



Sipa Resources Limited



Annual Report 2019

# Sipa Resources Limited



## Contents

1	Highlights
2	Chairman's Letter
4	Review of Operations
13	Social Responsibility
13	Competent Person Statement
14	Board of Directors
17	Directors' Report
22	Remuneration Report (Audited)
28	Auditor's Independence Declaration
29	Consolidated Statement of Comprehensive Income
30	Consolidated Statement of Financial Position
31	Consolidated Statement of Cash Flows
32	Consolidated Statement of Changes in Equity
33	Notes to the Financial Statements
57	Directors' Declaration
58	Independent Auditor's Report
63	Additional Statutory Information
65	Corporate Directory

# Highlights

## Year in Review

### Copper-gold – Western Australia

- The exploration potential of the Paterson Province received a major boost, with Rio Tinto announcing the discovery of a significant copper-gold-silver deposit at Winu, 10km west of Sipa's land-holdings, in February 2019.
- The Winu discovery has sparked strong interest in the Paterson North district, with exploration tenements now pegged all the way to the coast from Sipa's tenements, with Rio Tinto and FMG the largest holders.
- Sipa's 80% equity interest in the Paterson North Project was achieved in August 2018, with the Company's joint venture partner, Ming Gold, electing to dilute its position.
- Further strong copper anomalism was identified at Obelisk with data compilation showing an extensive 5km by 1km mineralised footprint at Obelisk coincident with a gravity anomaly and broad zones of bedrock copper which remain open at depth.
- An extensive 2km long copper anomaly was identified at Aranea (19km north-west of Obelisk) further highlighting the potential of Sipa's ground position.
- A 1,200 line kilometre SkyTEM airborne EM survey was completed over key prospects in June with data showing multiple untested conductivity anomalies, several of which are spatially related to the Obelisk and Aranea copper prospects. EM is believed to have played a key role in the Winu discovery.
- An innovative surface soil sampling technique being trialled by Sipa has highlighted copper anomalism extending south of the area previously drilled at Obelisk, with further sampling underway at the end of the reporting period over the greater Obelisk geophysical complex and also at Aranea.
- A 4,000m aircore and RC drilling program commenced in early September 2019 to test key targets, co-funded by a WA Government EIS grant of up to \$150,000.

### Base metals – Uganda

- Exploration activities commenced in August 2018 under the US\$59M Earn-in and Joint Venture Agreement with Rio Tinto (Sipa as manager).
- An extensive gravity survey, soil and lithochemical sampling program was completed across the project and 4,083m of diamond drilling was completed at three prospects, with assay results confirming extensions to the Akelikongo Main western body of mineralisation and delineating an emerging Eastern zone towards the base of the intrusive complex.
- Mineralisation in both zones remains open down-plunge and together with partially tested and untested geophysical anomalies, provides clear targets for follow-up exploration.

### Project generation

- New projects were secured in NW Queensland (gold) and northern WA (copper, zinc) consistent with Sipa's strategy of generating high-potential base metal and gold projects in under-explored terrains in Australia.

### Corporate

- A \$3M capital raising comprising an oversubscribed Share Purchase Plan and Share Placement was completed for exploration in the Paterson Province as well as for generative activities and working capital.
- Sipa's major shareholder, Rodiv (NSW) Pty Limited, a company controlled by prominent Sydney businessman Mr Ervin Vidor AM, increased its holding to 17.6% after investing \$1.27M in Sipa during 2019.
- A 1-for-12 share consolidation was completed, reducing the number of shares on issue to 142,276,581.



## Chairman's Letter



Sipa has long prided itself on using advanced technical analysis to secure first-mover advantage in emerging exploration hotspots. Our aim is not to follow the crowd, but rather to use our skills and expertise to seek out step-change value adding opportunities.

### Dear Shareholder,

I am pleased to report on what has been a very exciting year for Sipa Resources, with confirmation of a potentially world-class greenfields copper-gold-silver discovery right on our doorstep in the North Paterson region of Western Australia, and the commencement of a major new exploration program at the Kitgum-Pader base metals project in Uganda under a US\$59 million Joint Venture agreement with Rio Tinto.

It was this philosophy that led us to the remote Paterson Province of Western Australia in 2016. When we first farmed-in to the Paterson North Project, our Managing Director Lynda Burnett commented that the project "sits in the heart of one of the world's most exciting new exploration frontiers".

Over the past year, this statement has been well and truly vindicated, with Rio Tinto confirming a major new copper-gold-silver discovery at its Winu Project in February this year.

This discovery has made the Paterson Province a highly sought-after locale for exploration. Rio Tinto has since pegged an extraordinary 10,000km<sup>2</sup> of tenements within the Paterson Province, with additional land acquired by FMG, Newcrest and others – demonstrating that Winu represents an important find, even to one of the world's biggest mining companies.

Sipa's western tenement boundary sits just 10km east of Winu, with our Obelisk prospect demonstrating several striking similarities to Winu. Both Winu and Obelisk have a distinct polymetallic signature; both prospects are associated with quartz sulphide veins with dominant sulphides, chalcopyrite, pyrite and pyrrhotite; and vein-hosted mineralisation with multiple mineralising events identified at both locations.

These similarities provide strong confirmation of the exploration potential of Sipa's North Paterson ground.

To capitalise on this opportunity, the Company has modified its exploration program to utilise some of the key technologies that helped uncover Winu, whilst developing some of its own

Airborne electro-magnetic (AEM) surveys were a key factor in the Winu discovery, and Sipa has recently completed its own 1,200 line kilometre AEM survey. Data from this survey has indicated the presence of multiple EM targets, several of which broadly correspond with the Obelisk gravity and magnetic complex and the Aranea copper prospect. At Obelisk, the EM targets are offset from the existing drilled copper anomaly and remain completely untested.

As I write this report, Sipa has just commenced a 4,000m combined air-core and Reverse Circulation drilling program to test a series of high-priority targets developed through 3D modelling of our combined geophysical data, including EM.

This is a landmark exploration program for Sipa, and we are very much looking forward to gaining a clearer insight into the discovery opportunities within our highly-strategic landholding.

In Northern Uganda, Sipa commenced a major exploration program at the Kitgum-Pader base metals project in October 2018 under the landmark US\$59 million Earn-in and Joint Venture Agreement secured with Rio Tinto. This exploration program is being managed by Sipa on behalf of Rio Tinto.

Exploration activities have included an extensive gravity survey, soil sampling and 4,083m of diamond drilling over the Akelikongo discovery and the Goma and Lawiye Adul regional targets.

Assay results have confirmed extensions to the Akelikongo Main western body of mineralisation, as well as delineating an emerging Eastern zone towards the base of the intrusive complex, approximately 200m east of the Akelikongo Main zone. The mineralisation in both zones remain open down-plunge, providing a clear target for follow-up exploration.

Down-hole electromagnetic (DHEM) and Audio Magneto Telluric (AMT) surveys are now complete and will be used to define targets for the next round of drilling, likely to take place in the later part of 2019.

In addition to its ongoing exploration initiatives at Paterson North and Kitgum-Pader, Sipa also maintained an active project generation program, acquiring the, the Barbwire Terrace and Bohemia Zinc-Lead Projects in the Canning Basin region of Western Australia, and the Clara Gold Project in North-West Queensland.

Each of these acquisitions is consistent with Sipa's strategy of generating high-potential base metal and gold projects in under-explored terrains in Australia.

Systematic historical data reviews and geological modelling are being undertaken on these projects prior to a decision to commit funds on first-pass exploration programs.

As we look to the coming year, I am pleased to report that the Company is in a strong financial position, with \$3.9 million in cash at the end of FY2019 and a strengthened capital base following the completion of a 1-for-12 share consolidation in early FY2020.

The Company completed a strongly-supported, oversubscribed share placement and Share Purchase Plan during the 2019 Financial Year, which raised \$3 million before costs to support

our ongoing exploration initiatives. I would like to sincerely thank all shareholders who participated in this capital raising, and also welcome new shareholders to the register.

I would also like to acknowledge the strong long-term support of our major shareholder, Ervin Vidor, who invested over \$1.27 million in Sipa over the course of the year through his company Rodiv NSW Pty Ltd Pension Fund.

Sipa's robust capital base puts us in a very strong position to continue to pursue new discoveries within our Australian exploration portfolio, while our exploration activities in Uganda are fully-funded by Rio Tinto under the terms of our joint venture agreement.

The very exciting position from which we start FY2020 is thanks to the technical prowess and persistence of the small but dedicated Sipa team, led by our Managing Director, Lynda Burnett. It takes great courage to be a first-mover into new exploration frontiers, but the potential rewards are great.

I would like to sincerely thank Lynda and the team for their outstanding efforts over the course of the year.

I would also like to acknowledge you, our shareholders, for your continued support.

The coming financial year is set to be an important period for Sipa Resources as we work to unlock the compelling exploration opportunities within our tenements, and I look forward to sharing this exciting period with you all.

Yours faithfully,



**Tim Kennedy**  
Chairman



# Kitgum Pader Base Metal Project

(Nickel-Copper) – Uganda

100% owned – Rio Tinto earning 51% under JV farm-in



and plunges shallowly to the north-west for a distance of at almost 1km and remains open to the north-west.

Both Akelikongo and Akelikongo West are conduit-style intrusions that host well developed, continuous disseminated sulphide mineralisation, and lenticular to elongate bodies of semi-massive and massive sulphide adjacent to the intrusion margins and internal contacts. These observations indicate a dynamic, possibly long-lived intrusion history including multiple intrusive pulses of mafic to ultramafic magmas.

In August 2018, exploration under the terms of the US\$59M Earn-in and Joint Venture Agreement with Rio Tinto commenced. Under the terms of the agreement Rio Tinto has the right to earn up to 75% interest in the project by incurring expenditure of US\$57M and cash payments of US\$2M in three stages over the 11 year period. The program is being managed by Sipa on behalf of Rio Tinto for the first 18 months.

The Kitgum-Pader Base Metals Project is a large tenement holding prospective for intrusive hosted nickel copper sulphide deposits. Located in Northern Uganda, the 100%-owned project contains an intrusive-hosted nickel-copper sulphide discovery at Akelikongo, one of the most significant recent nickel sulphide discoveries globally, discovered by Sipa in 2015.

The project was generated by Sipa with systematic field exploration commencing in early 2013. Since that time more than 70,000 geochemical soil samples have been collected leading to the discovery of a number sulphide-derived base and precious metal prospects, the most significant being Akelikongo

The discovery is located on the north-eastern margin of the Congo super-craton and has **strong similarities to globally significant, intrusive-related magmatic nickel copper sulphide systems** such as Nova-Bollinger (14Mt @ 2.3% Ni and 0.9% Cu), Voisey’s Bay (141Mt @ 1.6% Ni and 0.8% Cu) and Raglan (30Mt @ 3.4% Ni and 0.9% Cu).

Diamond drilling at Akelikongo and nearby Akelikongo West has been ongoing since 2015 and has delineated nickel and copper sulphide mineralised intrusive bodies. At Akelikongo, the mineralisation is outcropping



# Kitgum Pader Base Metal Project (Nickel-Copper) – Uganda

continued

In the period to the end of June \$3.5m had been expended by Rio on behalf of the joint venture.

During the year the program comprised detailed ground gravity surveys, ground magnetic surveys, soil sampling, geological mapping and rock chip sampling over a number of regional nickel prospects followed by drilling of two regional targets Figure 1. In addition, further drilling and geophysics was also undertaken at and around Akelikongo.

The results from the regional work show that all the intrusions are magma conduits that display significant internal complexity.

The extensive geochemical studies on the intrusions sampled, show similar metallogenic characteristics to Akelikongo. The Akelikongo intrusions however, show a greater degree of crustal contamination and show sulphide saturation.

