13. Commenting specifically on the qualified conclusion in the Half Year Accounts, does the board consider that HIP has a sound system of risk management and internal control which is operating effectively?**

*Yes*

- 14. Given the qualified opinion in the Annual Report, please detail what due diligence HIP undertook in relation to the Acquisition, commenting specifically on how HIP was satisfied with the financial position of Next- Battery.**

*Next-Battery was a startup company put together by Benton Wilcoxon who has a 40 year track record in taking material science technology companies through to successful commercialization. A Company Director personally visited the facility in Ukraine and met with Next-Battery scientists in mapping out the initial program that HIP was financing.*

*Next Metals, the 75% shareholder of Next-Battery, also has a number of material science operations in Ukraine which support Next-Battery at a logistics, staff and operational level. The technology concept itself was reviewed by an independent technical expert in the UK. Like any start up exploration or technology play, Next-Battery was always going to have to raise further capital to continue with its development and that is exactly what it is doing as referred to above.*

- 15. Commenting specifically on the qualified conclusion in the Half Year Accounts and the Strategic Funding Disclosure, does HIP propose to acquire an additional interest in Next-Battery Limited through its additional USD\$1,000,000 expenditure commitment?**

*At this stage the Company is unlikely to exercise its rights to acquire an additional 10% interest in Next-Battery. However, the Company may consider further investments in Next-Battery as part of a broader capital raising.*

- 16. If the answer to question 15 is 'yes', please explain the basis for and the factors considered by the Directors in reaching that position.**

*Not applicable*

- 17. Please confirm that HIP is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

*Confirmed*

- 18. Please confirm that HIP's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of HIP with delegated authority from the board to respond to ASX on disclosure matters.**

*The responses have been approved for release on MAP by the Board of Hipo Resources Limited.*

*Yours faithfully,*

*Daniel Smith*

*Company Secretary*



17 March 2020

Reference: 15561

Mr Daniel Smith  
Company Secretary  
Hipo Resources Limited

By email

Dear Mr Smith

### **Hipo Resources Limited ('HIP'): Queries regarding Accounts**

ASX refers to:

- A. HIP's acquisition of Next-Battery Limited ('Next-Battery') in about August 2018 ('Acquisition').
- B. HIP's annual report for the period ended 30 June 2019 lodged with ASX's Market Announcements Platform ('MAP') and released on 27 September 2019 ('Annual Report').
- C. ASX notes that the Independent Auditor's Report attached to the Annual Report ('Annual Auditor's Report') contains a qualified opinion together with the basis for qualified opinion:

#### ***"Qualified opinion***

*We have audited the financial report of Hipo Resources Limited (Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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, except for the matter described in the Basis for qualified opinion section of our report, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:*

*(i) Giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and*

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

#### ***Basis for qualified opinion***

*As disclosed in Note 10 to the financial statements, the Company's investment in Next-Battery Limited is carried in the statement of financial position at \$755,951. We were unable to obtain any appropriate audit evidence about the carrying amount of the investment as at 30 June 2019 due to no audited financial information being available regarding the financial performance and financial position of Next-Battery Limited, which is an unlisted private company, limited by shares and incorporated in Gibraltar. Consequently, we were unable to determine whether any adjustments to the carrying amount of the investment was necessary.*

*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 Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (Code)*

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*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 qualified opinion."*

- D. HIP's half year accounts for the half year ended 31 December 2019 lodged with ASX Market Announcements Platform ('MAP') and released on 16 March 2020 ('Half Year Accounts').
- E. ASX notes that the Independent Auditor's Report attached to the Half Year Accounts ('Half Year Auditor's Report') contains a qualified conclusion together with the basis for qualified conclusion:

***"Basis for qualified conclusion***

*As disclosed in Note 3 to the financial statements, the company's investment in Next-Battery Limited is carried in the statement of financial position at \$755,951. We were unable to obtain appropriate evidence about the carrying amount of the investment as at 31 December 2019 due to no financial information being available regarding the financial performance and financial position of Next-Battery Limited, which is an unlisted private company, limited by shares and incorporated in Gibraltar. Had we been able to complete our review of this information, matters might have come to our attention indicating that adjustments might be necessary to the half-year financial report.*

