

ANNUAL REPORT 2020



Sipa Resources Limited
ABN 26 009 448 980

SIPA RESOURCES LIMITED

ABN 26 009 448 980

CORPORATE DIRECTORY

for the year ended 30 June 2020

DIRECTORS

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

Pip Darvall MSc (Geology), MBA (Managing Director since 1 February 2020)

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

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

John Forwood B.Sc (Hons) LIB (Hons) (Non-Executive Director) (Appointed 10 July 2020)

COMPANY SECRETARY

Tara Robson BA (Accounting), CPA (USA)

REGISTERED OFFICE

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... our emerging 100% owned projects in Western Australia, the coming year is shaping up to be one of very active exploration for Sipa ...

Dear Fellow Shareholder

I am pleased to report on what has been a year of challenge and transformation for Sipa. The COVID-19 pandemic has tested us as it has most companies however, through quick action and judicious use of resources, the company remains in a strong position.

Over the year the company made significant headway on a number of fronts. Exploration progressed at both of our most advanced projects being the Paterson North Cu-Au project adjacent to Rio Tinto's recent Winu discovery in the Pilbara and the Kitgum-Pader Ni-Cu project in Northern Uganda, and

exploration commenced on the Wolfe Basin base metal project in the Kimberley Region. Target generation activities had an increased focus on gold and resulted the company securing two new 100% owned gold projects in Western Australia.

At the Paterson North project the Company undertook a regional airborne electromagnetic survey (AEM) to provide a rapid first pass screen of areas prospective for Winu style copper-gold mineralisation. Follow-up drill testing resulted in a major expansion of the Obelisk copper footprint, as well as identifying two new zones of mineralisation at the Dorado and Donut Prospects.

Subsequent to year-end, a competitive process resulted in Rio Tinto entering the project via a farm-in and joint venture agreement in order to accelerate exploration. In addition to having substantial financial resources, Rio Tinto have a strong operational presence and technical expertise in the area which will be of great benefit in unlocking the potential of the project.

The first half of the year saw a high level of activity by joint venture partner Rio Tinto at the Kitgum Pader Nickel-Copper project in Uganda. Regional prospect areas were advanced via detailed gravity surveys and selective follow-up drilling, while further drilling at the Akelikongo



discovery expanded the lateral footprint and down plunge extent of mineralisation. Mineralisation now extends over a strike length of 1.5km and remains open down-plunge to the north west. Early in 2020 Rio Tinto withdrew from the joint venture and Sipa retains 100% ownership of this significant project. The key target area in this project, namely the down-plunge extent of the mineralised chonolith at Akelikongo remains open and requires further drill testing. Sipa is currently seeking a new partner to advance the project to test this and other target areas. The current COVID-19 travel restrictions have inhibited interested parties from undertaking site inspections and in the meantime the project has been placed on care and maintenance to minimize holding costs.

Initial exploration at the Wolf Basin Project in the Kimberley Region of Western Australia, where Sipa is targeting sediment-hosted base metal mineralisation based on an African Copper-belt model, has located extensive gossanous horizons (the weathered surface remains of sulphide

mineralisation). Our team has completed a heritage survey to facilitate first pass drill testing later in 2020.

The Barbwire Terrace Zinc project in the Fitzroy Trough area of Western Australia, while challenging from a fieldwork perspective, has very strong potential for discovery of significant MVT-type mineralisation similar to the historic Pillara and Cadjebut mines to the north. The company has refined the target areas over the past year and subsequent to year end entered into a mineral exploration alliance with Buru Energy Limited, an oil and gas explorer with interests in the region. Sipa partnered with Buru because of their sophisticated basin models covering the Fitzroy Trough which have the potential to rapidly define areas of highest potential for the discovery of basemetal mineralisation. This collaboration typifies Sipa's innovative approach to exploration.

During the year, our project generation team undertook a strategic review of the project portfolio with the focus being on advancing projects in which Sipa can cost effectively add value through innovative exploration. This resulted in the relinquishment of early stage projects in Queensland and South Australia due to access constraints.

New 100% owned projects secured during the year including the Warralong gold project in the northern Pilbara targeting "Hemi-style" intrusive related gold mineralisation along a largely unexplored regional shear zone, and the Skeleton Rocks Project in the Southern Cross district of WA covering interpreted shallowly buried greenstone belts prospective for both gold and nickel-copper mineralisation. First pass reconnaissance style exploration has commenced on both of these projects and will be accelerated once tenements are granted.

On the corporate front, this year was marked by the arrival of our new Managing Director Pip Darvall. Since starting with Sipa in a very challenging period for the industry, Pip has wasted no time in ensuring our costs are minimized while our exploration efforts focused on projects with the greatest potential to add value to the company. The strategic sale of our royalty portfolio meant that we were able to make meaningful progress

on our suite of exploration projects without the need to raise additional capital in a time of market weakness.

Shortly after the end of the financial year we were very pleased to welcome John Forwood to the Sipa Board to fill the vacancy to be left by Karen Field who has advised her intention to step down at the 2020 AGM. John's unique blend of technical, legal and investment experience in the junior resources sector and extensive domestic and international networks will be a valuable asset to the Company as we focus on unlocking the potential of our project portfolio. I would like to take this opportunity, on behalf of my fellow directors, to thank our outgoing director, Karen Field, for tireless efforts on behalf of the Company. Karen's wise counsel provided over many years has proved invaluable to both myself and the other directors. Karen will depart with our gratitude and best wishes.

With the Paterson North Joint Venture now having significant funding through joint venture partner Rio Tinto, the exploration programs planned for our emerging 100% owned gold projects in Western Australia and activity planned for Barbwire Terrace through our collaboration with Buru Energy, the coming year is shaping up to be one of very active exploration for Sipa. We look forward to reporting our progress.

In closing I would like to thank our dedicated team lead by Pip Darvall and the various stakeholders that have assisted our efforts over the year including our contractors, the Western Australian Government, local communities and of course our loyal shareholders.

Tim Kennedy
Chairman



Introduction

During the year Sipa has continued to take advantage of its strengths in early stage generative work within Western Australia while focusing on projects that are able to be cost effectively explored.

Identification and securing of several new projects has been completed and is part of our ongoing project generation efforts. Additionally, we have commenced significant efforts to test and de-risk the projects where possible during the application and grant process

which enables Sipa to commence value adding work as soon as grant occurs. This process also allows decisions to be made on whether early stage ideas have sufficient merit to continue towards grant or to withdraw applications to conserve cash resources. By this process the

Company is able to rapidly cycle through large numbers of projects and move on if there are no positive indications of exploration potential.



Warralong Gold Project

100% Sipa

Sipa's Warralong project covers more than 50km of the Lalla Rookh Shear Zone in a 'look-alike' tectonic and geological setting to the recent discoveries by De Grey Mining Limited ('De Grey', ASX release 25 March 2020) which lie on the sub-parallel Tabbatabba Shear Zone (Figure 1). Since noticing the similarities in geological setting Sipa has expanded its ground position to five tenements covering over 1000 km² of prospective rocks.