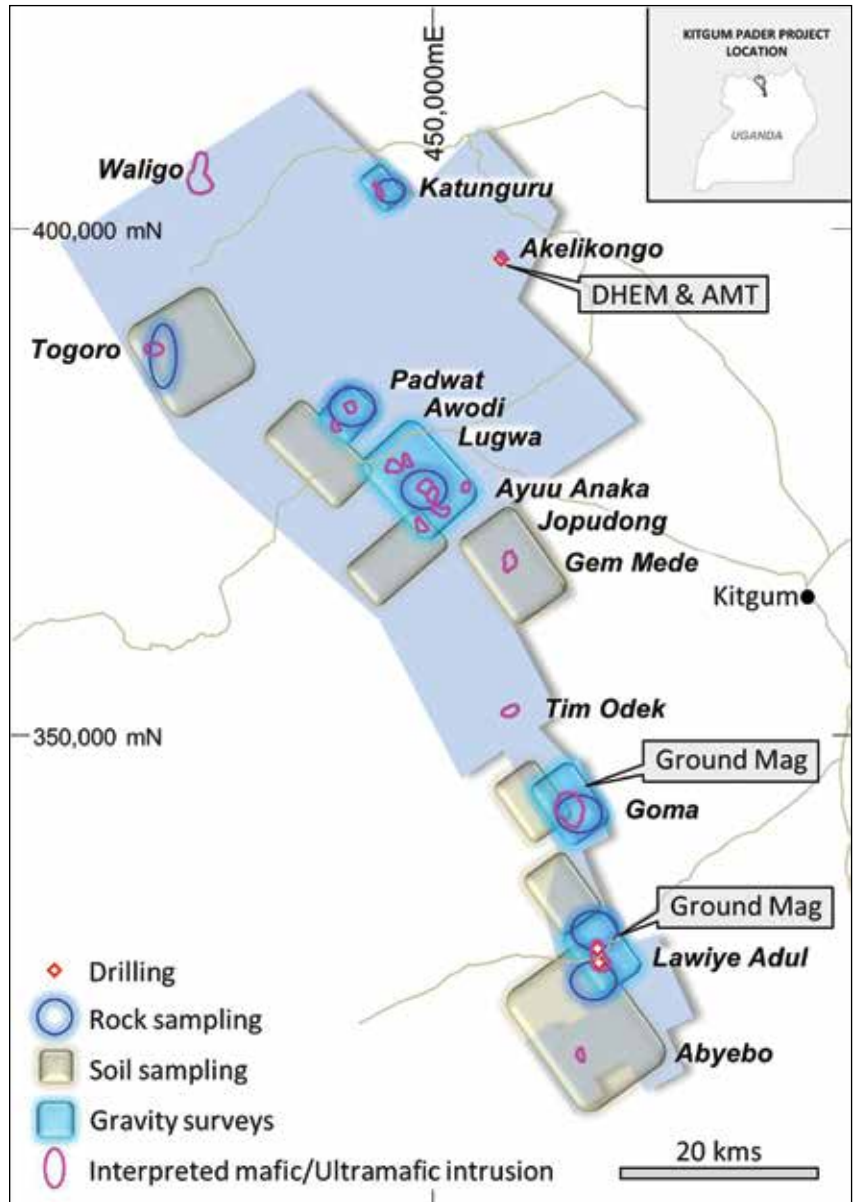


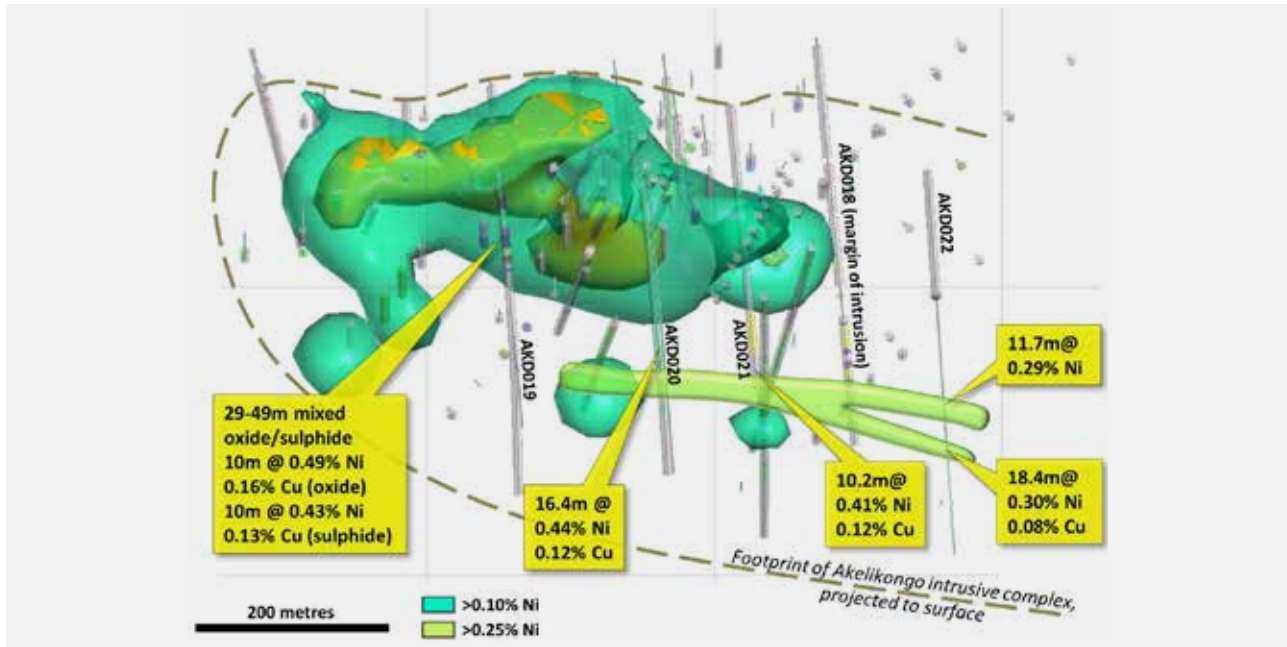
Figure 1: Tenement Location Showing Exploration Activity



# Kitgum Pader Base Metal Project

## (Nickel-Copper) – Uganda

continued



**Figure 2:** Plan of current drilling at Akelikongo, showing results from AKD018-22 and new eastern mineralised zone (schematic) shown in yellow.

The data confirm that the region is fertile and prospective for multiple economic nickel sulphide mineral deposits.

**Diamond drilling** of 10 holes was completed this year for a total of 4,083m. **5 holes were drilled at Akelikongo and 5 on regional targets at Lawyie Adul and Goma.**

At Akelikongo, assays confirm near surface extensions of the Akelikongo Main mineralisation from AKD019 and the delineation of an emerging Eastern zone towards the drilled base of the intrusive complex, ~200m of Akelikongo main intersected in holes AKD020, 021 and 22. The mineralisation in both zones remains open, and provides a clear target for follow-up exploration.

### Notable drilling results from Akelikongo include:

#### Akelikongo Main

AKD019: a mixed oxide and sulphide intercept of 10m @ 0.49% Ni and 0.16% Cu from 29m (oxide) plus 10m @ 0.43% Ni and 0.13% Cu from 39-49m and 4m @ 0.37% Ni and 0.12% Cu from 53m, extending the near-surface Main mineralised zone further east (ASX Release 1 May 2019);

#### Akelikongo Eastern Zone

AKD020: 16.4m @ 0.44% Ni, 0.12% Cu and 0.03% Co from 274.3m (ASX Release 1 May 2019);

AKD021: the mineralised zone assayed 0.41% Ni and 0.12% Cu over 10.20m from 298.70m (calculated using 0.25% Ni cut-off). An internal zone of semi-massive sulphide within this interval assayed 1.2% Ni and 0.14% Cu over 0.40m (ASX Release 20 June 2019);

AKD022: intersected two zones of disseminated, vein and semi-massive sulphide mineralisation located towards the base of the intrusion. The upper zone assayed 0.29% Ni and 0.07% Cu over 11.7m from 290.80m. The lower zone assayed 0.31% Ni and 0.08% Cu over 17.6m from 304.60m (ASX Release 20 June 2019).

The Akelikongo intrusion, including the depiction of the new eastern mineralized zone and results for the current year program as modelled using Leapfrog software are shown in Figure 2.

Further diamond drilling is now planned to follow up these results and the results of down hole EM and additional AMT surveys and will be conducted in the December quarter. The regional holes did not encounter significant sulphide.



# Paterson North

## (Copper-Gold) – Western Australia

The **Paterson North Copper-Gold Project** is located in the Paterson Province, Western Australia, one of the most highly endowed yet under-explored copper-gold mineral provinces in Australia and recently the subject of a pegging rush by companies including Rio Tinto Exploration, Fortescue Metals Group and Red Metals Limited, following the discovery by Rio Tinto of the Winu Copper-gold deposit, a very large low grade deposit covering over 2km of strike and located only 40m below the post mineral Permian and sand cover located approximately 10km to the south west of Sipa's landholding.

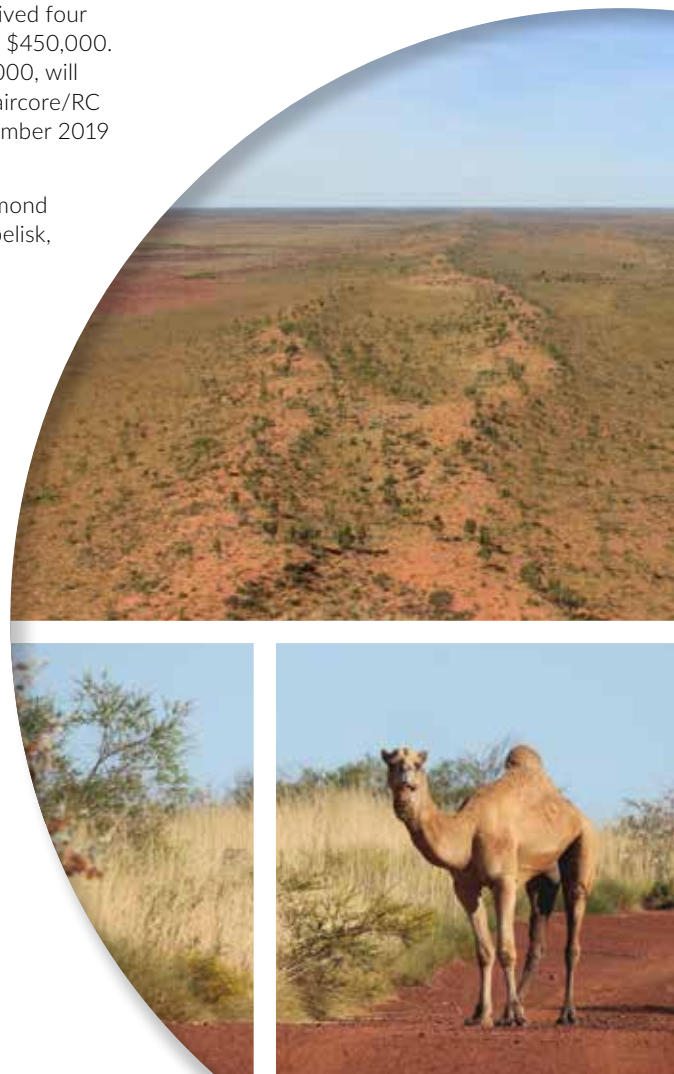
Sipa's project consists of the Great Sandy JV which hosts the Obelisk copper gold discovery, where Sipa has now earned an 87% interest under a Farm-in and JV agreement with privately owned Ming Gold Limited (Ming) diluting. Other additional tenements are held 100% by Sipa.

Since 2016, when Sipa first started exploring in the Paterson, the company has managed to lever significant funding through the Western Australian State Government Exploration Incentive Scheme which co-funds drilling initiatives aimed at making new and significant mineral discoveries for



the state. Sipa has now received four of these grants totaling over \$450,000. A fifth grant, of up to \$150,000, will be utilized in the upcoming aircore/RC drilling program in the September 2019 quarter.

During the year, further diamond drilling was completed at Obelisk, in addition to a pole-dipole IP survey, soil sampling and a regional SkyTEM 1200 line km airborne EM survey. Airborne EM was reported to be a key factor in the identification of the anomaly that Rio Tinto first drilled in late 2017 that led to the Winu copper discovery.



# Paterson North (Copper-Gold) – Western Australia

continued

A 510m diamond drill hole (PND005) was drilled to test a chargeability anomaly identified in a single line pole-dipole IP survey. The anomaly was located east of the main IP gradient anomaly which has been the subject of previous drilling and is associated with copper mineralisation Figure 3 (ASX 5 December 2018).

Figure 4 shows the chargeability section of the pole-dipole survey with drillholes. It contains two anomalous zones: a deeper, stronger chargeable zone in the north-east (about 400m below surface) with a chargeable response of 30mV/V (now drilled by PND005) and a shallower zone in the south-west (about 140m below surface) with a slightly weaker chargeable zone (21mV/V).

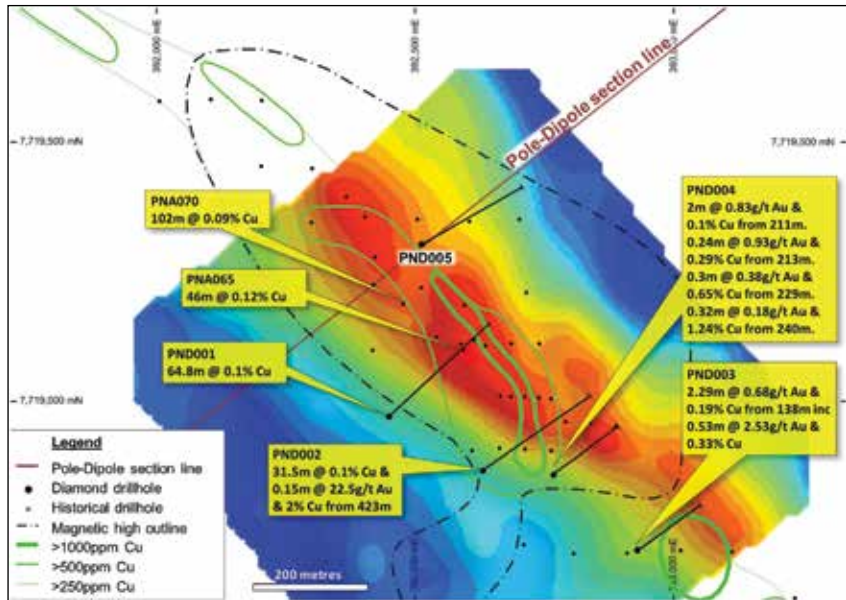


Figure 3: Chargeability section of the pole-dipole survey with drillholes.

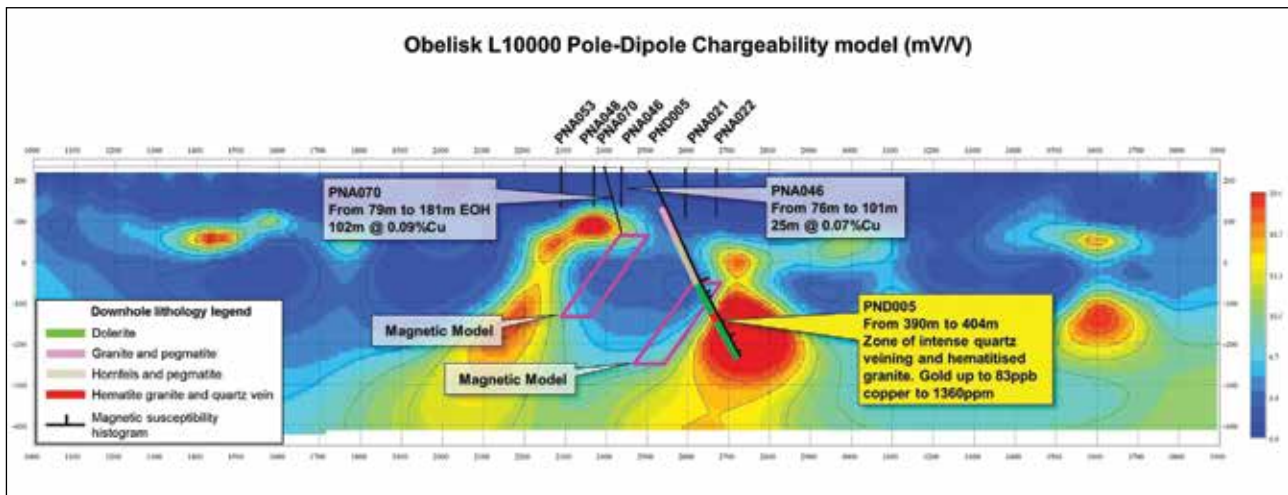


Figure 4: Pole-Dipole chargeability model section showing north-eastern deeper (about 400m below surface), stronger chargeable zone (30mV/V) drilled by PND005 and a south-western shallower (about 140m below surface) and slightly weaker chargeable zone (21mV/V).

