Annual Report 2016

Sipa Resources Limited

Sipa Resources Limited (ASX:SRI)

Sipa Resources Limited

ABN 26 009 448 980

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www.sipa.com.au

Chairman's Address

The Paterson North project provides balance and an important new dimension to Sipa's exploration portfolio in terms of commodity, and jurisdictional exposure alongside our exciting 100 per cent owned Kitgum Pader base metal project in Uganda.

Dear shareholder,

I am pleased to report on what has been a positive and productive year for Sipa. The Company has expanded and diversified its project portfolio, whilst making strong progress from our drilling programs and completing a successful $4.5 million capital raising.

A key development during the year was the signing of a joint venture with Ming Gold Limited to earn an 80 per cent interest in the Great Sandy copper gold project, part of our Paterson North project located in the strongly endowed and emerging Paterson Province, some 120km north of the giant Telfer gold-copper mine in Western Australia.

The Paterson North project provides a greater balance and an important new dimension to Sipa's exploration portfolio in terms of commodity, and jurisdictional exposure alongside our exciting 100 per cent owned Kitgum Pader base metal project in Uganda.

In August, we commenced our maiden drill program at Paterson North, with initial results indicating a large copper gold mineralized system. While still very early days, the results have exceeded our expectations and we look forward to digesting the full results of this drill program and planning the next.

We also made significant progress during the year in Uganda, with a highly successful program of follow-up drilling at the Akelikongo nickel copper discovery. This drilling returned some of the best assay results we have seen from the project, giving us growing confidence that we have a nickel-copper system of significant scale and potential.

At the time of writing, we had just embarked on another key phase of drilling at Akelikongo which we are optimistic will lead us closer to making a commercial discovery. While nickel and copper are the primary mineral targets at Akelikongo, the Pamwa zinc lead discovery is a tantalising opportunity which gives the region status as a multi commodity terrain.

Our approach is always to ensure that technical excellence is combined with commercial rigour in order to have the best chance of achieving commercial success and enhance shareholder value.

On the corporate front, the Company was able to take advantage of an improvement in investor sentiment in the junior resource sector to complete a $4.5 million capital raising. The level of support from existing shareholders for this raising was exceptional, and I would like to take this opportunity to express my thanks to those who participated. As a result of this raising, the Company is in a strong position to execute its key exploration programs over the coming year.

There are many people who have contributed to the Company's success. These include Lynda Burnett, our highly committed and very capable Managing Director, who has adopted a hands-on approach to the management of the Company's exploration activities both in Africa and Australia. Lynda is ably assisted by Tara Robson, our CFO and Company Secretary in Perth, and Bill Willmott, who is a most competent in-country manager and Director.

I would also like to thank my fellow board members for their contributions throughout the year and to acknowledge the support and contribution of Joshua Tuhumwire, our Ugandan Chairman, and Sameer Thakkar and his team at UHY Thakkar & Associates.

I would also like to take this opportunity to thank Dalton Gooding, who retired as a Director on 31 March 2016 after 13 years on the Board. His guidance and input to the Company over a long period has been invaluable.

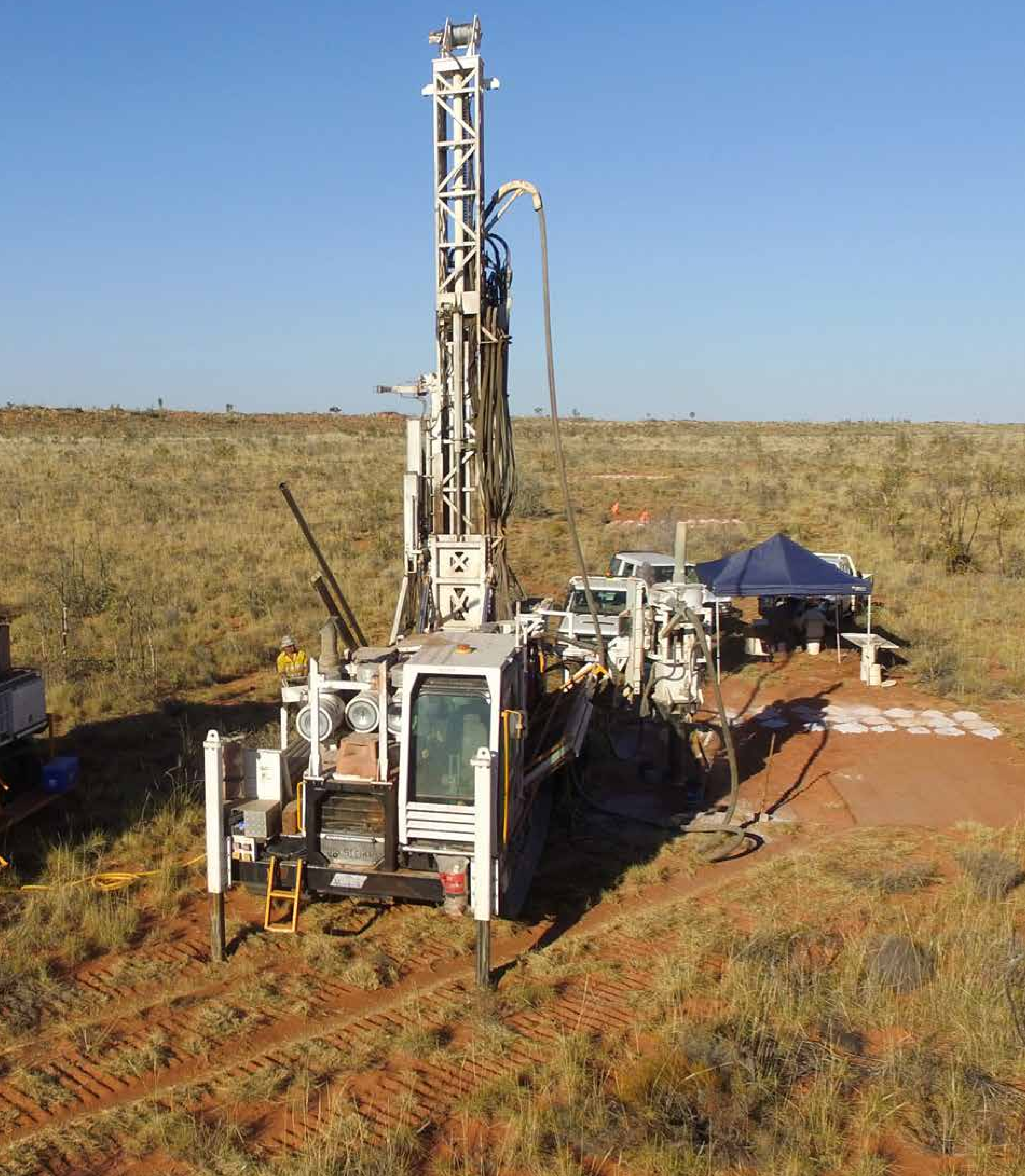
On behalf of the Board I would also like to thank a number of other key stakeholders for their contribution, including the Government of Uganda and Department of Geological Survey and Mines, the Northern Ugandan Acholi people, in whose region we operate, and our team of very capable geological and geophysical consultants. Finally, my thanks to you as shareholders for your continued support.

With a strong balance sheet and high quality project portfolio now evenly split between an emerging mineral province in Africa and a world class mineral province in Australia. I am optimistic about the future of our company and look forward to a year of increasing activity as we strive to deliver results and value for our shareholders.

Yours faithfully,

Craig Ian McGown

Review of Operations



Key Highlights

Uganda – Nickel Copper Sulphide and Lead-Zinc-Silver mineralisation

- Deep diamond drilling undertaken at the **Akelikongo nickel-copper prospect** successfully defined the nature and orientation of the "chonolith" host to the nickel-copper mineralisation, with wide-spaced drilling confirming a shallow plunge to the system and confirming the presence of multiple ultramafic intrusions.
- Subsequent RC drilling successfully tested the sparsely drilled area immediately under the peak of the soil anomaly, returning the highest grade and widest matrix to semi-massive intercepts drilled at the project to date, including:
  - **10m grading 1% Ni, 0.22% Cu and 0.05% Co** from 63m down-hole in the footwall of the disseminated mineralisation in hole AKC004.
- The RC drilling also returned some of the widest disseminated intercepts obtained to date from the project including **119m @ 0.4% Ni, 0.12% Cu and 0.02% Co** from surface in disseminated mineralisation in hole AKC005.
- Sipa's enhanced understanding of the geometry and plunge of the chonolith structure at **Akelikongo**, together with the identification of an embayment in the footwall (which explains the larger volumes of shallow mineralisation), **provides a vector for follow-up drilling targeting a basal high-grade massive sulphide position**.
- Assay results continue to **indicate a large (>1km long and >300m wide) chonolith or intrusive pipe at Akelikongo**, hosting disseminated and massive nickel and copper sulphides similar to other nickel systems of economic interest elsewhere in the world.
- **At the nearby Pamwa zinc-lead-silver prospect**, 10km to the south, broad anomalous intercepts of strongly anomalous zinc and lead plus silver and cadmium have provided further evidence of a primary zinc-lead-silver system.

Paterson Province, Australia – Copper-Gold Exploration

- Farm-in and Joint Venture Agreement completed with Ming Gold Limited (**Ming**) enabling Sipa **to earn up to 80% in the Great Sandy copper-gold project** (E45/3599) located in the Paterson Province of Western Australia by expending $3M over up to four years. The project immediately adjoins Antipa Minerals' (ASX: AZY) Citadel project to the south, where Rio Tinto Exploration is spending up to $60M to earn a 75% interest.
- West Australian Government Exploration Incentive Scheme (EIS) **grant up to the value of $150,000** awarded to co-fund drilling at Paterson North.
- Maiden **aircore/RC drilling program commenced, and completed, at the Great Sandy project** subsequent to the end of the reporting period, targeting the >4km long **Obelisk copper-gold anomaly**.
- Highly encouraging initial results from this program, with **strong copper-gold-silver-molybdenum-tungsten anomalism** returned over +1km of strike.
- **Copper values of >250ppm Cu and gold values of >20ppb Au** were returned in 15 of the 19 wide-spaced reconnaissance holes assayed to date, with the more significant mineralised intercepts including:
  - **4m at 0.42g/t Au** from 85m in PNA007; and
  - **8m at 0.28g/t Au, 0.44g/t Ag, 0.11% Cu, 36ppm Mo and 141ppm W** from 86m including **1m at 1.26g/t Au** from 89m in PNA014.
- **The high tenor of widespread anomalism, together with high gold values of up to 1.26g/t** and the presence of **significant copper silver molybdenum and tungsten**, is analogous to the metal associations other discoveries in the district, such as the >1Moz Calibre and Magnum deposits.
- **The mineral system at Obelisk remains open in all directions**.

Uganda: Kitgum-Pader Nickel-Copper and Base Metal Project (Sipa 100%)

Sipa's Kitgum-Pader Project is located in northern Uganda on the north-east margin of the Congo super-craton.

In Uganda, two new mineral discoveries were made by Sipa during 2014 and 2015: the **Akelikongo** intrusive hosted nickel-copper sulphide discovery and the **Pamwa** Broken Hill Type-style lead-zinc-silver prospect.

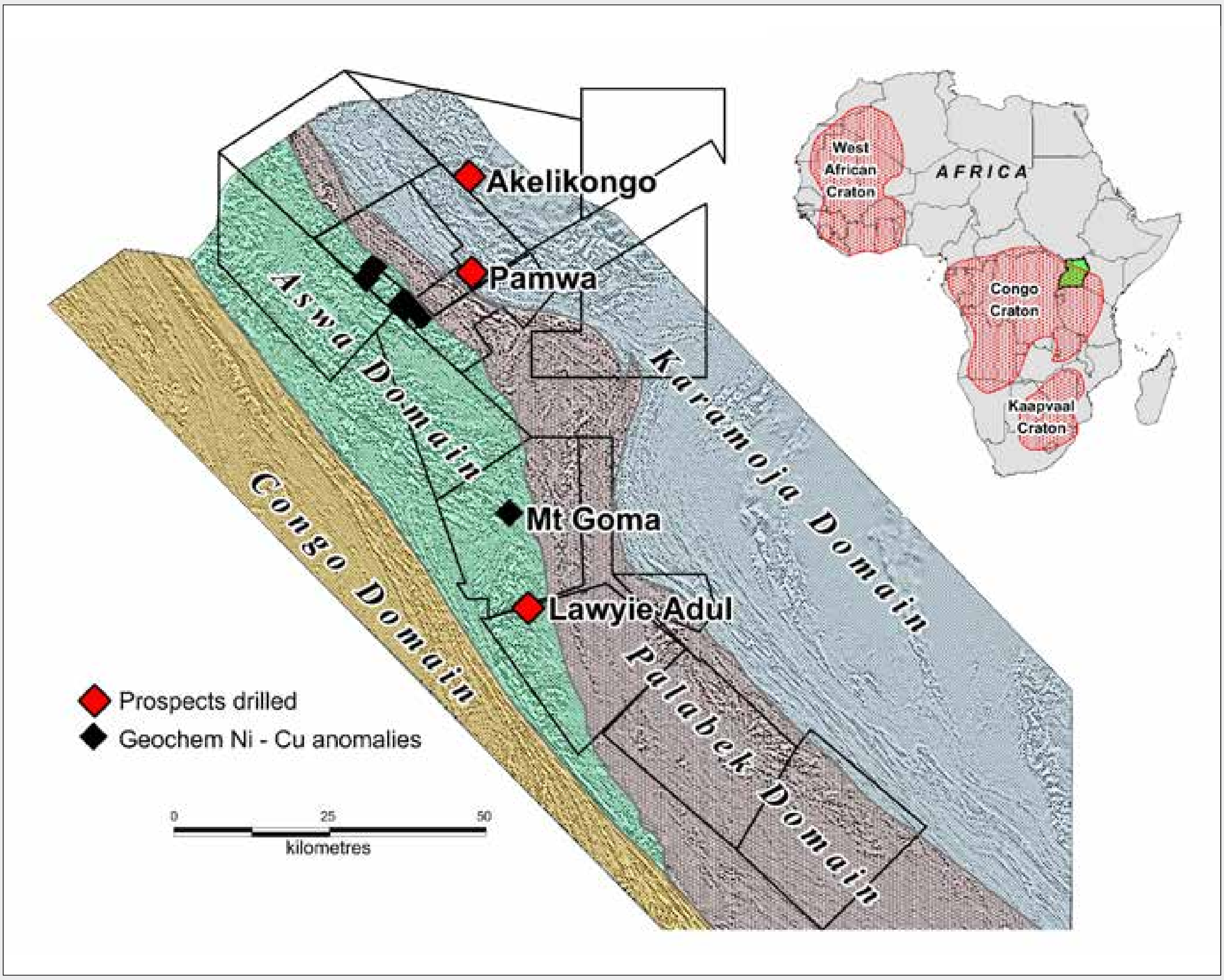


Figure 1 – Location of tenements in northern Uganda showing location of drilled prospects Akelikongo and Pamwa

Akelikongo

During the year, the Company made major breakthroughs in advancing exploration at the **Akelikongo** nickel-copper-cobalt prospect towards economic discovery.

In the first part of the year, a program of deep diamond drilling was undertaken to define the nature of the main gravity anomaly. This program was successful in defining the nature and orientation of the host “chonolith”, the conduit through which the mineralising ultramafic magmas have intruded.

Two 200m spaced section lines of diamond holes were completed with holes AKD013, 014, 015 and 016 testing the entire width or diameter of the intrusion. The drilling indicated that the plunge of the system is shallow (less than 25 degrees) to the north-west. The drilling also showed multiple intrusions within the conduit as well as zones of xenomelt (melted country rock) within the chonolith.

Nickel and copper sulphides are generally best developed at the margins of the chonolith, and the work undertaken to define its overall geometry and orientation has assisted the Company in vectoring into potential higher grade zones.

In early CY2016, Sipa was able to successfully source a Reverse Circulation (RC) rig capable of drilling quality dry samples to the depths required.

