



Sipa Resources Limited

**SIPA RESOURCES LIMITED**

ABN 26 009 448 980

**ANNUAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2021**



## CORPORATE DIRECTORY

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### Directors

Craig McGown *Non-Executive Chairman*  
Pip Darvall *Managing Director*  
Tim Kennedy *Non-Executive Director*  
John Forwood *Non-Executive Director*

### Registered and Principal Office

Unit 5, 12-20 Railway Road  
Subiaco WA 6008  
Telephone (08) 9388 1551  
Web: [www.sipa.com.au](http://www.sipa.com.au)

### Company Secretary

Ben Donovan

### Stock Exchange Listing

Australian Securities Exchange  
ASX Code - **SRI**

### Share Registry

Computershare  
Level 11, 172 St Georges Terrace  
Perth WA 6000  
Telephone: 1300 850 505  
Facsimile: +61 3 9415 4000

### Bankers

Bank of Western Australia Ltd  
306 Murray Street  
Perth WA 6000

### Auditor

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

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## CHAIRMAN'S LETTER

Dear Shareholders.

We are pleased to present you with Sipa's Annual Report for 2021.

It's been a very interesting year for junior mineral explorers. Despite the lingering uncertainties surrounding the COVID-19 epidemic and the restrictions that has placed on activities, the market has remained buoyant and there is strong interest in companies that are getting out in the field and drill testing targets with the aim of making new discoveries. That certainly has been, and continues to be, the primary objective of Sipa.

This time last year most of our project areas which are now focused in Western Australia, were still at the application stage. Much of the first part of the year was spent both refining the tenement position over our existing projects, including the acquisition of a substantial new package of tenements in the highly prospective Murchison area, then systematically advancing the projects to a drill ready stage. This is a time-consuming process requiring the granting of tenure, reaching access agreements with various stakeholders, acquiring new data where necessary, interpreting this data, conducting reconnaissance trips to site before finally developing drill targets to test. Then comes the challenge of securing a suitable drilling rig amongst strong demand for these services from our competitors in the resources sector.

As you will see in the Operations Report, the time spent on this preparatory work by our team has enabled the company to advance each of its' exploration projects during the year. Most importantly we were able to complete three separate drilling programs, with a fourth taking place at the time of writing.

We are grateful to new and existing shareholders who supported our strongly oversubscribed \$2.3m capital raise in September 2020, which enabled us to make significant progress across the project portfolio.

Looking toward to the coming 12 months, the company now has a pipeline of projects all with drill targets defined and mostly at the initial drill testing or follow-up drill stages. It will be a busy period as we test these projects for new base metals and gold discoveries. We look forward to providing regular exploration updates as the year unfolds.

I would like to welcome our new Non-Executive Director John Forwood who joined the board in July 2020 and brings a wealth of knowledge in the junior resources sector and financial markets.

In closing I would like to thank our small but dedicated team lead by our enthusiastic Managing Director Pip Darvall. I would also like to thank all of our various stakeholders and our shareholders for your ongoing support.



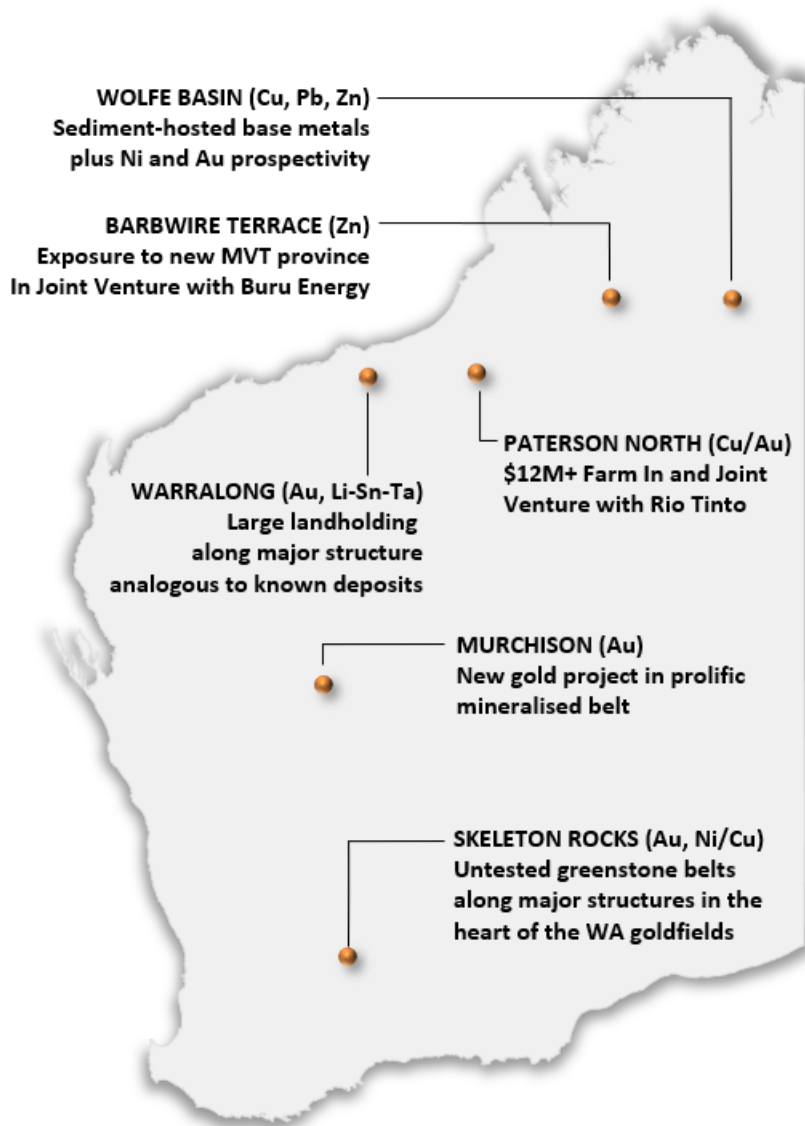
## DIRECTORS' REPORT

The Company presents its financial report for the consolidated entity consisting of Sipa Resources Limited (**Company, Sipa or SRI**) and the entities it controls (**Consolidated Entity or Group**) at the end of, or during, the year ended 30 June 2021.

## REVIEW OF OPERATIONS

### Introduction

Sipa Resources is focused on the discovery of gold and base metal deposits at its portfolio of projects located predominantly in Western Australia. The Company prides itself on taking a systematic, technically driven approach to further its projects through a logical exploration process and has made significant progress over the last year on the projects detailed below.



Sipa's Western Australian Projects

Major achievements for the Company during the financial year include:

- the commencement of exploration at several new projects as part of a refocus of activities into Western Australia,
- executing Farm-In and Joint Venture agreements with Rio Tinto Exploration (Paterson North) and Buru Energy (Barbwire Terrace), and
- major cost savings at a head office level to realign spend into value creating activities.

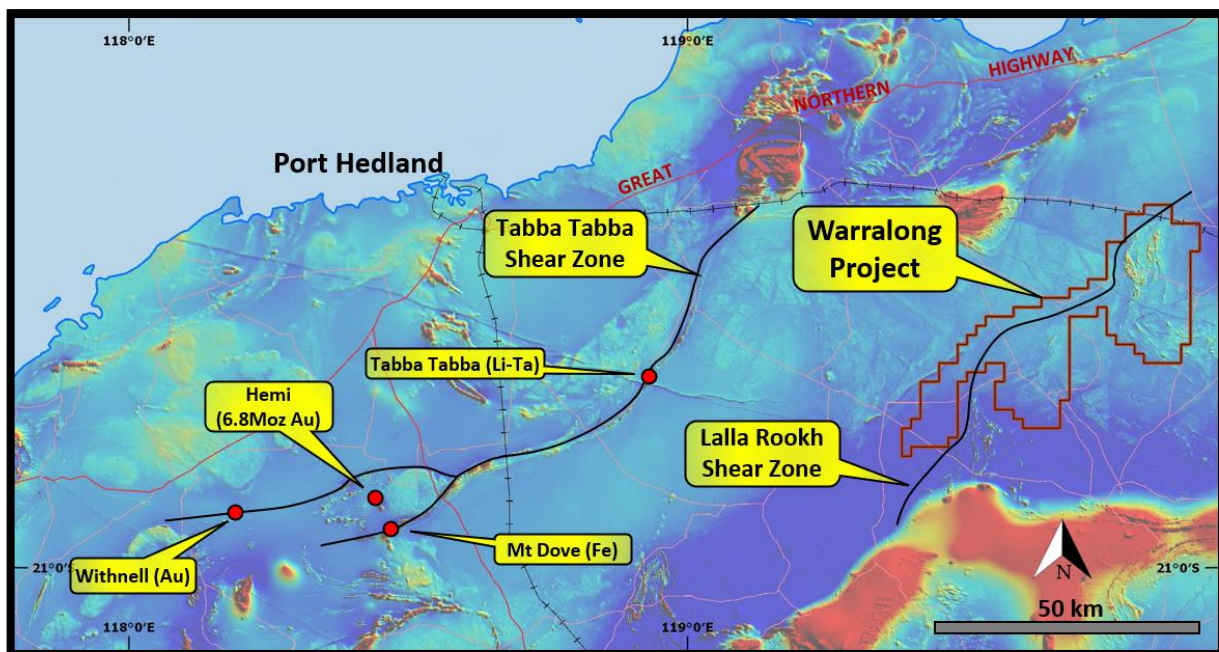
## DIRECTORS' REPORT (continued)

### Warralong Gold Project

100% Sipa

Sipa's 100% owned Warralong Project is prospective for intrusion hosted gold deposits, a newly recognised gold mineralisation style in the north Pilbara region of Western Australia. The project covers over 50km of strike of the Lalla Rookh Shear Zone in a "look-alike" tectonic and geological setting to the Tabba Tabba Shear Zone. This setting is a fundamental control to a number of deposits in the region, including De Grey Mining's 'Hemi' gold deposit.

In September 2020, Sipa completed a detailed aeromagnetic survey over the bulk of its ~1,000km<sup>2</sup> tenement package at Warralong (ASX: SRI 24/09/2020). The survey was designed to improve the existing regional coverage and allow for a more detailed interpretation of the basement rocks obscured under shallow cover material. A targeting program was completed, based on interpretation of the detailed aeromagnetic survey, resulting in several target areas being identified for follow up drilling upon grant of the tenements.

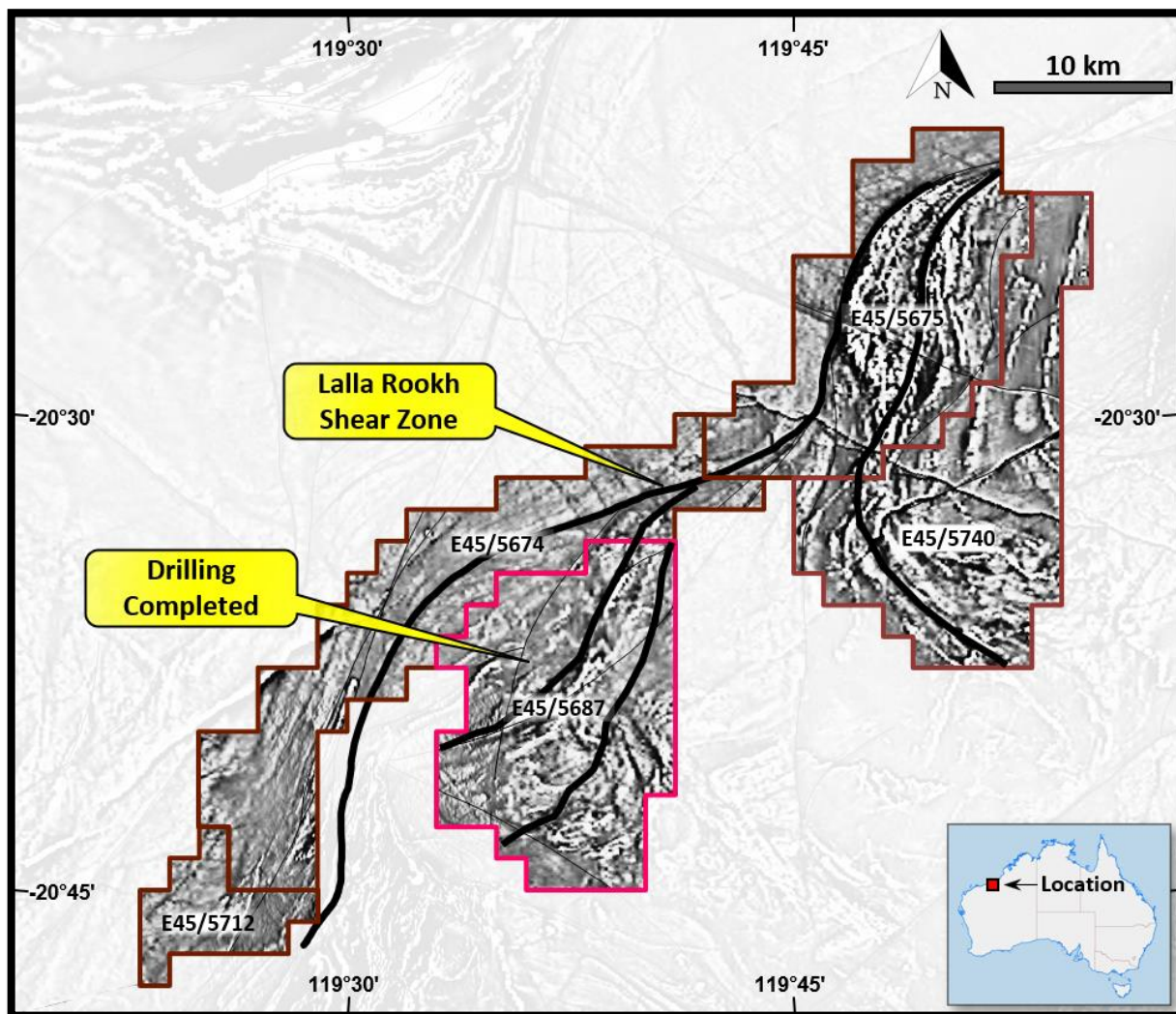


#### Sipa's Warralong Project in relation to nearby mineral deposits along the parallel shear zone

Targets identified for potential drill testing include:

- areas of deformed units proximal to a weakly magnetic, subcircular, intrusive body, inferred to indicate potential dilational areas receptive for gold mineralisation
- individual magnetic or non-magnetic intrusive bodies, generally in favourable structural settings (e.g., flexure of a regional fold or along major shear)
- within tightly folded units where an intrusive may also be present or along a shear zone where areas of demagnetisation suggest the potential for fluid flow

Post the reporting period the first two of the Company's Warralong tenements were granted (E45/5740 and E45/5687) and an aircore program was completed on tenement E45/5687. The purpose of this first-round drilling was to test the range of target types including interpreted discrete intrusions, favourable structural positions, and alteration zones. The program will also provide important lithostratigraphic information to build a robust geological model of the basement which is obscured by shallow sheet wash in this area.



