



HIPO Resources Limited

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## ASX ANNOUNCEMENT

30 January 2019

### Quarterly Activities Report for Period Ended 31 December 2018

#### Highlights:

- **Next-Battery advancing its state-of-the-art prototype battery technology:**
  - Next-Battery continues with battery prototype development with multiple demonstrations of elements of the cathode manufacturing process being completed, including the deposition of several nano-meters of certain metal oxides on a substrate for testing and solid state material usage.
  - Strategic relationship announced with Lvchi Automobile, an emerging Chinese-based EV automotive group.
  - Next Battery collaborating with Dendrobium Automotive (<https://dendrobium.com/>) as part of the prestigious Faraday Battery Challenge, UK.
  - Hipo has secured a 25% interest in Next Battery with an option to earn an additional 10%
- **Executed joint venture agreement with Crown Mining Sarl to earn a 60% interest in highly prospective lithium project, DRC.**

Hipo Resources Limited (**ASX: HIP**) (**Hipo** or the **Company**) is pleased to provide this Quarterly Activities Report for the period ended 31 December 2018. Considerable progress has been made by the company's 25%-owned Next battery business and the growth and development of this operation has been the key focus for the Company in the quarter.

#### **Next-Battery**

On 29 August 2018, the Company entered into an earn-in agreement with Next-Battery Limited (**Next Battery**) to acquire an initial 25% interest in Next Battery by funding US\$500,000 towards an agreed budget for the development of the company's state-of-the-art prototype battery technology. The Company has the ability to acquire an additional 10% of Next Battery through the meeting of an additional US\$1,000,000 in expenditure.

On 4 October 2018, Hipo provided an update on Next Battery's progress. Next Battery's Ukrainian laboratory has commenced production of the first Cathode for the battery



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prototype using its thin film technology to create a unique lattice structure. Production and testing of the Cathode are key value catalysts for Next Battery as it develops its superior battery prototype.

During December 2018, Hipo announced two key developments from Next Battery. On 10 December, Next Battery reported that it had secured a strategic relationship with Lvchi Automobile Technology (Shanghai) Co Ltd (**Lvchi**). Lvchi is a whole value chain operation platform company that focuses on new electric vehicles (EV), with targeted annual production of over 500,000 vehicles.

Lvchi reviewed the Next Battery technology and its research and development program, and was satisfied that Next Battery's lithium ion technology could play a significant part in Lvchi's future development plans as Next-Battery moves to completing its first advanced prototype battery.

Both Next Battery and Lvchi will proceed with key visits in Ukraine and China during the March quarter with a view to formalising a commercial collaboration venture in order to fast track the commercial roll-out and development of Next Battery.

On 13 December Hipo announced that Next Battery, via its UK subsidiary, had commenced a collaboration with Dendrobium Automotive (<https://dendrobium.com/>) to enter the prestigious Faraday Battery Challenge – the UK government's program to develop cost-effective, high-performance, durable, safe, low-weight and recyclable batteries.

One of the key focuses of the Faraday Battery Challenge is to reduce the cost and increase the energy density of existing Li-ion battery technology which is a key focus of Next Battery's current scientific and development work. Another element in the competition is improving the production of battery packaging and cell structure, as well as improving the integration of battery cells into vehicles – which is where Dendrobium's engineering and automotive expertise fits in.

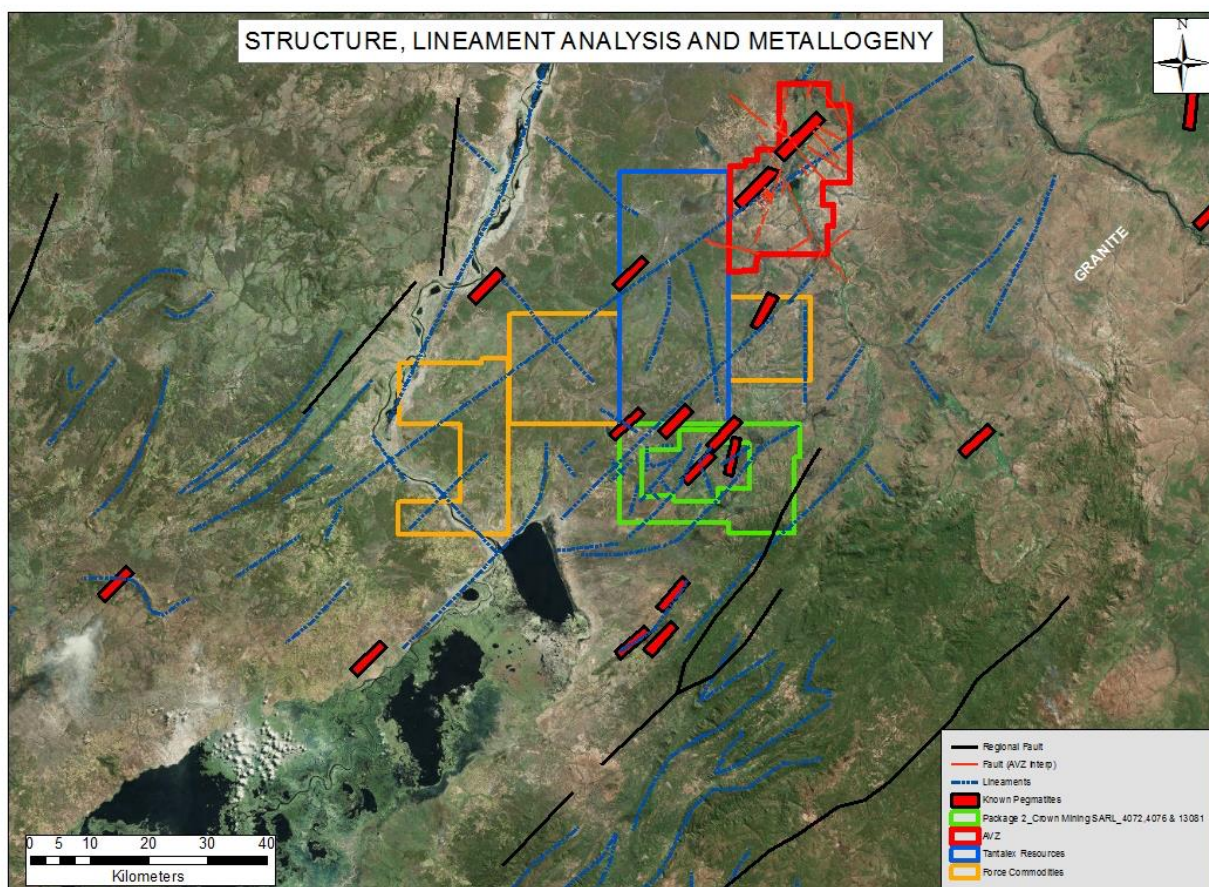
This quarter, Hipo will provide shareholders with updates on the Lvchi collaboration, progress with respect to the Faraday Battery Challenge with Dendrobium Automotive, the results of more test work from the Next Battery labs in the Ukraine, and additional commercial collaborations that are being negotiated and pursued.