The opportunity at the Warralong project is discovery of intrusion-hosted gold (and potentially other deposit styles) along a significant structure that is relatively unexplored. The Tabbatabba Shear Zone and its extensions form a major crustal structure that has acted as a conduit for mineralising fluids and intrusive bodies

resulting in several mineral deposits along its length. From west to east these include the Indee Gold Camp, Mt Dove, an iron deposit mined by Atlas Iron Limited, the Hemi gold discovery and others identified by DeGrey, and the Tabbatabba lithium-tantalum pegmatites (Figure 1).

In contrast the sub-parallel Lalla Rookh Shear Zone and associated splay structures now covered by Sipa tenements are largely obscured under shallow cover and therefore relatively unexplored, in particular for the new style of intrusion related mineralisation identified by DeGrey. The tenements are progressing through the native title and granting processes. While grant is awaited, Sipa has been undertaking

work to progress the project as much as possible and generate drill targets via a range of activities.

Field reconnaissance programs to the project have enabled Sipa to trial different options for sampling through the shallow cover blanketing the area. Public domain geophysical data was also acquired and reprocessed at nominal cost with the re-processed magnetics showing numerous features interpreted as younger intrusions, and previously unrecognized greenstone units in basement rocks. Further work will be undertaken to test their validity as drill targets using recently acquired detailed aeromagnetics in combination with additional stream sediment samples.

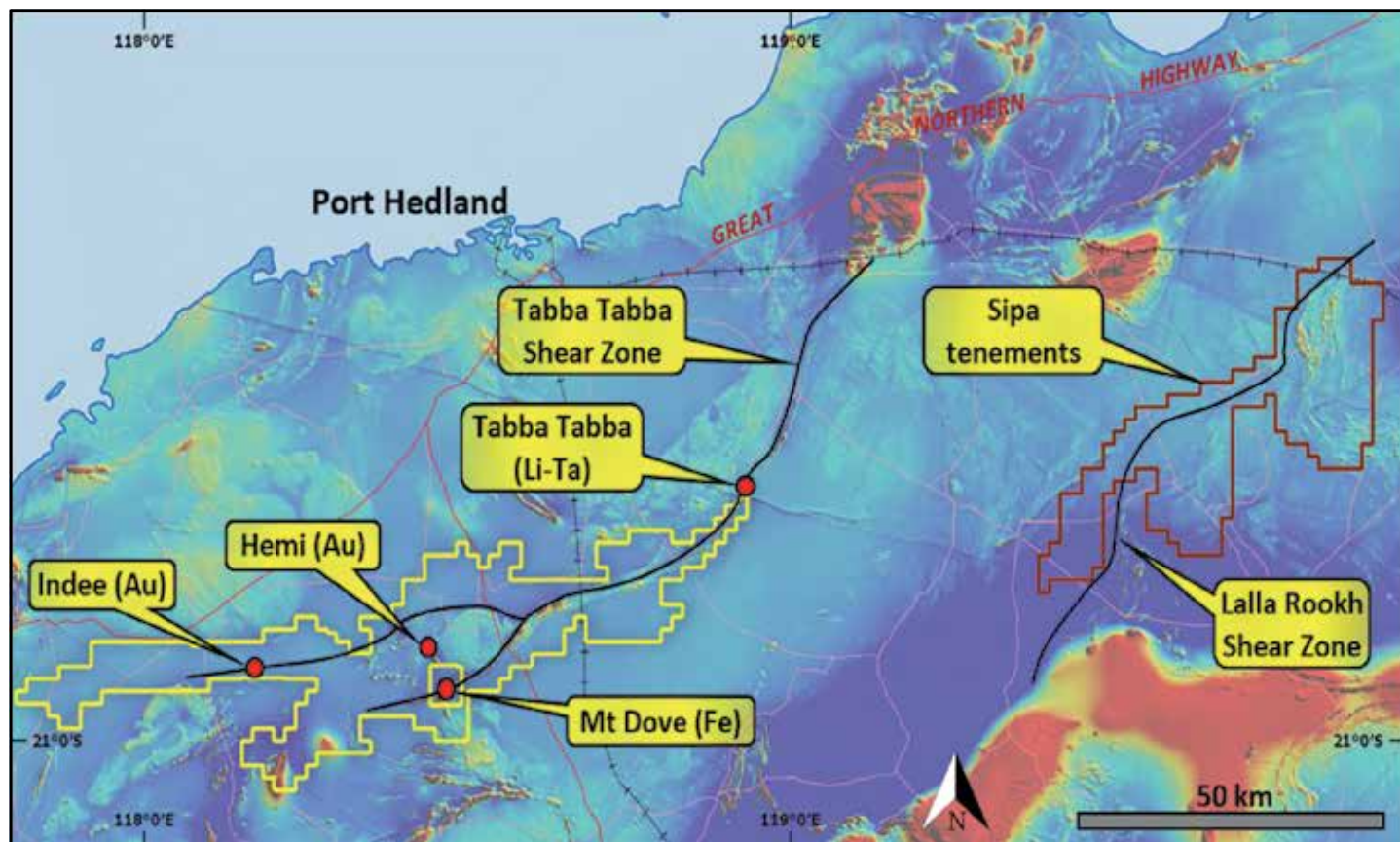


Figure 1:

Sipa's Warralong project tenure over the Lalla Rookh Shear Zone in comparison to DeGrey Mining Limited's tenure and key mineral deposits located along the Tabbatabba Shear Zone.