The RC drill program was designed to improve the Company’s understanding of the controls on the mineralisation in the sparsely drilled area immediately under the peak of the soil anomaly.

Results from this program included the highest grade and widest matrix to semi-massive intercepts drilled at the project to date, including a significant semi-massive sulphide intercept of **10m grading 1% Ni, 0.22% Cu and 0.05% Co** from 63m down-hole in the footwall of the disseminated mineralisation in hole AKC004.

This drilling also returned some of the widest disseminated intercepts obtained to date from the project, including **119m @ 0.4% Ni, 0.12% Cu and 0.02% Co** from surface in disseminated mineralisation in hole AKC005.

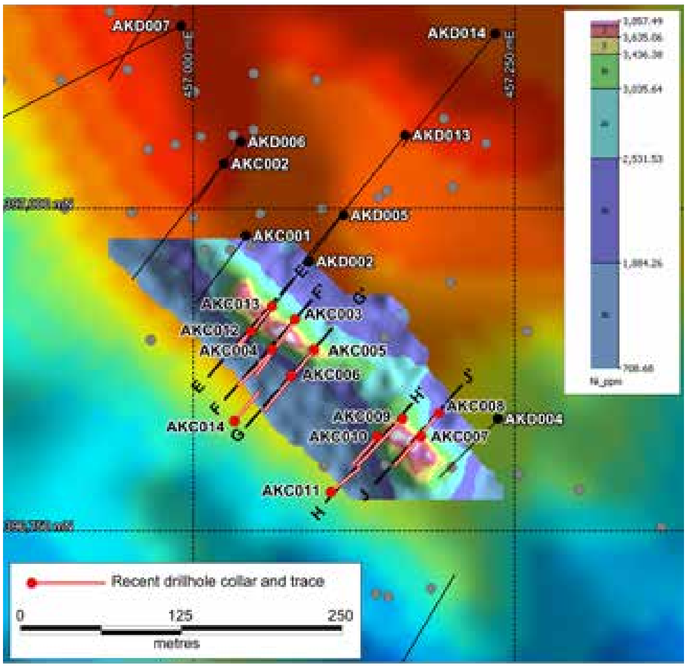


Figure 2 – Akelikongo drill plan and section lines over gravity with local soil data image (inset)

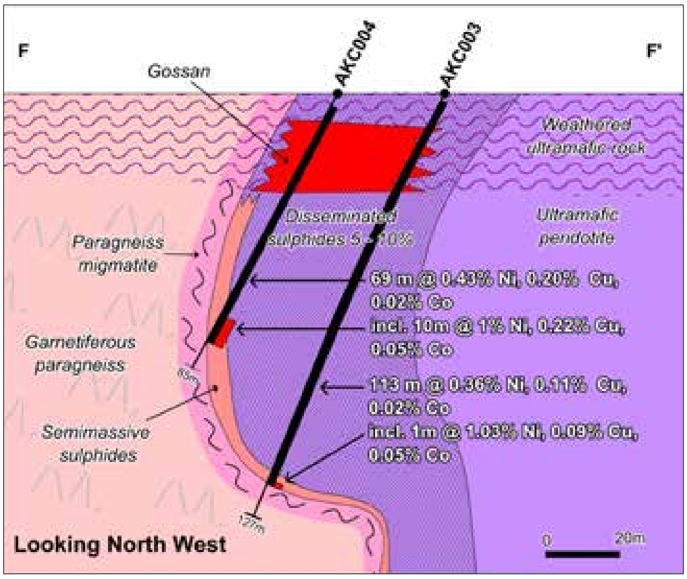


Figure 3 – Akelikongo section F-F’

The footwall matrix to semi-massive zones contain assays greater than 1% Ni or 1% Cu and range from 1m up to 10m wide. These zones are interpreted to represent the high-grade basal position at the time of the formation of the Akelikongo Ultramafic Complex, and lie at the footwall of the wide and shallow zones of disseminated sulphides.

This sequence has been intersected in hole AKD004 in the south up to AKC001, approximately 250m to the north, and is open to the north-west.

The basal position in other, better-understood nickel deposits is where massive sulphides (which have higher grades of nickel and copper) originally pooled during the initial formation of the deposit.

The discovery of an embayment in the footwall during this drill program, plus the knowledge of the existence of higher and thicker grades within the embayment and the identification of this as being the basal position, now provides a clear focus for future drilling of this mineralised position along the shallow north-westerly plunge of the chonolith.

Akelikongo North

Laboratory results from holes AKD012 and AKD003, which were drilled approximately 1.5km north of the surface soil expression of the main Akelikongo mineralisation, confirm nickel, copper, and PGE anomalism in migmatitic gneisses. These rocks are the same garnet-biotite rich paragneisses as the country rocks drilled in the footwall of the Akelikongo mineralisation.

In AKD012, assays averaged 174ppm Ni and 95ppm Cu from 151m to 173m. The AKD012 assays have a 92% correlation between Ni and Cu and an 83% correlation between Cu, Ni and Pd. The most anomalous >100ppm Cu and >200ppm Ni assays correlate with 3PGE (Au+Pt+Pd) assays of between 20ppb and 48ppb. pXRF spot analyses of the same cores also show strongly anomalous levels of nickel and copper anomalism in the sulphides of the gneisses.

The strong correlation of nickel, copper and PGEs is a typical signature of a nickel sulphide system.

This strongly anomalous geochemistry now points to the possibility that holes AKD003 and AKD012 have intersected migmatitic gneisses which are proximal to the Akelikongo chonolith conduit. The information provides a vector and confidence in the extension of strike and orientation of the conduit to the north west of the known mineralisation.

Pamwa

At the Pamwa base metal prospect, located 10km south of Akelikongo, drilling during the year intersected further primary sphalerite and galena intersections in lithostratigraphic horizons within a large >2km elongate Zn, Pb, Ag, Cd, Mn soil anomaly.

A total of 22 aircore holes for 534m and three RC holes for 202m were drilled.

The program consisted of shallow RAB and RC drill testing of highly anomalous soil peaks (>500ppm Zn + Pb). The assay results indicate broad zones (>25m) of strongly anomalous zinc plus lead (>1000ppm), silver and cadmium, with thinner, higher-grade zones (1-7m wide) of up to 3.9% combined Pb plus Zn and up to 20 g/t Ag.

The mineralised zones generally occur around a stratigraphic contact in a biotite hornblende gneiss beneath a garnet gneiss. The soil anomaly is thought to represent a folded or thrust repeated horizon and the drilling completed to date confirms this view. It is thought that the eastern limb dips shallowly to the east whilst the western limb is overturned and dips more steeply to the east. The wider and better grade zinc, lead and silver intersections are located on the eastern limb.

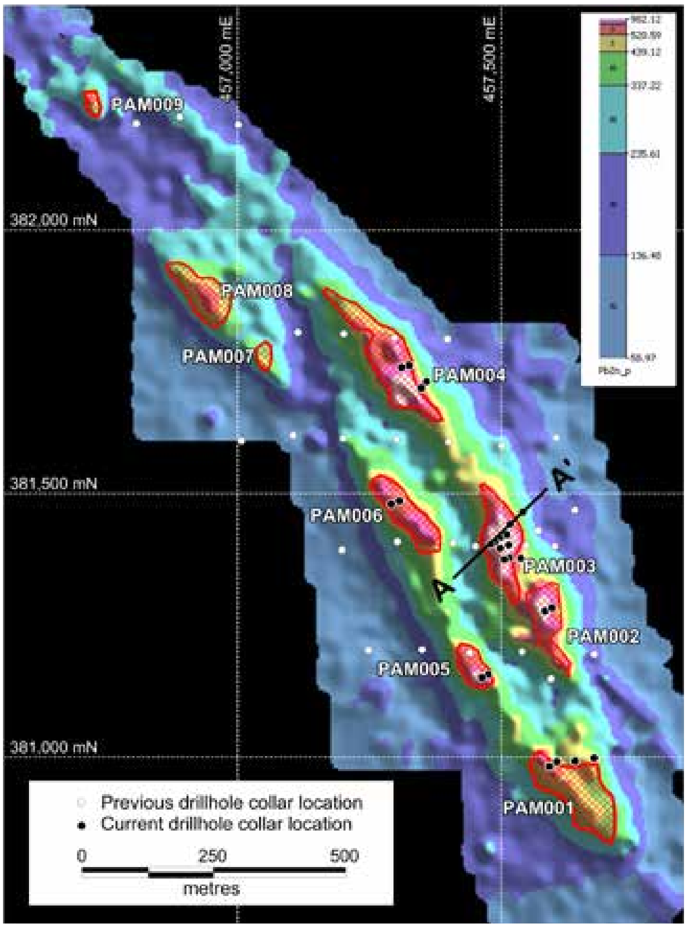


Figure 4 – Pb plus Zn in soils with strong anomalies labelled with drill hole locations and location of section A-A'

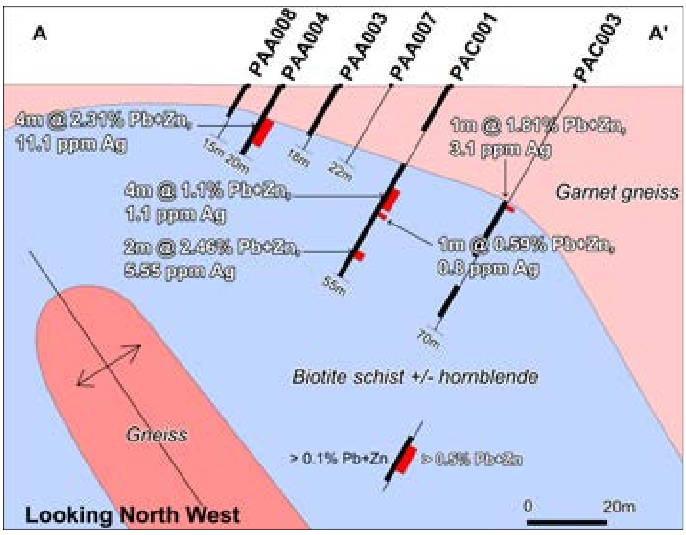


Figure 5 – Section A-A'

Regional Targets

A large number of additional nickel-copper targets have been identified during the course of Sipa's exploration around Akelikongo. These include various gravity highs in the vicinity of Akelikongo identified during recent gravity surveys, which are as yet untested by drilling (Akelikongo and Akelikongo West are both located on gravity highs).

Fixed and moving loop EM plus some of the down-hole EM surveys have identified further conductors which have not yet been tested. In addition, the Katunguru target, located 12km north-west of Akelikongo, has not been sufficiently tested in the area of the highest anomalism.

More regionally a number of nickel targets in the western Aswa greenstone belt are untested but currently of lower priority (Figure 6).

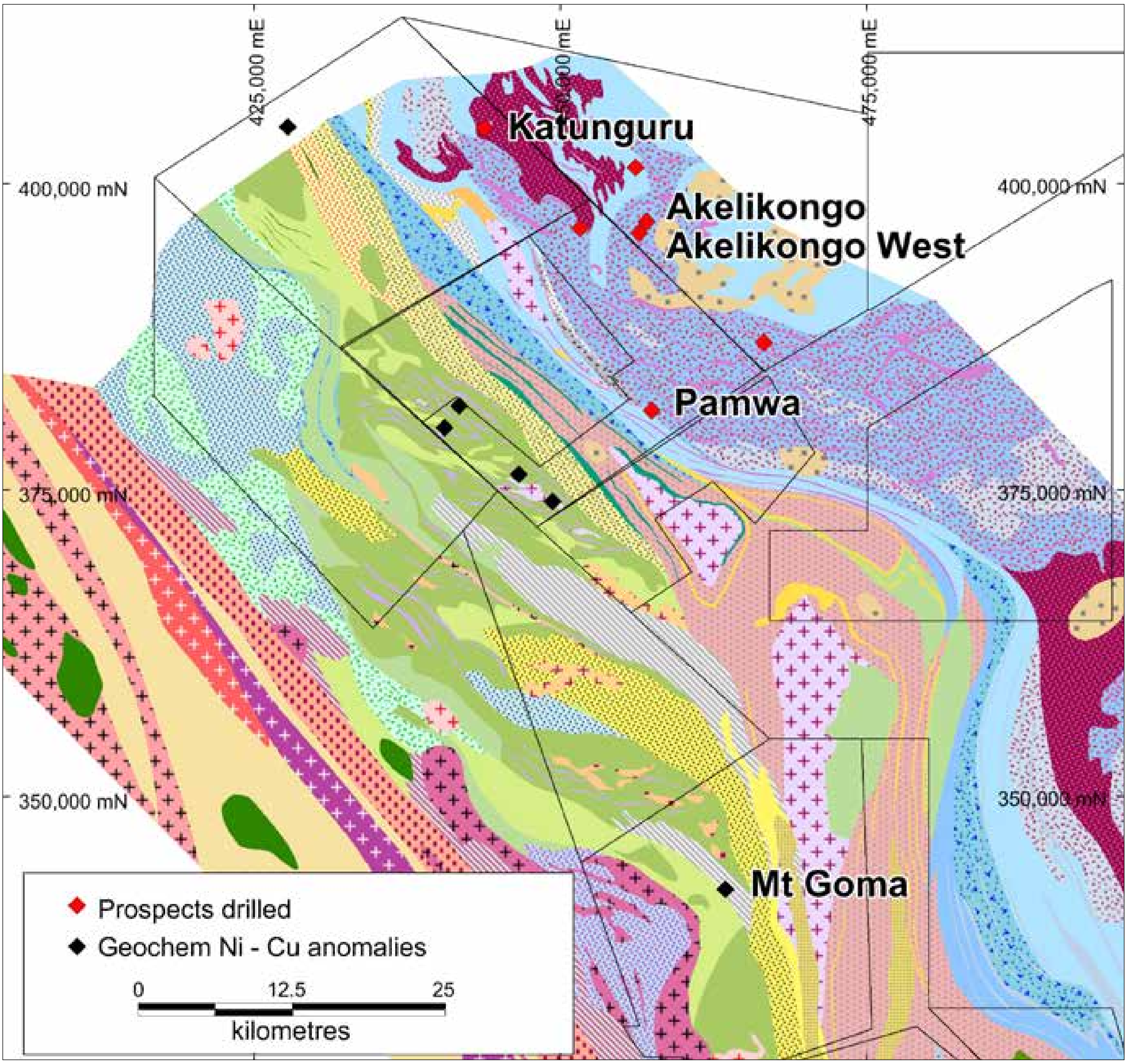


Figure 6 – Regional Geology and prospect locations

Australia: Paterson North

(Sipa earning up to 80%)

Sipa's new Paterson North opens up an exciting new front of exploration for the Company in one of the most highly endowed yet under-explored mineral provinces in Australia.

The project consists of one wholly-owned Sipa tenement and an earning interest (up to 80%) in Ming Gold's Great Sandy copper gold project (E45/3599) by spending $3M on exploration over four years.