Sipa's Warralong Project tenements highlighting E45/5687 where drilling was completed

**Wolfe Basin Base Metals Project**

100% Sipa

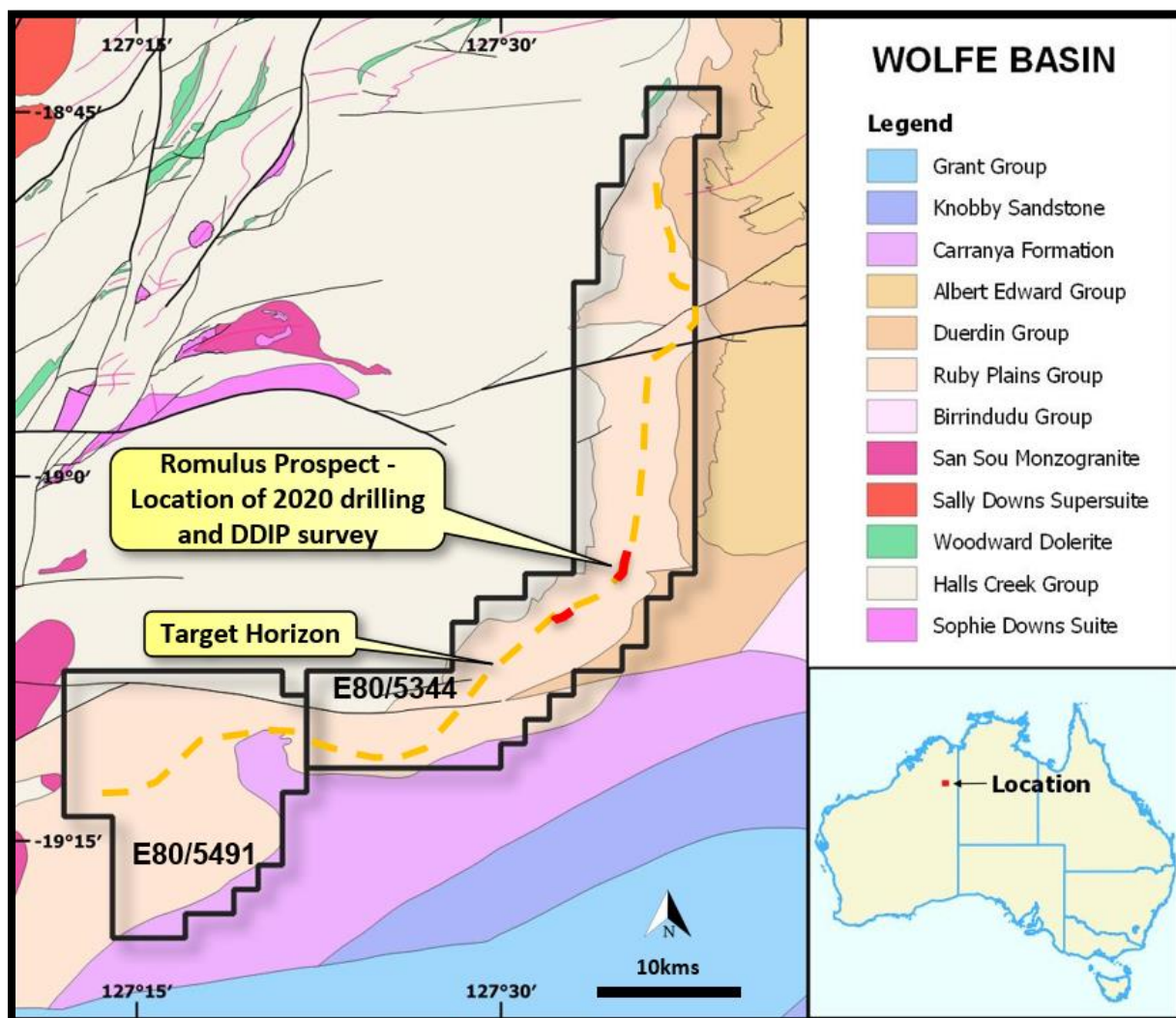
The Wolfe Basin project overlies a Neo-Proterozoic sedimentary basin that has not previously been drill tested. During the period a range of activities were completed targeting base metals in a geological setting similar to that hosting the large deposits in the African Copper Belt. The first drillholes into the basin were completed by Sipa in November 2020. Assays from the 1,545m RC drill program returned results up to 0.45% Cu and 2.9% Pb (ASX: SRI 5 January 2021). The second of the Wolfe Basin Project tenements was granted in June, and detailed mapping of the target horizon across the project area was commenced to identify key elements of basin architecture that may have influenced the location of sediment hosted, base metal mineralisation.

Post the reporting period in August 2021 Sipa completed a dipole-dipole induced polarisation (DDIP) survey over the Romulus prospect to provide a cross-sectional view of any electrically chargeable bodies, such as sulphide accumulations, and to assist in refining the next drill program. The DDIP results detailed a distinct, chargeable feature approximately 150-200m below surface immediately to the east of previous drilling. The chargeable feature is also visible on the DDIP lines to the north and south of where drilling was completed. Sipa's previous drilling encountered abundant pyrite-quartz veining in hole WBC004 on the western edge of the IP anomaly, and approximately 200m to the north the IP anomaly is interpreted to lie just east of hole WBC009 (Figure 3b – 12/08/21) where the best assay results from the 2020 program were returned (2.9% Pb, and 0.45% Cu, ASX: SRI 5 January 2021). Given the proximity of the IP anomaly to known base



**DIRECTORS' REPORT (continued)**

metals anomalism, this is certainly a worthwhile target for future drill testing. Preparations to test this target were underway at the time of writing.



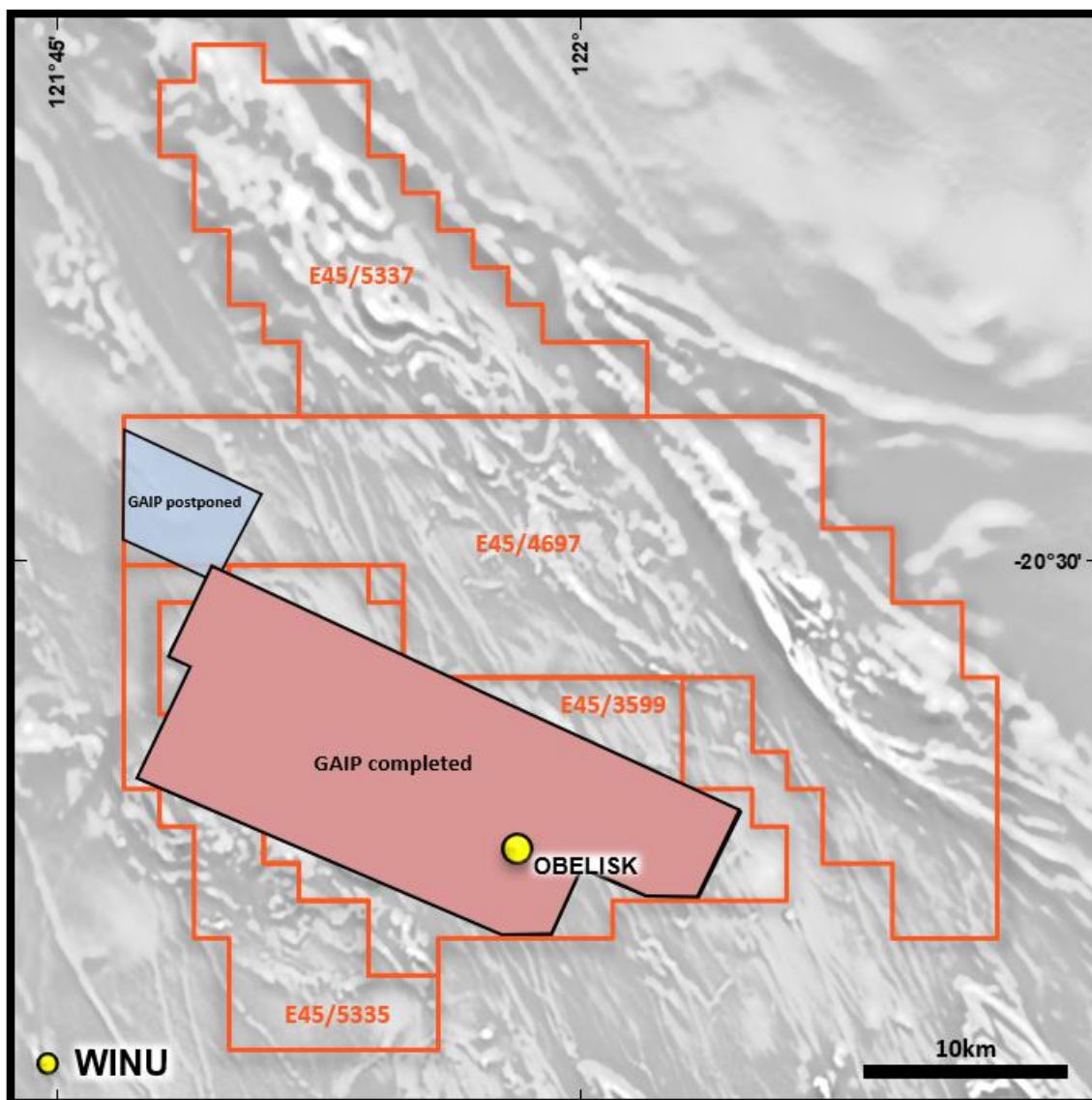
**Sipa's Wolfe Basin Project showing the location of drilling and IP surveys**

**Paterson North Copper-Gold Project**

*Rio Tinto Exploration Earning In*

Sipa is the manager and operator of the Paterson North Project, where Rio Tinto Exploration is earning an interest as set out in the announcement of a Farm-In and Joint venture Agreement in August 2020 (ASX: SRI 3 August 2020). After execution of the Agreement with Rio Tinto Exploration an airborne EM survey was undertaken in 2020, and in 2021 an extensive heritage survey was completed in preparation for geophysical work. The heritage survey cleared the access tracks required for a high-power gradient array induced polarisation (GAIP) survey which was completed post the reporting period.

Results from the GAIP survey will be combined with the other geophysical data already collected by Sipa to refine existing drill targets and potentially identify new targets prospective for copper-gold mineralisation for subsequent drilling.



Sipa's Paterson North Project showing GAIP Survey progress to date.

**Barbwire Terrace Zinc-Lead-Silver Project**

*Buru Energy Joint Venture*

In September 2020, Sipa entered (and subsequently executed) into a binding Heads of Agreement to form a joint venture ('JV') with ASX listed, Australian oil and gas exploration and production company Buru Energy Limited (ASX: BRU) to progress exploration activities at its Barbwire Terrace Project in Western Australia.

The collaboration provides a unique opportunity to unlock the potential in the Barbwire Terrace by combining mineral exploration and petroleum industry technical capabilities. Sipa has partnered with Buru to combine Sipa's skills in mineral exploration with Buru's sophisticated basin models and data sets developed during years of petroleum exploration and production from the Ungani Oil Field since mid-2015. Of particular interest to Sipa is Buru's modelling of the extensive network of seismic data which is directly applicable to the identification of the carbonate host units and base metals mineralisation of the type being targeted. Sipa believes the application of petroleum exploration models and techniques in conjunction with its own mineral exploration approach across the areas of mutual interest will enable mineralisation at Barbwire Terrace to be more efficiently targeted. The focus will be at much shallower depths than that found at the major zinc deposit Admiral Bay, which was found as a result of oil and gas drilling.



## **DIRECTORS' REPORT (continued)**

The Barbwire Terrace Project covers the southern margin of the Fitzroy Trough where historic drilling confirmed the potential for Mississippi Valley Type 'MVT' mineralisation similar to the Lennard Shelf deposits (e.g., Pillara and Cadjebut) located approximately 80km to the east along the northern margin of the Fitzroy Trough. MVT mineralisation of the type mined on the Lennard Shelf has historically produced high purity concentrates which are sought after by smelters, making this a high value exploration target.

Key terms of the agreement included:

- 50/50 Joint Venture to be formed, with Buru to fund the first \$250,000 of on-ground exploration activities to earn a 50% interest (~\$35,000 had been funded to 30 June 2021)
- Sipa to be the Operator of exploration activities
- Both Parties must remain in the Joint Venture until the completion of the first drilling program

Initial drill target areas have been identified based on a combination of structural information and interpreted depth to the target horizon. To assist in refining these target areas, re-imaging and inversion modelling of open file gravity data has been undertaken in preparation for additional ground-based surveys, and additional gravity information was being acquired to refine drill targets at the time of writing. Pending the completion of heritage surveys and other approvals, the JV partners' goal is to complete 4 X 500m (nominal depth) drill holes by the end of 2021.

Financial support from the Western Australian Government's Exploration Incentive Scheme has been achieved, with up to \$165,000 of funding available to the JV and will result in a cost-effective program.

### **Murchison Project**

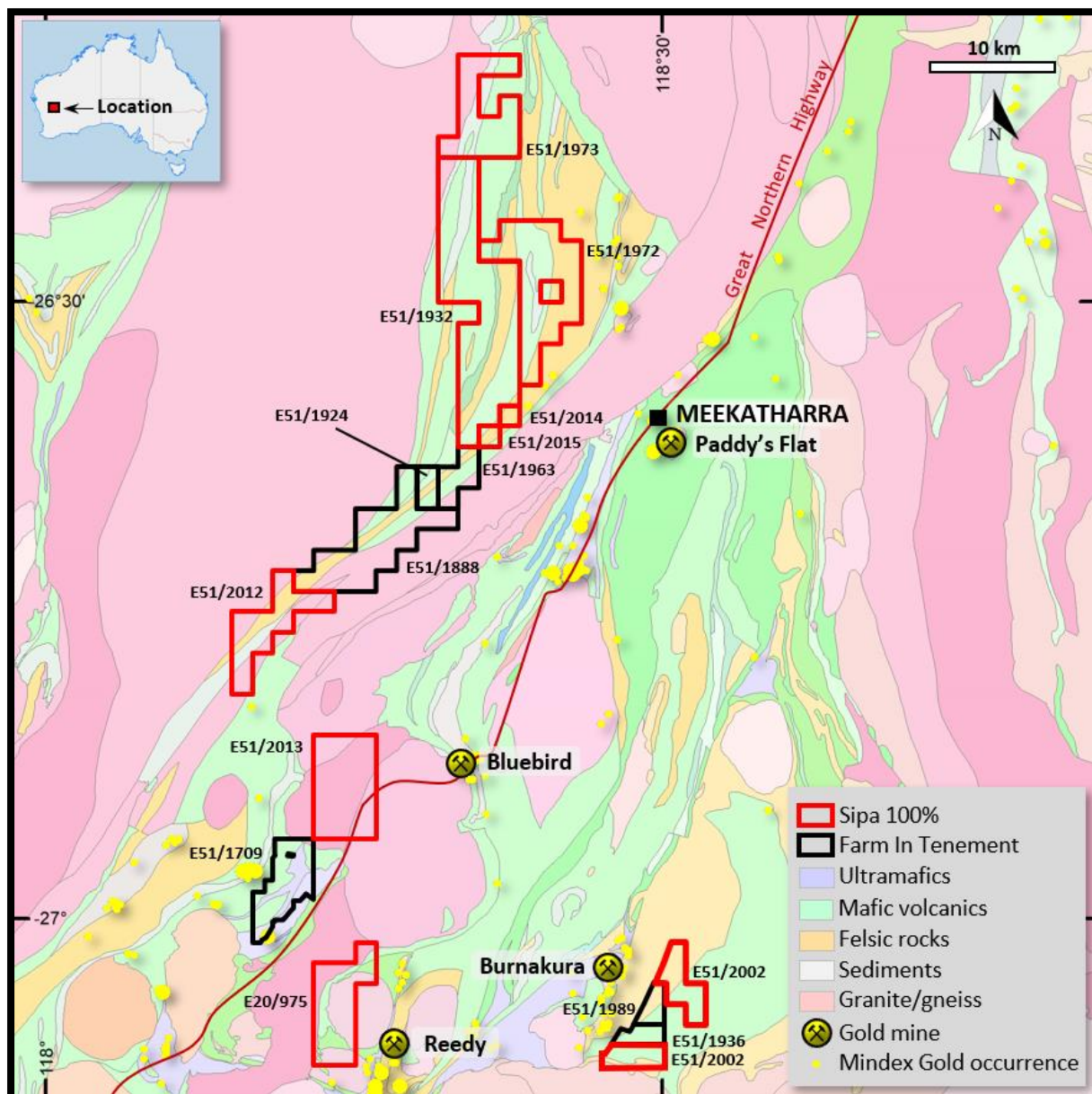
*Sipa 100% (some tenements), 51% (others)*

Sipa's Murchison Project covers approximately 470km<sup>2</sup> covering prospective greenstone lithologies, in close proximity to the mining centre of Meekatharra. Sipa is currently farming into several tenements and is the 100% owner of other tenements in the project.