Wolfe Basin Base Metals Project

100% Sipa

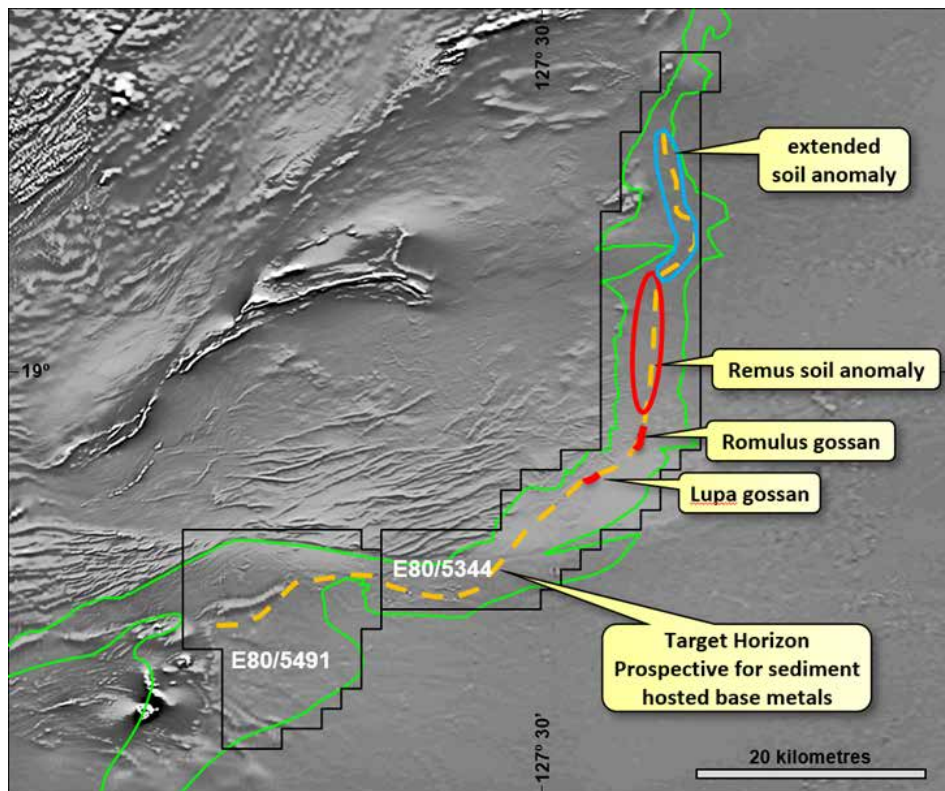


Figure 2:

Sipa's Wolfe Basin project over the regional magnetic image, showing the locations of the identified gossans along the target horizon.

Sipa's Wolfe Basin project covers approximately 780km², and is located 80km south of Halls Creek in the Kimberley region of Western Australia. Exploration at Wolfe Basin is primarily targeting sediment-hosted base metals, with strong support of the mineralisation model coming from the identification of two outcropping ironstone, lead-zinc rich gossans. The prospective horizon has a strike length of over 80km within Sipa's

tenement package (Figure 2), and prior to Sipa's work had not been the focus of any previous documented exploration or drilling.

During the year, two programs of soil sampling and field reconnaissance were undertaken with several areas of anomalous geochemistry and two gossans identified. Both gossans are located in identical structural and stratigraphic settings along the target

horizon, highlighting the prospectivity of the unit across the broader project area. Both gossans sit immediately above a thick sandstone unit adjacent to east-west trending, sub-vertical faults and are logical targets for drill testing. Drilling is planned for October, and will be very cost effective with up to 50% of the direct drilling costs to be covered by a successful Exploration Incentive Scheme 'EIS' application.



The nearby Wolfe Creek Meteorite Crater (Kandimalal)

Paterson North Copper-Gold Project

Rio Tinto Joint Venture

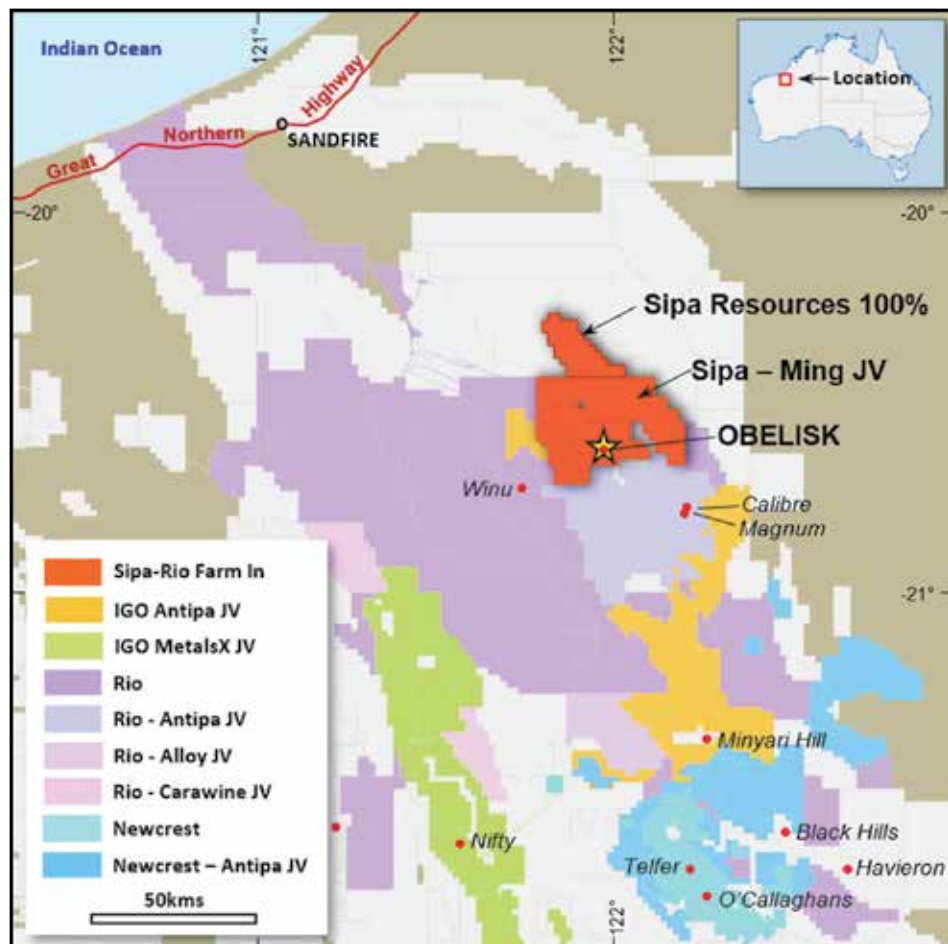


Figure 3:

Sipa's Paterson North tenements in the Paterson region showing other key landholdings.

The Paterson North Copper-Gold Project is located in the Paterson Province of Western Australia, recently the subject of significant exploration activity following the discovery by Rio Tinto of the Winu copper-gold deposit, approximately 10km to the south west of Sipar's landholding, (Figure 3).

Sipa's project consists of the Great Sandy JV where Sipar has now earned an 89% interest under a Farm-in and JV agreement with Ming Gold Limited (Ming), and a further tenement held 100% by Sipar (Figure 3). During the year Sipar completed 26 aircore holes testing a series of targets arising from geophysical modelling of the SkyTEM airborne electromagnetic (EM) survey conducted earlier in 2019. Strongly anomalous copper and gold returned in several drill holes doubled the size of the known mineralised footprint at Obelisk, and identified additional zones of mineralisation at Obelisk Northeast, Dorado and Donut prospects.