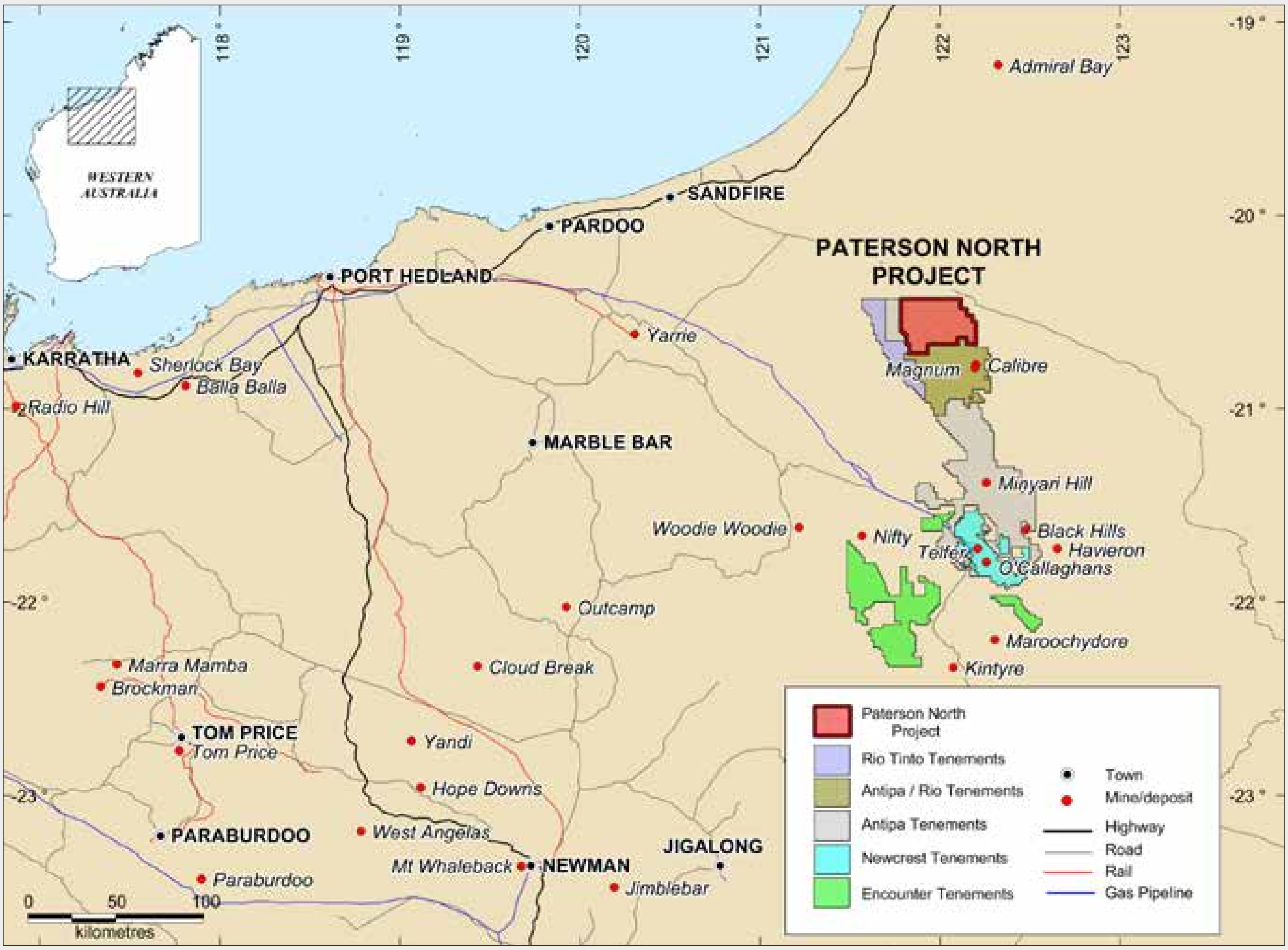


Figure 7 – Paterson North location and tenements

In June 2016, Sipa completed a Farm-in and Joint Venture Agreement with Ming Gold Limited (Ming) enabling Sipa to earn up to 80% in the Great Sandy copper gold project (E45/3599), located in the Paterson Province of Western Australia by expending $3 million over up to four years.

The tenement is adjacent to Sipa's recently pegged Anketell tenement (ELA45/4697), which together comprise the Paterson North project. The Company's Paterson North exploration initiative is consistent with its strategic focus on value-creation through exploration targeting early-stage discovery opportunities in world-class mineral provinces.

The Paterson Province is globally recognised as a strongly endowed and highly prospective mineral belt for gold and copper, including world-class deposits such as Newcrest's giant Telfer gold-copper mine; Antipa Minerals' Magnum and Calibre gold and copper deposits; the Nifty copper deposit; the Kintyre uranium deposit and the O'Callaghans skarn-hosted tungsten deposit.

The Company also secured a West Australian Government Exploration Incentive Scheme (EIS) grant to co-fund its maiden drilling program at Paterson North up to the value of $150,000.

The Great Sandy tenement hosts the newly discovered Obelisk copper gold prospect. The geology is interpreted to be the same prospective Proterozoic Yeneena sedimentary sequence and contains granite and gabbroic intrusions known to be associated with much of the known mineralisation elsewhere.

Figure 8 is an image of magnetic data showing the continuity of the underlying Paterson Province geology from Telfer in the south and then north through Antipa Minerals' land-holding and onto Sipa's ground.

Recently, Antipa Minerals announced significant anomalous results from IP surveys on its adjacent ground to the south. The work is being funded by Rio under a farm-in joint venture with Antipa Minerals worth up to $60 million.

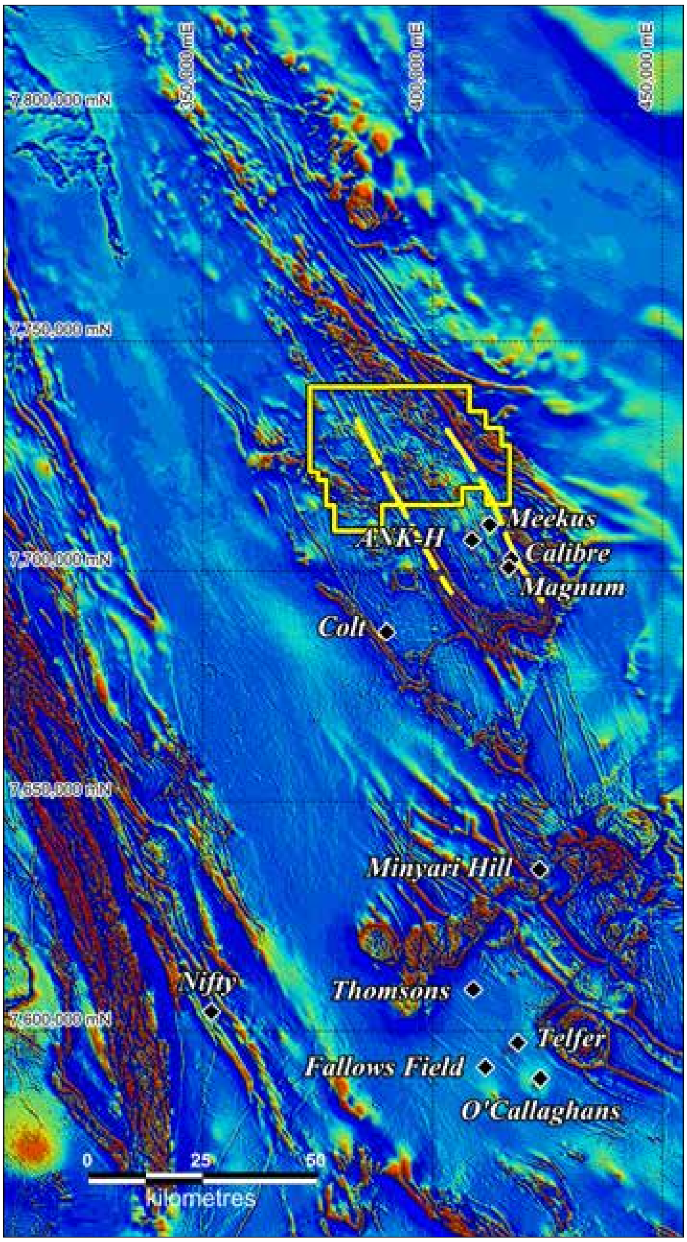


Figure 8 – Mineralised geological corridor extending north from Telfer to Magnum, Calibre onto the Paterson North project

The results have revealed a series of IP chargeability anomalies within a corridor extending north from the Magnum and Calibre deposits through to its Meekus chargeability, magnetic and VTEM anomaly. The Meekus chargeability anomaly is situated 5km from Sipa's tenement boundary along this same trend. The chargeability at Meekus also co-incides with a magnetic anomaly in the halo of an interpreted non-magnetic granitic, domal feature.

The margins of non-magnetic granites form key targeting criteria for locating many of the gold and copper systems in the Paterson province. The combined use of gravity and magnetics assists with the identification of such granites and explains the location of the Telfer deposits and the O'Callaghan's skarn system.

Figure 9 shows the granite which is spatially located with the Magnum and Calibre deposits and other Antipa Minerals prospects such as Meekus. Figure 10 shows the granite spatially associated with the Obelisk anomaly on the Sipa/Ming tenement.

In late 2015 intersections from wide spaced reconnaissance drilling by Ming returned up to 0.32% Cu 30ppb Au and 25ppm Bi within an anomaly known known as the Obelisk prospect over 4km long with anomalous copper (>250ppm) and gold (>10ppb Au) (refer ASX announcement dated 17 March 2016).

The mineralisation is hosted in a metamorphosed and altered gabbro associated with a strong gravity feature immediately to the south of an interpreted non-magnetic granite intrusion. The mineralisation is also associated with magnetite alteration.

Subsequent to the reporting period, Sipa completed its maiden Aircore/RC drill program, which further tested the Obelisk prospect. Initial results from 15/19 of the first drillholes in the 45 hole 4,500m program returned strong copper-gold-silver-molybdenum-tungsten (W) anomalism over +1km of strike. The more significant intercepts include:

- **4m at 0.42g/t Au** from 85m in PNA007; and
- **8m at 0.28g/t Au, 0.44g/t Ag, 0.11% Cu, 36ppm Mo and 141ppm W** from 86m including **1m at 1.26g/t Au** from 89m in PNA014.

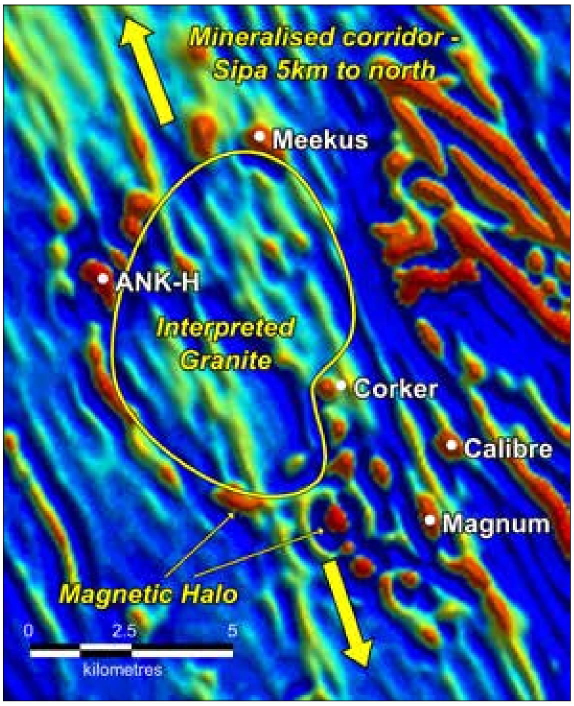


Figure 9 – Interpreted granite (marked in yellow line) spatially related to Antipa Minerals' copper-Gold deposits/Prospects

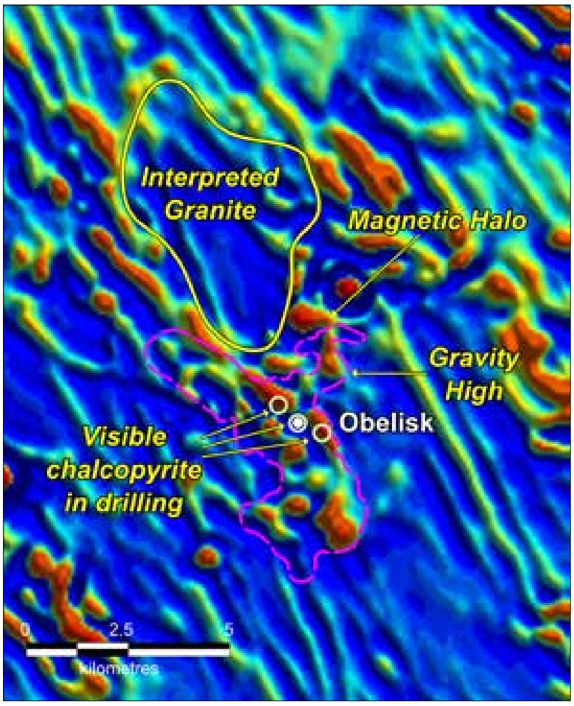


Figure 10 – Interpreted granite (marked in yellow line) spatially related to Sipa/Ming Obelisk copper gold prospect

The information in this report that relates to the exploration results previously reported in the ASX Announcements dated 30 June 2015, 27 July 2015, 24 August 2015, 27 August 2015, 8 October 2015, 28 October 2015, 13 November 2015, 9 December 2015, 17 March 2016, 4 April 2016, 20 May 2016, 2 June and 15 June 2016 , and 5 September 2016. The Company is not aware of any new information or data that materially affects the information included in those relevant market announcements.

Board of Directors

◄ Lynda Margaret Burnett

▲ Craig Ian McGown

▼ Karen Lesley Field

A strong Board with a solid cross section of skills and experience.

▲ Paul Gerard Kiley

◄ **Tara Robson** (Company Secretary)

Craig Ian McGown

Non-Executive Director, Chairman since 11 March 2015

Qualifications

BComm, FCA, ASIA

Mr McGown is an investment banker with over 35 years of experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia. Mr McGown is an executive director of the corporate advisory business New Holland Capital Pty Ltd (New Holland) and prior to that appointment was the chairman of DJ Carmichael Pty Limited.

Mr McGown is also the Non-Executive Chairman for Pioneer Resources Limited (13 June 2008 – present) and in the past three years has held directorships in Bass Metals Ltd (7 July 2004 to 4 October 2013), and Peel Mining Limited (1 February 2008 to 9 April 2013).

Through his role as executive director of New Holland, Mr McGown had been consulting to the Company from the period October 2014 until his appointment in March 2015. In accordance with the Company's policy on assessing the independence of directors, Mr McGown is not considered to be an independent director by virtue of this consulting arrangement. As a result, the Board has appointed a Senior Independent Director to fulfil the role of Chair, in situations where Mr McGown may be conflicted. This position was held by Mr Dalton Gooding until his retirement on 31 March 2016 and is currently held by Mrs Karen Field. The mandate which outlines the terms of the consulting arrangement was terminated subsequent to year end, however a continuing obligation of 6% of funds raised from introduced parties remains until 23 September 2017.

Mr McGown is a member of the Nomination and Compensation Committee since his appointment on 11 March 2015.

Lynda Margaret Burnett

Managing Director since 24 July 2014

Qualifications

BSc (Hons) GAICD,
MAusIMM, MSEG

Mrs Burnett is a geologist with over 30 years' experience in the mineral exploration industry. Prior to joining Sipa she was most recently Director – Exploration Australia for Newmont Asia Pacific. During her nine year tenure with Newmont, Lynda was responsible for the strategic planning, management and oversight of all Newmont's generative exploration projects, as well as business development, in the Asia Pacific region including the discovery of the plus 3Moz McPhillamy's Gold Deposit in NSW. Prior to her roles at Newmont, Lynda has worked for a number of mining and exploration companies including executive director of Summit Resources Ltd, for Newmont Pty Ltd at the Telfer Gold Mine and Worsley Alumina at the Boddington gold mine at its commencement. Lynda is currently on the advisory board of the Centre for Exploration Targeting based at the University of WA.

During the past three years Mrs Burnett has not been a director of any other listed company.

Karen Lesley Field

Independent Non-Executive Director
(Appointed 16 September 2004)

Qualifications

BEc, FAICD

Mrs Field has over three decades experience in the mining industry and has held executive roles in a variety of industry sectors in Australia and South America. She has a strong background in strategy, human resources and project management.

Mrs Field is the Senior Independent Director and a member of the Nomination and Compensation Committee (Chair since 11 March 2015). During the past three years Mrs Field has also served as a director Aurizon Holdings Limited (director from 19 April 2012).

Paul Kiley

Independent Non-Executive Director
(Appointed 23 September 2014)

Qualifications

B Ec. CPA

Mr Kiley has over three decades of experience in the mining and oil and gas industries, including seventeen years with Normandy/Newmont, the last six years of which was as the Director for Corporate Development for Newmont's Asia Pacific region. Upon leaving Newmont, Mr Kiley established a consulting business which has principally been involved in providing commercial and business development advice and also managing the commercial infrastructure aspects of projects through the prefeasibility and feasibility phases.