The drillhole did not identify the source of the IP pole-dipole chargeability anomaly at Obelisk, however, the EM data collected subsequent to the drilling indicates the IP target occurs just off the drilled section and hence has not been intersected.

The hole intersected oxidised alteration which has not previously been observed at the Obelisk Prospect. The alteration is similar in style to IOCG (iron-oxide-copper-gold) systems, is structurally controlled and spatially associated with altered intrusions and quartz epidote veining, with peak assays of 84ppb gold and 1630 ppm copper from character sampling within this zone.

A zone of intensely altered granitic dykes and grey quartz veins was intersected between 390m and 404m at the edge of the IP anomaly. The red granitic dykes are locally brecciated with red granitic clasts and a dark grey quartz matrix which contains fine chalcopyrite grains adjacent to the red granitic clasts (Figure 5).

# Paterson North

## (Copper-Gold) – Western Australia

continued



**Figure 5:** Close up of a zone of intensely altered, red oxidized granitic dykes and grey quartz veins. Chalcopyrite is located in the quartz adjacent to the red dyke fragments.



This style of alteration, contrasts with the more ductile dolerite hosted mineralisation intersected in earlier drilling which is associated with biotite, quartz, pyrite, pyrrhotite and chalcopyrite.

The two distinct styles of alteration and associated mineralisation drilled so far at Obelisk suggests that Obelisk is a complex zoned system. Complexity and zonation of oxidized and reduced mineralisation is regarded as an indicator of enhanced prospectivity as change in oxidation state often leads to precipitation of mineralisation.

A 1200 line kilometre SkyTEM airborne EM survey conducted in June 2019 has resulted in further understanding and modelling of 3D geology and structure. The integration of the EM data with other geophysical data and soil geochemistry has resulted in a refocussing of the upcoming drilling program to the broader Obelisk geophysical complex.

A review of surface ionic leach sampling at Obelisk and Andromeda showed the technique is detecting anomalous metals which appear spatially related to known mineralisation beneath 70-100m of cover. Further soil sampling shows metal anomalism both north and south of the known main copper in bedrock anomaly and is the currently the subject of further research and drilling.

### Project Generation

In addition to its advancing existing active projects, Sipa continues to position itself as a greenfields project generator and discoverer. During the year the company has identified and secured first mover positions in new mineral frontiers mainly in northern Australia and are actively evaluating the best pathway to unlock the value of these new projects for our shareholders.

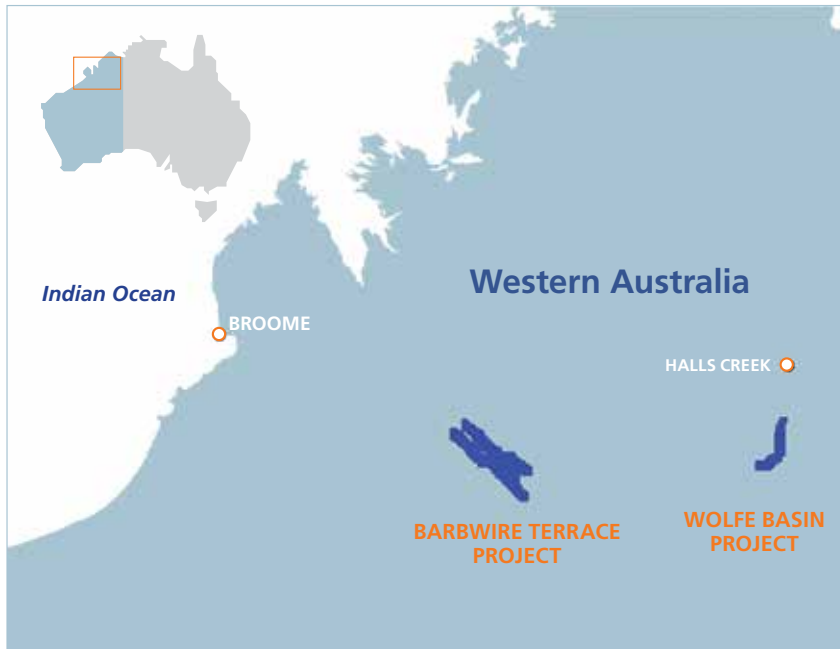
### Regional Paterson – Gold and Base Metals – Applications, 100% Sipa

The Wallal tenement covers the western faulted margin of the northern Paterson Province. The tenement is considered prospective as it represents a similar structural setting to the newly discovered Winu copper and gold deposit on the eastern faulted margin of the Waucarlycarly basin.



# Barbwire Terrace

(Zinc Lead Silver) – Applications, 100% Sipa – Western Australia



hosts mined deposits totalling +40Mt Zn-Pb. These high grade deposits when mined produced clean highly sought after quality concentrates.

The Barbwire Terrace region has only been tested by 33 mineral exploration drillholes (less than 1 drillhole per 100km<sup>2</sup>). The historical drilling results indicate broad zones of Zn\_Pb anomalism in Devonian carbonate rocks, demonstrating that MVT type Zn-Pb metals were transported south to into the Barbwire Terrace as well as the Lennard Shelf region to the north. No base metal exploration has been completed in the region for nearly 30 years.

The Barbwire project tenements cover the targeted Devonian carbonate sequences adjacent to the Fitzroy Trough which was the fluid source for the Lennard Shelf MVT deposits on the North East margin of the Trough. There are multiple lines of evidence indicating that Zn-Pb rich fluids also flowed to the carbonates of the Barbwire Terrace forming the SW margin of the Trough. Two significant NW trending fault corridors and the adjacent stratigraphy are prime target areas for mineralisation.

The Barbwire Terrace Project was generated by Sipa during the year following the recognition that the Barbwire Terrace region contains similar carbonate sequences to those of the highly mineralised Lennard Shelf, a premier global MVT zinc-lead province and in places shows anomalous zinc mineralisation as demonstrated by previous drilling.

The Lennard Shelf and the Barbwire Terrace comprise the northern and southern margins respectively of the Fitzroy Trough. The project is 100% owned by Sipa and covers some 1,900km of Barbwire Terrace within the Canning Basin (Figure 6). The Barbwire Terrace (BWT) has many similarities to the Lennard Shelf region which



The target Devonian carbonate units are overlain in the Barbwire Project by Permian and younger siltstones and sandstones. The range of depth to target stratigraphy based on existing drilling ranges from 85m to ~480m with a mean of 250m. This is significantly shallower than the +1200m overlying the 170Mt Admiral Bay Zn-Pb deposit 270km to the west of Barbwire in the Canning Basin.

Synthesis of high-quality datasets generated for petroleum exploration (airborne gravity data, seismic reflection surveys, petroleum wells) presents an opportunity for detailed definition of geology and targeting of mineralisation, which was not previously available.

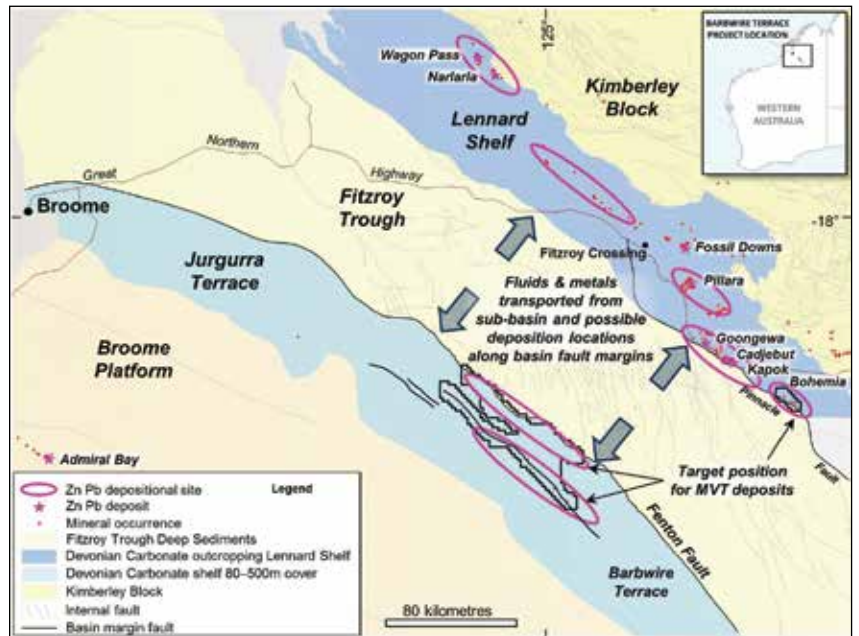


Figure 6: Location and Geology of Devonian Carbonate hosted zinc-lead mineralisation, Lennard Shelf deposits with prospective tenements on the Barbwire Terrace.

## Wolfe Basin

(Sediment hosted Copper) – New Application, 100% Sipa – Western Australia

The Wolfe Basin tenement application covers 500km<sup>2</sup> located on the western margin of the Neoproterozoic Wolfe Basin of Western Australia.

It is located about 80km south of Halls Creek, to the east of the East Kimberley Mobile Zone. The Wolfe Basin is of analogous age and contains the same super sequence cycle at the base to the highly mineralised Yeneena Basin, which hosts the Nifty Cu deposit and numerous other sediment-hosted Cu deposits and occurrences. Anomalous mineralisation at the base of the targeted Eliot Range Dolomite has been previously discovered about 30-80km north of Wolfe Basin.

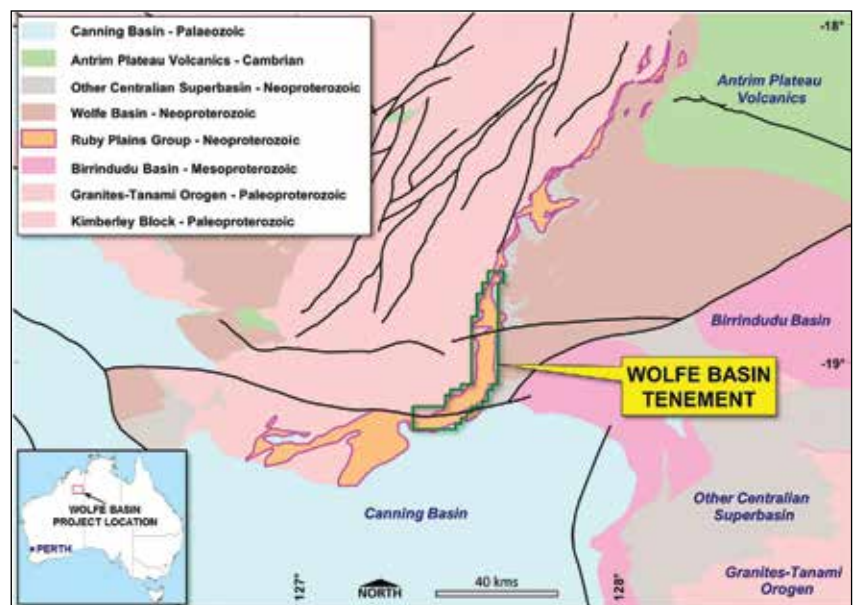
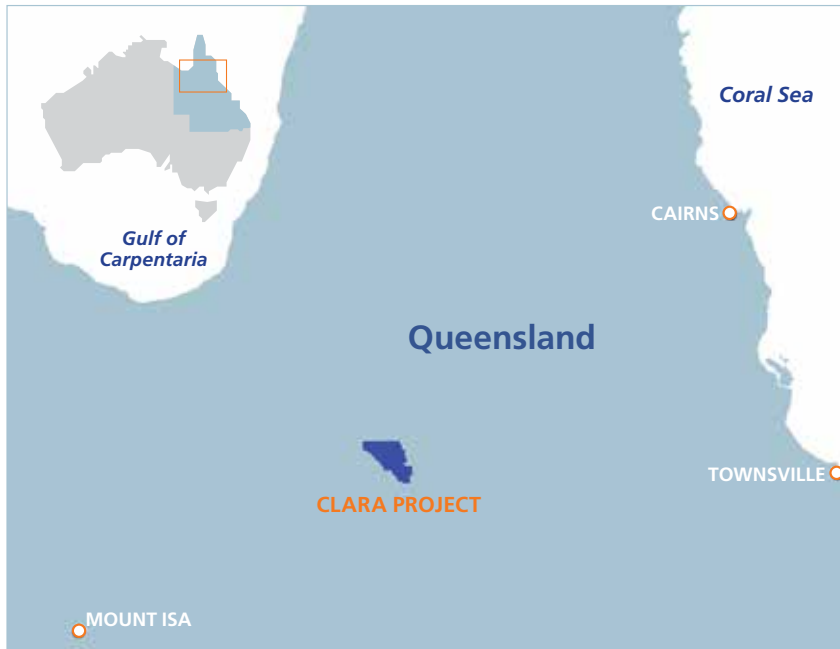


Figure 7: Location of Wolfe Basin tenement and prospective dolomite stratigraphy.

# Clara Project

(Gold and Base Metals) – Applications, 100% Sipa – Queensland



Croydon Volcanics. The mid-1550Ma age and geological setting is similar to the Hilltaba suite granites and felsic volcanics in South Australia, which are interpreted to have formed in an intra-cratonic setting and are hosts to large mineral deposits including Olympic Dam.

In recent months, an area further north along the same structure was drilled by ASX-listed company Moho Resources, returning widespread alteration and gold anomalism including an intercept of 10m at just over 1g/t in Mid Proterozoic bedrock (see Moho Resources ASX announcement 7 Feb 2019).

The project tenements have previously been subject to minimal exploration.

Sipa intends to trial its experimental in field fine fraction soil sampling program and review recent regional airborne EM lines over this land-holding to determine prospectivity in the coming months following the grant of the tenements.

The Clara Project, located in the Croydon Province of North-West Queensland covers a total area of 995km<sup>2</sup>, and was generated following a review of prospectivity and exploration activity in the region.

The land-holding contains over 60 kilometres of strike of a deep crustal structure detectable from gravity data and also interpreted from recent Government seismic data that runs across the terrain just to the north of Sipa’s tenements (Figure 8).

The Croydon Province has a history of discovery of gold and polymetallic deposits with historical mining dating back to 1885 and more recent shallow open pit mining in the 1980s. In recent years base metal mineralisation and graphite has also been discovered in exploration drilling in the district.