Subsequent to year end Sipar announced

it had entered into a Farm In and Joint Venture Agreement with Rio Tinto Exploration (RTX) to fund further exploration on the tenements. Key terms of the FJVA with RTX are summarised below:

- Minimum expenditure commitment of A\$3 million on the Project within the first 2.5 years, including at least 4,000m of drilling. The work programme is expected to principally comprise a combination of geophysics and drilling to generate, refine and test target areas of interest, with several key target areas already identified. Details of the programme will be announced when finalised.
- Following satisfaction of the minimum expenditure commitment, RTX has the option to sole fund a three-stage earn-in comprising:
 - A further A\$3 million of exploration expenditure to earn an initial 55%

interest in the Project, representing total expenditure, including the minimum commitment amount, of A\$6 million (Stage 1) required within 4.5 years. Once Stage 1 is completed a Joint Venture will be formed;

- Following completion of Stage 1, RTX will have the right to earn a further 15% interest in the Project (i.e. to 70% total interest), by sole funding an additional A\$6 million of exploration expenditure within a further 3-year period, representing total expenditure of A\$12 million (Stage 2);
- Following completion of Stage 2, RTX will have the right to earn an additional 10% interest in the Project (i.e. to an 80% total interest) by sole funding exploration expenditure to the earlier of:
 - Definition of total JORC Mineral

REVIEW OF OPERATIONS

Resources on the Project with an in-situ value equivalent of at least A\$1 billion; or

- Completion of an Order of Magnitude study in respect of mineral deposit(s) defined on the tenements, being an initial study that defines the extent and critical parameters of a Mineral deposit and the potential for development of a mining operation in relation to such Mineral deposit (Stage 3).
- After the Joint Venture in relation to

the Project is formed and RTX is no longer sole funding, the parties will be responsible for contributing to Joint Venture expenditure in proportion to their participating interest or otherwise be subject to industry standard dilution of their interest. If a party's Joint Venture interest falls below 7.5%, the other party can elect to buyout the interest at independently determined fair market value or the interest otherwise converts to a net smelter royalty of 0.5% on the first 5 years after first commercial production

(in respect of E45/3599, E45/4697, E45/5335 and E45/5336) and 1.0% on the first 10 years after first commercial production (in respect of E45/5337).

- RTX will also subscribe to A\$250,000 worth of Sipa shares @ A\$0.10 per share, representing a 14% premium to the 10-day volume weighted average price.



Barbwire Terrace Zinc-Lead-Silver Project

Buru Energy Joint Venture

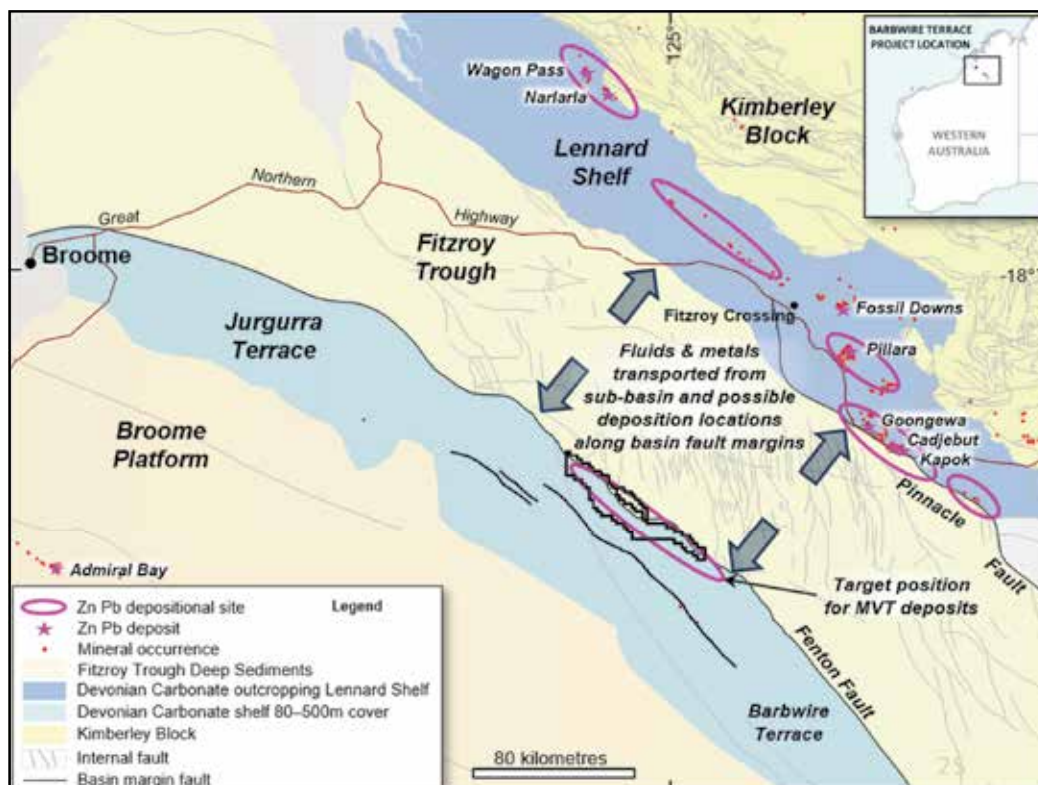


Figure 4:

Location and Geology of Devonian Carbonate hosted zinc-lead mineralisation, and the Lennard Shelf deposits with Sipa's Barbwire Terrace tenements.

The Barbwire Terrace Project was generated by Sipa in 2019 targeting base metal deposits in similar carbonate sequences to those of the highly mineralised Lennard Shelf, a premier global MVT zinc-lead province. The Lennard Shelf and the Barbwire Terrace comprise the northern and southern margins respectively of the Fitzroy Trough (Figure 4).

The vast area of the Barbwire Terrace region has been tested by only 33 mineral exploration drillholes (less than 1 drillhole per 100km²). The historical drilling results indicate broad zones of Zn-Pb anomalism in Devonian carbonate rocks, demonstrating that MVT type Zn-Pb metals were transported south to the Barbwire Terrace as well as the Lennard Shelf region to the north. No base metal exploration has been completed in the region for nearly 30 years.

The Barbwire project tenements cover the targeted Devonian carbonate sequences adjacent to the Fitzroy Trough which was the fluid source for the Lennard Shelf MVT deposits on the northeast margin of the Trough. There are multiple lines of

evidence indicating that Zn-Pb rich fluids also flowed to the carbonates of the Barbwire Terrace forming the southwest margin of the Trough. Two significant northwest trending fault corridors and the adjacent stratigraphy are prime target areas for mineralisation.

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

Synthesis of high-quality datasets generated for petroleum exploration (airborne gravity data, seismic reflection surveys, petroleum wells) presents an opportunity for detailed definition of geology and targeting of mineralisation, which was not previously available, and has been enhanced by our recently announced joint venture with Buru Energy Limited, an experienced petroleum explorer in the Canning Basin.

Uganda Nickel-Copper Project

Sipa 100%

Sipa's 100% owned Uganda Nickel-Copper Project is prospective for intrusive hosted nickel-copper sulphide deposits, and contains a nickel-copper sulphide discovery made by Sipra in 2015 at Akelikongo. Both Akelikongo and the nearby Akelikongo West prospect are conduit-style intrusions that host well developed, continuous disseminated sulphide mineralisation, and lenticular to elongate bodies of semi-massive and massive sulphide adjacent to the intrusion margins and internal contacts.

From August 2018 to April 2020 exploration on the project was managed by Sipra under the terms of an Earn-in

and Joint Venture Agreement ('JV') with Rio Tinto plc ('Rio'). Rio subsequently withdrew from the project on April 30 2020, by which time US\$4.5M had been expended by the joint venture.