During the year Sipa completed the acquisition of the Farm-In tenements, as well as the acquisition of three tenements from Miramar Resources Ltd (ASX: M2R) (ASX: SRI 16 February 2021, and ASX: M2R 22 June 2021). The acquisition of the Miramar tenements more than doubled Sipa's landholding at the Murchison Project and with all three tenements now granted, Sipa is planning to proceed with on ground exploration.

Separately on the Murchison Farm-in tenements, Sipa has completed the necessary expenditure to achieve the 51% ownership threshold and has advised the vendor that it will continue to sole fund exploration expenditure to potentially earn up to a 90% interest.

One drill program was completed by Sipa at the Murchison Project during the period, and a second shortly after. In May, the Company received assay results from an aircore (AC) drill program undertaken on three farm-in tenements E51/1709, E51/1888 and E51/1936 (ASX: SRI 4 May 2021). On E51/1709, 87 aircore drill holes were completed for 1,875 m. Anomalous copper results were received in MUAC0091 (8m @ 0.78% Cu including 4m @ 1.2% Cu from 32- 36m), and the adjacent MUAC0092 (4m @ 0.66% Cu including 1m @ 1.34% Cu). The intercepts were associated with quartz veins +/- chalcopyrite in dolerites that commonly show copper oxides and carbonates at surface. Limited widths of alteration (2-5m) were observed in the vicinity and the copper anomalism has been interpreted to be restricted only to the narrow veins observed at surface.



**Sipa’s Murchison Project tenements over regional geology**

On E51/1888, 2,644m of drilling in 35 holes was completed targeting northeast trending gold and arsenic anomalism identified in wide-spaced historic drilling completed by Western Mining Corporation and Doray Minerals (WAMEX Reports 84504 and 105368).

Three samples returned anomalous gold values with the highest value of 0.924 ppm Au in hole MUAC0128 from 32-36m downhole (ASX: SRI 4 May 2021). The three anomalous results combined with historic results from the project define a gold (+/- arsenic) mineralised trend along the eastern margin of the Abbots Greenstone Belt. This trend lies along the interpreted position of the Abernethy Shear which extends northeast to multiple historic prospects to the north of Sipa’s tenement position. The results extend the mineralised trend approximately 800m further south. The trend remained open to the south beyond the limits of the drill results and following further assessment, an additional 3,407m of aircore drilling was with assays pending at the time of writing.

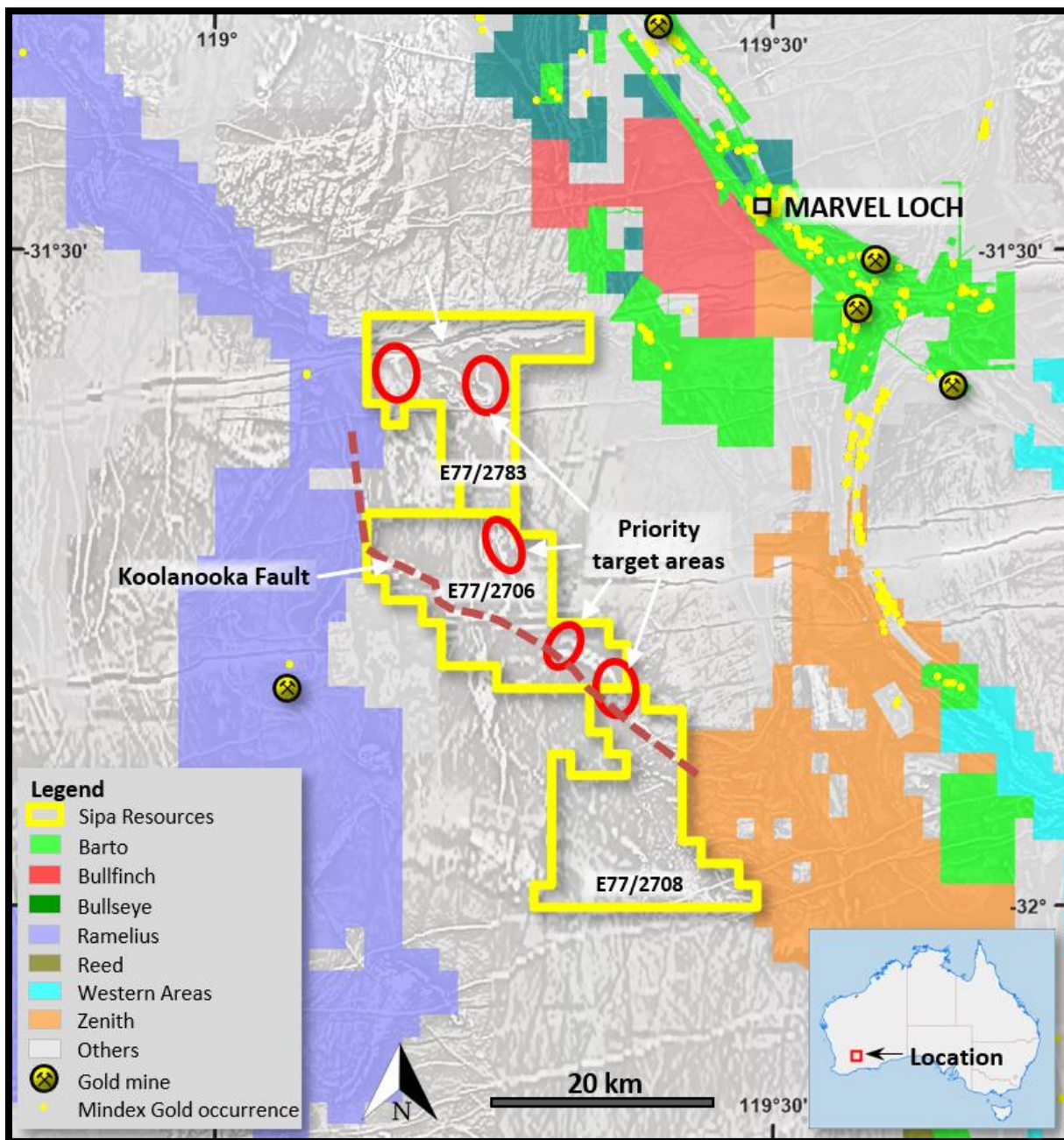
On E51/1936 a total of 1,949m of drilling in 37 holes was completed targeting the sheared margin of a komatiitic basalt. During drilling the anticipated stratigraphy was intersected, but there was no evidence of alteration or mineralised lithologies and no significant assays were returned.

**DIRECTORS' REPORT (continued)**

**Skeleton Rocks Project**

100% Sipa

The Skeleton Rocks Project in Western Australia is prospective for gold and nickel-copper-platinum group element (Ni-Cu-PGE) deposits and covers an area of more than 570 km<sup>2</sup> just west of the Southern Cross greenstone belt in the Goldfields region of WA.



**Sipa's Skeleton Rocks Project tenements showing priority targets and nearby holders and mines**

The Company completed a detailed aeromagnetic survey across the Skeleton Rocks Project area. Analysis of the survey data supported a new interpretation of the basement geology and identification of target areas for follow up work. The interpretation refined the location of untested greenstone units under shallow cover and the location of major structures that control gold mineralisation in the district, including the Koolanooka Fault which separates the Southwest Terrane from the Youanmi Terrane.



## **DIRECTORS' REPORT (continued)**

Intersection of major structures such as the Koolanooka Fault with untested greenstones are the highest priority targets for future testing. Based on the targeting exercise, the tenement package was refined with some less-prospective areas relinquished and additional areas of interest covered by a new application (ASX: SRI 29 March 2021).

Granting of the tenements is anticipated to commence late in 2021, and land access agreements will now be sought from the relevant landholders within the priority areas to facilitate first pass drilling.

### **Uganda Nickel-Copper Project**

*Sipa 100%*

Sipa's 100% owned Ugandan Nickel-Copper Project is currently on care and maintenance while a new joint venture partner is sought. Various compliance activities were undertaken and tenements of lower prospectivity were surrendered. The key Akelikongo prospect has been granted a Retention license on which modest expenditure is required for the 2022 financial year.

## **Corporate**

### **Capital Raising**

In September 2020, Sipa completed a \$2.3M Capital Raising, via a heavily oversubscribed share placement to sophisticated and professional investors, including strong support from Sipa's major shareholders.

32,361,112 shares were issued at a price of \$0.072 per share. As at 30 June 2021, the Company had approximately \$3.5 million in cash.

### **Key Appointment, Mr John Forwood**

On 10 July 2020, the Company welcomed Mr John Forwood to the Board as Non-Executive Director.

### **Key Resignation, Mrs Karen Field**

Mrs Karen Field did not stand for re-election at the Company's 2020 Annual General meeting and resigned on 19 November 2020.

### **Board restructure**

On 30 August 2021 the Company advised that Craig McGown will resume his role as Independent Non-Executive Chairman and Tim Kennedy will step into the role of Non-Executive Director, effective 1 September 2021.

### **Change of Registered Office**

During the year the Company advised its registered office and principal place of business had changed to:

<b>Office Address:</b>	Unit 5, 1 <sup>st</sup> Floor Subiaco Court 12 – 20 Railway Road Subiaco WA 6008
<b>Telephone:</b>	+61 8 9388 1551

### **Other items**

On 21 January 2021, Ben Donovan was appointed Company Secretary, replacing Tara Robson.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Other than as noted above, there were no significant changes in the state of affairs of the Company during the financial period.

## **DIRECTORS' REPORT (continued)**

### **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Subsequent to year end:

- On 31 August 2021 the Company advised that 162,500 unlisted options exercisable at \$1.32 expired; and advised ASX on 1 September 2021.
- On 28 September 2021 the Company issued 24.655 million fully paid ordinary shares at A\$0.059 per share to raise approximately \$1.45 million (before costs), as announced on 30 September 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not impacted financially on the Company up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation is rapidly evolving and is dependent on measures imposed by the Australian Government and other countries, such as vaccinations, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other material matters have occurred subsequent to the end of the financial year which requires reporting on other than those which have been noted above or reported to ASX.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

In general terms the review of operations of the Group gives an indication of likely developments and the expected results of the operations. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

### **DIRECTORS**

The following persons were Directors who held office during the year and up to the date of signing this report, unless otherwise states are:

Mr Craig McGown	Non-Executive Director		
Mr Pip Darvall	Managing Director		
Mr Tim Kennedy	Non-Executive Chairman		
Mr John Forwood	Non-Executive Director	<i>Appointed</i>	<i>10 July 2020</i>
Mrs Karen Field	Non-Executive Director	<i>Resigned</i>	<i>19 November 2020</i>

### **PRINCIPAL ACTIVITIES**

Sipa is an Australian-based exploration company focused on the discovery of gold and base metal deposits using a combination of technical excellence, commercial acumen, and a structured approach to manage risks. The principal activities of the Group during the year were to explore mineral tenements in Australia and Uganda.

### **DIVIDENDS**

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

### **FINANCIAL POSITION**

The Group made a loss from continuing operations of \$2,367,751 for the year (30 June 2020: gain of \$336,361).

At 30 June 2021, the Group had net assets of \$4,550,073 (30 June 2020: \$4,242,369) and cash assets of \$3,612,807 (30 June 2020: \$2,378,083).