The Province consists of Proterozoic Esmeralda Supersuite granites, dated around 1550Ma, and the coeval felsic

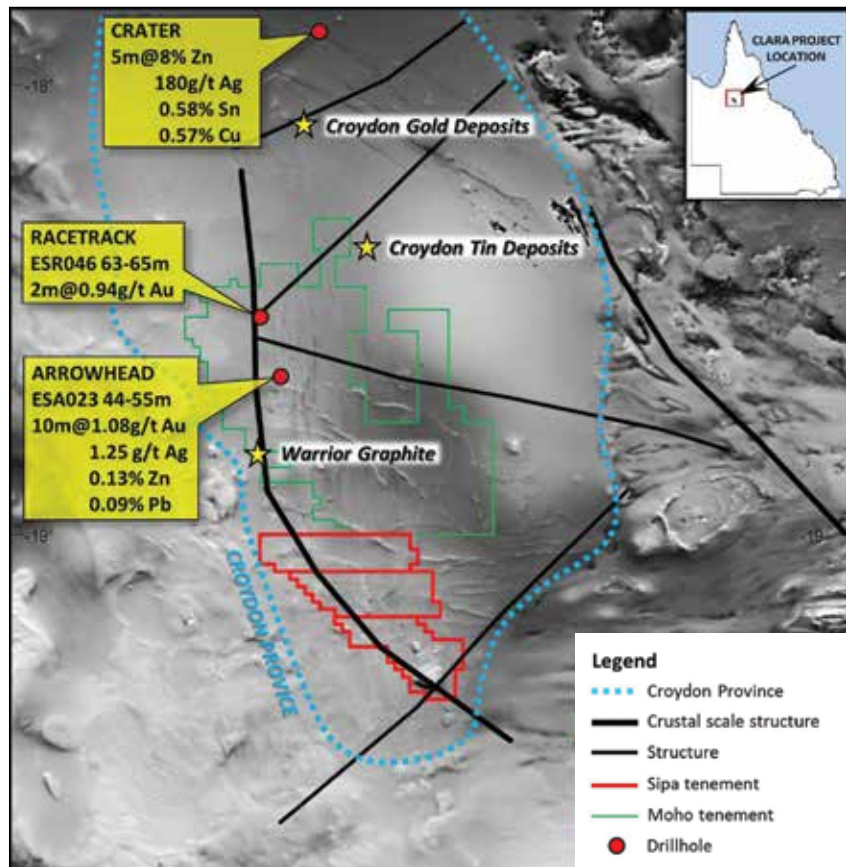


Figure 8: Location of Clara tenements and known prospects in the Croydon Province

## Social Responsibility

Sipa's long-term success depends on our ability to build relationships with our employees, business partners, governments, non-government organisations, host communities and other stakeholders.

Our good reputation with the community is paramount and Sipa remains very proud of our record of co-operation with the traditional owners of lands under exploration both in Australia and Uganda. Our greenfields programs are regional by nature and as such we aim to provide casual employment where possible to local people in the areas in which we work.

Our work in the Lamwo and Pader districts in northern Uganda has historically consisted of soil sampling using local labour. This year we were also able to use local labour to support our extensive ground geophysics, mapping and rock chip sampling.

We remain committed to the training and development of employees to improve the skill base of these employees.

In Uganda, Sipa's involvement with the Days for Girls program continues to deliver results for the district by improving female attendance at school.

Since early 2015 Sipa has visited over 49 schools in the Lamwo and Pader districts and distributed over 4200 re-usable sanitary protection kits. The Days for Girls Program aims to keep girls in school post puberty which is the time when school participation by girls drops drastically. This is achieved through classroom education and distribution of re-usable sanitary protection. The regional district education officers have voiced their sincere appreciation to Sipa for assisting the girls stay in school and give them a chance to break the cycle of poverty.

In addition this year a number of mother and baby educational workshops were held in Kitgum and in the field reaching over 100 mothers who were very appreciative.

A new program developed during the year involves the repair of dysfunctional water bores. This is being undertaken in collaboration with the District Water Office with three bores repaired at the Ngomoromo health centre and Lorunya and Orii primary schools and a further 6 in the planning stage in the Pader district.



## Competent Person Statement

The information in this report that relates to Exploration Results was previously reported in the ASX announcements dated 20 June 2019, 1 May 2019, and 5 December 2018. The Company is not aware of any new information or data that materially affects the information included in that relevant market announcement.

## Board of Directors



**Tim Kennedy**  
CHAIRMAN



**Lynda Margaret Burnett**  
MANAGING DIRECTOR

### Tim Kennedy

Chairman 28 August 2018 to present; Independent Non-Executive Director (Appointed 13 December 2016)

#### Qualifications

B.App Sc (Geology), MBA,  
MAusIMM, MGSA

Mr Kennedy is a geologist with a successful 30-year career in the mining industry, including extensive involvement in the exploration, feasibility and development of gold, nickel, platinum group elements, base metals and uranium projects throughout Australia. Previously he was exploration manager with Independence Group NL (IGO) for 11 years, during which it grew from being a junior explorer and producer to a multi-commodity, multi-operation mining company. In particular Mr Kennedy played a key role as part of the team that represented IGO on the exploration steering committee during the multi-million ounce Tropicana, Havana and Boston Shaker discoveries, the discovery of the Rosie magmatic nickel sulphide deposit; and the discovery of the Bibra orogenic gold deposit.

Prior to that Mr Kennedy held a number of senior positions with global miner Anglo American, including as Exploration manager - Australia, Principal Geologist/Team Leader - Australia and Principal Geologist. He also held positions with Resolute Limited, Hunter Resources Limited and PNC Exploration Pty Ltd.

During the past three years Mr Kennedy has also served as a director of Millennium Minerals Limited (director since 2 May 2016) and Helix Resources Limited (director since 16 February 2018).

Mr Kennedy is a member of the Nomination and Compensation Committee since 25 September 2018.

Mr Kennedy has an interest in 249,863 fully paid ordinary shares and nil options.

### 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 worked for a number of mining and exploration companies including, Normandy, Newcrest and Plutonic Resources and as an executive director of Summit Resources Ltd. Lynda is currently the Chair of 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.

Mrs Burnett has an interest in 457,571 fully paid ordinary shares and 648,000 options. Options were issued pursuant to the Sipa Resources Employee Share Option Plan. Further details are found in Note 15.





**Craig Ian McGown**  
NON-EXECUTIVE DIRECTOR



**Karen Lesley Field**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR



**Tara Robson**  
COMPANY SECRETARY

### **Craig Ian McGown**

**Non-Executive Director (11 March 2015 – present); (Chairman 11 March 2015- 28 August 2018)**

#### **Qualifications**

BComm, FCA, ASIA

Mr McGown is an investment banker with over 40 years of experience consulting to companies in Australia and internationally, particularly in relation to fund raising and mergers and acquisitions in the natural resources sector. He holds a Bachelor of Commerce degree, was admitted as a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia in 1984. Mr McGown has been an executive director of the corporate advisory business New Holland Capital Pty Ltd (New Holland) since 2008 and prior to that appointment was the chairman of DJ Carmichael Pty Limited.

During the past three years Mr McGown has also served as the Non-Executive Chairman for Pioneer Resources Limited (13 June 2008 – present), a Non-Executive Director of QMetco Limited (formerly Realm Resources Limited (31 May 2018 – present) and is the Chairman of the Harry Perkins Institute for Respiratory Health.

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

Mr McGown has an interest in 374,239 fully paid ordinary shares and nil options.

### **Karen Lesley Field**

**Independent Non-Executive Director (Appointed 16 September 2004)**

#### **Qualifications**

BEC, (UWA) FAICD

Mrs Field has over three decades of experience in the mining industry throughout Australia and overseas specializing in strategy, project management and human resources before moving into general management roles. Mrs Field's last executive position was as President of Minera Alumbrera, the Argentine based management company established to develop and operate the Bajo de Alumbrera Copper/ Gold project located in the north western region of Argentina. Prior to that Mrs Field held executive positions in a range of mining organisations including MIM Holdings Limited, Normandy Mining Limited, Australian Consolidated Minerals Limited (Mt Keith Joint Venture), Bond Gold Australia and Robe River Iron Associates.

On returning to Australia from Argentina, Mrs Field assumed a professional directorship role and over nearly two decades has served as a non-executive director on a variety of company boards including MACA Limited, Perilya Limited, Water Corporation (Deputy Chair), Sungrid Limited, Electricity Networks Corporation (Western Power) and the CRC for Sustainable Resource Processing.

In addition Mrs Field has served on the boards of a number of community based organisations and is currently the Chair of the Perth College Foundation Inc (as part of Perth College Anglican School for Girls) and Committee Member of UWA's Centenary Trust for Women.

During the past three years Mrs Field has also served as a director of Aurizon Holdings Limited (Director from 19 April 2012 – 18 October 2018)

Mrs Field is also Chair of the Nomination and Compensation Committee.

Mrs Field has an interest in 374,238 fully paid ordinary shares and nil options.

### **COMPANY SECRETARY**

The company secretary is Ms Tara Robson, FGIA, 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.

# Financial Report

for the year ended 30 June 2019



## Contents

17	Directors' Report
22	Remuneration Report (Audited)
28	Auditor's Independence Declaration
29	Consolidated Statement of Comprehensive Income
30	Consolidated Statement of Financial Position
31	Consolidated Statement of Cash Flows
32	Consolidated Statement of Changes in Equity
33	Notes to the Financial Statements
57	Directors' Declaration
58	Independent Auditor's Report

# Directors' Report

for the year ended 30 June 2019

Your Directors submit their report on the consolidated entity consisting of Sipa Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019. Throughout the report, the consolidated entity is referred to as the group.

## 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 including details of director's share and option holdings are as follows. Directors were in office for this entire period unless otherwise stated.

### **Tim Kennedy, B.App Sc (Geology), MBA, MAusIMM, MGSA – Independent Non-Executive Director (Appointed 13 December 2016); (Chairman 28 August 2018 to present)**

Mr Kennedy is a geologist with a successful 30-year career in the mining industry, including extensive involvement in the exploration, feasibility and development of gold, nickel, platinum group elements, base metals and uranium projects throughout Australia. Previously he was exploration manager with Independence Group NL (IGO) for 11 years, during which it grew from being a junior explorer and producer to a multi-commodity, multi-operation mining company. In particular, Mr Kennedy played a key role as part of the team that represented IGO on the exploration steering committee during the multi-million ounce Tropicana, Havana and Boston Shaker discoveries, the discovery of the Rosie magmatic nickel sulphide deposit; and the discovery of the Bibra orogenic gold deposit.

Prior to that Mr Kennedy held a number of senior positions with global miner Anglo American, including as Exploration manager - Australia, Principal Geologist/Team Leader - Australia and Principal Geologist. He also held positions with Resolute Limited, Hunter Resources Limited and PNC Exploration Pty Ltd.

During the past three years Mr Kennedy has also served as a director of Millennium Minerals Limited (director since 2 May 2016) and Helix Resources Limited (director since 16 February 2018).

Mr Kennedy is a member of the Nomination and Compensation Committee since 25 September 2018.

Mr Kennedy has an interest in 249,863 fully paid ordinary shares and nil options.

### **Craig Ian McGown, BComm, FCA, ASIA – Non-Executive Director (11 March 2015 – present); (Chairman 11 March 2015- 28 August 2018)**

Mr McGown is an investment banker with over 40 years of experience consulting to companies in Australia and internationally, particularly in relation to fund raising and mergers and acquisitions in the natural resources sector. He holds a Bachelor of Commerce degree, was admitted as a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia in 1984. Mr McGown has been an executive director of the corporate advisory business New Holland Capital Pty Ltd (New Holland) since 2008 and prior to that appointment was the chairman of DJ Carmichael Pty Limited.

During the past three years Mr McGown has also served as the Non-Executive Chairman for Pioneer Resources Limited (13 June 2008 – present), a Non-Executive Director of QMetco Limited (formerly Realm Resources Limited (31 May 2018 – present) and is the Chairman of the Harry Perkins Institute for Respiratory Health.

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

Mr McGown has an interest in 374,239 fully paid ordinary shares and nil options.

### **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 worked for a number of mining and exploration companies including, Normandy, Newcrest and Plutonic Resources and as an executive director of Summit Resources Ltd. Lynda is currently the Chair of 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.

Mrs Burnett has an interest in 457,571 fully paid ordinary shares and 648,000 options. Options were issued pursuant to the Sipa Resources Employee Share Option Plan. Further details are found in Note 16.

# Directors' Report

for the year ended 30 June 2019

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

Mrs Field has over three decades of experience in the mining industry throughout Australia and overseas specializing in strategy, project management and human resources before moving into general management roles. Mrs Field's last executive position was as President of Minera Alumbrera, the Argentine based management company established to develop and operate the Bajo de Alumbrera Copper/Gold project located in the north western region of Argentina. Prior to that Mrs Field held executive positions in a range of mining organisations including MIM Holdings Limited, Normandy Mining Limited, Australian Consolidated Minerals Limited (Mt Keith Joint Venture), Bond Gold Australia and Robe River Iron Associates.

On returning to Australia from Argentina, Mrs Field assumed a professional directorship role and over nearly two decades has served as a NED on a variety of company boards including MACA Limited, Perilya Limited, Water Corporation (Deputy Chair), Sungrid Limited, Electricity Networks Corporation (Western Power) and the CRC for Sustainable Resource Processing.

In addition Mrs Field has served on the boards of a number of community based organisations and is currently the Chair of the Perth College Foundation Inc (as part of Perth College Anglican School for Girls) and Committee Member of UWA's Centenary Trust for Women.

During the past three years Mrs Field has also served as a director of Aurizon Holdings Limited (Director from 19 April 2012 – 18 October 2018).

Mrs Field is also Chair of the Nomination and Compensation Committee.

Mrs Field has an interest in 374,238 fully paid ordinary shares and nil options.

## COMPANY SECRETARY

The company secretary is Ms Tara Robson, FGIA, 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.

## Directors' Attendance at Meetings

	Eligible to Attend	Directors' Meetings	Nomination and Compensation Committee
Number of meetings held		11	4
Number of meetings attended			
T Kennedy	11	11	4
C McGown	11	11	4
L Burnett	11	11	N/A
K Field	11	11	4

## PRINCIPAL ACTIVITIES

Sipa is an Australian-based exploration company targeting the discovery of significant new gold-copper and base metal deposits in established and emerging mineral provinces with world-class potential. The principal exploration activities of the Group during the period were focused on the Kitgum Pader Base Metals Project in Northern Uganda in Joint Venture with Rio Tinto Mining & Exploration, the Paterson North Copper-Gold Project in Western Australia and other generative activities. There were no changes to those activities during the year.