In December 2015 he was appointed the Chief Financial Officer of Hillgrove Resources Limited.

Mr Kiley has been a member of the Audit & Risk Committee since his appointment. During the past three years Mr Kiley has not been a director of any other listed companies.

COMPANY SECRETARY

The company secretary is Ms Tara Robson, B.A. Accounting. Ms Robson was appointed company secretary on 8 April 2004. Before joining Sipa Resources Limited, she served as consultant to the Company. She has held a similar role with other listed entities since 1997, including Anvil Mining Limited and Brockman Resources Limited. Prior to that Ms Robson was a senior audit manager with a major accounting practice.

Social Responsibility

Sipa only operates in areas where it is invited and welcomed by the local community. Before every program of work and in every district we explore, meetings are held to discuss the nature, the timing of the program, and local labour requirements to facilitate a mutually beneficial program.

In Australia Sipa has long enjoyed successful collaboration with the traditional owners of lands we have been invited. In Uganda this ethos continues and is expanded by our residential presence in the community.

In Uganda Sipa is investing in a number of community measures designed to improve health and education levels in the community. At the forefront is Sipa's participation in the Days for Girls program. Since early 2015 Sipa has visited 20 primary schools in the wider region of Lamwo (around Akelikongo). The program aims to keep girls in school post puberty, which is normally the time when school participation by girls drops drastically. The program consists of classroom education and the distribution of reusable sanitary protection. The program involves follow up to determine the program effectiveness and to make any improvements required.

Sipa has also assisted in the training and commencement of new local businesses in the form of affordable liquid soap making, donated desks to a local school in Palabek, issued stationary supplies, sporting equipment and books to other schools in the Lamwo district. Sipa also patronises of many local businesses around Kitgum and employs local labour.

On the 28th of April 2016 Sipa was proud to host a delegation for the opening of Padwat community school buildings near Palabek Ogili, within Sipa's tenement area. The project, which was funded by the Australian Department of Foreign Affairs and Trade, arose from Sipa's close relationship with Missionary Ventures East Africa Limited. Sipa identified the project as fulfilling the requirements of the funding grant, completed the funding application and ensured that correct governance was in place to complete the project. The community were heavily involved in the process and donated the land for the school buildings and has since donated more land to ensure the school will have adequate area for growth. We would like to thank AAMEG (African Australia Mining and Energy Group) who alerted us to the existence of the scheme and coordinated the funding application on our behalf.


GREAT COMMISSION ACTION MINISTRY

Financial Report

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Sipa Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Contents

Directors' Report
for the year ended 30 June 2016

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Sipa Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors – Names, Qualifications, Experience and Special Responsibilities

The names and details of the Company's directors in office during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Craig Ian McGown, BComm, FCA, ASIA – Non-Executive Director (Chairman since 11 March 2015)

Mr. McGown is an investment banker with over 35 years of experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia. Mr. McGown is an executive director of the corporate advisory business New Holland Capital Pty Ltd (New Holland) and prior to that appointment was the chairman of DJ Carmichael Pty Limited.

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Mr. McGown is a member of the Nomination and Compensation Committee since his appointment on 11 March 2015.

Lynda Margaret Burnett, BSc (Hons) GAICD, MAusIMM, MSEG (Managing Director since 24 July 2014)

Mrs Burnett is a geologist with over 30 years' experience in the mineral exploration industry. Prior to joining Sipa she was most recently Director – Exploration Australia for Newmont Asia Pacific. During her nine year tenure with Newmont, Lynda was responsible for the strategic planning, management and oversight of all Newmont's generative exploration projects, as well as business development, in the Asia Pacific region including the discovery of the plus 3Moz McPhillamy's Gold Deposit in NSW. Prior to her roles at Newmont, Lynda has worked for a number of mining and exploration companies including executive director of Summit Resources Ltd, and for Newmont Pty Ltd at the Telfer Gold Mine and Worsley Alumina at the Boddington gold mine at its commencement. Lynda is currently on the advisory board of the Centre for Exploration Targeting based at the University of WA.

During the past three years Mrs Burnett has not been a director of any other listed company.

Karen Lesley Field, BEc, FAICD – Independent Non-Executive Director (Appointed 16 September 2004)

Mrs Field has over three decades experience in the mining industry and has held executive roles in a variety of industry sectors in Australia and South America. She has a strong background in strategy, human resources and project management.

Mrs Field is the Senior Independent Director and a member of the Nomination and Compensation Committee (Chair since 11 March 2015). During the past three years Mrs Field has also served as a director Aurizon Holdings Limited (director from 19 April 2012).

Paul Kiley, BEc. CPA – Independent Non-Executive Director (Appointed 23 September 2014)

Mr. Kiley has over three decades of experience in the mining and oil and gas industries, including seventeen years with Normandy/Newmont, the last six years of which was as the Director for Corporate Development for Newmont's Asia Pacific region. Upon leaving Newmont, Mr. Kiley established a consulting business which has principally been involved in providing commercial and business development advice and also managing the commercial infrastructure aspects of projects through the prefeasibility and feasibility phases.

In December 2015 he was appointed the Chief Financial Officer of Hillgrove Resources Limited.

Mr. Kiley has been a member of the Audit & Risk Committee since his appointment. During the past three years Mr. Kiley has not been a director of any other listed companies.

Dalton Leslie Gooding, B.BUS, FCA – Independent Non-Executive Director (Appointed 1 May 2003 – Retired 31 March 2016)

Mr. Gooding is a chartered accountant with over 30 years' experience within the corporate and business sector including 14 years as a partner of Ernst & Young before starting his own practice of Gooding Partners (formerly Gooding Pervan) in 1998.

Mr. Gooding was the Chairman of the Audit & Risk Committee and served as the Senior Independent Director until his retirement on 31 March 2016. During the past three years Mr. Gooding has also served as a director of the following other listed companies:

- TFS Corporation Ltd (director since October 2014, chairman since November 2014)
- Avita Medical Limited (director since November 2002 – 1 July 2014)
- Katana Capital Limited (director since November 2005)
- Brierty Limited (director since October 2007)

Directors' Report continued
for the year ended 30 June 2016

Company Secretary

The company secretary is Ms Tara Robson, B.A. Accounting. Ms Robson was appointed company secretary on 8 April 2004. Before joining Sipa Resources Limited, she served as consultant to the Company. She has held a similar role with other listed entities since 1997, including Anvil Mining Limited and Brockman Resources Limited. Prior to that Ms Robson was a senior audit manager with a major accounting practice.

Interests in the Shares and Options of the Company

As at the date of this report, the interests of the directors in the shares and options of Sipa Resources Limited were:

Directors	Fully Paid Ordinary Shares	Share Options
C McGown	1,592,500	–
L Burnett	2,592,500	1,575,000
K Field	1,592,500	–
P Kiley	1,592,500	–

There were no options issued during the year. Subsequent to year end L Burnett was issued 1,575,000 Options exerciseable at $0.11 pursuant to the Sipa Resources Employee Share Option Plan. Further details are found in Note 15.

Dividends

No dividend has been paid or declared by the Group in respect of the financial year ended 30 June 2016 (30 June 2015: nil) and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activities of the companies in the Group during the period were the acquisition and exploration of mineral tenements.

Review and Results of Operations

After sale of the Thaduna project to Sandfire Resources in the previous year, the Group continued with exploration activities on its mineral tenements in Uganda. In addition the Group executed a Farm-in Agreement with Ming Gold Limited ("Ming") to earn up to 80% in Ming's Great Sandy copper gold project in the Paterson province of Western Australia, for expenditure of $3 million over 4 years. The tenement is adjacent to an additional tenement pegged by Sipa, which together form the Paterson North project. Under the terms of the Agreement, Sipa has the right to earn a 51% interest in the Ming ground for $1 million of exploration expenditure within two years of commencement, inclusive of a minimum commitment of $250k. In addition Sipa has the right to earn a further 29% interest in the tenement for a further $2 million of exploration expenditure within 4 years of commencement.

The consolidated entity's loss after tax for the financial year ended 30 June 2016 was $4,597,538 (2015: Loss $3,526,807).

	Consolidated	
Continuing Operations	**2016 $**	**2015 $**
Revenue	82,957	58,570
Other income	69,382	201,762
Gain on sale of Thaduna project	–	2,221,642
Loss on disposal of property, plant and equipment	–	(29,053)
Exploration expenditure	(3,374,437)	(3,363,107)
Administrative expenses	(1,372,340)	(1,688,701)
Impairment loss on available for sale assets	(3,100)	(2,800)
Share of net loss of jointly controlled entity	–	(925,120)
Net loss for the year	**(4,597,538)**	**(3,526,807)**

At 30 June 2016 the Group's cash and cash equivalents balance was $1,577,382 and there was no debt.

Operating and Financial Review

Over its nearly 30 year history, Sipa has discovered and developed mineral deposits including the Panorama copper zinc VMS project, the Ashburton gold project, where the Company produced profitable gold from 1999 – 2004, and the Enigma secondary copper system at Thaduna, which it sold to copper producer Sandfire Resources in 2015.

Sipa has long been recognised as a leader in greenfields exploration, and based on this reputation, has been able to attract the interest and funding of many of the industry's largest companies, including Newmont, Newcrest, Antofagasta and Outokumpu.

Sipa is continuing with its record of successful project generation with the Kitgum Pader Basemetals project in Uganda and more recently at the Paterson North project in Western Australia.

At the **Kitgum-Pader Basemetals project** where it holds over 5815sq km of exploration tenements in central northern Uganda, two standout targets are being delineated:

- The Akelikongo Intrusive hosted nickel copper system and surrounding district.
- The Pamwa Broken Hill type zinc lead silver system and surrounding base metal anomalies.

At **Paterson North project**, Sipa has an interest in two tenements: the Anketell tenement which is wholly owned and the Great Sandy tenement in which Sipa is farming in with expenditure of $3 million over 4 years. The Farmin, together with Sipa's wholly owned tenement, provides a foothold into an emerging gold-copper province, with strong discovery credentials in the Paterson Province of Western Australia. The geology is interpreted to be the same prospective geological sequence which also hosts world class gold and copper deposits such as Newcrest's giant Telfer gold-copper mine 120 km to the south.

Exploration activity remained steady during the period, as the Group continued exploration efforts on the Company's Kitgum Pader project. The increase in loss is attributed entirely to the prior year gain on sale of the Thaduna project to Sandfire Resources Ltd (Sandfire) for $2 million worth of Sandfire shares and a 1% Net Smelter Royalty. The total income realised from the transaction was $2.22 million which included the gain on sale of the Sandfire shares and a pro-rata entitlement of rents and rates previously paid by the Company.

Significant Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than as follows:

During the period, the Group executed a term sheet for a Farm-in Agreement with Ming Gold Limited ("Ming") to earn up to 80% in Ming's Great Sandy copper gold project for expenditure of $3 million over 4 years. The tenement is adjacent to an additional tenement pegged by Sipa, which together form the Paterson North project.

Under the terms of the Agreement, Sipa has the right to earn a 51% interest in the Ming ground for $1 million of exploration expenditure within two years of commencement, inclusive of a minimum commitment of $250k. In addition Sipa has the right to earn a further 29% interest in the tenement for a further $2 million of exploration expenditure within 4 years of commencement.

Events Subsequent to Balance Date

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, except for the following:

In July 2016, Sipa announced a private placement (Placement) to exempt offerees and a Share Purchase Plan (SPP) at a price of $0.02 per share. The SPP was heavily oversubscribed resulting in a scale back. A total of 225,091,290 Shares were issued through the combined Placement and SPP and raised $4,501,826 before costs.

On 1 September 2016, 4,659,000 Options exerciseable at $0.11 were issued pursuant to the Sipa Resources Employee Share Option Plan. The Options vest on 31 August 2019 and expire on 31 August 2021. Further details are found in Note 15.

Future Developments

The proceeds of the Placement and SPP, together with Sipa's cash reserves (~$1.6 million at the end of the June Quarter), will ensure that the Company is in a strong position to progress the maiden aircore drill program at the recently acquired and highly prospective Paterson North project in WA and will also enable Sipa to undertake the next important phase of exploration at the exciting Akelikongo nickel discovery in Uganda, where further drilling is planned to delineate higher grade massive sulphide zones in the important basal position.

The consolidated entity intends to continue its current operations of tenement acquisition and mineral exploration with a view to commercial development. Likely developments that are included elsewhere in this report or the financial statements will, amongst other things, depend upon the success of the exploration and development programs.

Safety and Environmental Regulations

The entity has a responsibility to provide a safe and healthy environment for all of our sites which should exceed expectation of regulations. In the course of its normal mining and exploration activities the consolidated entity promotes an environmentally responsible culture and adheres to environmental regulations of the Department of Minerals and Petroleum for Australian operations and to the Department of Geological Survey and Minerals for Ugandan operations, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The consolidated entity has complied with all material environmental requirements up to the date of this report.

Directors' Report continued

for the year ended 30 June 2016

Share Options

Unissued shares

As at the date of this report, there were 4,659,000 unissued ordinary shares under options (Nil at reporting date). Refer to the remuneration report for further details of the options outstanding for Key Management Personnel (KMP).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

There were 49,108 fully paid ordinary shares issued pursuant to the exercise of listed options during and nil since the end of the financial year.

Indemnifying Officer

By way of Deed, the Company has agreed to indemnify each of the directors and executive officers from liabilities incurred while acting as a director and to grant certain rights and privileges to the director and executive officers to the extent permitted by law.

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate incurred any expense in relation to the indemnification.

The Company has also paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company or a controlled entity in the consolidated entity, other than conduct involving a wilful breach of duty in relation to the consolidated entity. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' Attendance at Meetings

	Eligible to Attend	Directors' Meetings	Audit Committee*	Nomination and Compensation Committee
Number of meetings held		12	2	3
Number of meetings attended				
C McGown	11	11	N/A	3
L Burnett	10	10	N/A	N/A
K Field	11	11	N/A	3
P Kiley	11	11	2	–
D Gooding (Retired 31 March 2016)	8	7	2	N/A

* Since the retirement of Mr. Gooding on 31 March 2016, the role of the Audit Committee is being conducted by the entire Board.

Remuneration Report (Audited)
for the year ended 30 June 2016

The information in this section of the Directors' Report has been audited.

This report outlines the remuneration arrangements in place for Key Management Personnel (KMP) of Sipa Resources Limited (the Company) in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report KMP of the Group includes Non-Executive Directors and those Executives having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group.

The details of the KMP during the year are as follows:

Name	Position	Term as KMP
C McGown	Non-Executive Chairman	Full financial year
L Burnett	Managing Director	Full financial year
K Field	Non-Executive Director	Full financial year
P Kiley	Non-Executive Director	Full financial year
D Gooding	Non-Executive Director	Retired 31 March 2016
T Robson	Chief Financial Officer and Company Secretary	Full financial year

Background

In 2015 Sipa undertook a comprehensive review of its Remuneration practices and has implemented a new Executive Remuneration Policy which comprises a more structured approach based on components of Fixed Remuneration and a Long Term Incentive Plan. The review, which was undertaken by the Nomination and Compensation Committee on behalf of the Board, was based largely on a review of our peers and a basket of comparable companies. Given the amount of third party information available, no remuneration consultants were used in the process. This review has resulted in significant changes to our remuneration framework, with the new remuneration structure in place since the beginning of the financial year.

The key initiatives arising from the review were:

- Developing a remuneration framework to formalise incentive structures to guide remuneration practices going forward;
- Benchmarking executive and non-executive remuneration with peer companies to determine the competitiveness of current remuneration arrangements;
- Designing a new equity based long term incentive (LTI) plan for executives to encourage long-term sustainable performance.

At the Annual General Meeting in November 2015, the Company received 88.68% of the total voted shares in favour of the Remuneration Report.

Overview of the approach to Executive Remuneration 2015 and beyond

Following the 2015 review of remuneration practices, the Board has implemented a new executive remuneration structure which became effective 1 July 2015.