## Kamola Lithium Project, DRC

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, proven and world class Manono and Kitolo Lithium pegmatite belt. Other companies with assets in the area are AVZ Minerals Limited (ASX: AVZ), Force Commodities Limited (4CE.AX) and Tantalex Resources Corp (TSX: TTX).

The Company's joint venture partner, Crown Mining, is an established tin and tantalum mining company in the DRC. Crown acquired the mining and exploration licenses in 2008 that make up the Kamola Lithium Project.

Crown employs conventional open pit mining operations within alluvial sand layers that host cassiterite and columbite (minerals that are typically found as part of concurrent lithium mineralisation). Crown produces tin and tantalum concentrates from its Kamola operations that are exported to international markets.



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



In preparation for a proposed drilling program the Company is planning a more comprehensive site visit and exploration program to complete (amongst other things):

- An evaluation of surface geology over as much of the mining permit as possible and adjacent exploration permits PE4072 and PE4076;
- Mapping of the known pegmatites at a scale of 1:2000 or 1:5000 as appropriate;
- Undertake outcrop sampling and pitting as appropriate; and
- Taking of samples for Hipo's lithium processing partner St George Eco Mining Corp who recently announced significant innovations in metallurgical processes.

The completion of this exploration program in the quarter was delayed due to some logistical challenges posed by the commencement of elections in the DRC and the time taken for the JV to finalise some administrative issues that underpin Hipo's ability to operate effectively in the DRC. The proposed site visit will commence imminently with updates to be provided as results are available.

### **Cobalt project, DRC**

After undertaking technical due diligence on PR 13283 and 13284 the Company has decided not to proceed with the acquisition of an 80% interest in these tenements.

### **Uganda Phosphate Project**

Hipo has a 24% carried interest in the Project with African Minerals Ventures Limited as the farm in operator. During the quarter African Minerals completed geological and technical data review and worked towards formalising a drilling program and engaging local contractors. They are also in advanced discussions with a potential offtaker and will update the joint venture partners as work proceeds.

### **M&A opportunities and cash at end of quarter**

During the quarter, Hipo was presented with a number of project opportunities for consideration. Characteristics of these projects include near-term cash generating potential, low upfront capex and acquisition cost, located in favourable mining jurisdictions, and coming with experienced in-country technical personnel. At this stage due diligence is ongoing and no decision to progress with these opportunities has been made.

In the current market, Hipo's Board has been fiscally prudent conserving cash with the Company ending the quarter a cash balance of \$815,000.

Value catalysts this quarter include:

- Next Battery milestones being delivered and reported including technical progress and potential strategic partnerships and commercial agreements;
- Results of the current site visit and commencement of the Kamola drilling program in the DRC;
- Rapid development of the Company's interest in the Busumbo Phosphate Project; and
- Potentially securing complementary assets with near-term value catalysts.

Hipo looks forward to updating shareholders on progress.

-ENDS-

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**Forward Looking Statements**

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.



Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

### *Competent Person 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.*

In accordance with Listing Rule 5.3.3 HIPO Resources Limited (ASX Code: HIP) advises the details of the tenements held by the Company or its subsidiaries as at 31 December 2018.

| Tenements                   | Acquired during the quarter | Disposed during the quarter | Held at end of quarter | Country      |
|-----------------------------|-----------------------------|-----------------------------|------------------------|--------------|
| Mining License 4651         | -                           | 100% <sup>1</sup>           | Nil                    | Uganda       |
| Exploration License 1534    | -                           | 100%                        | Nil                    | Uganda       |
| Mining License PE 13081     | -                           | -                           | Earning 60%            | DRC - Manono |
| Exploration License PR 4072 | -                           | -                           | Earning 60%            | DRC - Manono |
| Exploration License PR 4076 | -                           | -                           | Earning 60%            | DRC - Manono |

<sup>1</sup> 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.