During the year a range of activities were managed by Sipra on behalf of the JV. At the Akelikongo prospects these included downhole EM and AMT (Audio Magneto Telluric) surveys subsequently integrated with existing gravity data sets to provide new targets. These targets were tested by an 8-hole diamond drill program, with 5 of the eight holes intersecting new magmatic sulphide zones.

Significant intercepts from the program included 31.7m @ 0.29% Ni, 0.1% Cu in AKD029 with a semi-massive to massive sulphide zone at the base assaying 5.47m @ 0.72% Ni, 0.20% Cu. (ASX release 31 January 2020). The AK029 intercept extends mineralisation a further 150m down-plunge for a total extent now identified of 1.5km. In the same program additional new mineralised zones were identified within the broader prospect area at Akelikongo East and Akelikongo West (Figure 5).

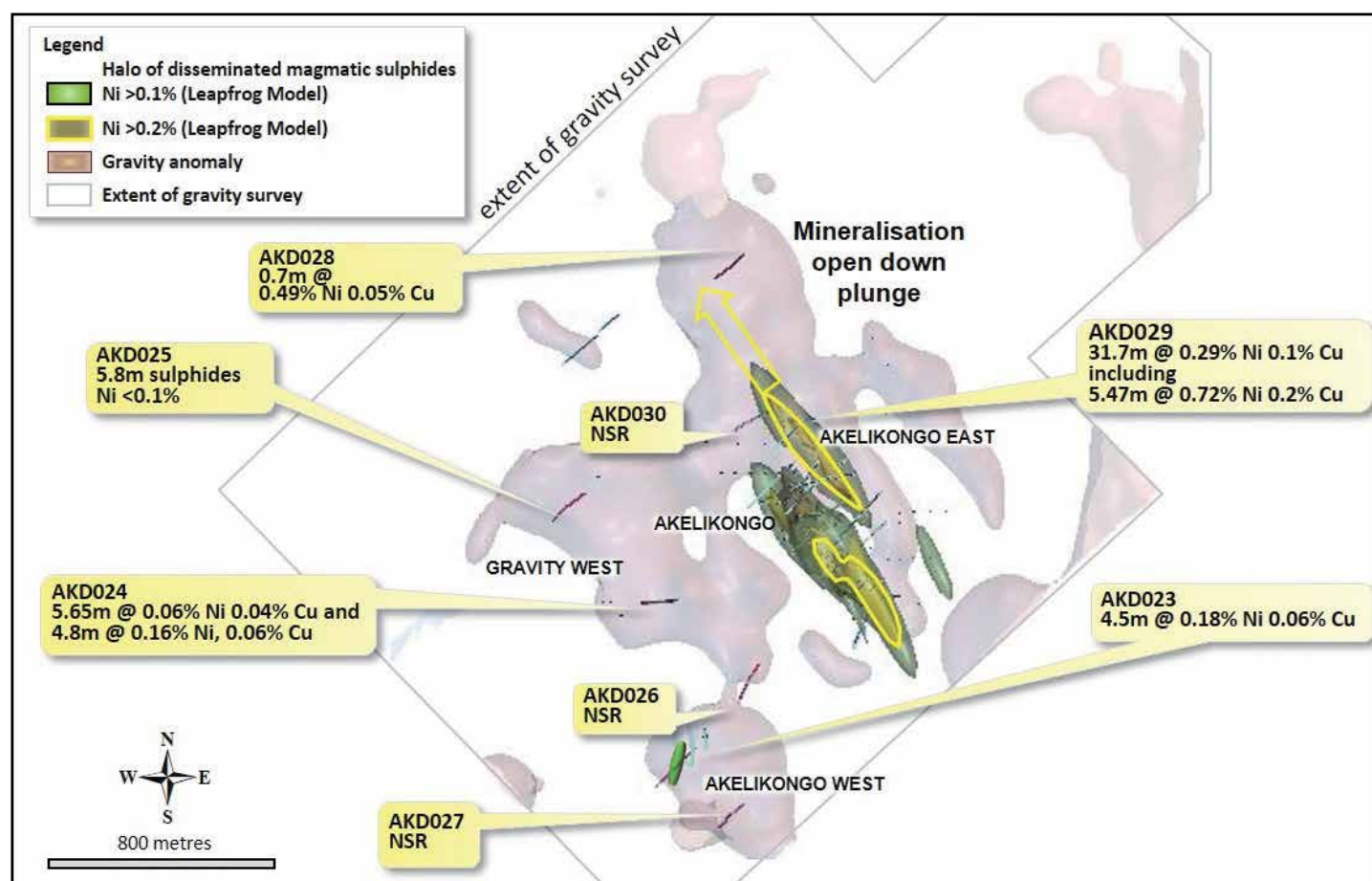


Figure 5:

Summary of significant results received from the 2019 diamond drill program.

Assay results from AKD028, located a further 600m along strike from AKD029, highlight the presence of a new, near-surface fertile ultramafic intrusion with an intercept of 0.7m @ 0.49% Ni, 0.05% Cu and 0.01% Co from 19.8m within massive sulphides (Figure 5).

These new assay results have several important implications:

- Mineralisation in the eastern zone at Akelikongo remains open down-plunge to the north-west and the footprint of the known mineralisation now extends for a strike length of greater than 1.5km (Figure 6).
- The intercept in AKD028 indicates the presence of a previously unrecognised, near-surface mineralised intrusion worthy of follow up work.
- Results from AKD023, AKD024 and AKD025 broaden the overall mineralised footprint at Akelikongo and potentially provide additional follow-up target positions.
- Gravity is clearly a very effective targeting tool at Akelikongo, able to identify prospective and mineralised intrusive bodies. The limited coverage of gravity data around Akelikongo is therefore something to be addressed in future, with the major mineralised gravity anomaly continuing to plunge to the northwest at the edge of the survey boundary.
- Down hole EM (DHEM) to potentially identify further massive sulphides has yet to be completed on the recently drilled holes and will be undertaken as soon as possible.
- The scale, lithological complexity and presence of magmatic Ni-Cu sulphides in most holes drilled continues to demonstrate the prospectivity of the Akelikongo intrusive complex.

Subsequent to Rio Tinto's withdrawal from the JV, holding costs for the project have been minimized while an alternative pathway to fund future exploration is found. The impact of COVID-19 travel restrictions and local lockdowns in Uganda have made the process of finding funding solutions more difficult.