## DIRECTORS' REPORT (continued)

### INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

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<b>Mr Craig McGown</b>	<b>Non-Executive Chairman</b> <i>Chairman 1 September 2021 to present Independent Non-Executive Director (Appointed 11 March, 2015)</i>
Qualifications	BComm, FCA, ASIA
Experience	<p>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 since 2008 and prior to that appointment was the chairman of DJ Carmichael Pty Limited.</p> <p>During the past three years Mr McGown has also served as the Non-Executive Chairman of Essential Metals Limited (formerly Pioneer Resources Limited - 13 June 2008 – present), a Non-Executive Director of Qmetco Limited (formerly Realm Resources Limited - 31 May 2018 – present), Venturex Resources Limited (8 February 2021 – 8 June 2021) and is the Chairman of the Harry Perkins Institute for Respiratory Health.</p>
Equity Interests	774,239 ordinary fully paid shares.
Directorships held in other ASX listed entities	<p>Current directorships:</p> <ul style="list-style-type: none"><li>- Non-Executive Chairman – Essential Metals Limited from June 2008</li><li>- Non-Executive Director – Qmetco Limited from May 2018</li></ul> <p>Former directorship:</p> <ul style="list-style-type: none"><li>- Non-Executive Director – Venturex Resources Limited from February 2021 to June 2021</li></ul> <p>No other listed directorships have been held by Mr McGown in the previous three years.</p>

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<b>Mr Pip Darvall</b>	<b>Managing Director</b> <i>Appointed 01 February 2020 to present</i>
Qualifications	MSc (Geology), MBA, MAIG,
Experience	<p>Mr Darvall most recently served as Managing Director of ASX-listed explorer Jindalee Resources Limited where he identified and acquired a significant new lithium project in the United States. He was previously Exploration Manager, for Atlas Iron Limited, where he oversaw the rapid growth in Atlas' resource base between 2010 and 2014, before starting his own consultancy company specializing in resource project evaluation and management.</p> <p>During the past three years Mr Darvall was a director of Jindalee Resources Limited from 28 May 2018 to 31 December 2019.</p>
Equity Interests	896,466 ordinary fully paid shares. 2,459,167 Options exercisable between \$0.102 and \$0.15.
Directorships held in other ASX listed entities	<p>Former directorship:</p> <ul style="list-style-type: none"><li>- Director – Jindalee Resources Limited from May 2018 to December 2019</li></ul> <p>No other listed directorships have been held by Mr Darvall in the previous three years.</p>

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## DIRECTORS' REPORT (continued)

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<b>Mr Tim Kennedy</b>	<b>Non-Executive Director</b> <i>Appointed 13 December 2016, Chairman 28 August 2018 to present</i>
Qualifications	B.App Sc (Geology), MBA, MAusIMM, MGSA
Experience	<p>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. His most recent executive role was as exploration manager with IGO Limited, which during his 11 years IGO grew from being a junior explorer to a multi commodity 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.</p> <p>Prior to that Mr Kennedy held a number of senior positions with global miner Anglo America, including as Exploration manager – Australia, Principal Geologist/Team Leader – Australia and Principal Geologist. He also held positions with Resolute Limited, Hunter Resources and PNC Exploration Pty Ltd.</p> <p>During the past three years Mr Kennedy has also served as a director of Millennium Minerals Limited (resigned 20 February 2020) and Helix Resources Limited (director since 16 February 2018).</p>
Equity Interests	349,863 ordinary fully paid shares
Directorships held in other ASX listed entities	<p>Current directorship:</p> <ul style="list-style-type: none"><li>- Non-Executive Deputy - Helix Resources Limited from February 2018</li></ul> <p>Former directorship:</p> <ul style="list-style-type: none"><li>- Millennium Minerals Limited – from May 2016 to February 2020</li></ul> <p>No other listed directorships have been held by Mr Kennedy in the previous three years.</p>
<b>Mr John Forwood</b>	<b>Non-Executive Director</b> <i>Appointed 10 July 2020 to present</i>
Qualifications	B.Sc (Hons) LIB (Hons)
Experience	<p>Mr Forwood is a qualified geologist and lawyer with extensive experience in equity markets and debt finance, with a particular focus on the junior resources sector. He has spent the past 20 years as a specialist resources financier and fund manager. His career in resource finance began with RMB Resources Ltd, (a division of Rand Merchant Bank) in Australia and the UK. At RMB Resources he was a manager of the private Telluride Fund in Melbourne. He is currently Chief Investment Officer of the ASX-listed Lowell Resources Fund. Prior to joining RMB Resources in 1998, Mr Forwood worked as an exploration geologist, including positions with North Flinders Mines in the Northern Territory, East African Gold Mines in Tanzania, and Aberfoyle Limited in Indonesia.</p> <p>Currently, Mr Forwood is not a director of any other publicly listed companies. He is however a director of a number of unlisted companies including Lowell Resources Funds Management Pty Ltd which is the investment manager of the Lowell Resources Fund, an ASX listed investment trust.</p>
Equity Interests	508,043 ordinary fully paid shares
Directorships held in other ASX listed entities	<p>Current directorship:</p> <ul style="list-style-type: none"><li>- Director - Flynn Gold Ltd from September 2020</li></ul>

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## DIRECTORS' REPORT (continued)

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### **Mrs Karen Field**

#### **Non-Executive Director**

*Appointed 16 September 2004, resigned 19 November 2020*

#### Qualifications

BEC, FAICD

#### Experience

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 northwestern 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 was the Chair of the Nomination and Compensation Committee to 3 June 2020 at which point it was resolved that the duties of the Committee shall be undertaken by the entire board.

#### Directorships held in other ASX listed entities

No other listed directorships have been held by Mrs Field in the previous three years.

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### **Company Secretary**

#### **Mr Ben Donovan**

*Appointed 21 January 2021 to present*

*B.Comm (Hons), AGIA, ACIS*

Mr Donovan is a member of the Governance Institute of Australia and provides corporate advisory, IPO, and consultancy services. Mr Donovan is currently the company secretary of several ASX listed and public unlisted companies with experience across the resources, agritech, biotech, media, and technology industries. He has extensive experience in listing rules compliance and corporate governance, having served as a Senior Adviser at the ASX in Perth for almost three years, where he managed the listing process of close to 100 companies to the ASX. In addition, Mr Donovan has experience in the capital markets having raised capital and assisted numerous companies on achieving an initial listing on the ASX. Additionally, Mr Donovan previously worked as a private client adviser at a boutique stock broking group.

#### **Ms Tara Robson**

*Appointed 08 April 2004, resigned 21 January 2021*

FGIA, B.A. Accounting

Ms Robson 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' REPORT (continued)

### MEETINGS OF DIRECTORS

During the financial year ended 30 June 2021, the following director meetings were held:

	Eligible to Attend	Attended
T Kennedy	12	12
P Darvall	12	12
C McGown	12	12
John Forwood	11	11
K Field	6	5

### Audit Committee

At the date of this report the Company does not have a separately constituted Audit Committee as all matters normally considered by an audit committee are dealt with by the full Board.

### Remuneration Committee

At the date of this report, the Company does not have a separately constituted Remuneration Committee and as such, no separate committee meetings were held during the year. All resolutions made in respect of remuneration matters were dealt with by the full Board.

## REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

- A. Introduction
- B. Remuneration governance
- C. Key management personnel
- D. Remuneration and performance
- E. Remuneration structure
  - Executive Directors
  - Non-Executive Directors
- F. Executive service agreements
- G. Details of remuneration
- H. Share-based compensation
- I. Other information

This report details the nature and amount of remuneration for each Director of Sipa Resources Limited (Company) and key management personnel.

### A. Introduction

The remuneration policy of the Company has been designed to align Director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives, based on key performance areas affecting the Group's financial results. Key performance areas include cash flow management, growth in share price, successful exploration, and subsequent exploitation of the Group's tenements. The Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and Directors to run and manage the Group, as well as create goal congruence between Directors, Executives and Shareholders.

During the period the Company did not engage remuneration consultants.



## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### B. Remuneration governance

The Board retains overall responsibility for remuneration policies and practices of the Company. Due to the Company's size and current stage of development, the Board does not have a separate nomination and remuneration committee. This function is performed by the Board.

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 any KMP.

At the 2020 annual general meeting, the Company's remuneration report was passed by the requisite majority of shareholders (100% by a show of hands).

#### C. Key management personnel

The key management personnel in this report are as follows:

##### *Non-Executive Directors*

- C McGown (Non-Executive Chairman) – appointed 11 March 2015
- T Kennedy (Non-Executive Director) – appointed 13 December 2016
- J Forwood (Non-Executive Director) – appointed 10 July 2020

##### *Executives*

- P Darvall (Managing Director) – appointed 1 February 2020

##### *Former Non-Executive Directors*

- K Field (Non-Executive Director) – appointed 16 September 2004 - Resigned 19 November 2020

##### *Former Key Management Personnel*

- T Robson (Chief Financial Officer and Company Secretary) – appointed 8 April 2004 – resigned 21 January 2021

#### D. Remuneration and performance

The following table shows the gross revenue, net losses attributable to members of the Company and share price of the Company at the end of the current and previous four financial years.

	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
	\$	\$	\$	\$	\$
Net profit/(loss) attributable to members of the Company	(2,367,751)	336,361	(2,833,062)	(3,075,066)	(3,905,791)
Share price <sup>(1)</sup>	0.051	0.060	0.007	0.010	0.011

<sup>1</sup> The share price for periods 30 June 2019 and earlier is prior to the 12:1 consolidation completed on X date.

## **DIRECTORS' REPORT (continued)**

### **REMUNERATION REPORT (Audited) (continued)**

There is no relationship between the financial performance of the Company for the current or previous financial year and the remuneration of the key management personnel. Remuneration is set having regard to market conditions and encourage the continued services of key management personnel.

#### **E. Remuneration structure**

##### **Executive Director and KMP remuneration structure**

The Board's policy for determining the nature and amount of remuneration for Senior Executives of the Group is as follows.

The remuneration policy, setting the terms and conditions for Executive Directors and other Senior Executives, was developed, and approved by the Board. All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options, and performance incentives. The Board reviews Executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share option and performance rights plans. If an Executive is invited to participate in an employee share option or performance rights plan arrangement, the issue and vesting of any equity securities will be dependent on performance conditions relating to the Executive's role in the Group and/or a tenure-based milestone.

The employees of the Group receive a superannuation guarantee contribution required by the Government, which is currently 10%, and do not receive any other retirement benefits.

##### *Long Term Incentive Plan*

Long Term Incentive (LTI) grants are made to Executives periodically to align with typical market practice, and to align Executives' interests with those of shareholders and the generation of long-term sustainable value. Non-Executive Directors do not participate in the LTI.

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 performance hurdles are a combination of internal hurdles to optimise share performance including exploration discovery and generation, capital management, governance, and strategic objectives. The threshold levels are suitably stretched to be consistent with the objectives of the LTI plan.

Performance hurdles are measured at the end of the financial year in which the incentives were granted with vesting occurring at the end of 1 year and expiry of the grants at the end of 4 years.

During the current year:

- 656,167 Options exercisable at \$0.102 were issued pursuant to the ESOP. The Options vest on 19 November 2021 and expire on 18 November 2023. 197,000 options issued, lapsed during the year following KMP resignation.

During the prior year:

- 750,000 Options exercisable at \$0.13 were issued pursuant to the ESOP. The Options vested on 24 November 2020 and expire on 24 November 2023.
- 2,000,000 Options exercisable at \$0.15 were issued to Pip Darvall upon execution of his executive services agreement. The Options vested on 1 February 2021 and expire on 31 January 2023. There are no performance hurdles attached to these Options other than continued employment.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

The performance hurdles for KMP in place for the 2020/21 financial year are outlined below.

Strategic objectives	Performance measure	Weight	
		Executive Director	KMP <sup>(1)</sup>
Capital Management	Cost effective assessment and acquisition of projects meeting strategic thresholds	30%	-
	Efficient de-risking of Company projects via cost effective exploration	10%	-
	Minimise holding costs and maintain cash reserves while retaining access to upside for projects that may be divested	30%	-
Strategic development	Efficient and Effective business operations to support Key Strategic Objectives	30%	100%

1 T Robson resigned 21 January 2021, as a result none of the performance measures were met.

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.

#### Non-Executive Director remuneration structure

In line with corporate governance principles, Non-Executive Directors of the Company are remunerated solely by way of fees and statutory superannuation.

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.

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.

#### Base fees (inclusive of Superannuation) Year ended 30 June 2021

Chair	76,650
Non-Executive Director	47,500

Fees for Non-Executive Directors are not linked to the performance of the Group.

#### F. Executive service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits, and notice periods. Participation in the share and performance rights plans are subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below. Termination benefits are within the limits set by the *Corporations Act 2001* such that they do not require shareholder approval.

**DIRECTORS' REPORT (continued)****REMUNERATION REPORT (Audited) (continued)****Contractual arrangement with key management personnel***Executives*

Name	Effective date	Term of agreement	Notice period	Base per annum \$	Termination payments
P Darvall, Managing Director	1-Feb-20	No fixed term	3 months	290,000	3 months
T Robson <sup>(1)</sup> , Chief Financial Officer and Company Secretary	1-Jul-20	No fixed term	3 months	197,513	3 months

1 T Robson, based on 0.8 of a full-time equivalent employee, resigned 21 January 2021.

**G. Details of remuneration**

Remuneration of KMP for the 2021 financial year is set out below:

	Short-term benefits		Post-employment benefits		Share-based payments <sup>(1)</sup>	Total
	Salary	Superannuation	Retirement Benefit	Annual/Long Service leave	Options	
	\$	\$	\$	\$	\$	
<b>Non-Executive Directors</b>						
T Kennedy	70,179	6,667	-	-	-	76,846
C McGown <sup>(2)</sup>	47,498	-	-	-	-	47,498
J Forwood <sup>(3)</sup>	42,155	4,005	-	-	-	46,160
<b>Executives</b>						
P Darvall	290,744	27,621	-	-	19,710	338,075
<b>Non-Executive Director – Former</b>						
K Field <sup>(4)</sup>	17,154	1,606	35,000	-	-	53,760
<b>Other KMP – former</b>						
T Robson <sup>(5)</sup>	110,830	10,528	-	38,633	4,267	164,258
<b>Total</b>	<b>578,560</b>	<b>50,427</b>	<b>35,000</b>	<b>38,633</b>	<b>23,977</b>	<b>726,597</b>

1 Options granted as part of remuneration package, AASB 2 – Share-Based Payments requires the fair value at grant date of the performance rights granted to be expensed over the vesting period.

2 C McGown, Non-Executive Director, is a Director of Resource Investment Capital Advisors Pty Ltd, which received Mr McGown's Director fees during the year.

3 J Forwood appointed 10 July 2020.

4 K Field resigned 19 November 2020.

5 T Robson resigned 21 January 2021.



## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

The following table sets out each KMP's relevant interest in fully paid ordinary shares, options and performance rights to acquire shares in the Company, as at 30 June 2021:

Name	Fully paid ordinary shares	Options
T Kennedy	349,863	-
C McGown	774,239	-
J Forwood <sup>(1)</sup>	508,043	-
P Darvall	896,466	2,459,167

1 J Forwood appointed 10 July 2020.

Remuneration of KMP for the 2020 financial year is set out below:

	Short-term benefits	Post-employment benefits		Share-based payments <sup>(2)</sup>	Total
	Salary <sup>(1)</sup>	Superannuation	Annual/Long Service leave	Options	
	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>					
T Kennedy	62,483	5,974	-	-	68,457
C McGown	37,957	3,606	-	-	41,563
K Field	41,288	3,940	-	-	45,228
<b>Executives</b>					
P Darvall <sup>(3)</sup>	105,071	9,982	-	13,848	128,901
<b>Executive Director – Former</b>					
L Burnett <sup>(4)</sup>	228,915	18,409	(22,746)	5,867	230,445
<b>Other KMP</b>					
T Robson	190,945	18,140	3,900	9,415	222,400
<b>Total</b>	<b>666,659</b>	<b>60,051</b>	<b>(18,846)</b>	<b>29,130</b>	<b>736,994</b>

1 The Non-Executive Directors resolved to voluntarily and temporarily reduce their fees by up to 50% in response to market conditions and the Executives reduced their salaries by 20% for the period 1 April 2020-30 June 2020.

2 Options granted as part of remuneration package, AASB 2 – Share-Based Payments requires the fair value at grant date of the performance rights granted to be expensed over the vesting period

3 P Darvall appointed 1 February 2020.

4 L Burnett resigned 31 January 2020

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### H. Share-based compensation

##### Options

During the year ended 30 June 2021, the following performance rights were granted, vested and/or lapsed to KMP:

Grant date	Grant value <sup>(1)</sup> \$	Number granted <sup>(2)</sup>	Number of vested during the year	Number forfeited during the year	Expense recognised during the year \$	Maximum value yet to expense \$
P Darvall – Managing Director						
25-Nov-19	23,740	2,000,000	2,000,000	-	9,891	-
19-Nov-20	16,071	459,167	-	-	9,819	6,252
T Robson – Former Chief Financial Officer and Company Secretary <sup>(3)</sup>						
19-Nov-20	6,895	197,000	-	(197,000)	-	-
25-Nov-19	12,450	750,000	562,500	(187,500)	4,267	-

1 The value of performance rights is calculated as the fair value of the options at grant date and allocated to remuneration equally over the period from grant date to expected vesting date.