## DIVIDENDS

No dividend has been paid or declared by the Group in respect of the financial year ended 30 June 2019 (30 June 2018: nil) and the directors do not recommend the payment of a dividend in respect of the financial year.

## REVIEW OF OPERATIONS

The consolidated entity's loss after tax for the financial year ended 30 June 2019 was \$2,833,062 (2018: Loss \$3,075,066).

## Continuing Operations

		Consolidated	
		2019 \$	2018 \$
Finance income	3	42,753	34,596
Revenue	3	353,471	-
Other income	3	243,947	364,744
Exploration expenditure	3	(2,105,351)	(2,155,153)
Administrative expenses		(1,367,882)	(1,319,253)
<b>Net loss for the year</b>		<b>(2,833,062)</b>	<b>(3,075,066)</b>
Exchange differences arising on translation of foreign operations		5,709	143
<b>Total comprehensive loss for the year</b>		<b>(2,827,353)</b>	<b>(3,074,923)</b>

At 30 June 2019 the Group's cash and cash equivalents balance was \$3,911,912 and there was no debt.

## 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:

In May 2018 Sipa announced a Landmark Earn-in and Joint Venture Agreement (JVA) with Rio Tinto Mining & Exploration Limited (Rio Tinto) to acquire an interest in Sipa's Kitgum Pader Base Metals Project (the Project). The JVA became effective 8 August 2018 with Sipa operating the Project for the first 18 months.

Under the terms of the agreement, Rio Tinto has the option to earn up to a 75% interest in the project by incurring US\$57M of exploration expenditure in the following stages and amounts:

- US\$12M of exploration expenditure within 5 years including a minimum commitment of US\$2.0M to earn 51% (Stage 1);
- Additional US\$15M of exploration expenditure within a further 3-year period to earn a 65% interest (Stage 2); and
- Additional US\$30M of exploration expenditure or declaration of a JORC resource containing at least 250,000 tonnes of contained nickel or nickel equivalents within a further 3-year period to earn a 75% interest (Stage 3).

In addition Rio Tinto will make cash payments totalling US\$2M to Sipa as follows:

- US\$0.25M (received in June 2018);
- US\$0.25M due in February 2020 and
- US\$1.5M if it elects to start Stage 2 (earn-in to 65%).

During the period Rio Tinto contributed funds in advance of \$4,212,789 to Sipa as part of their initial contribution and satisfied their minimum commitment. As at 30 June 2019, \$323,031 is held as restricted cash being monies received in advance from Rio Tinto and restricted for use on the Kitgum-Pader project (See Notes 5 and 13).

On 13 November 2018 Sipa issued 165,439,718 Shares at \$0.0091 per share to raise proceeds of \$1,505,500 pursuant to a Share Purchase Plan (SPP). The SPP was underwritten by Patersons Securities Limited (Patersons) but they received no shortfall. Later that month Patersons exercised their right under the terms of the underwriting agreement to facilitate a placement of a further 166,835,170 Shares at the same issue price of \$0.0091 per Share to the investors. Together the SPP and the Placement raised a combined total of \$3,023,701.

On 11 February 2019, the Company issued 52,400,000 Shares at an issue price of \$0.0086 per Share to its major shareholder, Rodiv (NSW) Pty Limited (Rodiv) to raise \$450,640.

On 2 May 2019, the Company issued a further 122,000,000 Shares at an issue price of \$0.00672 per Share to Rodiv to raise \$819,840

The funds raised from all placements are being used to pursue the Company's copper exploration campaign in the Paterson Province of WA's Pilbara, as well as for generative activities and general working capital purposes.

# Directors' Report

for the year ended 30 June 2019

## 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 as follows:

On 23 July 2019 shareholders of the Company approved the consolidation of the Company's issued capital by consolidating (ie converting) every 12 existing Shares into one New Share (Consolidation). As a result the issued capital of the Company is as follows:

	Pre Consolidation	Post Consolidation
Shares	1,707,295,911	142,276,581
Options (expiring 31 Aug 2021)	4,659,000 exercise price \$0.11	388,250 exercise price \$1.32
Options (expiring 18 Dec 2021)	12,090,000 exercise price \$0.06	1,007,501 exercise price \$0.72

At the same meeting shareholders also approved 3 resolutions relating to the ratification of the three placements during the year. The effect of the ratification is to restore the Company's maximum discretionary power to issue further Shares up to 15% of the issued capital of the Company without requiring Shareholder approval (Listing Rule 7.1) and to restore the Company's maximum discretionary power to issue further Shares up to 10% of the issued capital of the Company without requiring Shareholder approval (Listing Rule 7.1A).

## FUTURE DEVELOPMENTS

The Company's 2019 exploration field season is now well underway at the Paterson North Copper Gold Project in WA with a 4,000m combined air-core / RC (Reverse Circulation) drilling program which commenced subsequent to year end. The drill targets incorporate data acquired from the 1,200 line kilometre SkyTEM airborne EM survey completed in June over priority areas of the project. The drilling program will test newly identified conductivity features, which are spatially related to the Obelisk geophysical complex and copper prospect and the Aranea copper prospect, as well as number of surface soil copper anomalies extending south and north-east of the area previously drilled at Obelisk.

Exploration work is continuing under the Farm-in and Joint Venture Agreement with Rio Tinto, over the Company's Kitgum Pader Base Metals Project located in Northern Uganda. Exploration is being managed by Sipa on behalf of its joint venture partner, Rio Tinto, which is currently earning a 51% interest in the project. Down-hole EM and Audio Magneto Telluric surveys were completed subsequent to year end. The aim of the surveys is to further drill targeting of down plunge mineralisation at Akelikongo. Review of regional geological, geochemical and geophysical programs is continuing.

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.

## SHARE OPTIONS

### Unissued shares

As at the date of this report, there were 1,395,751 (16,749,000 pre-consolidation) unissued ordinary shares under options (16,749,000 pre-consolidation 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 nil fully paid ordinary shares issued pursuant to the exercise of listed options during the year and nil since the end of the financial year.

### INDEMNIFICATION OF OFFICERS AND DIRECTORS

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, PwC, 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 PwC during or since the financial year.

### AUDITOR INDEPENDENCE

We have obtained an independence declaration from our auditors PwC. The Auditor's Independence Declaration forms part of this report and is set out on page 28.

### NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (PwC Australia) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied, and accordingly have resolved, that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2019 \$	2018 \$
<b>PwC Australia</b>		
Audit and review of financial statements	52,200	42,000
Other assurance services	10,200	-
Taxation services	-	-
	62,400	42,000
<b>Other firms</b>		
Audit and review of financial statements	9,979	6,754
	9,979	6,754
<b>Total Auditors' remuneration</b>	<b>72,379</b>	<b>48,945</b>

# Remuneration Report (Audited)

for the year ended 30 June 2019

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
T Kennedy	Non-Executive Chairman since 28 August 2018	Full financial year
L Burnett	Managing Director	Full financial year
K Field	Non-Executive Director	Full financial year
C McGown	Non-Executive Director (Chairman until 28 August 2018)	Full financial year
T Robson	Chief Financial Officer and Company Secretary	Full financial year

## Overview of the approach to Executive Remuneration

The Board has determined that remuneration at Sipa should achieve the following objectives:

- 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.

### Fixed Remuneration

Benchmarking of the Fixed Remuneration component of Executive salaries was conducted during the period by comparing against a custom peer group of similar size (by market capitalisation), and ASX-listed mineral exploration companies with overseas projects at a similar stage, 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 of employees 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. The review conducted during the current year did not result in an increase to fixed remuneration.

### Long Term Incentive Plan

Historically, Long Term Incentive (LTI) grants are 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. There were no long term incentives issued during the current year, or the year ended 30 June 2018, as the Board has determined the LTI grants currently issued are sufficient. There were however long term incentives that were issued in 2017 and continue to be expensed during the vesting period.

The LTI grants are delivered through participation in the Sipa Resources Employee Share Option Plan (ESOP), as approved by shareholders at the Annual General Meeting held 15 November 2018. The number of the options granted under the plan is calculated with reference to a set percentage of Base Salary with Executives' performance assessed against pre-determined performance hurdles and the value of each proposed LTI grant using appropriate valuation methods. 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, corporate and social responsibility targets, 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 historically has been 75% for the Managing Director and 30-50% for other participating personnel. Performance hurdles are measured at the end of the financial year in which the incentives were granted 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. There were no additional grants made during the current period, or the year ended 30 June 2018.

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.

At the Annual General Meeting in November 2018, the Company received 89.27% of the total voted shares in favour of the Remuneration Report.

### 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 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 \$168,716 of the pool was utilised.

No performance based fees are paid to Non-Executive Directors, nor are Non-Executive Directors entitled to participate in the Sipa Resources 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.

<b>Base fees (inclusive of Superannuation)</b>	<b>From 1 July 2018 to 30 June 2019</b>	<b>From 1 July 2019</b>
Chair	76,650	76,650
Non-Executive Director	43,800	47,500

The compensation of Non-executive Directors for the period ending 30 June 2019 is detailed in Table 1 of this report.

### Remuneration of KMP for the year ended 30 June 2019 and 30 June 2018

The remuneration earned by KMP during the year is set out below in Table 1.

### Performance against LTI measures year ended 30 June 2019 and 30 June 2018

There were no LTI's issued during the year, or the year ended 30 June 2018 as the Board considered the quantum of unvested LTIs on issue was sufficient in the current circumstances. Those remaining LTI's on issue relate to previous periods and as such no performance measures were undertaken during the current year.

# Remuneration Report (Audited)

for the year ended 30 June 2019

The following information is provided with respect to LTI's issued in previous periods for which expense has been incurred in the current period as the LTI's are still vesting.

	<b>Burnett</b>	<b>Robson</b>	<b>Burnett</b>	<b>Robson</b>
Grant Date	1 September 2016	1 September 2016	17 November 2016	19 December 2016
Base Salary at grant date	\$300,000	\$188,000	\$300,000	\$188,000
Percentage of Base Salary	75%	50%	75%	50%
LTI Base Pool	\$225,000	\$94,000	\$225,000	\$94,000
Option exercise price	\$0.11	\$0.11	\$0.06	\$0.06
Fair value of each Option at grant date – market conditions	–	–	\$0.0074	\$0.005
Fair value of each Option at grant date – non-market performance conditions	\$0.035	\$0.0091	\$0.0104	\$0.0089
Maximum number of Options	6,300,000	2,080,000	11,700,000	4,900,000
Percentage achieved against strategic objectives	25%	75%	53%	53%
Number of LTI's allocated	1,575,000 <sup>(2)</sup>	1,560,000 <sup>(2)</sup>	6,201,000 <sup>(1)</sup>	2,597,000 <sup>(1)</sup>

(1) Allocated describes the LTI's earned for the year ended 30 June 2017. They are not exercisable until 19 December 2019 and expire 18 December 2021.

(2) LTI's granted during the year ended 30 June 2017 but related to KPIs achieved in the prior year. They are not exercisable until 1 September 2019 and expire 31 August 2021.

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.

<b>As at 30 June</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Share price (cents per share)	\$0.007	\$0.010	\$0.011	\$0.019	\$0.069
Net loss per year ended	\$2,833,062	\$3,075,066	\$3,905,791	\$4,597,538	\$3,526,807

**Remuneration of KMP for the year ended 30 June 2019 and 30 June 2018 (Table 1)**

Name		Short-term	Post-	Other	Share-	Total	% Performance Related	% Options
		benefits	employment	long-term	based			
		Cash Salary and Fees	Super-annuation	Long Service Leave	Options			
<b>Non-executive directors</b>								
T Kennedy	2019	69,078	6,562	-	-	75,640	0%	0%
	2018 <sup>(1)</sup>	60,667	5,763	-	-	66,430	0%	0%
C McGown	2019	45,000	4,275	-	-	49,275	0%	0%
	2018 <sup>(1)</sup>	68,333	6,492	-	-	74,825	0%	0%
K Field	2019	40,000	3,800	-	-	43,800	0%	0%
	2018 <sup>(1)</sup>	36,667	3,483	-	-	40,150	0%	0%
P Kiley (Resigned 16 November 2017)	2019	-	-	-	-	-	0%	0%
	2018	15,000	1,425	-	-	16,425	0%	0%
<b>Executive director</b>								
L Burnett	2019	306,005	29,070	7,654	27,464	370,193	7.4%	7.4%
	2018	306,000	29,070	14,284	42,804	392,158	10.9%	5.7%
<b>Other KMP</b>								
T Robson	2019	191,760	18,217	2,994	14,028	226,999	6.2%	6.2%
	2018	191,760	18,217	7,188	14,561	231,726	6.3%	3.4%
<b>Totals</b>	<b>2019</b>	<b>651,838</b>	<b>61,924</b>	<b>10,648</b>	<b>41,492</b>	<b>765,902</b>		
	<b>2018</b>	<b>678,427</b>	<b>64,450</b>	<b>21,472</b>	<b>57,365</b>	<b>821,714</b>		

(1) The Non-Executive Directors resolved to voluntarily and temporarily reduce their fees by 25% in response to market conditions for the period 1 March 2018-30 June 2018.

**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 2018 AGM for the purposes of Listing Rule 7.1.

No Options were allocated to KMP during the period (2018: NIL). No Options were forfeited during the year for not achieving maximum key performance indicators. (2018: 7,802,000). No options vested or expired during the period. There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

**Shares issued on exercise of options**

There were no shares issued on exercise of remuneration options during the financial year ended 30 June 2019.

**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 [www.sipa.com.au](http://www.sipa.com.au).

**Service Agreements with executive KMPs**

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.

# Remuneration Report (Audited)

for the year ended 30 June 2019

## L M Burnett, Managing Director

- Term of agreement is continuing.
- Base salary of \$306,000 and \$29,070 superannuation per annum based on a comparative industry review conducted during the period in conjunction with the annual performance review.
- 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

- Term of agreement is continuing and is based on 0.8 of a full time equivalent employee.
- Base salary of \$191,760 and \$18,217 superannuation per annum for 0.8 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

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. Subsequent to year end, shareholders approved the consolidation of the Company's issued capital by consolidating (ie converting) every 12 existing Shares into one New Share. The amounts below are pre-consolidation.