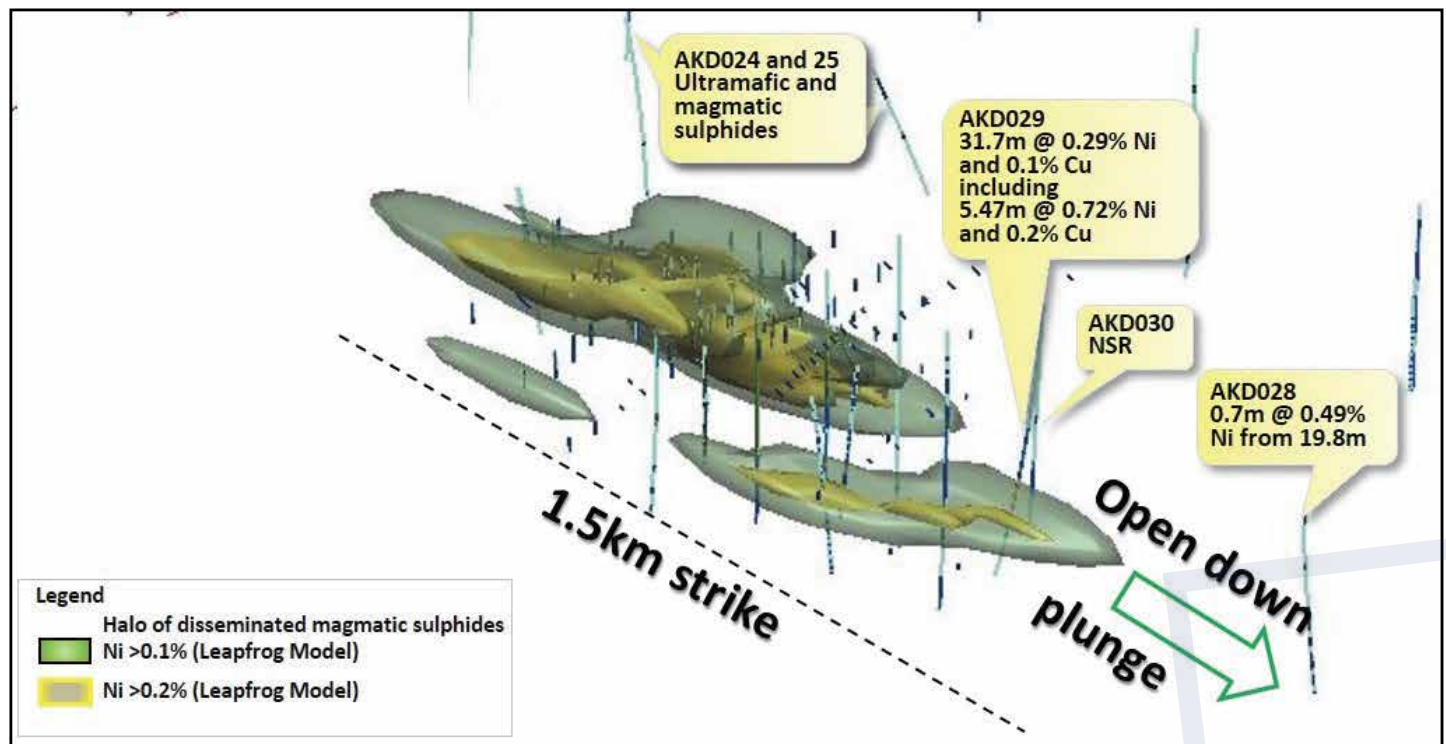


Figure 6:

3D Long Section view of drilling completed in late 2019 with results, showing the down plunge continuation of mineralisation at Akelikongo.

Social responsibility

Sipa's long-term success and ability to operate in remote and often challenging environments rely on the relationships we are able to build with our employees, business partners, governments, non-government organisations, host communities and other stakeholders. Wherever possible Sipa provides employment opportunities to local people in areas where it operates.

In Uganda, we used local labour to support our extensive ground geophysics, soil sampling, drilling programs and other field activities. Community meetings and consultations with local leaders and local Government officials are regularly held in all areas where exploration was about to and taking place. Prior to any field campaign it was explained in public meetings what work was to be undertaken, what the impacts, if any, would be and the extent of employment opportunities. Parts of the exploration areas are covered by farms and compensation for any crop damage was paid according to well established local guidelines.

Sipa remains committed to the training and development of employees to improve their skill base. Local Ugandan nationals were trained and employed as field assistants, and Ugandan geologists were employed to undertake geological activities including mapping, sampling, core processing, core logging, supervising geophysical crews and setting up field operations. The geologists were mentored and trained by Sipa's senior site personnel and expert consultants that were engaged from time to time. More experienced staff were also tasked with managing the field and camp operations when required.

Sipa engaged in a variety of social programs over the years. One long running program is the "Days for Girls" program that continues to deliver results for the district. The Days for Girls Program aims to keep girls in school post puberty which is the time when girl school participation drops drastically. By the provision of education and distribution of re-usable sanitary kits the dropout rate was reduced. The program was recently expanded to include sex education for boys in the same age group. The program has been popular and supported by the schools, the district education officers and local Government. Since early 2015 Sipa has visited over 50 schools and distributed over 4500 re-usable sanitary kits.

Mother and baby educational workshops were continued. Several remote villages were targeted and three workshops were also held in Kitgum together with a local clinic. The workshops were well attended in all cases with 116 young mothers involved.

Access to clean water is an ongoing issue in the district. While many villages do have bores with good quality water, the hand pumps in many locations fell into disrepair due to pipe corrosion. Together with the district water officers, Sipa embarked on a bore repair program using a local bore contractor and in-house expertise. Bores needing repair were ranked based on need and those that supplied or were located near to schools and health centres. Last year 3 bores were repaired and this year a further 6 were completed in the Pader district. On average, each school bore would provide water to about 1000 children.

Sipa also makes contributions to support community infrastructure and events on a case by case basis. These include the provision of soccer and netball goal posts, both popular sports that have large community followings.

Royalty Sale

During the year, Sipa sold several Royalty interests and received A\$1M in cash and ~A\$1.25M in shares in VOX Royalty Corp.

Competent Person Statement

The information in this report that relates to Exploration Results was previously reported in the ASX announcement dated 31 January 2020. The Company is not aware of any new information or data that materially affects the information included in that relevant market announcement.



SIPA RESOURCES LIMITED

ABN 26 009 448 980

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

BOARD OF DIRECTORS

Your Directors submit their report on the consolidated entity consisting of Sipa Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020. Throughout the report, the consolidated entity is referred to as the group.

DIRECTORS - NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

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



TIM KENNEDY
CHAIRMAN

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

Independent Non-Executive Director

(Appointed 13 December 2016); (Chairman 28 August 2018 to present)

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

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

During the past three years Mr Kennedy has also served as a director of Millennium Minerals Limited (2 May 2016 – 11 February 2020) and Helix Resources Limited (director since 16 February 2018).

Mr Kennedy was a member of the Nomination and Compensation Committee from 25 September 2018 – 3 June 2020 at which point it was resolved that the duties of the Committee shall be undertaken by the entire board.

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



CRAIG MCGOWN
NON-EXECUTIVE DIRECTOR

BComm, FCA, ASIA

Non-Executive Director
(11 March 2015 – present)

(Chairman 11 March 2015- 28 August 2018)

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

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

Mr McGown was a member of the Nomination and Compensation Committee from 11 March 2015– 3 June 2020 at which point it was resolved that the duties of the Committee shall be undertaken by the entire board.