2 Options will vest 1 year from the date of grant, subject to achievement of the performance hurdles.

3 T Robson resigned 21 January 2021.

##### Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense for the 2021 and 2020 financial years:

	Fixed remuneration	Variable remuneration	Fixed remuneration	Variable remuneration
	Options		Options	
	2021		2020	
<b>Non-Executive Directors</b>				
T Kennedy	100%	-	100%	-
C McGown	100%	-	100%	-
J Forwood <sup>(1)</sup>	100%	-	-	-
<b>Executives</b>				
P Darvall	94%	6%	89%	11%
<b>Non-Executive Director – Former</b>				
K Field <sup>(2)</sup>	100%	-	100%	-
<b>Executive Director – Former</b>				
L Burnett <sup>(3)</sup>	-	-	97%	3%
<b>Other KMP – former</b>				
T Robson <sup>(4)</sup>	97%	3%	96%	4%

1 J Forwood appointed 10 July 2020.

2 K Field resigned 19 November 2020.

3 L Burnett resigned 31 January 2020.

4 T Robson resigned 21 January 2021.

The variable remuneration is based on the Board discretion.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### Reconciliation of equity instruments held by KMP

The following table sets out a reconciliation of each KMP's relevant interest in ordinary shares and options and performance rights to acquire shares in the Company:

	Balance at the start of the year/period	Granted/ Acquired	Exercised	Lapsed	Other changes	Balance at year end
<b>Non-Executive Directors</b>						
T Kennedy						
Fully paid ordinary shares	249,863	100,000	-	-	-	349,863
Options	-	-	-	-	-	-
C McGown						
Fully paid ordinary shares	374,239	400,000	-	-	-	774,239
Options	-	-	-	-	-	-
J Forwood <sup>(1)</sup>						
Fully paid ordinary shares		508,043	-	-	-	508,043
Options	-	-	-	-	-	-
<b>Executives</b>						
P Darvall						
Fully paid ordinary shares	177,337	719,129	-	-	-	896,466
Options	2,000,000	459,167	-	-	-	2,459,167
<b>Non-Executive Director – Former</b>						
K Field <sup>(2)</sup>						
Fully paid ordinary shares	374,238	-	-	-	(374,238)	-
Options	-	-	-	-	-	-
<b>Other KMP – former</b>						
T Robson <sup>(3)</sup>						
Fully paid ordinary shares	258,010	-	-	-	(258,010)	-
Options	1,096,417	-	-	187,500	(908,917)	-

1 J Forwood appointed 10 July 2020.

2 K Field resigned 19 November 2020.

3 T Robson resigned 21 January 2021.

#### I. Other information

##### Loans to key management personnel

There were no loans to key management personnel during the year (30 June 2020: none).

##### Payment of fees

- Mr Craig McGown, Non-Executive Director, is a Director of Resource Investment Capital Advisors Pty Ltd, which received Mr McGown's Director fees during the year. At year end the Company had an outstanding payable balance of \$3,958 (ex GST) (30 June 2020: nil).

There were no loans or other related party transaction during the period.

**This concludes the Remuneration Report which has been audited.**

## **DIRECTORS' REPORT (continued)**

### **UNISSUED ORDINARY SHARES**

Unissued ordinary shares under option/right at the date of this report are 4,040,418 and broken-down as follows:

#### Options

- Issued to Directors	2,459,167
- Issued to Employees, Consultants and Vendors	1,581,251

Options over ordinary shares can be exercised between \$0.102 to \$0.72.

### **ENVIRONMENTAL ISSUES**

The Company's policy is to comply with, or exceed, its environmental obligations in each jurisdiction in which it operates. No known environmental breaches have occurred.

### **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 Mines, Industry Regulation and Safety for Western 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.

### **ACCESS TO INDEPENDENT ADVICE**

Each Director has the right, so long as he is acting reasonably in the interests of the Company and in the discharge of his duties as a Director to seek independent professional advice and recover the reasonable costs thereof from the Company.

The advice shall only be sought after consultation about the matter with the Chairman (where it is reasonable that the Chairman be consulted) or, if it is the Chairman that wishes to seek the advice or it is unreasonable that he be consulted, another Director (if that be reasonable).

The advice is to be made immediately available to all Board members other than to a Director against whom privilege is claimed.

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has entered into agreements indemnifying, to the extent permitted by law, all the Directors and Officers of the Company against all losses or liabilities incurred by each Director and Officer in their capacity as Directors and Officers of the Company. Disclosure of the nature of the liability covered by and the amount of the premium payable for such insurance is subject to a confidentiality clause under the contract of insurance. The Company has not provided any insurance for the external auditor of the Company or a body corporate related to the external auditor.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out in this annual report.



## **DIRECTORS' REPORT (continued)**

### **NON-AUDIT SERVICES**

From time to time the Consolidated Entity may decide to employ an external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important.

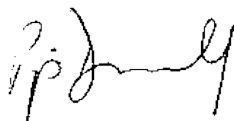
The Board is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

During the year ended 30 June 2021, no amounts were paid or payable for non-audit services provided to the Group by the auditor.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors.

**Signed in accordance with a resolution of the Directors**

A handwritten signature in black ink, appearing to read 'Pip Darvall', written in a cursive style.

**Pip Darvall**

Managing Director

Perth

30 September 2021

## DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SIPA RESOURCES LIMITED

As lead auditor of Sipa Resources Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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.



**Glyn O'Brien**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth, 30 September 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Other income</b>			
Interest income	1	14,708	24,838
Other income	1	432,232	2,912,600
<b>Expenses:</b>			
Exploration and tenement expenses	2	(1,183,384)	(1,622,708)
Financial assets gain/(loss)	2	(239,626)	122,980
Depreciation expense		(68,128)	(44,319)
Share based payments expense	17	(25,578)	(37,987)
Administrative expenses	2	(1,286,062)	(1,109,239)
Foreign exchange (loss)/gain	2	(11,913)	90,197
Profit/(loss) before income tax expense		(2,367,751)	336,361
Income tax expense	4	-	-
<b>Profit/(loss) attributable to the owners of the Company</b>		(2,367,751)	336,361
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of foreign operations		(237)	11,818
Other comprehensive income/(loss) for the year, net of tax		(237)	11,818
Total comprehensive income/(loss) for year attributable to owners of Sipa Resources Limited		(2,367,988)	348,179
Basic (loss)/earnings per share (cents per share)	21	(1.39)	0.24
Diluted (loss)/earnings per share (cents per share)	21	(1.39)	0.24

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2021

	Notes	2021 \$	2020 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	3,612,807	2,378,083
Other current assets – term deposits		-	30,000
Investments held for sale		-	1,374,680
Other receivables	6	498,575	53,648
<b>Total Current Assets</b>		<b>4,111,382</b>	<b>3,836,411</b>
<b>Non-Current Assets</b>			
Exploration and evaluation	7	731,038	581,037
Other financial assets		2,000	21,920
Plant and equipment	10	94,301	105,954
<b>Total Non-Current Assets</b>		<b>827,339</b>	<b>708,911</b>
<b>Total Assets</b>		<b>4,938,721</b>	<b>4,545,322</b>
<b>Current Liabilities</b>			
Trade and other payables	11	102,863	118,299
Deferred JV contributions	9	226,927	-
Provisions	12	25,501	168,693
Lease liability	13	33,357	-
<b>Total Current Liabilities</b>		<b>388,648</b>	<b>286,992</b>
<b>Non-Current Liabilities</b>			
Provisions	12	-	15,961
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>15,961</b>
<b>Total Liabilities</b>		<b>388,648</b>	<b>302,953</b>
<b>Net Assets</b>		<b>4,550,073</b>	<b>4,242,369</b>
<b>Equity</b>			
Contributed equity	15(a)	113,654,594	111,004,480
Reserves	15(c)	1,470,040	1,444,699
Accumulated losses	15(b)	(110,574,561)	(108,206,810)
<b>Total Equity</b>		<b>4,550,073</b>	<b>4,242,369</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued Capital \$	Accumulated Losses \$	Equity benefits reserve \$	Foreign Currency Translation Reserve \$	Total \$
<b>Balance at 1 July 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>
Profit for the year	-	336,361	-	-	336,361
Other comprehensive profit/(loss) for the year	-	-	-	11,818	11,818
<b>Total comprehensive profit/(loss) for the year</b>	<b>-</b>	<b>336,361</b>	<b>-</b>	<b>11,818</b>	<b>348,179</b>
Shares issued	-	-	-	-	-
Share issue costs	-	-	-	-	-
Share based payments	-	-	37,987	-	37,987
<b>Balance at 30 June 2020</b>	<b>111,004,480</b>	<b>(108,206,810)</b>	<b>1,435,596</b>	<b>9,103</b>	<b>4,242,369</b>
Loss for the year	-	(2,367,751)	-	-	(2,367,751)
Other comprehensive income/(loss) for the year	-	-	-	(237)	(237)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>(2,367,751)</b>	<b>-</b>	<b>(237)</b>	<b>(2,367,988)</b>
Shares issued	2,740,000	-	-	-	2,740,000
Share issue costs	(89,886)	-	-	-	(89,886)
Share based payments	-	-	25,578	-	25,578
<b>Balance at 30 June 2021</b>	<b>113,654,594</b>	<b>(110,574,561)</b>	<b>1,461,174</b>	<b>8,866</b>	<b>4,550,073</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		11,100	11,591
Payments for exploration and evaluation expenditure		(2,279,117)	(3,891,975)
Funding from Rio Tinto plc for joint venture		-	1,755,508
Receipt from Rio Tinto Exploration Earn In and JV agreement		804,950	456,018
Receipt from Joint Venture at Barbwire Terrace		84,319	-
Payments to suppliers, consultants and employees		(1,292,592)	(1,185,044)
Interest received		14,708	24,596
Incentives and subsidies		286,154	194,991
<b>Net cash used in operating activities</b>	24	<b>(2,370,478)</b>	<b>(2,634,315)</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of royalties		-	1,000,000
Payments for tenements		(50,000)	-
Payments for property, plant, and equipment		(966)	(1,378)
Cash invested in security deposits		30,000	(150)
Proceeds from the disposal of plant and equipment		1,000	-
Proceeds from the sale of investments		1,135,054	-
<b>Net cash from in investing activities</b>		<b>1,115,088</b>	<b>998,472</b>
<b>Cash flows from financing activities</b>			
Proceeds from new issues of shares		2,580,000	-
Share issue costs		(89,886)	-
<b>Net cash provided by financing activities</b>		<b>2,490,114</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>1,234,724</b>	<b>(1,635,843)</b>
Cash and cash equivalents at the beginning of the financial year		2,378,083	3,911,912
Effect of exchange rates on cash holdings in foreign currencies		-	102,014
Cash and cash equivalents at the end of the financial year	5	<b>3,612,807</b>	<b>2,378,083</b>

*The above consolidated Statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 1 REVENUE AND OTHER INCOME

	2021 \$	2020 \$
Finance income		
Interest income	14,708	24,838
Gain on disposal of royalty portfolio		
Sale of royalty portfolio <sup>(1)</sup>	-	2,250,000
Other income		
Management fee income	133,978	456,018
WA State Exploration Incentive Grant	38,150	119,685
Research & Development Tax incentive	51,004	45,306
Cashflow boost payments <sup>(2)</sup>	179,500	30,000
Payroll tax grant <sup>(3)</sup>	17,500	-
Other income	12,100	11,591
Total other income	432,232	662,600
Total revenue and other income	446,940	2,937,438

1 During the prior financial year, the Company sold its entire interest in its royalties' portfolio it held arising out of previous exploration projects disposed to third parties. Consideration was comprised of A\$1,000,000 in cash and A\$1,250,000 in fully paid Vox Royalty Corp (VOX), a company listed on the Toronto Stock Exchange (TSX-V: VOX) shares (see Note 8).

2 Cash flow boosts payments are delivered as credits in the activity statements and equivalent to the amount withheld from wages paid to employees from March to September 2020.

3 A one-off grant of \$17,500 was paid to employers, or groups of employers, whose annual Australian taxable wages for 2018-19 were more than \$1 million and less than \$4 million.

### 2 EXPENDITURE

	Notes	2021 \$	2020 \$
Exploration and tenement expenses			
Australian tenements		1,952,228	3,580,685
Less: exploration expenditure funded by JV parties		(898,414)	(2,011,481)
Uganda tenements		129,570	53,504
Total exploration and tenement expenses		1,183,384	1,622,708
Share-based payments expense			
Options	17	25,578	37,987
Total share-based payments expense		25,578	37,987

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 2 EXPENDITURE (continued)

	Notes	2021 \$	2020 \$
Administrative expense			
Corporate costs		333,228	347,616
Marketing costs		65,715	76,251
Office costs		58,371	173,822
Personnel costs <sup>(1)</sup>		828,748	511,550
Total administrative expense		1,286,062	1,109,239
(Gain)/Loss on financial assets		239,626	(122,980)
Foreign exchange (gain)/loss <sup>(2)</sup>		11,913	(90,197)

1 A portion of the personnel costs have been included within Exploration and tenement expenditure.

2 Foreign exchange loss was recognised upon cash held and payments of Canadian and United States dollar denominated balances.

A reconciliation of employee benefits expense is as follows:

	2021 \$	2020 \$
Employee benefits expense		
Wages and salaries	881,243	956,242
Superannuation	66,119	78,178
Provision for leave	(124,153)	40,155
Other costs	5,539	2,760
Total employee benefits expense	828,748	1,077,335
Employee benefits included in		
Exploration and tenement expenses	457,999	565,785
Administrative expenses	370,749	511,550
	828,748	1,077,335

### 3 OPERATING SEGMENTS

Management has determined that the Group has two reportable segments, being exploration activities in Australia and exploration activities in Uganda. This determination is based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources. As the Group is focused on exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 3 OPERATING SEGMENTS (continued)

	Australia \$	Uganda \$	Other \$	Total \$
<b>For the year ended 30 June 2021</b>				
Other income	133,978	-	312,962	446,940
Reportable segment loss	(1,183,384)	(129,570)	(1,054,797)	(2,367,751)
Reportable segment assets <sup>(1)</sup>	651,322	630,000	3,657,399	4,938,721
Reportable segment liabilities	(226,927)	(799)	(160,922)	(388,648)
<b>For the year ended 30 June 2020</b>				
Other income	2,456,582	456,018	24,838	2,937,438
Reportable segment (loss)/profit	1,010,358	402,514	(1,076,511)	336,361
Reportable segment assets	3,781,528	646,977	116,817	4,545,322
Reportable segment liabilities	(15,961)	(10,381)	(276,611)	(302,953)

1 Other activities includes cash held of \$3,032,928.

### 4 INCOME TAX EXPENSE

	2021 \$	2020 \$
The components of tax expense comprise:		
Current tax	-	-
Deferred tax asset/liability	-	-
	-	-
<b>Reconciliation of income tax to prima facie tax payable</b>		
Profit/(Loss) before income tax	(2,367,751)	336,361
Income tax benefit at 26% (2020: 27.5%)	(615,615)	92,499
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustment for difference in foreign tax rate	29,769	(1,520)
Non-(assessable)/deductible items	29,770	(194,399)
Under/(overprovision) in prior year	(86,151)	545,795
(Recognised)/Unrecognised deferred tax assets	642,227	(442,375)
Total income tax benefit	-	-
<i>Unrecognised temporary differences</i>		
Deferred tax assets and liabilities not recognised relate to the following:		
Tax losses	14,715,570	14,732,883
Net deferred tax assets unrecognised	14,715,570	14,732,883

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 4 INCOME TAX EXPENSE (continued)

#### Significant accounting judgment

##### Deferred tax assets

The Group expects to have carried forward tax losses, which have not been recognised as deferred tax assets, as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions. The utilisation of the tax losses is subject to the Group passing the required Continuity of Ownership and Same Business Test rules at the time the losses are utilised. Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary difference can be utilised.