Remuneration at Sipa should:

- Align and contribute to delivering strategic projects on time and on budget;
- Assist Sipa in attracting and retaining the right people to execute the business strategy;
- Align the interests of executives with the interest of shareholders;
- Be contingent on both individual and Company performance; and
- Be simple and easy to administer.

There are two components to Remuneration Policy: Fixed Remuneration and Long Term Incentives. There are no short term incentives paid to KMP.

Remuneration Report (Audited) continued
for the year ended 30 June 2016

Fixed Remuneration

During the year ended 30 June 2015, benchmarking of the Fixed Remuneration component of Executive salaries was conducted against a custom peer group of similar size (by market capitalisation), and ASX-listed mineral exploration companies with overseas projects, in order to ensure that the remuneration levels set meet the objectives of enabling the Company to attract and retain key talent and are aligned to broader market trends in the minerals industry. Fixed Remuneration typically includes base salary, (structured as a total employment cost package which may be delivered as a mix of cash and other benefits at the Executives' discretion), and superannuation at the prescribed legislative rates. Fixed Remuneration is to be reviewed annually by the Managing Director, within parameters established by the Board, or in the case of the Managing Director and Company Secretary, by the Board based on the recommendation of the Nomination and Compensation Committee.

Long Term Incentive Plan

Long Term Incentive (LTI) grants will be made to executives on an annual basis to align with typical market practice, and to align executives' interests with those of shareholders and the generation of long-term sustainable value.

The LTI grants are delivered through participation in the Sipa Employee Share Option Plan (ESOP), as approved by shareholders at the Annual General Meeting held 15 November 2015. The value of the LTI grants made under the plan will be made with reference to a set percentage of Base Salary with Executives' performance assessed against pre-determined performance hurdles. The performance hurdles are a combination of market (share price based) and non-market (internal) hurdles to optimise share performance against exploration targets, the annual operating budget, successful communication with stakeholders, improved access to capital markets, stock liquidity and register profile. The threshold levels are suitably stretched to be consistent with the objectives of the LTI plan.

The LTI as a percentage of Base Salary is 75% for the Managing Director and 30-50% for other participating personnel. Performance hurdles are measured at the end of the financial year with vesting occurring at the end of 3 years and expiry of the grants at the end of 5 years. Non-Executive Directors do not participate in the LTI. No Options were issued under the ESOP during the period, however, subsequent to year end, 4,659,000 Options exercisable at $0.11 were issued pursuant to the ESOP. The Options vest on 31 August 2019 and expire on 31 August 2021. Further details are found in Note 15.

The plan rules do not provide for automatic vesting in the event of a change of control. The board may in its discretion determine the manner in which the unvested incentives will be dealt with in the event of a change of control. The holder of an Option does not have any rights to dividends, rights to vote or rights to the capital of the Company as a shareholder as a result of holding an Option.

The performance hurdles in place for the 2015/2016 financial year are outlined below.

Strategic objectives	Performance measure	Weight MD	Weight Other KMP
Total Shareholder Return (TSR)	Comparison of TSR with a group of peer companies[(1)]: – Below 50th percentile – 0% vest – Between 50th - 70% percentile – 15% vest – Above 70th percentile – entire 35% vest	35%	20%
Exploration Discovery	Substantially advance one or more company exploration projects via ore grade intersections of mineable width in a geologically compelling environment thus leading towards an initial mineral resource.	35%	0%
Capital Management and Financial Strength	Company adequately funded to achieve exploration objectives	10%	50%
Corporate and Social Responsibility, incorporating metrics under environmental, safety, and community	Successful management of all stakeholders including government, community, and shareholders to achieve targeted outcomes whilst maintaining a safe working environment.	10%	10%
Enhanced Company profile	Successful management of public relations to achieve targeted outcomes with respect to liquidity and register profile	10%	20%

(1) The peer group includes Metals of Africa Ltd, Golden Rim Resources Ltd, Oklo Resources Ltd, Rift Valley Resources Ltd, Buxton Resources Limited and Burey Gold Limited.

Nomination and Compensation Committee

The Nomination and Compensation Committee of the Board of Directors of the Company is responsible for reviewing remuneration arrangements for the Directors, the Managing Director (CEO) and the Company Secretary. The Nomination and Compensation Committee assesses the appropriateness of the philosophy, nature and amount of remuneration of Directors and Senior Executives on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Non-Executive Director compensation

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors and have the objective of ensuring maximum benefit for Sipa by the retention of a high quality Board with the relevant skills mix to optimise overall performance. Non-Executive Directors' fees and payments are determined within an aggregate Directors' fee pool limit, which is periodically recommended by the Nomination and Compensation Committee for approval by shareholders. The pool limit maximum currently stands at $300,000, as approved by shareholders in November 2014. It is at the discretion of the Board to distribute this pool amongst the Non-Executive Directors based on the responsibilities assumed. During the year $181,111 of the pool was utilised.

On 1 May 2016 Non-Executive Directors resolved to voluntarily and temporarily reduce their fees by 33%. The reduction will continue until 1 May 2017, unless market conditions improve significantly.

No performance based fees are paid to Non-Executive Directors, nor are Non-Executive Directors entitled to participate in Sipa's Employee Share Option Plan. Retirement benefits are limited to statutory superannuation at the rate prescribed under the Superannuation Guarantee legislation and entitlements earned under the Directors Retirement Scheme prior to 30 June 2008.

The compensation of Non-Executive Directors for the period ending 30 June 2016 is detailed in Table 1 of this report.

Remuneration Report (Audited) continued

for the year ended 30 June 2016

Remuneration of KMP for the year ended 30 June 2016 and 30 June 2015

The actual remuneration earned by executives during the year is set out below in Table 1. This provides shareholders with a view of the remuneration actually paid to KMPs for performance in the year and the value of LTIs that vested during the period.

Performance against LTI measures year ended 30 June 2016

LTI's were tested against a combination of market (share price based) and non-market (internal) hurdles to measure performance against exploration targets, the annual operating budget, successful communication with stakeholders, improved access to capital markets, stock liquidity and register profile. The threshold levels are suitably stretched to be consistent with the objectives of the LTI plan.

Indicative Valuation 2015/2016	MD
Base Salary	$ 300,000
Percentage of Base for Performance Salary	75%
Incentive value (Stretch)	$ 225,000
Indicative value of each Option	$ 0.035
Maximum number of Options	6,300,000
Percentage achieved against strategic objectives	25%
Number of LTI's vested[(1)(2)]	1,575,000

(1) Vested describes the LTI's earned for the period. They are not exercisable until 31 August 2019.
(2) Actual awards were issued subsequent to year end but are included in remuneration for the current year as they were approved by shareholders during the period and a common understanding between the employee and the Company existed from 1 July 2015.

At the end of the 2016 financial year, the Nomination and Compensation Committee measured the performance against the targets noting the following:

Strategic objectives	Weight MD	Achieved MD
Total Shareholder Return (TSR)	35%	0%
Exploration Discovery	35%	5%
Capital Management and Financial Strength	10%	4%
Corporate and Social Responsibility, incorporating environmental, safety, and community	10%	8%
Enhanced Company profile	10%	8%
Total	**100%**	**25%**

In considering the relationship between the consolidated entity's performance and the benefits for shareholder wealth, the Board believes that, at this stage of development, there is no relevant direct link between revenue and profitability and the advancement of shareholder wealth as demonstrated in the table below which shows the share price is not directly linked to the Net Loss for the year, but moves independently of it.

As at 30 June	2016	2015	2014	2013	2012
Share price (cents per share)	$0.019	$0.069	$0.049	$0.058	$0.087
Net loss per year ended	$4,597,538	$3,526,807	$4,504,830	$5,717,678	$5,151,591

Remuneration of KMP for the year ended 30 June 2016 and 30 June 2015 (Table 1)

Name		Short-term benefits	Post-employment		Other long-term benefits	Share-based payment			
		Cash Salary and Fees	Super-annuation	Retirement Provision #	Long Service Leave	Options	Total	% Performance Related	% Options
Non-Executive Directors									
C McGown (Appointed 11 March 2015)	2016**	75,555	7,178	–	–	–	82,733	0%	0%
	2015	24,300	2,309	–	–	–	26,609	0%	0%
P Pearce (Retired 11 March 2015)	2016	–	–	–	–	–	–	0%	0%
	2015*	56,751	5,391	(104,048)	–	–	(41,906)	0%	0%
D Gooding (Retired 31 March 2016)	2016	30,000	2,850	(52,500)	–	–	(19,650)	0%	0%
	2015*	36,519	3,469	–	–	–	39,988	0%	0%
K Field	2016**	37,778	3,589	–	–	–	41,367	0%	0%
	2015*	25,711	2,476	–	–	–	28,187	0%	0%
P Kiley (Appointed 23 September 2014)	2016**	37,778	3,589	–	–	–	41,367	0%	0%
	2015	28,644	2,721	–	–	–	31,365	0%	0%
D Williams (Resigned 23 September 2014)	2016	–	–	–	–	–	–	0%	0%
	2015*	8,885	844	(64,167)	–	–	(54,438)	0%	0%
Executive Director									
L Burnett(1)	2016	296,543	28,172	–	–	13,656	338,371	4.0%	4.0%
	2015	275,000	26,125	–	–	–	301,124	0%	0%
M Doepel(2) (Resigned 12 September 2014)	2016	–	–	–	–	–	–	0%	0%
	2015	27,525	2,615	–	–	–	30,140	0%	0%
Other KMP									
T Robson	2016	187,578	17,820	–	–	–	205,398	0%	0%
	2015	175,912	–	–	–	–	175,912	0%	0%

* The Non-Executive Directors waived a portion of their fees for a period during the year ended 30 June 2015 whilst funding opportunities were considered.

** On 1 May 2016 Non-Executive Directors resolved to voluntarily and temporarily reduce their fees by 33% in response to market conditions. The reduction will continue until 1 May 2017, unless market conditions improve significantly.

The Directors' Retirement Scheme, approved by a meeting of shareholders, was frozen in the year ended 30 June 2008 with no further provision being made after that date. During the year ended 30 June 2016, Mr. Gooding waived his entire entitlement of $52,500 at retirement. During the year ended 30 June 2015, an amount of $42,618 was paid to Mr. Pearce for a benefit earned prior to June 2008, with a further $104,048 being waived by Mr. Pearce at retirement. Mr. Williams waived his entire entitlement of $64,167 at retirement in September 2014.

(1) On 24 July 2014, Ms Lynda Burnett was appointed as Managing Director. Prior to that date she held the position of Exploration Manager and was included in Sipa's KMP grouping.

(2) On 24 July 2014, Mr. Doepel retired from the position of Managing Director and on that same date was appointed a Non-Executive Director of the Company. Mr. Doepel resigned from the position of Non-Executive Director on 12 September 2014.

Remuneration Report (Audited) continued
for the year ended 30 June 2016

Options granted, vested and lapsed during the year

Long term incentives are administered through participation in the Sipa Resources Employee Share Option Plan (the "ESOP"). The ESOP meets the conditions of the ASIC class order for an eligible scheme and was last approved by members at the 19 November 2015 AGM for the purposes of Listing Rule 7.1.

1,575,000 Options were granted during the period, no options vested or lapsed during the period. 3,000,000 options lapsed in the previous financial year. There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

There were 4,659,000 Options issued to KMP and other employees subsequent to year end. Details can be found in Note 15.

Shares issued on exercise of options

There were no shares provided on exercise of remuneration options during the financial year ended 30 June 2016.

Other

The Company prohibits KMP from entering into any arrangement which has the effect of limiting their exposure in relation to the risk inherent in issued options. The Company's Share Trading Policy governs when Sipa employees, directors, contractors, and consultants may deal in the Company's securities and the procedures that must be followed for such dealings. A copy of the policy is located at sipa.com.au.

Service Agreements

Employment terms for the Managing Director and other KMP are formalised in service agreements. Each of these agreements provide for the provision of cash salary and participation, when eligible, in the Sipa Resources Limited Employee Option Plan. Other major provisions are set out below.

L M Burnett, Managing Director

- Term of agreement is continuing.
- Base salary of $275,000 and $26,125 superannuation per annum. A comparative industry review in July 2015 has led to an increase in the base salary and superannuation to $300,000 and $28,500 respectively, effective 24 July 2015, in conjunction with the annual performance review. On 1 May 2016 Mrs Burnett agreed to voluntarily and temporarily reduce her base salary by $45,000, taking her base salary to $255,000 and $24,225 superannuation. The reduction will continue until 1 May 2017, unless market conditions improve significantly.
- Termination notice of 6 months by the company or 3 months by the Managing Director.
- Payment of termination benefit on early termination by the employer other than for gross misconduct equal to 6 months the annual remuneration package.
- Mrs Burnett may terminate the agreement by 1 months' notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout equivalent to 1 year base salary.

T A Robson, Chief Financial Officer and Company Secretary

On 1 July 2015, Ms Robson entered into an employment agreement with the Company, the significant terms of which are follows:

- Term of agreement is continuing and is based on .8 of a full time equivalent employee.
- Base salary of $188,000 and $17,860 superannuation per annum for .8 of a full time equivalent.
- Termination notice of 3 months by either the company or Ms Robson.
- Ms Robson may terminate the agreement by 1 months' notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout equivalent to 6 months base salary.

Shareholdings of KMP (including nominees)

The numbers of shares in the company held during the financial year by each director of Sipa Resources Limited and other KMP of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

30 June 2016	Balance at the start of the year	Received during the year on exercise of options	Acquisition pursuant to Placement^	Net Other Change	Balance at the end of the year
Directors					
C McGown	–	–	1,000,000	–	1,000,000
K Field	750,000	–	250,000	–	1,000,000
P Kiley	700,000	–	300,000	–	1,000,000
L Burnett	300,000	–	300,000	1,400,000*	2,000,000
KMP					
T Robson	3,096,118	–	–		3,096,118
Former Directors and KMP					
D Gooding	396,621	–	–	(396,621)#	–

^ Relates to shares purchased by Directors at fair value through the placement approved by shareholders on 2 July 2015.
# Ceased to be a director during the period and as such no further reporting is required for these holdings.
* Acquired on market during the period.

Option holdings of KMP

30 June 2016	Balance at start of the year	Granted as remuneration	Options exercised	Lapsed without exercise	Balance at the end of the year	Vested (Exercisable)	Unvested (Non-exercisable)
Directors							
C McGown	–	–	–	–	–	–	–
K Field	750,000	–	–	(750,000)[2]	–	–	–
P Kiley	–			–			–
L Burnett	300,000	1,575,000[3]	–	(300,000)[2]	1,575,000	–	1,575,000
KMP							
T Robson	–	–	–	–	–	–	–
Former Directors and KMP							
D Gooding	64,673	–	–	(64,673)[1]	–	–	–

(1) Ceased to be a director during the period and as such no further reporting is required for these holdings.
(2) Options held were acquired as part of an entitlement issue undertaken by the Company in 2014 and do not represent compensation options.
(3) Actual awards were issued subsequent to year end but are included in remuneration for the current year as they were approved by shareholders during the period.

Remuneration Report (Audited) continued
for the year ended 30 June 2016

Other transactions with KMP

Mr. McGown, the Chairman and a director of the company, is an executive director of the corporate advisory business New Holland Capital Pty Ltd. In the previous year and prior to his appointment as director, New Holland Capital Pty Ltd was paid fees in the amount of $30,000 pursuant to a fundraising mandate, which was equivalent to 6% of funds raised. The Board believes that this agreement is a market rate and is an arm's length agreement. No fees have been paid in accordance with the mandate since appointment in March 2015. As at 30 June 2016 a balance of $Nil remained outstanding (30 June 2015: Nil).The mandate which outlines the terms of the consulting arrangement was terminated subsequent to year end, however a continuing obligation of 6% of funds raised from introduced parties remains until 23 September 2017.

In the previous year, the Company paid consulting fees to Xagus Pty Ltd. Mr. Paul Kiley, a director of the company, is principal of Xagus Pty Ltd. All fees paid to Xagus are at competitive market rates. The total services recognised as an expense for the previous year amounted to $6,000. As at 30 June 2016 a balance of Nil (30 June 2015: $2,311) remained outstanding.