2019	Balance at the start of the year	Received during the year on exercise of options	Acquisition pursuant to SPP <sup>^</sup>	Net Other Change	Balance at the end of the year
<b>Directors</b>					
C McGown	2,842,500	-	1,648,352	-	4,490,852
K Field	2,842,500	-	1,648,352	-	4,490,852
L Burnett	3,842,500	-	1,648,352	-	5,490,852
T Kennedy	1,350,000	-	1,648,352	-	2,998,352
<b>KMP</b>					
T Robson	3,096,118	-	-	-	3,096,118

<sup>^</sup> Relates to shares purchased by Directors at fair value through the Share Purchase Plan issued on 13 November 2018 in their capacity as shareholders.

### Option holdings of KMP

Subsequent to year end, shareholders approved the consolidation of the Company's issued capital by consolidating (ie converting) every 12 existing Shares into one New Share. The amounts below are pre-consolidation.

2018	Balance at start of the year	Granted as remuneration	Options exercised	Lapsed/cancelled without exercise	Balance at the end of the year	Vested (Exercisable)	Unvested (Non-exercisable)
<b>Directors</b>							
C McGown	-	-	-	-	-	-	-
L Burnett	7,776,000	-	-	-	7,776,000	-	7,776,000
K Field	-	-	-	-	-	-	-
T Kennedy	-	-	-	-	-	-	-
P Kiley	-	-	-	-	-	-	-
<b>KMP</b>							
T Robson	4,157,000	-	-	-	4,157,000	-	4,157,000

### Other transactions with KMP

No transactions occurred between the Company and key management personnel during the year, aside from that disclosed in the remuneration of key management personnel above (2018: nil).

*This is the end of the Remuneration Report*

Signed in accordance with a resolution of the directors.



L M Burnett  
**Managing Director**

DATED 26 September 2019

# Auditor's Independence Declaration

for the year ended 30 June 2019



## *Auditor's Independence Declaration*

As lead auditor for the audit of Sipa Resources Limited for the year ended 30 June 2019, I declare that 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 period.

A handwritten signature in black ink that reads 'Helen Bathurst'. The signature is written in a cursive style with a horizontal line extending to the right.

Helen Bathurst  
Partner  
PricewaterhouseCoopers

Perth  
26 September 2019

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840  
T: +61 8 9238 3000, F: +61 8 9238 3999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	Consolidated	
		2019 \$	2018 \$
Finance income	3	42,753	34,596
Revenue	3	353,471	-
Other income	3	243,947	364,744
Exploration expenditure	3	(2,105,351)	(2,155,153)
Administrative and other expenses		(1,367,882)	(1,319,253)
<b>Loss before income tax</b>		<b>(2,833,062)</b>	<b>(3,075,066)</b>
Income tax expense	4	-	-
<b>Net loss for the year</b>		<b>(2,833,062)</b>	<b>(3,075,066)</b>
<i>Other comprehensive profit/(loss)</i>			
<i>Items that may subsequently be classified through profit and loss</i>			
Exchange differences arising on translation of foreign operations		5,709	143
<b>Other comprehensive profit/(loss) for the year, net of tax</b>		<b>5,709</b>	<b>143</b>
<b>Total comprehensive loss for the year</b>		<b>(2,827,353)</b>	<b>(3,074,923)</b>
<b>Loss per share (cents per share)</b>			
- Basic loss per share for the year	17	(0.20)	(0.28)
- Diluted loss per share for the year	17	(0.20)	(0.28)

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 2019

	Note	Consolidated	
		2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	3,911,912	2,195,905
Term deposits	6	30,000	30,000
Trade and other receivables	7	42,488	34,236
Prepayments		45,624	52,290
<b>Total Current Assets</b>		<b>4,030,024</b>	<b>2,312,431</b>
<b>Non-Current Assets</b>			
Financial assets at fair value through profit or loss	8	1,700	3,000
Other financial assets	9	21,770	21,770
Property, plant and equipment	10	148,895	195,746
Exploration and evaluation	11	581,037	581,037
<b>Total Non-Current Assets</b>		<b>753,402</b>	<b>801,553</b>
<b>TOTAL ASSETS</b>		<b>4,783,426</b>	<b>3,113,984</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	350,707	292,511
Deferred joint venture contributions	13	323,031	-
Provisions	14	220,181	202,841
<b>Total Current Liabilities</b>		<b>893,919</b>	<b>495,352</b>
<b>Non-Current Liabilities</b>			
Provisions	14	33,304	26,390
<b>Total Non-Current Liabilities</b>		<b>33,304</b>	<b>26,390</b>
<b>TOTAL LIABILITIES</b>		<b>927,223</b>	<b>521,742</b>
<b>NET ASSETS</b>		<b>3,856,203</b>	<b>2,592,242</b>
<b>EQUITY</b>			
Contributed equity	15	111,004,480	106,972,855
Equity benefits reserve		1,397,609	1,337,920
Foreign currency translation reserve		(2,715)	(8,424)
Accumulated losses		(108,543,171)	(105,710,109)
<b>TOTAL EQUITY</b>		<b>3,856,203</b>	<b>2,592,242</b>

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 2019

	Note	Consolidated	
		2019 \$	2018 \$
<b>Cash Flows used in Operating Activities</b>			
Payments to suppliers and employees		(1,268,494)	(1,110,115)
Expenditure on exploration interests		(5,550,920)	(2,630,878)
Funding from Rio Tinto for joint venture		3,859,318	-
Interest received		45,559	32,321
Receipt from WA State Government Exploration Incentive Scheme		188,388	118,431
Receipt from Research & Development Tax Incentive		-	205,317
Receipt from Rio Tinto Earn In and JV Agreement		353,471	337,064
Receipts from miscellaneous income		55,559	40,996
<b>Net Cash used in operating activities</b>	18	(2,317,120)	(3,006,864)
<b>Cash Flows used in Investing Activities</b>			
Payment for purchases of property, plant and equipment		(28,786)	(7,052)
Cash invested in security deposits		-	(12,200)
<b>Net cash used in investing activities</b>		(28,786)	(19,252)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of shares		4,294,180	3,040,000
Share issue expenses		(262,555)	(140,874)
<b>Net cash from financing activities</b>		4,031,625	2,899,126
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>		1,685,719	(126,990)
<b>Cash and Cash Equivalents at beginning of year</b>		2,195,905	2,322,895
<b>Effect of foreign exchange movement on opening cash balance</b>		30,287	-
<b>Cash and Cash Equivalents at the end of the year</b>	5	3,911,912	2,195,905

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 2019

<b>CONSOLIDATED</b>	<b>Note</b>	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Equity benefits reserve \$</b>	<b>Foreign Currency Translation Reserve \$</b>	<b>Total \$</b>
<b>At 30 June 2017</b>		<b>104,073,729</b>	<b>(102,635,043)</b>	<b>1,260,852</b>	<b>(8,567)</b>	<b>2,690,971</b>
Loss for the year		-	(3,075,066)	-	-	(3,075,066)
Other comprehensive profit/(loss)		-	-	-	143	143
Total comprehensive loss for the year		-	(3,075,066)	-	143	(3,074,923)
Shares issued	15	3,040,000	-	-	-	3,040,000
Cost of issuing shares	15	(140,874)	-	-	-	(140,874)
Share Based Payments		-	-	77,068	-	77,068
<b>At 30 June 2018</b>		<b>106,972,855</b>	<b>(105,710,109)</b>	<b>1,337,920</b>	<b>(8,424)</b>	<b>2,592,242</b>
Loss for the year		-	(2,833,062)	-	-	(2,833,062)
Other comprehensive profit/(loss)		-	-	-	5,709	5,709
Total comprehensive loss for the year		-	(2,833,062)	-	5,709	(2,827,353)
Shares issued	15	4,294,181	-	-	-	4,294,181
Cost of issuing shares	15	(262,556)	-	-	-	(262,556)
Share Based Payments		-	-	59,689	-	59,689
<b>At 30 June 2019</b>		<b>111,004,480</b>	<b>(108,543,171)</b>	<b>1,397,609</b>	<b>(2,715)</b>	<b>3,856,203</b>

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 2019

## 1. Corporate Information

The consolidated financial report of Sipa Resources Limited (the Company or the parent) and its subsidiaries (collectively, the Group) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 26 September 2019. The Company 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. The presentation currency of the Group is the Australian dollar (\$).

## 2. 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 also complies with IFRS as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended accounting standards and interpretations which became mandatory for the first time this reporting period commencing 1 July 2018.

### New and amended accounting standards and interpretations

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2018.

#### AASB 9 Financial Instruments – Impacts on adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The retrospective adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out below. Given that the Group does not have any complex financial instruments and it does not follow hedge accounting, the adoption of this standard and its retrospective application did not result in any adjustments to the comparative amounts recognised in the consolidated financial statements.

#### AASB 15 Revenue from Contracts with Customers – Impact on adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies. The new accounting policies are set out below. Given that the Group is still in the exploration phase, the adoption of this standard and its retrospective application

did not result in any adjustments to the comparative amounts recognised in the consolidated financial statements as the entity has no revenue arising from Contracts with Customers.

The adoption of these standards and amendments did not result in a material adjustment to the amounts or disclosures in the current or prior year. The Group has not early adopted any other new or amended standards and interpretations that have been issued but are not yet effective.

### New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2019 are outlined below.

#### AASB16 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.

#### AASB 16 supersedes:

- a. AASB 117 Leases;
- b. AASB Interpretation 4 Determining whether an Arrangement contains a Lease;
- c. AASB Interpretation 115 Operating Leases—Incentives; and
- d. AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

#### Transition

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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 2. Basis of Preparation (continued)

The impact of the application of AASB 16 is still being calculated but is not expected to have a material impact on the net assets of the Group given that leases are limited to rental on office space. Preliminary calculations indicate that if the standard were applied on 1 July 2019 that Property, Plant and Equipment would increase by approximately \$70,870 with a resulting increase in liabilities of a similar amount. There are currently no contracts which may be deemed to contain a lease.

### 2.1. Going concern

The Group incurred a net loss for the year ended 30 June 2019 of \$2,833,062 (2018: \$3,075,066) and a net cash outflow from operating activities of \$2,317,120 (2018: \$3,006,864). As at 30 June 2019 the Group had cash and cash equivalents of \$3,911,912 (2018: \$2,195,905) and a working capital surplus of \$3,136,107 (2018: \$1,817,079).

Based on the Group's cash flow forecast the Group may require additional funding in the next 12 months to enable the Group to pursue its exploration strategy, continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration and project development activities and meeting its annual minimum tenement expenditure commitment.

As a result of the above, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on the following pertinent matters:

- The Directors believe that future funding will be available to meet the Group's objectives and debts as and when they fall due, including through engaging with parties interested in joint venture arrangements and/or raising additional capital through equity placements to existing or new investors. The Group has a demonstrated history of success in this regard.
- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;

The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

### 2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries 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.

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.

### 2.3. Accounting for farmouts

The Group may enter into transactions whereby a third party ("Farmee") may earn a right to acquire an interest in assets owned by the Group by meeting certain obligations agreed to by both parties. As the terms of farm-outs are not generic management assess each agreement on a transaction by transaction basis and determines the appropriate accounting treatment based on the terms of the agreement.

## 2. Basis of Preparation (continued)

### Rio Tinto Earn In Agreement

On 8 May 2018, Sipa and Rio Tinto Mining and Exploration Limited (Rio Tinto) executed an earn-in agreement pursuant to which Rio Tinto will have the right to earn up to 75% in the Kitgum Pader project, by incurring expenditure of US\$59 million, and in turn Rio Tinto will exercise control over the project, with Sipa initially acting as manager of the unincorporated joint venture.

Based on the terms of the agreement it has been determined that Sipa does not have control, nor joint control of the unincorporated JV. As such, the project is not accounted for as a subsidiary or a joint operation. It has been determined, however, that Sipa does have significant influence over the project and therefore the investment in the unincorporated joint venture shall be 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. 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.

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.

Sipa on behalf of the unincorporated joint venture incurred expenses in relation to the farm in and Rio contributed to these expenses and also paid a management fee of 10% of expenditure. Cash received from Rio Tinto pertaining to the farm-In agreement is received in advance. Upon receipt of the funds a liability is recognised for deferred exploration contributions. As expenditure is incurred, the liability is decreased. The cash received in advance by Rio Tinto is held by the Company in the capacity as operator, and is shown separately as restricted cash.

As at the 30 June 2019 nil profit has been recognised from Sipa's participation in the JV.

## 2.4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statement requires management to make judgments in the process of applying the Group's accounting policies and estimates that effect the reported amounts of revenue, expenses, assets and liabilities. Judgements and estimates which are material to the financial report are as follows:

### Share-based payment transactions

The Group measures the cost of these equity-settled transactions with participants 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 16.

### 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.

## 2.5. Revenue and Other Income

Revenue from contracts with customers is recognised when a customer obtains control of the promised assets and the Group satisfies its performance obligations under the contract. Revenue is allocated to each performance obligation. The Group considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the entity expects to be entitled to in exchange for the transferring of promised goods.

### Management fee income

Sipa is paid a management fee of 10% of expenditure incurred on behalf of the Kitgum-Pader JV from Rio Tinto. Revenue from providing services is recognised in the period in which the services are rendered.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 2. Basis of Preparation (continued)

### Interest income

Interest income 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.

### 2.6. 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.

### 2.7. 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.

### 2.8. 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.

### 2.9. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 – 90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. The accounting policy for impairment of trade receivables is explained in Note 2.17.

### 2.10. 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.

### 2.11. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial 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.

## 2. Basis of Preparation (continued)

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.

### 2.12. 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 determines its own functional currency and items included in the financial statements of each entity is measured using that functional currency.

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### Foreign operations

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.

### 2.13. 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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 2. Basis of Preparation (continued)

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.

### 2.14. 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.

### 2.15. 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 which is 2-15 years for plant and equipment. 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.

### 2.16. Exploration and Evaluation

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each prospect area. Acquired exploration and evaluation expenditure is carried forward at cost where rights to tenure of the area of interest are current and;

- it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

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.

### 2.17. Investments and other financial assets

#### Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

#### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.



## 2. Basis of Preparation (continued)

### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### Measurement - Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with trade receivables. The group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 23 for further details.

### 2.18. 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.

### 2.19. 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.

### 2.20. 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.

### 2.21. 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 16.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 2. Basis of Preparation (continued)

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 loss per share.