### 5 CASH AND CASH EQUIVALENTS

#### (a) Risk exposure

Refer to Note 18 for details of the risk exposure and management of the Group's cash and cash equivalents.

#### (b) Deposits at call

Deposits at call are presented as cash equivalents if they have a maturity of three months or less. Refer Note 29(h) for the Group's other accounting policies on cash and cash equivalents.

	2021 \$	2020 \$
Cash at bank	3,573,374	478,093
Short-term deposits	39,433	1,899,990
	3,612,807	2,378,083

### 6 TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

An assessment has been made of the recoverability of the current receivables and the Board is comfortable that their carrying amount is the same as their fair value.

Other receivables are generally due for settlement within 30 days and are therefore classified as current.

Refer to Note 18 for details of the risk exposure and management of the Group's trade and other receivables.

The term deposit has a maturity of more than three months.

	2021 \$	2020 \$
<i>Trade and other receivables</i>		
Other receivables	32,368	14,404
JV contributions	440,000	-
Prepayments	26,207	39,244
	498,575	53,648
<i>Other Current Assets</i>		
Term deposit	-	30,000
	-	30,000

### 7 EXPLORATION AND EVALUATION ASSETS

	2021 \$	2020 \$
Opening balance	581,038	581,038
Acquisition of Garden Gully Project	150,000	-
Closing balance	731,038	581,038



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 7 EXPLORATION AND EVALUATION ASSETS (continued)

On 21 June 2021, 1,694,915 shares were issued to Miramar Resources Limited in part consideration for acquisition of Garden Gully project. In consideration for purchase of a 100% interest in the Garden Gully project, Miramar received a cash payment of \$50,000 (ex GST); and \$100,000 worth of fully paid ordinary Sipa shares.

#### Significant accounting estimates and assumptions

##### *Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The carrying values of items of exploration and evaluation expenditure are reviewed for impairment indicators when reclassified from to mine properties under development or at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. There is no impairment during for the year ended 30 June 2021.

#### Significant accounting judgement

##### *Capitalisation of exploration and evaluation expenditure*

The Group has capitalised acquisition costs of tenements on the basis that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

### 8 FINANCIAL ASSETS AT FVPL – EQUITY SECURITIES

	2021 \$	2020 \$
Opening balance	1,374,680	1,700
Acquisition of shares	-	1,250,000
Sales of shares	(1,151,658)	-
Revaluation of shares	(102,753)	122,980
Foreign exchange movements	(120,269)	-
Closing balance	-	1,374,680

#### Significant accounting estimates, assumptions, and judgements

##### *Classification of financial assets at fair value through profit or loss*

Investments are designated at fair value through profit or loss where management have made the election in accordance with AASB 9: *Financial Instruments*.

##### *Fair value for financial assets at fair value through profit or loss*

Information about the methods and assumptions used in determining fair value is provided in Note 14.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 9 JOINT VENTURES

The Company is or has been party to a number of unincorporated exploration joint ventures. The following is a list of unincorporated exploration joint ventures under which the Company has diluted and may yet dilute its original interest:

Name of Joint Venture and Project	2021 Interest %	2020 Interest %
Earning In at Patterson North	100% <sup>(1)</sup>	-
Joint Venture at Barbwire Terrace	- <sup>(2)</sup>	-
Joint Venture at Kitgum Pader	-	100% <sup>(3)</sup>

1 Rio Tinto earning into the project.

2 Buru will earn a 50 per cent interest in Sipa's tenement by funding the first \$250,000 of on-ground activities.

3 Following discussions with JV partner Rio Tinto the joint agreement was terminated on 30 April 2020 with no interest earned by Rio Tinto.

As at 30 June 2021, the above listed joint ventures are not joint arrangements under the accounting standards as the joint venture partners do not have collective and joint control. The Company therefore accounts for the interest in the joint ventures in accordance with the relevant accounting standards and not under AASB 11 Joint Arrangements. All exploration and evaluation expenditure is expensed to Statement of Profit or Loss and Other Comprehensive Income as incurred. Contributed funds received from other joint venture partners are deducted from exploration expenditure when cash is received or the right to receive payment is established.

#### Joint Venture at Paterson North

In September 2020, Sipa announced a Farm in and JV agreement with Rio Tinto Exploration at the Paterson North Copper Gold Project in Western Australia. During the period Rio Tinto Exploration contributed funds in advance of \$400,000 to Sipa as part of their initial contribution. As at 30 June 2021, no amounts are held as restricted cash.

	2021 \$	2020 \$
Opening balance	-	-
Contributions received <sup>(1)</sup>	1,204,950	-
Joint Venture expenditure	(1,027,067)	-
	177,883	-

1 As at 30 June 2021, Rio Tinto owed \$400,000 (excluding GST) in contributions, see Note 6.

#### Joint Venture at Barbwire Terrace

In September, Sipa announced it had entered into an innovative alliance with Buru Energy to progress mineral exploration at the Barbwire Terrace project immediately southeast of Buru's own Canning Basin oil and gas leases. Buru will earn a 50 per cent interest in Sipa's tenement by funding the first \$250,000 of on-ground activities. As at 30 June 2021, \$49,044 is held as restricted cash being monies received in advance from Buru and restricted for use on the Barbwire Terrace project.

	2021 \$	2020 \$
Opening balance	-	-
Contributions received	84,319	-
Joint Venture expenditure	(35,275)	-
	49,044	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 9 JOINT VENTURES (continued)

#### Joint Venture at Kitgum Pader

In May 2018 Sipa announced a Farm-in and JV Agreement with Rio Tinto plc at the Kitgum Pader Base Metals Project in Northern Uganda. The agreement was terminated 30 April 2020 with no interest earned by Rio Tinto.

During the period no funds were contributed by Rio Tinto plc as part of the JV at Kitgum Pader.

	2021 \$	2020 \$
Opening balance		323,031
Contributions received	-	1,688,450
Joint Venture expenditure	-	(2,011,481)
	-	-

As at 30 June 2021, nil (2020: nil) is held as restricted cash being monies received in advance from Rio Tinto plc and restricted for use on the Kitgum-Pader project.

All exploration and evaluation expenditure is expensed to Statement of Profit or Loss and Other Comprehensive Income as incurred.

### 10 PLANT AND EQUIPMENT

	2021		2020	
	Right of use asset Property \$	Plant and equipment \$	Right of use asset Property \$	Plant and equipment \$
<b>Cost</b>				
<i>Opening balance</i>	-	1,103,133	-	1,101,095
Additions	63,172	966	-	1,452
Disposals		(212,394)	-	-
Exchange difference		(3,851)	-	586
<i>Closing balance</i>	63,172	887,854	-	1,103,133
<b>Accumulated depreciation, amortisation and impairment</b>				
<i>Opening balance</i>	-	(997,178)	-	(952,201)
Depreciation and amortisation	(31,586)	(43,607)	-	(44,695)
Disposals		212,394	-	-
Exchange difference	-	3,252	-	(282)
<i>Closing balance</i>	(31,586)	(825,139)	-	(997,178)
<i>Net closing book value</i>	31,586	62,715		105,954
<i>Net value plant and equipment</i>		<b>94,301</b>		<b>105,954</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 11 TRADE AND OTHER PAYABLE

Trade and other payables are normally settled within 30 days from receipt of invoice. All amounts recognised as trade and other payables, but not yet invoiced, are expected to settle within 12 months.

The carrying values of trade and other payables are assumed to be the same as their fair value. Refer to Note 18 for details of the risk exposure and management of the Group's trade and other receivables.

	2021 \$	2020 \$
Trade payables	42,418	53,634
Other payables and accrued expenses	60,445	64,665
	102,863	118,299

### 12 PROVISIONS

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 remaining provision.

	Annual Leave \$	Long Service Leave \$	Directors Retirement Benefit \$	Total \$
As at 1 July 2020	93,993	55,661	35,000	184,654
Arising during the year	34,241	-	-	34,241
Reversed during the year	-	(20,639)	-	(20,639)
Utilised during the year	(102,733)	(35,022)	(35,000)	(172,755)
Balance at 30 June 2021	25,501	-	-	25,501
Current 2021	25,501	-	-	25,501
Non-Current 2021	-	-	-	-
	25,501	-	-	25,501
Current 2020	93,993	39,700	35,000	168,693
Non-Current 2020	-	15,961	-	15,961
	93,993	55,661	35,000	184,654

### 13 LEASE LIABILITIES

	2021 \$	2020 \$
<i>Current</i>		
Lease liabilities	33,357	-
	33,357	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 13 LEASE LIABILITIES (continued)

#### *Maturities of lease liabilities*

The table below shows the Group's lease liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months \$	6 - 12 months \$	1 - 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount of liabilities \$
<b>At 30 June 2021</b>						
Lease liability	17,417	17,417	-	-	34,834	33,357

#### **Accounting estimates and judgements**

##### *Leases*

The application of AASB 16 requires judgements that affect the valuation of lease liabilities and ROU assets. In addition to the critical judgements and areas of estimation uncertainty discussed below, the following judgements and estimations need to be considered when assessing leases:

- determination of stand-alone prices of lease and non-lease components, whether remeasurement or a separate lease is required following a change in lease terms and conditions, and whether variable payments are in-substance fixed or not to be included in the calculation of the lease liability; and
- assessments of whether a purchase option will be exercised, or an ROU asset is impaired.

##### *Identifying a lease*

Identifying whether a contract is, or contains, a lease involves the exercise of judgement about whether:

- the contract depends on a specified asset;
- the Group obtains substantially all of the economic benefits from the use of the asset and has the right to direct the use of the asset; and
- the contract is perpetual or for a period of time over which the underlying assets are to be used.

##### *Determining the lease term*

The following assessments impact the lease term which may significantly affect the amount of lease liabilities and ROU assets recognised.

##### Extension and termination options

The Group applies judgement in determining whether it is reasonably certain to exercise extension or termination options, by considering all relevant factors that could provide an economic incentive to exercise these options.

##### Non-cancellable period

In determining the lease term, the assessment of a contract following the contractual non-cancellable period needs to consider the substance of the contract and whether any economic penalties exist which may affect the term of the non-cancellable period.

##### *Determining the incremental borrowing rate*

Where the Group (or Group entity) cannot readily determine the interest rate implicit in the lease, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. Therefore, as the IBR reflects what the Group would have to pay, estimation is required when no observable rates are available or when observable rates need to be adjusted to reflect the terms and conditions of the lease.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 14 FAIR VALUES OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

#### Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 30 June 2020 on a recurring basis:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2021</b>				
Financial assets at FVPL – Equity securities	-	-	-	-
<b>As at 30 June 2020</b>				
Financial assets at FVPL – Equity securities	1,374,680	-	-	1,374,680

There were no transfers between levels during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The fair value of financial assets and liabilities held by the Group must be estimated for recognition, measurement and/or disclosure purposes. The Group measures fair values by level, per the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Valuation techniques used to determine fair values

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and short-term trade and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these payments.

#### *Financial assets at fair value through profit or loss – equity securities*

The fair value of the equity holdings is based on the quoted market prices from the ASX on the last traded price prior or nearest to year-end.

### 15 ISSUED CAPITAL

#### (a) Issued capital

	2021 Shares	2020 Shares	2021 \$	2020 \$
Fully paid	179,522,263	142,276,581	113,654,594	111,004,480

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 15 ISSUED CAPITAL (continued)

Movements in ordinary share capital during the current and prior financial period are as follows:

Details	Date	Number of shares	Issue price/share \$	\$
<b>Balance at 1 July 2019</b>		<b>1,707,295,911</b>		<b>111,004,480</b>
Share consolidation 12:1	Jul-19	(1,565,019,330)	-	-
<b>Balance at 30 June 2020</b>		<b>142,276,581</b>		<b>111,004,480</b>
Placement	18-Sep-20	32,361,112	0.072	2,330,000
Shares issued	7-Oct-20	2,500,000	0.100	250,000
Share-based payment (Note 17)	8-Oct-20	689,655	0.087	60,000
Share-based payment (Note 17)	21-Jun-21	1,694,915	0.059	100,000
Less: Share issue costs				(89,886)
<b>Balance at 30 June 2021</b>		<b>179,522,263</b>		<b>113,654,594</b>

#### (b) Accumulated losses

	2021 \$	2020 \$
Balance at 1 July	(108,206,810)	(108,543,171)
Net profit/(loss) for the year	(2,367,751)	336,361
Balance at 30 June	(110,574,561)	(108,206,810)

#### (c) Reserves

The following table shows a breakdown of the reserves and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided.

	Note	2021 \$	2020 \$
<b>Share-based payments reserve</b>			
Balance at 1 July		1,435,596	1,397,609
Issue of options	17(a)	25,578	37,987
Balance at 30 June		1,461,174	1,435,596
<b>Foreign currency translation reserve</b>			
Balance at 1 July		9,103	(2,715)
Currency translation differences arising during the year		(237)	11,818
Balance at 30 June		8,866	9,103
<b>Total reserves</b>		<b>1,470,040</b>	<b>1,444,699</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 15 ISSUED CAPITAL (continued)

#### *Share-based payments reserve*

The share-based payments reserve is used to recognise: (a) the grant date fair value of options issued but not exercised; (b) the grant date fair value of market-based performance rights granted to Directors, Employees, Consultants and Vendors but not yet vested; and (c) the fair value non-market based performance rights granted to Directors, Employees, Consultants and Vendors but not yet vested.

#### *Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 29(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

### 16 DIVIDENDS

No dividends have been declared or paid for the year ended 30 June 2021 (30 June 2020: nil).

### 17 SHARE-BASED PAYMENTS

Share-based payment transactions are recognised at fair value in accordance with AASB 2.