In the previous year, the Company paid legal fees to the legal practice Williams and Hughes Pty Ltd. Mr. D J Williams, a former director of the company, is a commercial counsel with the Williams and Hughes Pty Ltd. All transactions with Williams and Hughes are at competitive market rates and performed primarily by staff of Williams and Hughes Pty Ltd. The total services recognised as an expense for the previous year amounted to $2,482. As at 30 June 2016 a balance of $Nil (30 June 2015: Nil) remained outstanding.

There were no other transactions with KMP during the current year.

This is the end of the Remuneration Report

Signed in accordance with a resolution of the directors.

On behalf of the Board

L M Burnett
Managing Director

DATED: 22 September 2016

Auditor Independence and Non-Audit Services

The directors received the following declaration from the auditor of the Company.

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Sipa Resources Limited

As lead auditor for the audit of Sipa Resources Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sipa Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
22 September 2016

GL:EH:SIPA:009

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	Consolidated 2016 $	2015 $
Revenue	3	82,957	58,570
Other income	3	69,382	201,762
Gain on sale of Thaduna project	3	–	2,221,642
Loss on disposal of property, plant and equipment		–	(29,053)
Exploration expenditure		(3,374,437)	(3,363,107)
Administrative expenses		(1,372,340)	(1,688,701)
Impairment loss on available for sale assets		(3,100)	(2,800)
Share of net loss of joint venture	22	–	(925,120)
Loss before income tax		**(4,597,538)**	**(3,526,807)**
Income tax expense	4	–	–
Net loss for the year		**(4,597,538)**	**(3,526,807)**
Items that may subsequently be classified through profit and loss			
Exchange differences arising on translation of foreign operations		14,735	15,103
Total comprehensive loss for the year		**(4,582,803)**	**(3,511,704)**
Loss per share (cents per share)			
– Basic loss per share for the year	16	(0.65)	(0.57)
– Diluted loss per share for the year	16	(0.65)	(0.57)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 30 June 2016

	Notes	Consolidated 2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,577,382	6,233,336
Term deposits	6	20,000	40,000
Trade and other receivables	7	32,559	22,644
Prepayments		54,244	10,697
Total Current Assets		1,684,185	6,306,677
Non-Current Assets			
Available-for-sale financial assets	8	2,100	5,200
Investment in joint venture	22	–	–
Exploration and evaluation	11	581,037	581,037
Other financial assets	9	19,570	44,245
Property, plant and equipment	10	188,419	233,255
Total Non-Current Assets		791,126	863,737
TOTAL ASSETS		2,475,311	7,170,414
LIABILITIES			
Current Liabilities			
Trade and other payables	12	143,472	314,043
Provisions	13	197,205	259,969
Total Current Liabilities		340,677	574,012
Non-Current Liabilities			
Provisions	13	14,597	43,217
Total Non-Current Liabilities		14,597	43,217
TOTAL LIABILITIES		355,274	617,229
NET ASSETS		2,120,037	6,553,185
EQUITY			
Contributed equity	14	99,630,651	99,494,652
Equity benefits reserve		1,216,690	1,203,034
Foreign currency translation reserve		1,948	(12,787)
Accumulated losses		(98,729,252)	(94,131,714)
TOTAL EQUITY		2,120,037	6,553,185

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Notes	Consolidated 2016 $	2015 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,393,835)	(1,771,199)
Expenditure on exploration interests		(3,474,837)	(3,373,271)
Interest received		89,195	62,975
Receipt from miscellaneous		16,881	89,073
Net Cash used in operating activities	17	**(4,762,596)**	**(4,992,422)**
Cash Flows from Investing Activities			
Proceeds from sale of exploration tenements		–	2,161,119
Payment for purchases of property, plant and equipment		(49,357)	(33,333)
Proceeds received for sale of property, plant and equipment		–	20,000
Cash released from term deposits reserved for rehabilitation		20,000	122,368
Disbursement to jointly controlled entity		–	(883,698)
Net cash (used in)/provided by investing activities		(29,357)	1,386,456
Cash Flows from Financing Activities			
Proceeds from issuance of shares		137,813	5,914,680
Share issue expenses		(1,814)	(89,191)
Net cash provided by financing activities		135,999	5,825,489
Net (Decrease)/Increase in Cash and Cash Equivalents		(4,655,954)	2,219,523
Cash and Cash Equivalents at Beginning of Year		6,233,336	4,013,814
Cash and Cash Equivalents at The End of the Year	5	1,577,382	6,233,336

The above Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

Consolidated	Notes	Issued capital $	Accumulated losses $	Equity benefits reserve $	Foreign Currency Translation Reserve $	Total $
At 30 June 2014		93,169,829	(90,604,907)	1,203,034	(27,890)	3,740,066
Loss for the year		–	(3,526,807)	–	–	(3,526,807)
Other comprehensive profit/(loss)		–	–	–	15,103	15,103
Total comprehensive loss for the year			(3,526,807)	–	15,103	(3,511,704)
Shares issued	14	6,414,014	–	–	–	6,414,014
Cost of issuing shares	14	(89,191)	–	–	–	(89,191)
At 30 June 2015		99,494,652	(94,131,714)	1,203,034	(12,787)	6,553,185
Loss for the year		–	(4,597,538)	–	–	(4,597,538)
Other comprehensive profit/(loss)		–	–	–	14,735	14,735
Total comprehensive loss for the year			(4,597,538)	–	14,735	(4,582,803)
Shares issued	14	137,813	–	–	–	137,813
Cost of issuing shares	14	(1,814)	–	–	–	(1,814)
Share Based Payment		–	–	13,656	–	13,656
At 30 June 2016		99,630,651	(98,729,252)	1,216,690	1,948	2,120,037

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
for the year ended 30 June 2016

1. Corporate Information

The consolidated financial report of Sipa Resources Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 22 September 2016.

Sipa Resources Limited (the Company or the parent) is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the company are described in the Directors' report.

2. Summary of Significant Accounting Policies

2.1. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for available for sale financial assets that have been measured at fair value.

2.2. Compliance statement

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2.3. Changes in accounting policies, disclosures, standards and interpretations

Changes in accounting policies, new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. From 1 July 2015 the Group has adopted all accounting Standards and Interpretations, mandatory for annual periods beginning on or before 1 July 2015, including:

Reference	Title
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality* The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent The amendment aligns the relief available in AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in respect of the financial reporting requirements for Australian groups with a foreign parent.

Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

2. Summary of Significant Accounting Policies (continued)

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2016. The Group have not yet determined the impact of new and amended accounting standards and interpretations. These are outlined in the table below:

<table>
<tr><th>Reference</th><th>Title</th><th>Summary</th><th>Application date of standard</th><th>Application date for Group</th></tr>
<tr><td>AASB 9</td><td>Financial Instruments</td><td>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.

Classification and measurement

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.

The main changes are described below.

Financial assets

a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity’s business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Financial liabilities

Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.

Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:

– The change attributable to changes in credit risk are presented in other comprehensive income (OCI).
– The remaining change is presented in profit or loss.</td><td>1 January 2018</td><td>1 July 2018</td></tr>
</table>

Notes to the Financial Statements continued
for the year ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. Hedge accounting Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.		
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: a. the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and b. the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11	1 January 2016	1 July 2016

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue—Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*). AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises 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. An entity recognises revenue in accordance with that core principle by applying the following steps: a. Step 1: Identify the contract(s) with a customer b. Step 2: Identify the performance obligations in the contract c. Step 3: Determine the transaction price d. Step 4: Allocate the transaction price to the performance obligations in the contract e. Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018	1 July 2018 Note A

Notes to the Financial Statements continued

for the year ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.		
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 *Consolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: a. a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and b. a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:* – Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: – Servicing contracts – clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. – Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.	1 January 2016	1 July 2016

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		AASB 119 Employee Benefits: – Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: – Disclosure of information 'elsewhere in the interim financial report' – amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.		
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** – Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. – A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. – Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. – AASB 16 contains disclosure requirements for lessees.	1 January 2019	1 July 2019

Notes to the Financial Statements continued
for the year ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		Lessor accounting – AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. – AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: a. AASB 117 Leases b. Interpretation 4 Determining whether an Arrangement contains a Lease c. SIC-15 Operating Leases—Incentives d. SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.		
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	This standard amends to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: – The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. – Share-based payment transactions with a net settlement feature for withholding tax obligations. – A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018

2. Summary of Significant Accounting Policies (continued)

2.4. Basis of consolidation

The consolidated financial statements comprise the financial statements of Sipa Resources Limited (the "Company" or "parent entity") and its subsidiaries ("the Group" or "Sipa") as at 30 June each year.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Consolidated Entity's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.5. Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made no judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements except as follows:

Impairment of available-for-sale-investments

In determining the amount of impairment of financial assets, the Group has made judgments in identifying financial assets whose decline in fair value below cost is considered "significant" or "prolonged". A significant decline is assessed based on the historical volatility of the share price.

The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been depressed below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

The Group considers a less than a 10% decline in fair value is unlikely to be considered significant for investments actively traded in a liquid market, whereas a decline in fair value of greater than 20% will often be considered significant. For less liquid investments that have historically been volatile (standard deviation greater than 25%), a decline of greater than 30% is usually considered significant.

Generally, the Group does not consider a decline over a period of less than three months to be prolonged. However, where the decline in fair value is greater than six months for liquid investments and 12 months for illiquid investments, it is usually considered prolonged.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of these equity-settled transactions with participants is measured by reference to the fair value of the equity instruments at the date at which they are granted using an appropriate valuation model, further details of which are given in Note 15.

Notes to the Financial Statements continued
for the year ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

Impairment of acquired exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets which is acquired upon acquisition is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

2.6. Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the method that exactly discounts estimated future cash receipts through the life of the financial asset) to the net carrying amount of the financial asset.

2.7. 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.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of total lease expense

2.8. Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.9. Term deposits provided as security

Term deposits provided as security are classified as other receivables with an original maturity of three to twelve months or less.

2.10. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less any allowance for uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. Bad debts are written off when identified.

2.11. Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

2. Summary of Significant Accounting Policies (continued)

2.12. Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to dispose and its value in use and is determined for an individual asset, unless that asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit (CGU) to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.13. Interest in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss

2.14. Foreign currency translation

The Group's consolidated financial report is presented in Australian Dollars, which is also the parent company's functional currency. Each entity in the Group and its joint venture determines its own functional currency and items included in the financial statements of each entity is measured using that functional currency. The assets and liabilities of foreign operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Notes to the Financial Statements continued

for the year ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

2.15. 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, 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, or interest in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 assets 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 or interest in joint venture, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can 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.

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.

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 the income statement.

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 liabilities relate to the same taxable entity and the same taxation authority.

2.16. GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2.17. Plant and Equipment

Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Plant and equipment 2 – 15 years

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

2.18. Exploration and Evaluation

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each prospect area.

The consolidated entity has a policy of writing off all exploration expenditure in the financial year in which it is incurred, unless its recoupment out of revenue to be derived from the successful development of the prospect, or from sale of that prospect, is assured beyond reasonable doubt.

2. Summary of Significant Accounting Policies (continued)

2.19. Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, and discounted cash flow analysis.

2.20. Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on held-to-maturity investments or loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as 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 for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. A significant or prolong decline in market value is considered as objective evidence. Reversals of impairment losses for debt instruments are reversed through the income statement if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.21. 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.

Notes to the Financial Statements continued

for the year ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

2.22. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.23. Employee Benefits

Provision is made for amounts expected to be paid to employees of the Group in respect of their entitlement to annual leave and long service leave arising from services rendered by employees to the reporting date. Employee benefits due to be settled within one year arising from wage and salaries and annual leave have been measured at the amounts due to be paid when the liabilities are expected to be settled and included in provisions. Long service leave entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Under the terms of the Directors' Retirement Scheme (applicable to Non-Executive Directors only), approved by a meeting of shareholders, provision has been made for the retirement or loss of office of eligible Non-Executive Directors of Sipa Resources Limited. The amount payable under the Scheme is equal to one year's remuneration for each three years of completed service as a director of the Company up to a maximum benefit of 3 years remuneration.

2.24. Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). Equity-settled transactions with employees and directors are administered through the Sipa Resources Employee Share Option Plan which was approved by shareholders.

The cost of these equity-settled transactions with participants is measured by reference to the fair value of the equity instruments at the date at which they are granted using an appropriate valuation model, further details of which are given in Note 15.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled (other than for reason of forfeiture), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.25. Contributed Equity

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.

2.26. Earnings Per Share

Basic EPS is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/loss attributable to members, adjusted for:

- costs of servicing equity (other than 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.

3. Revenues and Expenses

	Consolidated 2016 $	2015 $
Revenue and Expenses		
(a) Revenue		
Interest revenue	82,957	58,570
	82,957	58,570
(b) Other income		
Gain on extinguishment of provision(1)	52,500	168,215
Other	16,882	33,547
	69,382	201,762

(1) Gain on extinguishment of provision relates to the reversal of the previously provided for directors retirement benefit that was waived by retiring directors during the year.

(c) Gain on sale of Thaduna project

In February 2015, the Group completed the sale of the Thaduna project to Sandfire Resources Ltd (Sandfire) for $2 million worth of Sandfire shares and a 1% Net Smelter Royalty. Under the terms of the Agreement, Sandfire acquired the entire legal and beneficial interest in E52/1673, E52/1674, E52/1858, E52/2356, E52/2357, and E52/2405 including the rights and benefits which Sipa is entitled to under heritage agreements and native title contracts, and all mining information which is relevant to the Tenements. The Group subsequently sold the Sandfire shares on market for $2.16 million in 2015.

(d) Other expenses

	Consolidated 2016 $	2015 $
Employee benefits expense		
Wages and salaries	1,377,191	1,426,963
Superannuation	146,937	125,757
Provision for annual leave	145,802	79,560
Share based payments	13,656	–
Provision for long service leave	6,194	15,571
Workers compensation insurance	3,050	5,112
	1,692,830	1,652,963
Employee benefits expense included in:		
Exploration expenditure	1,079,270	1,078,128
Administrative expenses	613,560	574,835
	1,692,830	1,652,963
Depreciation of plant and equipment	79,036	46,063
Rental expenses on operating lease	147,454	170,359
Loss on disposal of fixed assets	15,156	29,053

Notes to the Financial Statements continued

for the year ended 30 June 2016

4. Income Tax

	Consolidated 2016 $	Consolidated 2015 $
(a) Major components of income tax expense for the years ended 30 June 2016 and 2015 are:		
Income Statement		
Current income tax		
Current income tax benefit	–	–
Under/over provision	–	–
Deferred income tax		
Relating to origination and reversal of temporary differences	–	–
Deferred tax assets not recognised	–	–
Income tax expense reported in income statement	–	–
(b) A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2016 and 2015 is as follows:		
Accounting loss before tax	(4,597,538)	(3,526,807)
At statutory income tax rate of 28.5% (2015: 30%)	(1,310,298)	(1,058,042)
Adjustment for difference in foreign tax rate	(35,868)	–
Non-deductible items	298,641	786,320
Other deductible amounts not recognised	–	(35,953)
Under/(overprovision) in prior year	2,236	349
Unrecognised deferred tax assets	1,045,289	307,326
Income tax expense reported in income statement	–	–

	Statement of Financial Position 2016 $	Statement of Financial Position 2015 $	Profit or Loss 2016 $	Profit or Loss 2015 $
(c) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Other	(655)	(2,561)	1,906	1,321
	(655)	(2,561)		
Deferred tax assets				
Provision for employee entitlements	60,364	34,664	25,700	(93,903)
Superannuation provision	3,748	3,520	228	(2,038)
Accruals	6,498	10,800	(4,302)	300
Carried forward losses	11,002,614	11,613,509	(610,895)	401,645
	11,073,223	11,662,493		
Unrecognised deferred tax assets	(11,072,569)	(11,659,932)	(464,028)	(307,325)
	655	2,561		
Net deferred tax asset	–	–		
Deferred tax expense			–	–

4. Income Tax (continued)

	Consolidated 2016 $	2015 $
Deferred Tax Assets on the Tax losses not recognised	12,165,375	11,613,509

Directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable as at 30 June 2016. These benefits will only be obtained if:

i. the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
ii. the Consolidated Entity continues to comply with the conditions for the deductibility imposed by law; and
iii. no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deduction for the loss.