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



PIP DARVALL
MANAGING DIRECTOR

MSc (Geology), MBA, MAIG, MAusIMM

(Managing Director since 1 February 2020)

Mr Darvall most recently served as Managing Director of ASX-listed explorer Jindalee Resources Limited where he identified, acquired and defined a significant new lithium resource in the United States. He was previously the 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.

During the past three years Mr Darvall was a director of Jindalee Resources Limited from 28 May 2018 to 31 December 2019.

Mr Darvall has an interest in 177,337 fully paid ordinary shares and 2,000,000 options.



KAREN FIELD
INDEPENDENT NON-EXECUTIVE
DIRECTOR

BEC, FAICD

Independent Non-Executive Director

(Appointed 16 September 2004)

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

On returning to Australia from Argentina, Mrs Field assumed a professional directorship role and over nearly two decades has served as a NED on a variety of company boards including MACA Limited, Perilya Limited, Water Corporation (Deputy Chair), Sungrid Limited, Electricity Networks Corporation (Western Power) and the CRC for Sustainable Resource Processing. In addition Mrs Field has served on the boards of a number of community based organisations and is currently the Chair of the Perth College Foundation Inc (as part of Perth College Anglican School for Girls) and Committee Member of UWA's Centenary Trust for Women.

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

Mrs Field 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.

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



JOHN FORWOOD
INDEPENDENT NON-EXECUTIVE
DIRECTOR

B.Sc (Hons) LIB (Hons)

Independent Non-Executive Director

(Appointed 10 July 2020)

Mr Forwood is a trained geologist and lawyer. He has spent the past 20 years as specialist resources financier and fund manager, with Rand Merchant Bank in the UK and Australia, the private

Telluride Fund in Melbourne, and currently as Chief Investment Officer of the ASX-listed Lowell Resources Fund. He has extensive knowledge of junior resources equity markets. Prior to joining RMB Resources in 1998 he worked as an exploration geologist for North Flinders Mines on IOCG deposits in Tennant Ck, East African Gold Mines in Tanzania drilling out the North Mara gold project, and Aberfoyle Limited exploring for porphyry copper and epithermal gold in Indonesia.

During the past three years Mr Forwood has not served as a director of any other listed entities. He is a director and shareholder of the Lowell Resources Funds Management Pty Ltd, the investment manager for the Lowell Resources Fund, a listed investment trust.

Mr Forwood has an interest in nil fully paid ordinary shares and nil options.



LYNDA BURNETT

BSc (Hons) GAICD, MAusIMM, MSEG

Managing Director

(24 July 2014- 31 January 2020)

Mrs Burnett is a geologist with over 30 years' experience in the mineral exploration industry. Prior to joining Sipa she was most recently Director – Exploration Australia for Newmont Asia Pacific.

Mrs Burnett served as a non-executive director of Regis Resources Limited from 27 November 2019.

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

COMPANY SECRETARY



TARA ROBSON
COMPANY SECRETARY

FGIA, B.A. Accounting

(Appointed 8 April 2004)

Before joining Sipa Resources Limited, she served as consultant to the Company. She has held a similar role with other listed entities since 1997, including Anvil Mining Limited and Brockman Resources Limited. Prior to that Ms Robson was a senior audit manager with a major accounting practice.

DIRECTORS' REPORT

DIRECTORS' ATTENDANCE AT MEETINGS

	Eligible to Attend	Directors' Meetings	Nomination and Compensation Committee
Number of meetings held		10	1
Number of meetings attended			
T Kennedy	10	10	1
C McGown	10	10	1
K Field	10	10	1
P Darvall	6	6	–
L Burnett	5	5	1

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.

In Australia, Sipa has an 89% interest in the Paterson North Copper-Gold Project in the Paterson Province of Western Australia, a strongly endowed and highly prospective mineral belt hosting the world-class Telfer gold and copper deposits, Nifty copper and the O'Callaghans tungsten deposit. Most recently the Paterson Province has been the focus of intense exploration by Rio Tinto Exploration at its Winu copper discovery. Subsequent to year end Sipa entered into a Farm-in and Joint Venture Agreement with Rio Tinto Exploration (RTX) which will provide RTX with the right to earn up to 80% of the Paterson North Project under a staged earn in. The agreement will enable accelerated exploration activities at the project.

Sipa's ongoing generation strategy aims to identify and secure first-mover positions in under-explored mineral provinces with potential to host world class mineral deposits. During the year two projects were acquired: Wolfe Basin (base metals) and Warralong (gold) both of which are located in Western Australia and are currently being progressed toward drill testing.

The 100%-owned Uganda Base Metals Project contains an intrusive-hosted Ni-Cu sulphide discovery with significant scale potential. During the year, the project was explored pursuant to an Earn-in and Joint Venture Agreement (JVA) with Rio Tinto Mining & Exploration Limited (Rio Tinto). The JVA was terminated on 30 April 2020.

DIVIDENDS

No dividend has been paid or declared by the Group in respect of the financial year ended 30 June 2020 (30 June 2019: nil) and the directors do not recommend the payment of a dividend in respect of the financial year.

REVIEW OF OPERATIONS

The consolidated entity's profit/(loss) after tax for the financial year ended 30 June 2020 was \$336,361 (2019: Loss \$2,833,062).

		Consolidated	
	Note	2020	2019
		\$	\$
Continuing Operations			
Finance income	3	24,838	42,753
Revenue	3	456,018	353,471
Other income	3	206,582	243,947
Gain on disposal of royalty		2,250,000	–
Gain on fair value of listed investments		122,980	–
Exploration expenditure	3	(1,622,708)	(2,105,351)
Administrative expenses		(1,101,349)	(1,367,882)
Net loss for the year		336,361	(2,833,062)
Exchange differences arising on translation of foreign operations		11,818	5,709
Total comprehensive loss for the year		348,179	(2,827,353)

At 30 June 2020 the Group's cash and cash equivalents balance was \$2,378,083 and there was no debt.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

The Earn-in and Joint Venture Agreement (JVA) with Rio Tinto Mining & Exploration Limited (Rio Tinto), over the Ugandan Nickel-Copper project, was terminated 30 April 2020 with no interest earned by Rio Tinto. Options to advance the project further are being considered.

During the year, Sipa sold its interest in its royalty portfolio for total consideration of A\$2.25M (Sipa ASX release 9 April 2020). 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.

EVENTS SUBSEQUENT TO BALANCE DATE

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

On 18 September 2020, Sipa announced it had raised \$2.3 million from sophisticated and professional investors (the Placement), with strong support from existing Sipa shareholders. The placement consisted of 32,361,115 fully paid ordinary shares at A\$0.072 cents per share. Proceeds of the capital raising will be used for the completion of the Company's planned field programs for the remainder of the current financial year.