The total movement arising from share-based payment transactions recognised during the year were as follows:

	Note	2021 \$	2020 \$
As part of share-based payment reserve:			
Options issued to directors and advisors	17(a)	25,578	37,987
As part of administration expense			
Shares issued –Corporate advisory	17(b)	60,000	-
As part of exploration and evaluation expenditure			
Shares issued – Acquisition of Garden Gully project	17(b)	100,000	-
		185,578	37,987

During the year the Group had the following share-based payments:

#### (a) Share options

The Sipa Resources Limited share options are used to reward Executive Directors, Employees, Consultants and Vendors for their performance and to align their remuneration with the creation of shareholder wealth through the performance requirements attached to the options. The Company's Option Plan was approved and adopted by shareholders on 15 November 2018. Options are granted at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The options are not listed and carry no dividend or voting right. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 17 SHARE-BASED PAYMENTS (continued)

Set out below are summaries of options granted:

	2021		2020	
	Average exercise price per option	Number of options	Average exercise price per option	Number of options
Opening balance	\$0.243	3,793,751	\$0.887	1,395,751
Granted during the period	\$0.105	1,156,167	\$0.142	3,300,000
Exercised during the period	-	-	-	-
Forfeited/Lapsed	\$0.123	(747,000)	\$0.870	(902,000)
Closing balance	\$0.227	4,202,918	\$0.243	3,793,751
Vested and exercisable	\$0.262	3,243,751	\$0.917	493,751

# In July 2019, shareholders approved the consolidation of the Company's issued capital by consolidating (i.e. converting) every 12 existing Shares into one New Share. The amounts and exercise price are shown post-consolidation.

	Grant date	Expiry date	Exercise price	2021	2020
				Number of options	Number of options
(i)	1-Sep-16	31-Aug-21	\$1.32	162,500	162,500
(ii)	19-Dec-16	18-Dec-21	\$0.72	331,251	331,251
(iii)	25-Nov-19	24-Nov-23	\$0.13	750,000	1,300,000
(iv)	25-Nov-19	31-Jan-23	\$0.15	2,000,000	2,000,000
(v)	19-Nov-20	18-Nov-23	\$0.102	459,167	-
(vi)	21-Apr-21	19-Apr-24	\$0.110	500,000	-
				4,202,918	3,793,751
Weighted average remaining contractual life of options outstanding at the end of the year:				1.82 years	2.60 years

The fair value of option issued is measured by reference to the value of the goods or services received. The fair value of services received in return for share options granted to Directors and Employees and Consultants is measured by reference to the fair value of options granted. The fair value of services received by advisors could not be reliably measured and are therefore measured by reference to the fair value of the equity instruments granted. The estimate of the fair value of the services is measured based on a number of closed and open form models by an independent valuer. The life of the options including early exercise options are built into the option model. The fair value of the options are expensed over the expected vesting period.

The model inputs for options granted during the year included:

Series	Exercise price	Expiry (years)	Expected volatility <sup>(1)</sup>	Dividend yield	Risk free interest rate <sup>(2)</sup>	Option value
(v)	\$0.102	3.0	100%	0%	0.25%	\$0.035
(vi)	\$0.110	3.0	68%	0%	0.10%	\$0.022

1 The expected price volatility is based on historical volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility due to publicly available information.

2 Risk free rate of securities with comparable terms to maturity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 17 SHARE-BASED PAYMENTS (continued)

The total expense arising from options issued during the reporting period as part of share-based payments expense was as follows:

	2021 \$	2020 \$
Share-based payments expense		
Options issued to Directors and employees	25,578	37,987
	25,578	37,987

#### (b) Share capital to vendors

During the financial year:

- On 7 October 2020, 689,655 shares were issued to Hartley's Limited in consideration for advisory fees. The fair value of the shares recognised was by direct reference to the fair value of service received. This was determined by the corresponding invoice received which amounted to \$60,000. This amount has been recognised in the Statement of Profit or Loss under administration expense.
- On 21 June 2021, 1,694,915 shares were issued to Miramar Resources Limited in part consideration for acquisition of Garden Gully project. In consideration for purchase of a 100% interest in the Garden Gully project, Miramar received a cash payment of \$50,000 (ex GST); and \$100,000 worth of fully paid ordinary Sipa shares. The fair value of the shares recognised was by direct reference to the sales agreement, executed 15 February 2021. An amount of \$100,000 has been recognised in the Statement of Financial Position under exploration and evaluation expenditure.

#### Significant accounting estimates, assumptions, and judgements

##### *Estimation of fair value of share-based payments*

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for share issued to employees is determined using the Black-Scholes or Monte-Carlo model taking into account the assumptions detailed within this note. The fair value of the shares issued to vendors is recognised was by direct reference to the fair value of service received.

##### *Probability of vesting conditions being achieved*

Inputs to pricing models may require an estimation of reasonable expectations about achievement of future vesting conditions. Vesting conditions must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement.

Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time) or completion of performance hurdles.

The Company recognises an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

The achievement of future vesting conditions are reassessed each reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 18 FINANCIAL AND CAPITAL RISK MANAGEMENT

#### Overview

The financial risks that arise during the normal course of the Group's operations comprise market risk, credit risk and liquidity risk. In managing financial risk, it is policy to seek a balance between the potential adverse effects of financial risks on financial performance and position, and the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various risk management methods available to manage them.

#### *General objectives, policies, and processes*

The Board is responsible for approving policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal control. The Board receives reports as required from the Managing Director in which they review the effectiveness of the processes implemented and the appropriateness of the objectives and policies it sets. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced.

These disclosures are not, nor are they intended to be an exhaustive list of risks to which the Group is exposed.

#### *Financial Instruments*

The Group has the following financial instruments:

	2021 \$	2020 \$
<b>Financial assets</b>		
Cash and cash equivalents	3,612,807	2,378,083
Other current asset – term deposit	-	30,000
Financial assets at FVPL	-	1,374,680
Other receivables	472,368	14,404
Security deposits	2,000	21,920
	4,087,175	3,819,087
<b>Financial liabilities</b>		
Trade and other payables	42,418	53,634
	42,418	53,634

#### (a) Market Risk

Market risk can arise from the Group's use of interest-bearing financial instruments, foreign currency financial instruments and equity security instruments and exposure to commodity prices. It is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rate (currency risk), equity securities price risk (price risk) and fluctuations in commodity prices (commodity price risk).

##### (i) Interest rate risk

The Board manages the Group's exposure to interest rate risk by regularly assessing exposure, taking into account funding requirements and selecting appropriate instruments to manage its exposure. As at the 30 June 2021, the Group has interest-bearing assets, being cash at bank (30 June 2020: cash at bank).

As such, the Group's income and operating cash flows are not highly dependent on material changes in market interest rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 18 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

#### *Sensitivity analysis*

The Group does not consider this to be a material risk/exposure to the Group and have therefore not undertaken any further analysis.

As at 30 June 2021 and 30 June 2020 the Group held funds on deposit.

#### (ii) Currency risk

The Group maintains a corporate listing in Australia and operates in Australia and Uganda. As a result of various operating locations, the Group is exposed to foreign exchange risk arising from fluctuations, primarily in the US Dollar (USD), and Ugandan Shilling (UGX).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Group manages risk by matching receipts and payments in the same currency and monitoring movements in exchange rates. The exposure to risks is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at year end, expressed in Australian dollars, was as follows:

	2021			2020		
	USD	CAD	UGX	USD	CAD	UGX
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash	37,723	-	790	-	-	5,980
Other receivables	-	-	7,846	-	-	35,399
Financial assets at FVPL	-	-	-	-	1,374,680	-
<b>Financial liabilities</b>						
Trade and other payables	-	-	799	-	-	106,574

#### *Sensitivity analysis*

The following table demonstrates the estimated sensitivity to a 10% increase/decrease in the Australian dollar/USD exchange rate, with all variables held consistent, on post tax profit and equity. The Group does not consider the other currencies to be a material risk/exposure to the Group and have therefore not undertaken any further analysis. These sensitivities should not be used to forecast the future effect of movement in the Australian dollar exchange rate on future cash flows.

A hypothetical change of 10% in USD exchange rates was used to calculate the Group's sensitivity to foreign exchange rate movements as the Company's estimate of possible rate movements over the coming year taking into account current market conditions and past volatility.

During the prior period the exposure to foreign exchange rate changes was not considered material for the group

#### Impact on post-tax profits and equity

	%	\$
<b>30 June 2021</b>		
AUD/USD + %	10	3,772
AUD/USD - %	10	(3,772)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 18 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

#### (iii) Price risk

The Group's only equity investments during the year were publicly traded on the TSX.

To manage its price risk arising from investments in equity securities, management monitors the price movements of the investment and ensures that the investment risk falls within the Group's framework for risk management.

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value (Note 8).

#### *Sensitivity analysis*

The Group does not hold any equity investments at year end and therefore does not consider this to be a material risk/exposure to the Group and have therefore not undertaken any further analysis.

#### (iv) Commodity price risk

As the Group has not yet entered into mineral or energy production, the risk exposure to changes in commodity price is not considered significant.

#### (b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions, as well as trade receivables. Credit risk is managed on a Group basis. For cash balances held with banks or financial institutions, where possible only independently rated parties with a minimum rating of 'A' are accepted.

The Board are of the opinion that the credit risk arising as a result of the concentration of the Group's assets is more than offset by the potential benefits gained.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised net of credit loss provisions and impairments.

#### *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:

	2021 \$	2020 \$
Cash and cash equivalents	3,612,807	2,378,083
Other current asset – term deposit	-	30,000
Other receivables	472,368	14,404
Security deposits	2,000	21,920
	4,087,175	2,444,407

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 18 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

The credit quality of financial assets are assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The Group has adopted lifetime expected credit loss allowance in estimating expected credit loss.

	2021 \$	2020 \$
<b>Cash at bank and short-term deposits</b>		
<i>Held with Australian banks and financial institutions</i>		
AA- S&P rating	-	-
A+ S&P rating	3,574,294	2,336,165
B S&P rating	37,723	40,983
Unrated	790	935
Total	3,612,807	2,378,038
<b>Other receivables</b>		
<i>Counterparties with external credit ratings</i>	467,183	12,603
<i>Counterparties without external credit ratings <sup>(1)</sup></i>		
Group 1	-	-
Group 2	7,185	21,920
Group 3	-	-
Total	474,368	34,523

<sup>1</sup> Group 1 — new customers (less than 6 months)

Group 2 — existing customers (more than 6 months) with no defaults in the past

Group 3 — existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered

#### (c) 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. Through continuous monitoring of forecast and actual cash flows the Group manages liquidity risk by maintaining adequate reserves to meet future cash needs. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

#### *Maturities of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 18 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

	Less than 6 months \$	6 - 12 months \$	1 - 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount of liabilities \$
<b>At 30 June 2021</b>						
Trade and other payables	42,418	-	-	-	42,418	42,418
Lease liabilities	17,417	17,417	-	-	34,834	33,357
<b>At 30 June 2020</b>						
Trade and other payables	118,299	-	-	-	118,299	118,299

#### (d) Capital risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern. This is to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board monitors capital on an ad-hoc basis. No formal targets are in place for return on capital, or gearing ratios, as the Group has not derived any income from operations.

### 19 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This Note provides an overview of the areas that involved a higher degree of judgement or complexity and items which are more likely to be materially adjusted. Detailed information about each of these estimates and judgements is included in the Notes together with information about the basis of calculation for each affected line item in the financial statements.

#### Significant accounting estimates and judgements

The areas involving significant estimates or judgements are:

- Recognition of deferred tax asset for carried forward tax losses — Note 4;
- Capitalisation of exploration and evaluation expenditure – Note 7
- Impairment of capitalised of exploration and evaluation expenditure - Note 7;
- Classification of financial assets through profit or loss – Note 8;
- Estimation of fair value of share-based payments – Note 17;
- Probability of vesting conditions being achieved– Note 17.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

There have been no actual adjustments this year as a result of an error and of changes to previous estimates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 20 TENEMENT EXPENDITURES CONDITIONS AND LEASING 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 2021, the Directors estimate the minimum expenditure commitment for the ensuing twelve months to be \$1,774,458 (30 June 2020: \$951,000). However, the Directors consider that the actual commitment is likely to be less as these commitments are reduced continuously by such items as exemption applications to the Department of Geological Survey and Mines, Uganda and the Department of Mines, Industry and Safety, 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.

The Company has the ability to diminish its exposure under these commitments through the application of a variety of techniques including applying for exemptions from the regulatory expenditure obligations, surrendering tenements, relinquishing portions of tenements or entering into farm-out agreements whereby third parties bear the burdens of such obligation in whole or in part.

#### Australian Projects

The Group has certain obligations to perform minimum exploration work on tenements held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at reporting date, total exploration expenditure commitments on tenements held is shown in the above table. These obligations are also subject to variations by farm-out arrangements, dilution with current partners or sale of the relevant tenements.

#### Ugandan Projects

The Group has minimum obligations for expenditure under the retention license being 1 years Work Programme.

### 21 (LOSS)/EARNINGS PER SHARE

	2021	2020
<b>Basic and diluted (loss)/earnings per share</b>		
Net (loss)/earnings after tax attributable to the members of the Company	\$ (2,367,751)	\$ 336,361
Weighted average number of ordinary shares	169,909,265	142,276,581
Basic and diluted (loss)/earnings per share (cents)	(1.39)	0.24
Net (loss)/profit after tax attributable to the members of the Company	\$ (2,367,751)	\$ 336,361
Weighted average number of ordinary shares	169,909,265	142,276,581
Adjustments for calculation of diluted earnings per share		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares	-	142,276,581
Diluted (loss)/earnings per share (cents)	(1.39)	0.24

Nil options (2020: 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 17.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 22 CONTINGENT LIABILITIES

#### (a) Contingent liabilities

##### Native Title

Tenements are commonly (but not invariably) affected by native title.

The Company is not in a position to assess the likely effect of any native title impacting the Company.

The existence of native title and heritage issues represent, as a general proposition, a serious threat to explorers and miners, not only in terms of delaying the grant of tenements and the progression of exploration development and mining operations, but also in terms of costs arising consequent upon dealing with aboriginal interest groups, claims for native title and the like.

As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on the freehold land. Unless it already has secured such rights, there can be no assurance that the Company will secure rights to access those portions (if any) of the Tenements encroaching freehold land but, importantly, native title is extinguished by the grant of freehold so if and whenever the Tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act in respect of the area of encroachment albeit aboriginal heritage matters still be of concern.

The Group currently has no contingent liabilities as at 30 June 2021 (30 June 2020: Nil).

#### (b) Contingent assets

The Group has no contingent assets as at 30 June 2021 (30 June 2020: Nil).

#### Significant judgments

##### *Contingencies & commitments*

As the Group is subject to various laws and regulations in the jurisdictions in which it operates, significant judgment is required in determining whether any potential contingencies are required to be disclosed and/or whether any capital or operating leases require disclosure (refer to Note 20).