(d) Tax Consolidation

The Company and its 100% owned subsidiaries formed a tax consolidated group effective 1 July 2003. The head entity of the tax consolidated group is Sipa Resources Limited. The Sipa group currently does not intend to enter into a Tax Sharing or Tax Funding Agreement. The group allocation method is used to allocate any tax expense incurred.

5. Cash and Cash Equivalents

Cash at bank and in hand	527,382	133,336
Short-term deposits	1,050,000	6,100,000
	1,577,382	6,233,336

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The carrying value approximates fair value.

6. Term Deposits Reserved for Rehabiliation

Term deposits provided for security(1)	20,000	20,000
Term deposits reserved for rehabilitation(2)	–	20,000
	20,000	40,000

(1) Represents amounts provided to secure the company's credit card facility.
(2) In the previous period Bankwest had given a guarantee to the Department of Minerals and Energy in respect of performance bonds totalling $20,000 for which the bank has a lien on an equivalent amount of the company's term deposits.

7. Trade and Other Receivables

Interest receivable(1)	2,297	8,536
Other receivables(2)	30,262	14,108
	32,559	22,644

(1) Interest receivable represents interest due on the Group's term deposits.
(2) Other receivables are non-interest bearing and due in 30 days generally. An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. No such allowance has been recognised as an expense for the current or previous year.

8. Available-for-Sale Financial Investments

At fair value

Shares in listed entities(1)(2)	2,100	5,200
	2,100	5,200

(1) The fair value of listed available for sale investments has been determined directly by reference to published price quotations in an active market and classified as Level 1.
(2) During the current year, $3,100 was recognised in the profit and loss due to decrease in share price.

Notes to the Financial Statements continued
for the year ended 30 June 2016

9. Other Financial Assets

	Consolidated 2016 $	2015 $
Security deposits[a]	19,570	44,245
	19,570	44,245

(a) The terms and conditions of the security deposits are non-interest bearing and refundable upon completion of performance obligations associated with completion of the lease term.

10. Plant and Equipment

	2016 $	2015 $
At beginning of the year, net of accumulated depreciation	233,255	295,038
Additions	49,357	33,333
Disposals	(15,157)	(49,053)
Depreciation expense	(79,036)	(46,063)
At end of the year, net of accumulated depreciation	188,419	233,255
At end of year		
Cost	965,958	931,758
Accumulated depreciation	(777,539)	(698,503)
Net book value at end of year	188,419	233,255

11. Exploration And Evaluation

	2016 $	2015 $
Exploration and evaluation acquired	581,037	581,037
	581,037	581,037

In January 2015, a wholly owned subsidiary of Sipa completed the acquisition of the remaining 20% of shares in SiGe East Africa Pty Ltd, from Geocrust Pty Ltd to become the 100% holder of the Kitgum-Pader base and precious metals project in Uganda, East Africa in exchange for ordinary fully paid Sipa shares to the value of A$499k. The number of Sipa shares issued was determined by reference to the volume weighted average price of Sipa shares in the 30 trading days immediately prior to agreement. The exploration and evaluation acquired represents the value of the acquisition at that date.

12. Trade and Other Payables (Current)

	2016 $	2015 $
Trade payables – unsecured	53,204	155,491
Accrued expenses	90,268	158,552
	143,472	314,043

Trade and other payables and accrued expenses are non-interest bearing and are usually settled in 30 days.

13. Provisions

	Annual Leave	Long Service Leave	Directors Retirement Benefit [(a)]	Total
Consolidated				
At 1 July 2015	108,463	107,223	87,500	303,186
Arising during the year	145,802	6,194	–	151,996
Utilised during the year	(185,236)	(5,644)	–	(190,880)
Extinguishment of provision[(b)]	–	–	(52,500)	(52,500)
Balance at 30 June 2016	69,029	107,773	35,000	211,802
Current 2016	69,029	93,176	35,000	197,205
Non-Current 2016	–	14,597	–	14,597
	69,029	107,773	35,000	211,802
Current 2015	108,463	64,006	87,500	259,969
Non-Current 2015	–	43,217	–	43,217
	108,463	107,223	87,500	303,186

(a) Under the terms of the Directors' Retirement Scheme, approved by a meeting of shareholders, provision has been made for the retirement or loss of office of eligible Non-Executive Directors of Sipa Resources Limited. The Directors resolved to freeze the scheme with no further provisions being made, in the financial year ended 30 June 2008, or subsequently. There is currently no anticipated date for payment of the remaining provision but a constructive obligation exists.

(b) Gain on extinguishment of provision relates to the reversal of the previously provided for directors retirement benefit that was waived by Dalton Gooding on his retirement, effective 31 March 2016.

14. Contributed Equity and Reserves

	Consolidated	
	2016 $	2015 $
(a) Ordinary shares		
Issued and fully paid shares	99,630,651	99,494,652

	2016		2015	
Movements in shares on issue	**No**	**$**	**No**	**$**
Balance at beginning of year	702,963,898	99,494,652	608,578,509	93,169,829
Placement for the acquisition of SiGe East Africa Pty Ltd	–	–	12,803,447	499,334
Placement to exempt investors[(1)]	–	–	9,205,291	667,384
Share purchase plan[(1)]	–	–	72,369,239	5,246,740
Placement to Directors[(2)]	1,850,000	134,125	–	–
Pursuant to exercise of listed options	49,108	3,688	7,412	556
Less transaction costs	–	(1,814)	–	(89,191)
Balance at end of financial year	704,863,006	99,630,651	702,963,898	99,494,652

(1) In May 2015, Sipa announced a placement to exempt investors and a Share Purchase Plan (SPP) for eligible shareholders at a price of $0.0725 per share.

(2) In July 2015, a placement to Directors was approved and made at the same price of $0.0725 per share as per the SPP.

Notes to the Financial Statements continued

for the year ended 30 June 2016

14. Contributed Equity and Reserves (continued)

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. On a show of hands one vote for every registered shareholder and on a poll, one vote for each share held by a registered shareholder.

Share Options

Options Issued Year ended 30 June 2016

There were no options issued during the year ended 30 June 2016. Subsequent to year end, 4,659,000 Options exercisable at $0.11 were issued pursuant to the ESOP. The Options vest on 31 August 2019 and expire on 31 August 2021. Further details are found in Note 15.

Options Issued Year ended 30 June 2015

There were no options issued during the year ended 30 June 2015.

Dividends

There were no dividends paid or proposed during the year ended 30 June 2016 (2015: Nil). The amount of franking credits available to the Company at 30 June 2016 is Nil (2015: Nil).

(b) Equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 15 for further detail of the plan.

(c) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign controlled entities.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to increase cash. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date.

Management manages shareholder equity $2,120,037 (2015: $6,553,185) as capital. There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

15. Share Based Payment Plans

Sipa Resources Employee Share Option Plan

The LTI grants are delivered through participation in the Sipa Employee Share Option Plan 2015, as approved by shareholders at the Annual General Meeting held 15 November 2015. The value of the LTI grants made under the plan will be made with reference to a set percentage of Base Salary with Executives' performance assessed against pre-determined performance hurdles. The performance hurdles are a combination of market (share price based) and non-market (internal) hurdles to optimise share performance against exploration targets, the annual operating budget, successful communication with stakeholders, improved access to capital markets, stock liquidity and register profile. The threshold levels are suitably stretched to be consistent with the objectives of the LTI plan.

(i) Options outstanding and movements in share options during the year

2016*

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year*	Lapsed/ cancelled during year	Balance at end of year	Exercisable at end of year
19/11/15	31/8/21	11 cents	–	1,575,000	–	1,575,000	–
	–	1,575,000	–	1,575,000	–		

* Includes amounts granted to the Managing Director at the meeting of shareholders held on 19 November 2015 but issued subsequent to year end.

15. Share Based Payment Plans (continued)

2015

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Lapsed/ cancelled during year	Balance at end of year	Exercisable at end of year
30/9/10	29/9/14	17.5 cents	7,250,000	–	(7,250,000)	–	–
25/11/10	24/11/14	21 cents	2,000,000	–	(2,000,000)	–	–
			9,250,000	–	(9,250,000)	–	–

Options Issued Year ended 30 June 2016

The fair value of the equity-settled share options (ESOs) granted to the Managing Director was estimated as at 1 July 2015, approved by shareholders on 19 November 2015 and granted on 1 September 2016 and was made with a reference to the set percentage of base salary (75%) and contemplated a combination of both market hurdles (Share Price Based) and non-market hurdles (Internal).

In estimating the fair value of the Market Based ESOs, the Monte Carlo simulation based models was used, whilst the Performance ESOs were valued using the Black-Scholes Merton mode. The following table sets out the key assumptions adopted to value the Options.

	Market	Performance
Valuation method	Monte Carlo	Black-Scholes Merton
Valuation date	1/7/15	1/7/15
Closing share price at valuation date	$0.032	$0.032
Exercise price	$0.11	$0.11
Expected life of option	5 years	5 years
Dividend yield	0%	0%
Expected volatility	75.36%	75.36%
Historical volatility	75.36%	75.36%
Risk-free interest rate	2.03-2.20%	2.03-2.20%
Fair value of options issued	$0.010	$0.012

(ii) Options exercised

No options were exercised during the financial years ended 30 June 2016 and 30 June 2015.

(iii) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2016 is Nil years (2015: 0.30 years).

Notes to the Financial Statements continued
for the year ended 30 June 2016

16. Loss Per Share

Basic loss per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company adjusted for the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Consolidated	
	2016	**2015**
Net loss attributable to the ordinary equity holders of the Company	(4,597,538)	(3,511,704)
Weighted average number of ordinary shares before the Placement	702,963,898	608,578,509
Adjustment for dilutive effect of Placement to Geocrust	–	5,822,938
Adjustment for dilutive effects of Placement and SPP	1,819,589	5,005,178
Share Options exercised	31,769	–
Effect of dilution:		
Share Options		–
Weighted average number of ordinary shares adjusted for dilution	704,815,256	619,406,625

The Nil options (2015: 133,999,414) are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share as they are anti- dilutive for the periods presented. Details relating to the options are set out in Notes 14 and 15.

17. Reconciliation of Loss to Net Cash Flows from Operations

Net Loss	(4,597,538)	(3,526,807)
Depreciation of plant and equipment	79,036	46,063
Loss on disposal of fixed assets	15,156	29,053
Loss on write-down of available for sale financial assets	3,100	2,800
Gain on extinguishment of provision	(52,500)	(168,215)
Profit on disposal of non-current assets	–	(2,161,119)
Foreign exchange loss	14,735	4,843
Share of net loss of jointly controlled entity	–	925,120
Share based payments	13,656	–
Changes in assets and liabilities		
Refund of bonds	24,675	
Decrease in trade and other receivables	(9,915)	57,547
Decrease in prepayments	(43,546)	24,549
(Decrease)/increase in provisions	(38,883)	(144,794)
(Decrease)/increase in trade and other payables	(170,571)	(81,462)
Net cash flow used in operating activities	(4,762,595)	(4,992,422)

18. Related Party Disclosure

The consolidated financial statements include the financial statements of Sipa Resources Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	Equity Interest 2016 %	Equity Interest 2015 %
Sipa Gold Limited	Australia	100	100
Sipa Copper Pty Ltd	Australia	100	100
Sipa Resources (1987) Limited	Australia	100	100
Sipa Exploration NL	Australia	100	100
Sipa Management Pty Ltd	Australia	100	100
Sipa – Gaia NL	Australia	100	100
Ashling Resources NL	Australia	100	100
Topjest Pty Limited	Australia	100	100
Sipa –Wysol Pty Ltd	Australia	100	100
Sipa East Africa Pty Ltd	Australia	100	100
SiGe East Africa Pty Ltd#	Australia	100	100
Sipa Exploration Uganda Limited#	Uganda	100	100
Sipa Resources Tanzania Limited#	Tanzania	100	100

Entities were accounted for as a joint venture prior to acquisition of remaining interest on 15 January 2015.

19. Key Management Personnel Disclosures

Name	Position	Term as KMP
C McGown	Non-Executive Chairman	Full financial year
L Burnett	Managing Director	Full financial year
K Field	Non-Executive Director	Full financial year
P Kiley	Non-Executive Director	Full financial year
D Gooding	Non-Executive Director	Retired 31 March 2016
T Robson	Chief Financial Officer and Company Secretary	Full financial year

Compensation by Category: KMP	Consolidated 2016 $	Consolidated 2015 $
Short-term employee benefits	665,232	670,055
Post employment benefits	10,698	(121,272)
Share based payments	13,656	–
Other long term benefits	–	–
	689,586	548,783

Notes to the Financial Statements continued
for the year ended 30 June 2016

19. Key Management Personnel Disclosures (continued)

Other transactions with KMP

Mr. McGown, the Chairman and a director of the company, is an executive director of the corporate advisory business New Holland Capital Pty Ltd. In the previous year and prior to his appointment as director, New Holland Capital Pty Ltd was paid fees in the amount of $30,000 pursuant to a fundraising mandate, which was equivalent to 6% of funds raised. The Board believes that this agreement is a market rate and is an arm's length agreement. No fees have been paid in accordance with the mandate since appointment in March 2015. As at 30 June 2016 a balance of $Nil remained outstanding (30 June 2015: Nil).The mandate which outlines the terms of the consulting arrangement was terminated subsequent to year end, however a continuing obligation of 6% of funds raised from introduced parties remains until 23 September 2017.

In the previous year, the Company paid consulting fees to Xagus Pty Ltd. Mr. Paul Kiley, a director of the company, is principal of Xagus Pty Ltd. All fees paid to Xagus are at competitive market rates. The total services recognised as an expense for the previous year amounted to $6,000. As at 30 June 2015 a balance of $2,311 remained outstanding.

In the previous year, the Company paid legal fees to the legal practice Williams and Hughes Pty Ltd. Mr. D J Williams, a former director of the company, is a commercial counsel with the Williams and Hughes Pty Ltd. All transactions with Williams and Hughes are at competitive market rates and performed primarily by staff of Williams and Hughes Pty Ltd. The total services recognised as an expense for the previous year amounted to $2,482. As at 30 June 2015 a balance of $Nil remained outstanding.

There were no other transactions with KMP during the current year.

20. Commitments for Expenditure

(a) Operating Lease – Group as Lessee

The Company has obligations under the terms of the lease of its office premises for a term of 2 years, plus a further 2 year option, from and including 1st day of May 2016. Lease payments are payable in advance by 12 equal monthly instalments due on the 1st day of each month. Under the lease agreement the lessee provides for a rent review based on CPI each anniversary date.

	Consolidated	
	2016 $	**2015 $**
Due not later than one year	76,343	216,316
Due later than one year and not later than five years	63,620	–
	139,963	216,316

(b) Exploration Expenditure Commitments

The consolidated entity has minimum statutory commitments as conditions of tenure of certain mining tenements. In addition it has commitments to perform and expend funds towards retaining an interest in formalised agreements with partners. If all existing areas of interest were maintained on the terms in place at 30 June 2016, the Directors estimate the minimum expenditure commitment for the ensuing twelve months to be $2,147,411 (2015: $4,152,000). However the Directors consider that the actual commitment is likely to be less as these commitments are reduced continuously for such items as exemption applications to the Department of Geological Survey and Mines, Uganda and the Department of Mines and Petroleum, Western Australia, withdrawal from tenements, and other farm-out transactions. In any event these expenditures do not represent genuine commitments as the ground can always be surrendered in lieu of payment of commitments. This estimate may be varied as a result of the granting of applications for exemption.

(c) Commitment to Controlled Entities

The Company has advised its controlled entities that it will continue to provide funds to meet those entities' working capital requirements for at least the next twelve months.