## 2.22. 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.

## 2.23. Loss 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.

## 2.24. Government Grants

Government grants are recognised only where it is reasonably certain that the Group will comply with conditions attached to the grant. Grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

### 3. Revenues and Expenses

	Consolidated	
	2019 \$	2018 \$
<b>Revenue and Expenses</b>		
<b>(a) Finance income</b>		
Interest income	42,753	34,596
	42,753	34,596
<b>(b) Revenue</b>		
Management fee income	353,471	-
	353,471	-
<b>(c) Other income</b>		
WA State Exploration Incentive grant	188,388	118,431
Research & Development Tax Incentive	-	205,317
Other	55,559	40,996
	243,947	364,744
<b>(d) Other expenses</b>		
<i>Exploration expenditure</i>		
Exploration expenditure incurred on behalf of Kitgum Pader JV	3,536,288	337,064
Less: exploration expenditure funded by Rio Tinto	(3,536,288)	(337,064)
Exploration expenditure – other projects	2,105,351	2,155,153
	2,105,351	2,155,153
<i>Employee benefits expense</i>		
Wages and salaries	1,067,762	1,180,035
Superannuation	90,221	106,393
Provision for annual leave	68,788	72,768
Provision for long service leave	14,663	28,460
Share based payments	59,689	77,068
Workers compensation insurance	2,391	2,255
	1,303,514	1,466,979
<i>Employee benefits expense included in:</i>		
Exploration expenditure	669,533	952,071
Administrative expenses	633,981	514,908
	1,303,514	1,466,979
Depreciation of plant and equipment	77,572	61,264
Rental expenses on operating lease	88,595	79,779

# Notes to the Financial Statements

for the year ended 30 June 2019

## 4. Income Tax

	Consolidated	
	2019 \$	2018 \$
<b>(a) Major components of income tax expense for the years ended 30 June 2019 and 2018 are:</b>		
<b>Income Statement</b>		
<i>Current income tax</i>		
Current income tax benefit	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
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 2019 and 2018 is as follows:**

Accounting loss before tax	(2,833,062)	(3,075,066)
At statutory income tax rate of 27.5%	(779,092)	(845,643)
Adjustment for difference in foreign tax rate	2,254	(16,747)
Non-deductible items	16,947	49,410
Under/(overprovision) in prior year	(152,391)	12,323
Unrecognised deferred tax assets	912,282	800,657
Income tax expense reported in income statement	-	-

	Statement of Financial Position		Profit or Loss	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>(c) Deferred income tax</b>				
Deferred income tax at 30 June relates to the following:				
<b>Deferred tax liabilities</b>				
Plant and equipment	(20,670)	(20,593)	(77)	17,620
Other	(8,735)	(1,177)	(7,558)	(605)
	(29,405)	(21,770)		
<b>Deferred tax assets</b>				
Provision for employee entitlements	69,708	63,039	6,669	13,132
Superannuation provision	3,641	3,086	555	(554)
Accruals	7,854	7,854	-	159
Carried forward losses	15,123,460	14,210,767	912,693	2,343,816
	15,204,663	14,284,746		
Unrecognised deferred tax assets	(15,175,258)	(14,262,976)	(912,282)	(2,373,567)
	29,405	21,770	-	-
Net deferred tax asset	-	-	-	-
Deferred tax expense	-	-	-	-

#### 4. Income Tax (continued)

	Consolidated	
	2019 \$	2018 \$
Deferred tax assets on temporary differences and tax losses not recognised	15,175,258	14,262,976

Directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable as at 30 June 2019. 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 Australian 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	1,388,881	495,905
Short-term deposits	2,200,000	1,700,000
Cash reserved for JV expenditure	323,031	-
	3,911,912	2,195,905

Cash at bank 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.

As at 30 June 2019, \$323,031 is held as restricted cash being monies received in advance from Rio Tinto for use on the Kitgum-Pader project.

#### 6. Term Deposits

Term deposits provided for security	30,000	30,000
	30,000	30,000

Represents amounts provided to secure the company's credit card facility.

#### 7. Trade and Other Receivables

Interest receivable <sup>(1)</sup>	1,476	4,282
Other receivables <sup>(2)</sup>	41,012	29,954
	42,488	34,236

(1) Interest receivable represents interest due on the Group's term deposits.

(2) Other receivables are non-interest bearing and generally due in 30 days. They are neither past due or impaired. The amount is fully collectible. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 8. Financial Assets at Fair Value Through Profit or Loss

	Consolidated	
	2019 \$	2018 \$
<b>At fair value</b>		
Shares in listed entities	1,700	3,000
	1,700	3,000

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. During the current year, \$1,300 was recognised in the profit and loss due to a decrease in share price.

## 9. Other Financial Assets

Security deposits	21,770	21,770
	21,770	21,770

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

At beginning of the year, net of accumulated depreciation	195,746	251,256
Additions	28,786	7,051
Disposals	(80)	-
Depreciation expense	(77,572)	(61,264)
Exchange differences	2,015	(1,297)
At end of the year, net of accumulated depreciation	148,895	195,746
<b>At end of year</b>		
Gross carrying amount – at cost	1,089,656	1,057,168
Accumulated depreciation	(940,761)	(861,422)
Net book value at end of year	148,895	195,746

## 11. Exploration and Evaluation

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. The exploration and evaluation acquired represents the value of the acquisition at that date.

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest.

## 12. Trade and Other Payables (Current)

	Consolidated	
	2019 \$	2018 \$
Trade payables – unsecured	241,714	165,483
Accrued expenses	108,993	127,028
	350,707	292,511

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

## 13. Deferred Joint Venture Contributions

Opening balance	-	-
Contributions received from Rio Tinto	3,859,319	-
JV Expenditure	(3,536,288)	-
	323,031	-

In May 2018 Sipa announced a Landmark Farm-in and JV Agreement with Rio Tinto to underpin accelerated nickel-copper exploration at the Kitgum Pader Base Metals Project in Northern Uganda in which Rio Tinto can fund up to US\$57M of exploration expenditure for a staged earn-in to earn up to a 75% interest the project.

In accordance with the agreement, Sipa will be the operator for the project for the first 18 months. During the period Rio Tinto contributed funds in advance of \$3,859,319 to Sipa as part of their initial contribution. As at 30 June 2019, \$323,031 is held as restricted cash being monies received in advance from Rio Tinto and restricted for use on the Kitgum-Pader project (See Note 5).

## 14. Provisions

	Annual Leave	Long Service Leave	Directors Retirement Benefit <sup>(a)</sup>	Total
<i>Consolidated</i>				
At 1 July 2018	104,589	89,642	35,000	229,231
Arising during the year	67,611	14,662	-	82,273
Utilised during the year	(46,719)	(11,300)	-	(58,019)
Balance at 30 June 2019	125,481	93,004	35,000	253,485
<i>Current 2019</i>	125,481	59,700	35,000	220,181
Non-Current 2019	-	33,304	-	33,304
	125,481	93,004	35,000	253,485
<i>Current 2018</i>	104,589	63,252	35,000	202,841
Non-Current 2018	-	26,390	-	26,390
	104,589	89,642	35,000	229,231

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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 15. Contributed Equity and Reserves

	Consolidated			
	2019		2018	
	\$		\$	
<b>(a) Ordinary shares</b>				
Issued and fully paid shares	111,004,480		106,972,855	
<b>Movements in shares on issue</b>				
	2019		2018	
	No	\$	No	\$
Balance at beginning of year	1,200,621,023	106,972,855	929,954,296	104,073,729
Share purchase plan <sup>(1)(2)</sup>	165,439,718	1,505,501	159,750,060	1,917,000
Placement to exempt investors <sup>(2)(3)</sup>	166,835,170	1,518,200	6,916,667	83,000
Placement to exempt investors <sup>(4)(5)</sup>	174,400,000	1,270,480	104,000,000	1,040,000
Less transaction costs	-	(262,556)	-	(140,874)
Balance at end of financial year	1,707,295,911	111,004,480	1,200,621,023	106,972,855

(1) In November 2018, Sipa raised \$1.5m pursuant to an underwritten Share Purchase Plan at a price of \$0.0091 per share.

(2) In November 2017, Sipa raised \$2m pursuant to an underwritten Share Purchase Plan and placement to exempt investors at a price of \$0.012 per share.

(3) In November 2018, Sipa raised \$1.5m pursuant to a placement to exempt investors at a price of \$0.0091 per share.

(4) In February 2019 and May 2019 Sipa raised \$450k and \$820k respectively pursuant to placements to Rodiv (NSW) Pty Ltd, a substantial shareholder of the Company. The price per share was \$0.0086 and \$0.0067 respectively.

(5) In May 2018 Sipa raised \$1.04m pursuant to a placement to exempt investors at a price of \$0.01 per share.

### 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

There were no options issued during the year ended 30 June 2019 or the year ended 30 June 2018.

### Dividends

There were no dividends paid or proposed during the year ended 30 June 2019 (2018: Nil). The amount of franking credits available to the Company at 30 June 2019 is Nil (2018: 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 16 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.



## 15. Contributed Equity and Reserves (continued)

### 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 net working capital. There are no external borrowings as at balance date.

The Group manages shareholder equity of \$3,856,203 (2018: \$2,592,242) as capital in light of changes in economic conditions and the requirements of the business with respect to exploration commitments, approved programs, and net working 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.

## 16. Share Based Payment Plans

### Sipa Resources Employee Share Option Plan

The LTI grants are delivered through participation in the Sipa Resources Employee Share Option Plan 2015, as approved by shareholders at the Annual General Meeting held 15 November 2018. 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.

Subsequent to year end, shareholders approved the consolidation of the Company's issued capital by consolidating (ie converting) every 12 existing Shares into one New Share. The amounts below are pre-consolidation.

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

##### 2019

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Exercised during year	Lapsed/cancelled during year	Balance at end of year	Exercisable at end of year
1/9/16	31/8/21	11 cents	1,575,000	-	-	-	1,575,000	-
1/9/16	31/8/21	11 cents	3,084,000	-	-	-	3,084,000	-
19/12/16	18/12/21	6 cents	6,201,000	-	-	-	6,201,000	-
19/12/16	18/12/21	6 cents	5,889,000	-	-	-	5,889,000	-
			16,749,000	-	-	-	16,749,000	-

The share based payments expense recognised for the above options during the period was \$59,689. There were no options issued during the year ended 30 June 2019.

##### 2018

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Exercised during year	Lapsed/cancelled during year	Balance at end of year	Exercisable at end of year
1/9/16	31/8/21	11 cents	1,575,000	-	-	-	1,575,000	-
1/9/16	31/8/21	11 cents	3,084,000	-	-	-	3,084,000	-
19/12/16	18/12/21	6 cents	11,700,000	-	-	5,499,000	6,201,000	-
19/12/16	18/12/21	6 cents	10,800,000	-	-	4,911,000	5,889,000	-
			27,159,000	-	-	10,410,000	16,749,000	-

The share based payments expense recognised for the above options during the period was \$77,068. There were no options issued during the year ended 30 June 2018.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 16. Share Based Payment Plans (continued)

### (ii) Options exercised

No options were exercised during the financial years ended 30 June 2019 and 30 June 2018.

### (iii) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2019 is 2.4 years (2018: 3.5 years).

## 17. 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	
	2019	2018
Net loss attributable to the ordinary equity holders of the Company	(2,833,062)	(3,075,066)
Weighted average number of ordinary shares before the Placement	1,200,621,023	929,954,296
Adjustment for dilutive effects of Placement and SPP	244,944,392	158,438,624
Share Options exercised	-	-
Weighted average number of ordinary shares on issue	1,445,565,415	1,088,392,920

The Nil options (2018: Nil) 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 15 and 16.

## 18. Reconciliation of Loss to Net Cash Flows from Operations

Net Loss	(2,833,062)	(3,075,066)
Depreciation of plant and equipment	77,572	61,264
Loss/(gain) on revaluation of available for sale financial assets	1,300	(1,500)
Foreign exchange (gain)/loss	(26,514)	1,442
Share based payments	59,689	77,068
<b>Changes in assets and liabilities</b>		
(Increase)/Decrease in trade and other receivables	(8,252)	33,051
Decrease in prepayments	6,666	888
Increase in provisions	24,254	54,118
Increase in deferred joint venture contributions	323,031	-
Increase/(Decrease) in trade and other payables	58,196	(158,129)
Net cash flow used in operating activities	(2,317,120)	(3,006,864)

## 19. 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	
		2019 %	2018 %
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 <sup>#</sup>	Australia	100	100
Sipa Exploration Uganda Limited	Uganda	100	100
Sipa Resources Tanzania Limited <sup>#</sup>	Tanzania	100	100

<sup>#</sup> Application for winding up is pending.

## 20. Key Management Personnel Disclosures

Name	Position	Term as KMP
T Kennedy	Non-Executive Chairman	Full financial year
L Burnett	Managing Director	Full financial year
K Field	Non-Executive Director	Full financial year
C McGown	Non-Executive Director	Full financial year
T Robson	Chief Financial Officer and Company Secretary	Full financial year

Compensation by Category: KMP	Consolidated	
	2019 \$	2018 \$
Short-term employee benefits	651,838	678,427
Post employment benefits	61,924	64,450
Share based payments	41,492	57,365
Other long term benefits	10,648	21,472
	765,902	821,714

### Other transactions with KMP

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## 21. 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 from 1 May 2018. Lease payments are payable in advance by 12 equal monthly instalments due on the 1<sup>st</sup> day of each month. Under the lease agreement the lessee provides for a rent review based on CPI each anniversary date.

	Consolidated	
	2019 \$	2018 \$
Due not later than one year	70,870	83,440
Due later than one year and not later than five years	-	71,263
	70,870	154,703

### (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 2019, the Directors estimate the minimum expenditure commitment for the ensuing twelve months to be \$1,340,045 (2018: \$1,161,721). 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.

## 22. Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

All of Sipa Resources Limited's subsidiaries are wholly owned. The Group has two reportable segments, as described below, which are the Group's strategic business units. The business units are managed separately as they require differing processes and skills. The Managing Director reviews internal management reports on a monthly basis.