***Qualified conclusion***

*Except for the adjustments to the half-year financial report that we might have become aware of had it not been for the situation described above, 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 2019 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."*

- F. HIP's Corporate Governance Statement for 30 June 2019 lodged on MAP on 27 September 2019 which provides confirmation that HIP complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

*"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."*

- G. The following disclosures, among others, made by HIP:

- (a) in HIP's Quarterly Activities Report for the period ended 31 December 2019 lodged and released on MAP on 31 January 2020 on page one:

***"Next-Battery***

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*Next-Battery is currently conducting a strategic funding round to continue development of its commercial prototypes and to advance potential joint ventures...*

(b) in HIP's Half Year Accounts at page 3:

*"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.*

*Next-Battery is assessing funding avenues to continue development of its commercial prototypes and to significantly advance existing relationships. Next-Battery is also continuing discussions with more automotive, recreational and commercial power boats and energy storage companies.",*

(collectively, the 'Strategic Funding Disclosure').

H. Listing Rule 12.1 which states:

*12.1 The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.*

I. Listing Rule 12.2 which states:

*12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.*

J. Listing Rule 19.11A which states:

*19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.*

*(a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*

*(b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*

*(c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*

*(d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*

*(e) If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*

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- (f) *If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

### **Request for Information**

In light of the information contained in the Annual Report, the Annual Auditor's Report, the Half Year Accounts and the Half Year Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is HIP able to confirm that in the Directors' Opinion the Half Year Accounts:
  - (a) comply with the relevant Accounting Standards; and
  - (b) give a true and fair view of HIP's financial performance and position?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves as to the carrying value attributed to Next-Battery, being \$755,951, in the statement of financial position as set out on pages 8 and 13 of the Half Year Accounts. In answering this question, please comment specifically on whether any historical audited or reviewed financial statements for Next-Battery have been received by HIP?
3. Why was no financial information for Next-Battery made available to the Auditors in conducting their audit of the Annual Report?
4. Did HIP take any steps following the release of the Annual Report to ensure its Auditors had access to financial information for Next-Battery for the period ended 31 December 2019? Please comment specifically on what steps, if any, were taken?
5. What steps has HIP taken since the release of the Half Year Accounts to obtain an unqualified conclusion with regards to its future financial statements?
6. What steps does HIP intend to take to obtain an unqualified audit conclusion with regards to its future financial statements?
7. Does HIP consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the HIP's current business activities.
8. Does HIP consider that the financial condition of HIP is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
9. If the answer to questions 7 or 8 is "No", please explain what steps HIP has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
10. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of HIP's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of HIP have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of HIP and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
11. If the answer to Question 10 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of HIP's Corporate Governance Disclosure?
12. What enquiries did the Board make of management to satisfy itself that the financial records of HIP have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of HIP?



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13. Commenting specifically on the qualified conclusion in the Half Year Accounts, does the board consider that HIP has a sound system of risk management and internal control which is operating effectively?
  14. Given the qualified opinion in the Annual Report, please detail what due diligence HIP undertook in relation to the Acquisition, commenting specifically on how HIP was satisfied with the financial position of Next-Battery.
  15. Commenting specifically on the qualified conclusion in the Half Year Accounts and the Strategic Funding Disclosure, does HIP propose to acquire an additional interest in Next-Battery Limited through its additional USD\$1,000,000 expenditure commitment?
  16. If the answer to question 15 is 'yes', please explain the basis for and the factors considered by the Directors in reaching that position.
  17. Please confirm that HIP is complying with the Listing Rules and, in particular, Listing Rule 3.1.
  18. Please confirm that HIP's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of HIP with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and HIP's response to the market. Accordingly, HIP's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **1:00 pm AWST Friday, 20 March 2020**.

Any response should be sent to me by return email at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent to the ASX Market Announcements Office.

#### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in HIP's securities under Listing Rule 17.3.

#### **Enquiries**

If you have any queries regarding any of the above, please contact me.

Yours faithfully

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**Daniel Nicholson**  
Adviser, Listings Compliance (Perth)