(d) Remuneration Commitments

A remuneration commitment arises for Ms Burnett in the event of early termination of her employment contract other than for gross misconduct equal to 6 months total remuneration package. Ms Burnett may terminate the agreement by 1 month notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout of 1 year base salary. Ms Burnett's total annual remuneration package is base salary of $300,000, plus superannuation of $28,500. On 1 May 2016 Mrs Burnett agreed to voluntarily and temporarily reduce her base salary by $45,000, taking her base salary to $255,000 and $24,225 superannuation. The reduction will continue until 1 May 2017, unless market conditions improve significantly.

20. Commitments for Expenditure (continued)

A remuneration commitment arises for Ms Robson in the event of early termination of her employment contract other than for gross misconduct equal to 3 months total remuneration package. Ms Robson may terminate the agreement by 1 months' notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout of 6 months base salary. Ms Robson's total annual remuneration package is base salary of $188,000, plus superannuation of $17,860.

21. Interests in Joint Operations

The consolidated entity has an interest in the following Jointly Operations:

Arrangement	Commitments	Principal Activities	Percentage Interest 2016	Percentage Interest 2015
Mortlock River JV	NIL	Gold/Copper Exploration	49%	49%

All of the above joint operations are for the purposes of exploration activities and holding of tenement interests.

22. Investment in Joint Venture

The Group previously held an 80% interest in the issued share capital of SIGE East Africa Pty Ltd (SiGe), a company involved in exploration activities in Uganda, which it jointly controlled and accounted for as a joint venture. In January 2015, Sipa completed the acquisition of the remaining 20% of shares in SiGe from Geocrust Pty Ltd to become the 100% holder of the Kitgum-Pader base and precious metals project in Uganda, East Africa in exchange for ordinary fully paid Sipa shares to the value of A$499,334. From this date, this entity was accounted for as a subsidiary.

23. Segment Information

For management purposes, the Company is organised into one main operating segment, which involves mining exploration for gold and other minerals. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

All of the Company's revenues are derived in Australia. The Company's non current assets are located in Australia and Africa.

Non-current operating assets	2016 $	2015 $
Australia	140,026	205,183
Africa	629,433	609,109
Total	769,459	814,292

Non-current assets for this purpose consist of property, plant and equipment, and exploration and evaluation.

24. Financial Risk Management

Overview

This note presents information about the Company's and Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company and the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and trade and other receivables.

Notes to the Financial Statements continued

for the year ended 30 June 2016

24. Financial Risk Management (continued)

Cash and cash equivalents (including term deposits reserved for rehabilitation)

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. Cash is held with recognised financial institutions with AA credit rating.

Trade and other receivables

As the Group operates primarily in exploration activities, its trade receivables are limited to interest receivable and other minor advances therefore reduces the exposure to credit risk in relation to trade receivables. At the reporting date there were no significant concentrations of credit risk.

Other receivables consist primarily of GST refundable from the ATO and interest due on the Group's term deposits. Given the acceptable credit ratings of both parties, management does not expect any either party to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2016 $	**2015 $**
Cash and cash equivalents	1,577,382	6,233,336
Term deposits reserved for rehabilitation	20,000	40,000
Trade and other receivables	32,559	22,644
Other financial assets	19,570	44,245
	1,649,511	6,340,225

Impairment losses

None of the Group's other receivables are past due (2015: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

In July 2016, Sipa announced a private placement (Placement) to exempt offerees and a Share Purchase Plan (SPP) at a price of $0.02 per share. The SPP was heavily oversubscribed resulting in a scale back. A total of 225,091,290 Shares were issued through the combined Placement and SPP and raised $4,501,826 before costs. As a result, the Company does anticipate a need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments (undiscounted) and excluding the impact of netting agreements:

Consolidated 30 June 2016	**Carrying amount**	**Contractual cash flows**	**6 mths or less**
Trade and other payables	143,472	143,472	143,472
	143,472	143,472	143,472
30 June 2015			
Trade and other payables	314,043	314,043	314,043
	314,043	314,043	314,043

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

24. Financial Risk Management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's exploration activities (when exploration and administration expense is denominated in a foreign currency, namely US Dollars and Ugandan Shillings) and the Group's net investments in foreign subsidiaries.

Surplus funds are held primarily in Australian Dollars with the Group ensuring that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term requirements.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposit at interest rates maturing over 90 day rolling periods.

Profile

At the reporting date the Group had the following mix of financial assets held at Australian Fixed and Floating interest rates. There were no financial liabilities exposed to interest rate risk.

	Consolidated	
	2016 **$**	**2015** **$**
Floating rate instruments		
Cash and cash equivalents	1,577,382	6,233,336
	1,577,382	6,233,336
Fixed rate instruments – No interest rate risk		
Term deposits reserved for rehabilitation	20,000	40,000
	20,000	40,000

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, Therefore a change in interest rates for financial instruments with short term maturity at the reporting date would not affect the carrying amount or profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The Group's exposure to variable rate instruments is in cash and cash equivalents. A 100 basis point favourable and unfavourable change in interest rates will affect comprehensive income by $15,774 and $(15,774) (2015 $62,333 and $(62,333)) respectively.

Fair values

Fair values versus carrying amounts

Due to their short term nature, the carrying amounts of financial assets and liabilities approximate fair value.

Other Market Price Risk

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investments are solely in equity instruments. These instruments are classified as available-for-sale and carried at fair value with fair value changes recognised directly in equity, unless they are impaired, until derecognised.

Notes to the Financial Statements continued

for the year ended 30 June 2016

24. Financial Risk Management (continued)

The following table details the breakdown of the investment assets and liabilities held by the Group:

	Consolidated	
	2016 $	2015 $
Shares in listed entities (level 1)	2,100	5,200
	2,100	5,200

Sensitivity analysis

The Group's Available-For-Sale investments are listed on the Australian Stock Exchange. A 2.6% increase in stock prices at 30 June 2016 would have increased equity by $54 (2015: $67); an equal change in the opposite direction would have increased the net loss by the same amount. 2.6% is representative of the fluctuation of the ASX All Ordinaries Index for the period 1 July 2015 to 30 June 2016 (2015:1.29%)

Commodity Price Risk

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

25. Auditors' Remuneration

	Consolidated	
	2016 $	2015 $
The auditor of Sipa Resources Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	41,625	58,226
– other services in relation to the entity and any other entity in the consolidated entity		
– tax compliance	–	–
	41,625	58,226

There were no payments made or due to any other audit firms other than Ernst & Young for any audit or other accounting service.

26. Contingent Assets and Liabilities

In February 2015, the Company completed the sale of the Thaduna project to Sandfire Resources Ltd (Sandfire) for $2 million worth of Sandfire shares and a 1% Net Smelter Royalty. Under the terms of the Agreement, Sandfire acquired the entire legal and beneficial interest in E52/1673, E52/1674, E52/1858, E52/2356, E52/2357, and E52/2405 including the rights and benefits which Sipa is entitled to under heritage agreements and native title contracts, and all mining information which is relevant to the Tenements. No contingent asset has been recognised as it is not virtually certain at 30 June 2016, economic benefits will be received by the company.

During the year ended 30 June 2013 the Panorama Exploration Project Joint Operation partners (Sipa 40% - CBH Resources Limited 60%) sold the Kangaroo Caves Mining Lease (ML45/587) and regional exploration tenements (P45/2607, P45/2609-2614, and P45/2616) to Venturex Resources Limited (Venturex), for the consideration of $2 per dry tonne of all ore mined and treated by Venturex. No contingent asset has been recognised as it is not virtually certain at 30 June 2016 economic benefits will be received by the company.

During the year ended 30 June 2011, Sipa sold its 100% interest in the Ashburton Gold project to Northern Star Resources Limited. Under the terms of the agreement, Northern Star will pay Sipa a 1.75% gross royalty on all gold production from the tenements, except the Merlin tenements, which will earn a 0.75% gross royalty on all gold production from the Merlin tenements. No contingent asset has been recognised as it is not virtually certain at 30 June 2016 economic benefits will be received by the company.

During the year ended 30 June 2005, Sipa sold its interest in the Sulphur Springs Tenements (M45/0494, M45/0653, M45/1000) to CBH Sulphur Springs Pty Ltd. Under the terms of the agreement, Sulphur Springs Pty Ltd will pay Sipa $2 per tonne of ore processed from the Sulphur Springs Tenements. CBH Sulphur Springs was sold in 2011 to Venturex Limited and changed its name to Venturex Sulphur Springs Pty Ltd. No contingent asset has been recognised as it is not virtually certain at 30 June 2016, economic benefits will be received by the company.

27. Information Relating to Sipa Resources Limited

	2016 $	2015 $
Current assets	1,052,197	6,108,513
Total assets	1,054,308	6,113,724
Current liabilities	–	–
Total liabilities	–	–
Retained earnings	(99,793,032)	(94,537,870)
Total equity	1,054,308	6,113,724
Loss of the parent entity	5,255,162	3,584,233
Total comprehensive loss of the parent entity	5,255,162	3,584,233
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	NIL	NIL
Details of any contingent liabilities of the parent entity	NIL	NIL
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	NIL	NIL

28. Events Subsequent to Balance Date

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, except for as follows:

In July 2016, Sipa announced a private placement (Placement) to exempt offerees and a Share Purchase Plan (SPP) at a price of $0.02 per share. The SPP was heavily oversubscribed resulting in a scale back. A total of 225,091,290 Shares were issued through the combined Placement and SPP and raised $4,501,826 before costs.

On 1 September 2016, 4,659,000 Options exerciseable at $0.11 were issued pursuant to the Sipa Resources Employee Share Option Plan. The Options vest on 31 August 2019 and expire on 31 August 2021. Further details are found in Note 15.

Directors' Declaration

In accordance with a resolution of the directors of Sipa Resources Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity for the financial year ended 30 June 2016 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;*

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

On behalf of the Board

L M Burnett
Managing Director

Perth, Western Australia

DATED: 22 September 2016

Independent Auditor's Report

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Independent auditor's report to the members of Sipa Resources Limited

Report on the financial report

We have audited the accompanying financial report of Sipa Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

GL:EH:SIPA:008

Independent Auditor's Report continued

Building a better working world

Opinion

In our opinion:

a. the financial report of Sipa Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Sipa Resources Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
22 September 2016

GL:EH:SIPA:008

Additional Statutory Information

The following information is provided in accordance with the listing requirements of the ASX Limited. All information is current as of 6 September 2016 unless otherwise noted.

1. Substantial Holders

There are presently no substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001.

2. Top 20 Shareholders

Rank	Name	Units	% of Units
1.	RODIV NSW P/L <RODIV PENSION FUND A/C>	37,492,874	4.03
2.	MR TERRENCE WILLIAM KAHLER + MRS SUZANNE KAHLER <KAHLER SUPER FUND A/C>	21,200,001	2.28
3.	CITICORP NOMINEES PTY LIMITED	12,803,823	1.38
4.	GEOCRUST PTY LTD <GEOCRUST A/C>	12,803,447	1.38
5.	MR KENG HUAT GOH	8,500,000	0.91
6.	EVOLUS PTY LTD <THE SUSHAMES S/F A/C>	7,196,500	0.77
7.	MICHAEL GLEN DOEPEL	6,899,352	0.74
8.	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	5,592,500	0.60
9.	MR TERRENCE WILLIAM KAHLER + MRS SUZANNE KAHLER <KAHLER FAMILY SUPER FUND A/C>	5,099,999	0.55
10.	FNL INVESTMENTS PTY LTD <SUPERANNUATION FUND A/C>	5,003,531	0.54
11.	MEGALOCONOMOS PTY LTD <MEGALOCONOMOS S/F A/C>	5,000,000	0.54
12.	MR BRUCE LANKSHEAR <LANKSHEAR S/F A/C>	4,950,000	0.53
13.	SOUTHERN CROSS CAPITAL PTY LTD	4,500,000	0.48
14.	MR TERENCE WILLIAM KAHLER + MRS SUZANNE KAHLER <KAHLER SUPER FUND A/C>	4,400,000	0.47
15.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	4,248,638	0.46
16.	DEAN PROPERTY TEAM ASSET PTY LTD	4,242,500	0.46
17.	ANDREW DUNCAN MURDOCH	4,200,000	0.45
18.	RON STANLEY HOLDINGS PTY LTD	4,137,931	0.44
19.	MRS CHRISTINE EMILY COGHLAN	4,092,500	0.44
20.	MR SAMUEL KAH TECK NG	4,000,000	0.43
Totals: Top 20 Holders of ORDINARY FULLY PAID SHARES (TOTAL)		**166,363,596**	**17.89**
Total Remaining Holders Balance		**763,590,264**	**82.11**

3. Options on issue

As at 5 September 2016 there are 4,659,000 unlisted options, having an exercise price of $0.11, expiry 31 August 2021, on issue. The options are held by 4 persons and were issued pursuant to the Company's Employee Share Option Plan.

Additional Statutory Information continued

4. Escrowed securities

There are presently no securities subject to escrow.

5. Distribution of shareholder's holdings at 31 August 2016

Range	Total holders	Units	% of Issued Capital
1–1,000	275	44,338	0.00
1,001–5,000	245	815,800	0.09
5,001–10,000	766	6,437,439	0.69
10,001–100,000	2,478	104,757,089	11.26
100,001 and over	1,404	817,899,194	87.95
Rounding			**0.01**
Total	**5,168**	**929,953,860**	**100.00**

There are 2,268 shareholders who hold less than a marketable parcel of 26,316

6. Stock Exchange listing.

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

7. Income tax

Sipa Resources Limited is taxed as a public company.

8. Voting rights

On show of hands one vote for every registered shareholder and on a poll, one vote for each share held by a registered shareholder.

9. Schedule of tenements as at 6 September 2016

Projects	Location	Tenements	Interest
Kitgum-Pader	Uganda	1048, 1049, 1052, 1220, 1221, 1229, 1270, 1271, 1321, 1322, 1389, 1487 and 1513	100%
Paterson North (Great Sandy)	Western Australia	EL45/3599	Earning up to 80%
Paterson North (Anketel)	Western Australia	ELA45/4697	100%

Corporate Directory

Directors
Craig McGown BComm, FCA, ASIA
(Non-Executive Chairman)

Lynda Burnett BSc (Hons) GAICD, MAusIMM, MSEG
(Managing Director)

Karen Field B Ec, FAICD
(Non-Executive Director, Senior Independent Director)

Paul Kiley B Ec. CPA
(Non-Executive Director)

Company Secretary
Tara Robson BA (Accounting), CPA (USA)

Registered Office
Unit 8, First Floor
12-20 Railway Road
Subiaco WA 6008

Telephone (08) 9388 1551
Facsimile (08) 9381 5317

Bankers
Bank of Western Australia Ltd
Level 11, Bankwest Place
300 Murray Street
Perth WA 6000

Solicitors
Gilbert & Tobin
1202 Hay Street
West Perth WA 6005

Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000

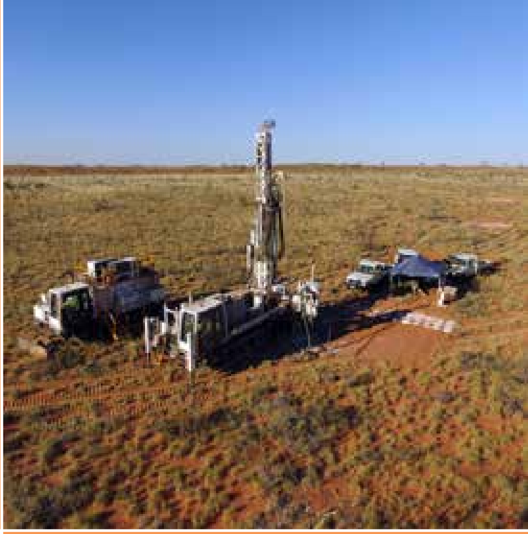
Tax Advisors
Staloest Pty Ltd
Level 4, 44 Parliament Place
West Perth WA 6005

Share Registry
Computershare
Level 11, 172 St Georges Terrace
Perth WA 6000

Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000

www.investorcentre.com/contact

Website
www.sipa.com.au



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Sipa Resources Limited

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