Segment Financial Information for the year ended 30 June 2019 is presented below:

	Year to 30 June 2019 Uganda \$	Year to 30 June 2019 Australia \$	Year to 30 June 2019 Unallocated \$	Year to 30 June 2019 Consolidated \$
Revenue from continuing operations	353,471	-	42,753	396,224
Other income	-	238,547	5,400	243,947
Exploration expenditure	99,367	(2,204,718)	-	(2,105,351)
Administrative and other expenses	-	-	(1,367,882)	(1,367,882)
Segment profit/(loss) before tax	452,838	(1,966,171)	(1,319,729)	(2,833,062)
<b>Current assets</b>	480,533	-	3,549,491	4,030,024
<b>Non-current assets</b>				
Exploration and evaluation	581,037	-	-	581,037
Available for sale financial assets	-	-	1,700	1,700
Other financial assets	-	-	21,770	21,770
Property, plant and equipment	17,621	-	131,274	148,895
<b>TOTAL ASSETS</b>	1,079,191	-	3,704,235	4,783,426
Current liabilities	391,913	-	502,006	893,919
Non-current liabilities	-	-	33,304	33,304
<b>TOTAL LIABILITIES</b>	391,913	-	535,310	927,223
<b>NET ASSETS</b>	687,278	-	3,168,925	3,856,203
Capital expenditure	8,155	-	20,631	28,786

# Notes to the Financial Statements

for the year ended 30 June 2019

## 22. Segment Information (continued)

Segment Financial Information for the year ended 30 June 2018 is presented below:

	Year to 30 June 2018 Uganda \$	Year to 30 June 2018 Australia \$	Year to 30 June 2018 Unallocated \$	Year to 30 June 2018 Consolidated \$
Revenue from continuing operations	–	–	34,596	34,596
Other income	–	323,748	40,996	364,744
Exploration expenditure	(609,748)	(1,545,405)	–	(2,155,153)
Administrative and other expenses	–	–	(1,319,253)	(1,319,253)
Segment loss before tax	(609,748)	(1,221,657)	(1,243,661)	(3,075,066)
<b>Current assets</b>	111,578	–	2,200,853	2,312,431
<b>Non-current assets</b>				
Exploration and evaluation	581,037	–	–	581,037
Available for sale financial assets	–	–	3,000	3,000
Other financial assets	–	–	21,770	21,770
Property, plant and equipment	16,737	–	179,009	195,746
<b>TOTAL ASSETS</b>	709,352	–	2,404,632	3,113,984
Current liabilities	90,670	–	404,682	495,352
Non-current liabilities	–	–	26,390	26,390
<b>TOTAL LIABILITIES</b>	90,670	–	431,072	521,742
<b>NET ASSETS</b>	618,682	–	1,973,560	2,592,242
Capital expenditure	–	–	7,051	7,051

## 23. 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.

### Cash and cash equivalents

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 long term credit rating for Australian banks and B+ for Uganda.

## 23. Financial Risk Management (continued)

### 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	
	2019 \$	2018 \$
Cash and cash equivalents	3,911,912	2,195,905
Term deposits secured	30,000	30,000
Trade and other receivables	42,488	34,236
Other financial assets	21,770	21,770
	4,006,170	2,281,911

### Impairment losses

None of the Group's other receivables have expected credit losses (2018: 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.

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

Consolidated 30 June 2019	Carrying amount	Contractual cash flows	6 mths or less
Trade and other payables	350,707	350,707	350,707
	350,707	350,707	350,707
<b>30 June 2018</b>			
Trade and other payables	292,511	292,511	292,511
	292,511	292,511	292,511

### 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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 23. 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. As such the exposure to foreign exchange rate changes is not considered material for the group.

### 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	
	2019	2018
	\$	\$
<b>Floating rate instruments</b>		
Cash and cash equivalents	3,911,912	2,195,905
	3,911,912	2,195,905
<b>Fixed rate instruments – No interest rate risk</b>		
Term deposits secured	30,000	30,000
	30,000	30,000

### 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 \$39,119 and \$(39,119) (2018 \$21,595 and \$(21,595)) respectively.

### Fair values

#### Fair values versus carrying amounts

Due to their short term nature, the carrying amounts of receivables, including security deposits, and payables approximate fair value. Refer Note 8 for fair value disclosures relating to available for sale investments.

### Commodity Price Risk

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are not subject to commodity price risk.



## 24. Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2019 \$	2018 \$
<b>PwC Australia</b>		
Audit and review of financial statements	52,200	42,000
Other assurance services	10,200	-
Taxation services	-	-
	62,400	42,000
<b>Other firms</b>		
Audit and review of financial statements	9,979	6,754
	9,979	6,754
<b>Total Auditors' remuneration</b>	<b>72,379</b>	<b>48,945</b>

## 25. 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 asset (related to the royalty) has been recognised as it is not probable at 30 June 2019 that 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 asset has been recognised as it is not probable at 30 June 2019 that 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 asset has been recognised as it is not probable at 30 June 2019 that 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 Resources Limited and changed its name to Venturex Sulphur Springs Pty Ltd. No asset has been recognised as it is not probable at 30 June 2019 that economic benefits will be received by the company.

There are no contingent liabilities of which the Company is aware.

# Notes to the Financial Statements

for the year ended 30 June 2019

## 26. Information Relating to Sipa Resources Limited

	2019 \$	2018 \$
Current assets	3,556,641	1,987,944
Total assets	3,558,352	1,990,956
Current liabilities	(381,432)	-
Total liabilities	(381,432)	-
Retained earnings	(109,225,169)	(106,319,820)
Total equity	3,176,921	1,990,956
Loss of the parent entity	2,568,286	2,688,675
Total comprehensive loss of the parent entity	2,568,286	2,688,675
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

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.

## 27. 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 as follows:

On 23 July 2019 shareholders of the Company approved the consolidation of the Company's issued capital by consolidating (ie converting) every 12 existing Shares into one New Share (Consolidation). As a result the issued capital of the Company is as follows:

	Pre Consolidation	Post Consolidation
Shares	1,707,295,911	142,276,581
Options (expiring 31 Aug 2021)	4,659,000 exercise price \$0.11	388,250 exercise price \$1.32
Options (expiring 18 Dec 2021)	12,090,000 exercise price \$0.06	1,007,501 exercise price \$0.72

At the same meeting shareholders also approved 3 resolutions relating to the ratification of the three placements during the year. The effect of the ratification is to restore the Company's maximum discretionary power to issue further Shares up to 15% of the issued capital of the Company without requiring Shareholder approval (Listing Rule 7.1) and to restore the Company's maximum discretionary power to issue further Shares up to 10% of the issued capital of the Company without requiring Shareholder approval (Listing Rule 7.1A).

# Directors' Declaration

for the year ended 30 June 2019

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 2019 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 2019 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. subject to the matters set out in Note 2.1, 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 2019

On behalf of the Board



L M Burnett

**Managing Director**

PERTH, WESTERN AUSTRALIA

DATED: 26 September 2019

# Independent Auditor's Report

for the year ended 30 June 2019



## *Independent auditor's report*

To the members of Sipa Resources Limited

### *Report on the audit of the financial report*

---

#### *Our opinion*

In our opinion:

The accompanying financial report of Sipa Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***What we have audited***

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

---

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

#### ***Independence***

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

---

#### *Material uncertainty related to going concern*

We draw attention to Note 2.1 in the financial report, which indicates that the Group incurred a net loss of \$2,833,062 and a net cash outflow from operating activities of \$2,317,120 during the year

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840  
T: +61 8 9238 3000, F: +61 8 9238 3999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

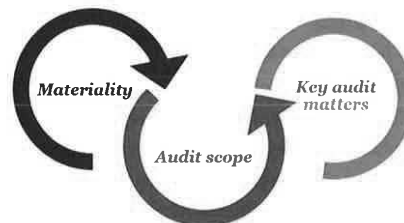


ended 30 June 2019. As a result, the Group will require additional funding in the next 12 months to enable it to continue its normal business activities. These conditions, along with other matters set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



#### **Materiality**

- For the purpose of our audit we used overall Group materiality of \$146,500, which represents approximately 5% of the Group's loss before tax
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured whilst in the exploration phase given the Group have a policy of expensing all ongoing exploration costs.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

#### **Audit Scope**

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The accounting processes are structured around a group finance function at the Group's head office in Perth. We have performed our audit procedures primarily from the Perth head office.

# Independent Auditor's Report

for the year ended 30 June 2019



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matters to be communicated in our report.

### Key audit matter

#### Accounting for the Rio Tinto Farm in and Joint Venture agreement

(Refer to notes 2.3, 3(d) and 13)

The Group entered into an earn-in agreement with Rio Tinto Mining and Exploration Limited ("Rio Tinto") through which Rio Tinto funds costs incurred on exploration activities for the Kitgum-Pader project in Uganda through an unincorporated joint venture. The Group's interest in this joint venture has been accounted for using the equity method.

During the period, total expenditure of \$3,536,288 was incurred by the joint venture in respect of exploration activities in Uganda. This has been entirely offset by funding from Rio Tinto, resulting in the joint venture returning no profit or loss. As at 30 June 2019 there is \$323,031 of unutilised Rio funding. This has been recognised as a deferred liability on the Group's Consolidated Statement of Financial Position.

This was a key audit matter because of the size of the balances and judgement in considering the appropriate accounting treatment.

### How our audit addressed the key audit matter

We performed the following audit procedures, amongst others:

- Read the contractual terms associated with the Rio Tinto Farm-in and Joint Venture Agreement and other associated correspondence to obtain an understanding of the key terms of the agreement and appropriate accounting treatment.
- Agreed the contributions received from Rio Tinto during the period.
- Performed testing over a sample of the expenditure items incurred in Uganda.
- Recalculated the management fee revenue recognised and received based on the terms of the agreement.
- Assessed the disclosures included in the financial report for the year ended 30 June 2019 in respect of the arrangement.




---

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report and the Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

---

### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

---

### *Auditor's responsibilities for the audit of the financial report*

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

# Independent Auditor's Report

for the year ended 30 June 2019



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## *Report on the remuneration report*

---

### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 22 to 27 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Sipa Resources Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

---

### *Responsibilities*

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

A handwritten signature in dark ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in dark ink that reads 'Helen Bathurst'.

Helen Bathurst  
Partner

Perth  
26 September 2019



# Additional Statutory Information

as at 25 September 2019

The following information is provided in accordance with the listing requirements of the ASX Limited. All information is current as of 25 September 2019 unless otherwise noted.

## 1. Substantial holders

The names of substantial shareholders who have notified the company in accordance with section 671B of the *Corporations Act 2001* are:

Name	Units	% of Units
Rodiv NSW P/L <Rodiv Pension Fund A/C>	25,065,789	17.62

## 2. Top 20 Shareholders

Rank	Name	Units	% of Units
1	RODIV NSW P/L <RODIV PENSION FUND A/C>	25,065,789	17.62
2	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	5,973,362	4.20
3	MOGGS CREEK PTY LTD <MOGGS CREEK SUPER A/C>	3,719,144	2.61
4	MR GAVIN JEREMY DUNHILL	2,000,000	1.41
5	LINBAR INVESTMENTS PTY LTD	1,998,418	1.40
6	WIP FUNDS MANAGEMENT PTY LTD <PORTER FAMILY S/F A/C>	1,400,000	0.98
7	CITICORP NOMINEES PTY LIMITED	1,249,788	0.88
8	GUNDRYS PTY LTD <CHEM PACK S/F A/C>	1,234,294	0.87
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,202,863	0.85
10	MR JEREMY DOMINIC KALMUND	1,191,667	0.84
11	GEOCRUST PTY LTD <GEOCRUST A/C>	1,066,954	0.75
12	TROYWARD PTY LTD	1,000,000	0.70
13	MRS CHRISTINE EMILY COGHLAN	833,334	0.59
14	SCINTILLA STRATEGIC INVESTMENTS LIMITED	800,000	0.56
15	SPACEFACE PTY LTD	770,696	0.54
16	MEGALOCONOMOS PTY LTD <MEGALOCONOMOS S/F A/C>	750,000	0.53
17	MR WILLIAM HENRY HERNSTADT	666,667	0.47
18	MR MICHAEL JEREMY THOMAS STOKES	633,190	0.45
19	MR JIN MING SHI	578,409	0.41
20	MICHAEL GLEN DOEPEL	574,946	0.40
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b>		<b>52,709,521</b>	<b>37.05</b>
<b>Total Remaining Holders Balance</b>		<b>89,567,060</b>	<b>62.95</b>

## 3. Options on issue

As at 25 September 2019 the following unlisted options were on issue:

Date of expiry	Number	Number of Holders	Exercise Price
31 August 2021	388,250	4	\$1.32
18 December 2021	1,007,501	4	\$0.72

All of the above options were issued pursuant to the Company's Employee Share Option Plan.

# Additional Statutory Information

as at 25 September 2019

## 4. Escrowed securities

There are presently no securities subject to escrow.

## 5. Distribution of shareholder's holdings at 25 September 2019

Range	Total holders	Units	% Units
1 - 1,000	1,291	612,045	0.43
1,001 - 5,000	1,351	3,549,452	2.49
5,001 - 10,000	548	4,136,406	2.91
10,001 - 100,000	1,186	39,883,302	28.03
100,001 Over	214	94,095,376	66.14
<b>Total</b>	<b>4,590</b>	<b>142,276,581</b>	<b>100.00</b>

## Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.096 per unit	5,209	2,661	4,258,144

## 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 25 September 2019

Projects	Location	Tenements	Interest
Kitgum-Pader	Uganda	1229, 1270, 1271, 1590, 1800, 1801, 1803, 1804, 1805, 1829, 1862	100%
Paterson North (Great Sandy)	Western Australia	EL45/3599, EL45/4697, ELA45/5335, ELA45/5336	80% (20% Ming Gold-diluting)
Paterson North (Anketel)	Western Australia	E45/5337	100%
Barbwire Terrace	Western Australia	ELA04/2626, ELA04/2627, ELA45/2628	100%
Wallal	Western Australia	ELA45/5390	
Wolfe Basin	Western Australia	ELA80/5344	100%
Clara	Queensland	EPM27214, EPM27215, EPM27216	100%

# Corporate Directory

for the year ended 30 June 2019

## Directors

Tim Kennedy B.App Sc (Geology), MBA, MAusIMM, MGSA (Non-Executive Chairman)

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

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

Craig McGown BComm, FCA, ASIA (Non-Executive Director)

## Company Secretary

Tara Robson BA (Accounting), CPA (USA)

## Registered Office

Unit 8, 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

Level 16 Brookfield Place Tower 2

123 St Georges Terrace

Perth WA 6000

## Auditors

### PwC

Level 15 Brookfield Place

125 St Georges Terrace

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](http://www.investorcentre.com/contact)

## Website

[www.sipa.com.au](http://www.sipa.com.au)



Sipa Resources Limited

Unit 8 12-20 Railway Road  
Subiaco Western Australia 6008  
+61 (0)8 9388 1551