### 23 RELATED PARTY TRANSACTIONS

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### Key management personnel compensation

	2021 \$	2020 \$
Short-term employee benefits	578,560	666,659
Post-employment benefits	124,060	60,051
Share-based payments	23,977	29,130
Other long-term benefits	-	(18,846)
	726,597	736,994

Detailed remuneration disclosures are provided within the remuneration report.

#### Parent entity

The ultimate parent entity and ultimate controlling party is Sipa Resources Limited (incorporated in Australia).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 23 RELATED PARTY TRANSACTIONS (continued)

#### Subsidiaries

Interests in subsidiaries are set out in Note 26.

#### Transactions with related parties

##### Payment of fees

- Mr Craig McGown, Non-Executive Chair, is a Director of Resource Investment Capital Advisors Pty Ltd, which received Mr McGown's Director fees during the year. At year end the Company had an outstanding payable balance of \$3,958 (ex GST) (30 June 2020: nil).

##### Share-based payments

During the year the following options were granted:

- Mr Darvall was granted 459,167 options; and
- Ms Robson was granted 197,000 options, which lapsed following resignation;

Details of the valuation pertaining to the above-mentioned equity instruments are set out in Note 17.

There were no other related party transactions during the period.

### 24 RECONCILIATION OF (LOSS)/PROFIT AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Note	2021 \$	2020 \$
(Loss)/profit for the period		(2,367,751)	336,361
Add/(less) non-cash items:			
Depreciation		75,192	44,319
Leases		(29,815)	-
Profit on disposal of royalties		-	(2,250,000)
Share based payments		85,578	37,987
Foreign exchange (loss)/gain		360	(90,197)
Add/ (less) items classified as invested/financing activities:			
Proceeds from sale of plant and equipment		(1,000)	-
Fair value movement on investments held		239,626	(122,980)
Movement in deposits		(30,000)	-
Changes in assets and liabilities during the financial year:			
Decrease/(increase) in trade and other receivables		(395,008)	34,465
Increase in deferred joint venture contributions		226,927	(323,031)
(Decrease)/increase in trade and other payables		(15,434)	(232,408)
Increase/(decrease) in employee provision		(159,153)	(68,831)
Net cash outflow used in operating activities		(2,370,478)	(2,634,315)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 24 RECONCILIATION OF (LOSS)/PROFIT AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES (continued)

#### (a) Non-cash investing and financing activities

	Note	2021 \$	2020 \$
Acquisition of Garden Gully project	7	100,000	-

### 25 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to year end:

- On 31 August 2021 the Company advised that 162,500 unlisted options exercisable at \$1.32 expired; and advised ASX on 1 September 2021.
- On 28 September 2021 the Company issued 24.655 million fully paid ordinary shares at A\$0.059 per share to raise approximately \$1.45 million (before costs), as announced on 30 September 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not impacted financially on the Company up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other material matters have occurred subsequent to the end of the financial year which requires reporting on other than those which have been noted above or reported to ASX.

### 26 INTEREST IN OTHER ENTITIES

#### (a) Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 29(a):

Name of entity	Country of incorporation	2021 Equity holding	2020 Equity holding
Sipa Gold Limited <sup>(1)</sup>	Australia	-	100%
Sipa Copper Pty Ltd <sup>(1)</sup>	Australia	-	100%
Sipa Resources (1987) Limited <sup>(1)</sup>	Australia	-	100%
Sipa Exploration NL	Australia	100%	100%
Sipa Management Pty Ltd	Australia	100%	100%
Sipa – Gaia NL <sup>(1)</sup>	Australia	-	100%
Ashling Resources NL <sup>(1)</sup>	Australia	-	100%
Topjest Pty Limited <sup>(1)</sup>	Australia	-	100%
Sipa – Wysol Pty Ltd <sup>(1)</sup>	Australia	-	100%
Sipa East Africa Pty Ltd	Australia	100%	100%
SiGe East Africa Pty Ltd	Australia	100%	100%
Sipa Exploration Uganda Limited	Uganda	100%	100%
Sipa Resources Tanzania Limited#	Tanzania	100%	100%

1 Company was deregistered on 4 October 2020

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 27 REMUNERATION OF AUDITORS

From time to time the Consolidated Entity may decide to employ an external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important. These assignments are principally tax advice and due diligence on acquisitions, which are awarded on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

No non-audit services have been provided during the period.

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

	2021 \$	2020 \$
(a) <u>BDO Australia</u>		
<i>Audit and assurance services</i>		
Audit and review of financial statements	35,852	-
(b) <u>PwC Australia</u>		
<i>Audit and assurance services</i>		
Audit and review of financial statements	-	40,000
(c) <u>Other firms</u>		
<i>Audit and assurance services</i>		
Audit and review of financial statements	-	7,271
<b>Total fees</b>	<b>35,852</b>	<b>47,271</b>

### 28 PARENT ENTITY INFORMATION

The following information relates to the parent entity, Sipa Resources Limited as at 30 June 2021. The information presented here has been prepared using consistent accounting policies as presented in Note 29.

#### (a) Summary of financial information

The individual aggregate financial information for the parent entity is shown in the table.

#### (b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 30 June 2021 or 30 June 2020.

#### (c) Contingent liabilities of the parent entity

Other than those disclosed in Note 22, the parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

#### (d) Contractual commitments for the acquisition of property, plant, and equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2021 or 30 June 2020.

	Company	
	2021 \$	2020 \$
<b>Financial position</b>		
Current assets	3,032,928	3,410,250
<b>Total assets</b>	<b>3,886,123</b>	<b>3,974,317</b>
Current liabilities	-	-
<b>Total liabilities</b>	-	<b>(209,375)</b>
<b>Equity</b>		
Contributed equity	113,654,594	111,004,480
Reserves	1,461,175	1,435,597
Accumulated losses	(111,229,646)	(108,675,140)
<b>Total equity</b>	<b>3,886,123</b>	<b>3,764,937</b>
<b>Financial performance</b>		
Profit/(Loss) for the year	(2,554,506)	550,029
<b>Total comprehensive profit/(loss)</b>	<b>(2,554,506)</b>	550,029

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 29 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Sipa Resources Limited (Company or Sipa) is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Sipa Resources Limited is the ultimate parent entity of the Group.

The consolidated financial statements of Sipa Resources Limited for the year ended 30 June 2021 comprise the Company and its controlled subsidiaries (together referred to as the Group and individually as Group entities).

#### *Statement of compliance*

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Group Interpretations, and the Corporations Act 2001. Sipa Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

These financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### *Critical accounting estimates and significant judgments*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within Note 19.

#### *New and amended standards adopted by the Group*

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current annual reporting period.

Other amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior years. However, the above standards have affected the disclosures in the notes to the financial statements.

#### *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below. These standards are not

expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **Accounting policies**

In order to assist in the understanding of the financial statements, the following summary explains the principal accounting policies that have been adopted in the preparation of the financial report. These policies have been applied consistently to all of the periods presented, unless otherwise stated.

#### **(a) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

### (b) Going concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

### (c) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker, which has been identified by the company as the Board.

### (d) Foreign Currency Translation

#### *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Sipa Resources Limited's functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

No dividends were paid or proposed during the year.

#### *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate

share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### (e) 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 was paid a management fee ranging between 10% - 15% of expenditure incurred on behalf of joint venture parties. Revenue from providing services is recognised in the period in which the services are rendered.

#### *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.

### (f) Leases

The group leases office space and office equipment. Rental contracts can range from a period of month to month or up to-3 years.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 13 for details. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant, and equipment, it has chosen not to do so for the right-of-use buildings held by the group. The Group did not have any Right of use assets during the financial year ended 30 June 2020.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise minor office equipment.

### **(g) 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.

### **(h) 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.

### **(i) 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.

### **(j) 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.

### **(k) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

### (l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, or interest in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries or interest in joint venture, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be

available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

### (m) 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.

### (n) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

### **(o) Exploration and Evaluation**

#### *Exploration and Evaluation expenditure*

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area as well as the determination of the technical feasibility and commercial viability of extracting mineral resource.

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

#### *Acquisition costs*

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.

#### *Other costs*

Exploration and evaluation expenditure are expensed to the profit or loss as incurred except when existence of a commercially viable oil and/or gas reserve has been established and it is anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure.

### **(p) Investments and other financial assets**

#### *Classification*

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.

#### *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*

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 8 for further details.

### **(q) 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.

### **(r) 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

### (s) 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.

### (t) Share-based payment transactions

The Group provides benefits to employees (including executive 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 17.

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.

### (u) 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.

### (v) Profit/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.

### (w) 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.

### (x) Dividends

No dividends were paid or proposed during the year.

### (y) Comparatives

Comparative figures have been restated to conform with the current year's presentation. This has had no impact on the financial statements.

### (z) Parent Entity Financial Information

The financial information for the parent entity, Sipa Resources Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements except as set out below:

#### *Investments in subsidiaries*

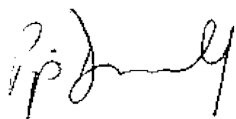
Investments in subsidiaries are accounted for at cost and subject to an annual impairment review.

## DIRECTORS' DECLARATION

The Directors of the Group declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards and the *Corporations Act 2001*;
  - (b) give a true and fair view of the financial position as at 30 June 2021 and performance for the year ended on that date of the Group; and
  - (c) the audited remuneration disclosures set out in the Remuneration Report section of the Directors' Report for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*;
2. the Chief Financial Officer has declared pursuant to section 295A.(2) of the *Corporations Act 2001* that:
  - (a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and the notes for the financial year comply with Australian Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
4. the Directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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



**Pip Darvall**  
Managing Director

Perth  
30 September 2021

## INDEPENDENT AUDITOR'S REPORT

To the members of Sipa Resources Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Sipa Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### 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 are independent of the Group in accordance with 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### 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 of the current period. These 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.

## Recoverability of exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 30 June 2021 the Company held a significant carrying value of capitalised exploration and evaluation assets as disclosed in Note 7 and 29 (o).</p> <p>As the carrying value of these exploration and evaluation assets represent a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining whether there are any indications of impairment of exploration expenditure in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date;</li> <li>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group’s exploration budgets, ASX announcements and director’s minutes;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of the economically recoverable reserves exist;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 7 and 29 (o).</li> </ul>

### Other Matter

The financial report of Sipa Resources Limited, for the year ended 30 June 2020 was audited by another auditor who expressed an unmodified opinion on that report on 22 September 2020.

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 30 June 2021, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express 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, 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.



## 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 has 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 24 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Sipa Resources Limited, for the year ended 30 June 2021, 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.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Perth, 30 September 2021



## OTHER INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

Information as at 13 September 2021.

### Distribution of Shareholders

Category (Size of Holding)	Number of Holders	Fully Paid Ordinary Shares
1 to 1,000	1,235	564,246
1,001 to 5,000	1,146	2,961,058
5,001 to 10,000	443	3,353,609
10,001 to 100,000	1,006	35,118,142
100,001 and over	248	137,525,208
<b>Total</b>	<b>4,078</b>	<b>179,522,263</b>

### Unmarketable Parcels

The number of shareholdings held in less than marketable parcels is 2,611 holders holding 4,998,560 shares.

### Substantial shareholders:

The names of the substantial shareholders listed in the Company's register as at 13 September 2021.

Shareholder Name	Number of Shares	% of Issued Share Capital
RODIV NSW P/L <RODIV PENSION FUND A/C>	30,693,649	17.10
SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	9,241,179	5.15

### Twenty largest shareholders – Quoted fully paid ordinary shares:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	RODIV NSW P/L <RODIV PENSION FUND A/C>	30,693,649	17.10
2.	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	9,241,179	5.15
3.	MR GAVIN JEREMY DUNHILL	4,000,000	2.23
4.	MOGGS CREEK PTY LTD <MOGGS CREEK SUPER A/C>	3,719,144	2.07
5.	RIO TINTO EXPLORATION PTY LIMITED	2,500,000	1.39
6.	EVOLUS PTY LTD <THE SUSHAMES S/F A/C>	2,267,417	1.26
7.	MISS ESTHER LIMANTO	2,265,114	1.26
8.	MR WILLIAM HENRY HERNSTADT	2,218,988	1.24
9.	MR ATHUR JOHN CONOMOS	2,050,000	1.14
10.	SANCOAST PTY LTD	2,000,000	1.11
11.	WIP FUNDS MANAGEMENT PTY LTD <PORTER FAMILY S/F A/C>	2,000,000	1.11
12.	TOLTEC HOLDINGS PTY LTD	1,760,555	0.98
13.	MIRAMAR RESOURCES LIMITED	1,694,915	0.94
14.	MR JEREMY DOMINIC KALMUND	1,653,120	0.92
15.	SUPERFUZE PTY LTD <KALJER SUPER FUND A/C>	1,603,034	0.89
16.	RYTECH PTY LTD <RYTECH PTY LTD S/F A/C>	1,500,000	0.84

## OTHER INFORMATION

	Shareholder Name	Number of Shares	% of Issued Share Capital
17.	MR LINCOLN TOPHAM + MS PAULINE TOPHAM	1,388,889	0.77
18.	CITICORP NOMINEES PTY LIMITED	1,380,652	0.77
19.	EVERBRIGHT ACCOUNTING SERVICES PTY LTD <THE ZHANG FAMILY A/C>	1,331,154	0.74
20.	JETOSEA PTY LTD	1,290,000	0.72
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	76,557,810	42.65
	Total Remaining Holders Balance	102,964,453	57.35

### Unquoted Securities

Unquoted Equity Security Holders with Greater than 20% of an Individual Class

#### UNLISTED OPTIONS EXPIRING 19/04/2024 @ \$0.11

Rank	Name	Units	% Units
1	MR DAVID FREEMAN	500,000	100.00

#### UNLISTED OPTIONS EXPIRING 31/01/2023 @ \$0.15

Rank	Name	Units	% Units
1	ELMIX PTY LTD <WESTERN DARVALL FAMILY A/C>	2,000,000	100.00

#### UNLISTED EMPLOYEE OPTIONS EXPIRING 18/11/2023 @ \$0.102

Rank	Name	Units	% Units
1	ELMIX PTY LTD <WESTERN DARVALL FAMILY A/C>	459,167	100.00

#### UNLISTED OPTIONS EXPIRING 24/11/2023 @ \$0.13

Rank	Name	Units	% Units
1	MS TARA ROBSON	562,500	75.00
2	MR PAUL PARKER	187,500	25.00

#### UNLISTED OPTIONS EXPIRING 18/12/2021 @ \$0.72

Rank	Name	Units	% Units
1	MS TARA ROBSON	216,417	65.33
2	MR PETER NEUMAYR	114,834	34.67

### Buy-Back Plans

The Company does not have any current on-market buy-back plans.

### Voting Rights

The voting rights attaching to ordinary shares are governed by the Constitution. On a show of hands every person present who is a Member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each fully paid ordinary share held. None of the options have any voting rights.

There are no voting rights attached to any class of options or performance rights that are on issue.

## **OTHER INFORMATION**

### **Restricted Securities**

There are no restricted securities currently on issue.

### **Corporate Governance**

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website at: [www.sipa.com.au](http://www.sipa.com.au)