On 3 August 2020 Sipa announced it had entered into a Farm-in and Joint Venture Agreement (FJVA) with Rio Tinto Exploration Pty Ltd (RTX) for Sipa's Paterson North Copper-Gold Project in the Paterson province of Western Australia: The FJVA encompasses Sipa's entire Paterson North Project tenement package, including the tenements within Sipa's Great Sandy Joint Venture with Ming Gold Pty Ltd (Ming Gold) in which Sipa has earned an 89% interest (together, the Project).

Key terms of the FJVA with RTX are summarised below:

- \$6 million expenditure on the Project, including a minimum commitment of \$3 million, including at least 4,000m of drilling to earn 55%
- A further A\$6 million expenditure on the Project to earn 70%; and
- The right to earn an additional 10% interest in the Project (i.e. to an 80% total interest) by sole funding exploration expenditure to the earlier of:
 - Definition of total JORC Mineral Resources on the Project with an in-situ value equivalent of at least A\$1 billion; or
 - Completion of an Order of Magnitude study
- The FJVA is conditional on Ming Gold agreeing to certain matters in relation to the FJVA

In addition, RTX will also subscribe to A\$250,000 worth of Sipa shares @ A\$0.10 per share.

Sipa has sold 102,400 shares in VOX for total proceeds of \$314,819.

FUTURE DEVELOPMENTS

First pass drilling at the Company's Wolfe Basin project was about to commence at the time of writing. Further work will be based upon the results of this program. At Warralong a detailed aeromagnetic survey is planned to commence shortly and will assist in future drill targeting. The recently announced joint venture with Buru Energy will ensure future works at the Barbwire Terrace Project have the best chance of success.

Exploration work at the Company's Ugandan Nickel-Copper project is currently on hold until a suitable partner to assist with funding future exploration programs is found.

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

SAFETY AND ENVIRONMENTAL REGULATIONS

The entity has a responsibility to provide a safe and healthy environment for all of our sites which should exceed expectation of regulations. In the course of its normal mining and exploration activities the consolidated entity promotes an environmentally responsible culture and adheres to environmental regulations of the Department of 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.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 3,443,751 unissued ordinary shares under options (3,793,751 at reporting date). Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Refer to the remuneration report for further details of the options outstanding for Key Management Personnel (KMP).

DIRECTORS' REPORT

Shares issued as a result of the exercise of options

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

INDEMNIFICATION OF OFFICERS AND DIRECTORS

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

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

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

INDEMNIFICATION OF AUDITORS

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

AUDITOR INDEPENDENCE

We have obtained an independence declaration from our auditors PwC. The Auditor's Independence Declaration forms part of this report and is set out on page 13.

NON-AUDIT SERVICES

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

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

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

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

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

	Consolidated	
	2020	2019
	\$	\$
<i>Pwc Australia</i>		
Audit and review of financial statements	40,000	52,200
Other assurance services	—	10,200
Taxation services	—	—
	40,000	62,400
<i>Other firms</i>		
Audit and review of financial statements	7,271	9,979
	7,271	9,979
Total Auditors' remuneration	47,271	72,379

REMUNERATION REPORT (AUDITED)

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

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

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

Name	Position	Term as KMP
T Kennedy	Non-Executive Chairman	Full financial year
P Darvall	Managing Director	Appointed 1 February 2020
K Field	Non-Executive Director	Full financial year
C McGown	Non-Executive Director	Full financial year
L Burnett	Managing Director	Resigned 31 January 2020
T Robson	Chief Financial Officer and Company Secretary	Full financial year

Overview of the approach to Executive Remuneration

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

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

There are two components to Remuneration Policy: Fixed Remuneration and Long Term Incentives. There are no Short Term Incentives paid to any KMP.

Fixed Remuneration

Benchmarking of the Fixed Remuneration component of Executive salaries was last conducted in June 2019. The benchmarking involved comparing Sipa against a custom peer group of similar size (by market capitalisation), and ASX-listed mineral exploration companies with overseas projects at a similar stage, in order to ensure that the remuneration levels set meet the objectives of enabling the Company to attract and retain key talent and are aligned to broader market trends in the minerals industry. Fixed Remuneration includes base salary, (structured as a total employment cost package which may be delivered as a mix of cash and other benefits at the Executives' discretion), and superannuation at the prescribed legislative rates. Fixed Remuneration of employees is to be reviewed annually by the Managing Director, within parameters established by the Board, or in the case of the Managing Director and Company Secretary, by the Board based. The review resulted in an increase to fixed remuneration in line with CPI from 1 July 2019.

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 year 750,000 Options exercisable at \$0.13 were issued pursuant to the ESOP. The Options vest on 24 November 2020 and expire on 24 November 2023.

In addition, 2,000,000 Options exercisable at \$0.15 were issued to Pip Darvall upon execution of his executive services agreement. The Options vest 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

The performance hurdles for KMP in place for the 2019/20 financial year are outlined below.

Strategic objectives	Performance measure	Weight*
Capital Management	Company adequately funded to achieve exploration objectives by proactively managing costs and applying strong fiscal responsibility.	60%
Governance	Design and implementation of robust governance systems to support decision making and reinforce accountability within the company including the effective assessment, evaluation and mitigation of strategic and operational risks	30%
Strategic development	Implementation of board approved strategy	10%

* T Robson was the only KMP who had performance hurdles during the financial year.

Further details are found in Note 15 to the financial statements.

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

At the Annual General Meeting in November 2019, the Company received 88.22% of the total voted shares in favour of the Remuneration Report.

Nomination and Compensation Committee

The Nomination and Compensation Committee of the Board of Directors of the Company is responsible for reviewing remuneration arrangements for the Directors, the Managing Director (CEO) and the Company Secretary. The Nomination and Compensation Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Senior Executives on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team. In June 2020 the Board resolved that the duties of the Committee shall be undertaken by the entire Board.

Non-executive director compensation

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors and have the objective of ensuring maximum benefit for Sipa by the retention of a high quality Board with the relevant skills mix to optimise overall performance. Non-executive directors' fees and payments are determined within an aggregate Directors' fee pool limit, which is periodically recommended by the Nomination and Compensation Committee for approval by shareholders. The pool limit maximum currently stands at \$300,000, as approved by shareholders in November 2014. It is at the discretion of the Board to distribute this pool amongst the Non-Executive Directors based on the responsibilities assumed. During the year \$155,248 of the pool was utilised.

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

Base fees (inclusive of Superannuation)

Year ended 30 June 2020

Chair	76,650*
Non-Executive Director	47,500*

* The non-executive directors voluntarily waived up to 50% of their fees for the period 1 April – 30 June 2020.

The compensation of Non-Executive Directors for the period ending 30 June 2020 is detailed in Table 1 of this report.

Remuneration of KMP for the year ended 30 June 2020 and 30 June 2019

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

Performance against LTI measures year ended 30 June 2020 and 30 June 2019

The following information is provided with respect to LTI's issued during the year.

	Robson
Grant Date	25 November 2019
Base Salary at grant date	\$197,513
Percentage of Base Salary	6.3%
LTI Base Pool	\$12,486
Option exercise price	\$0.13
Fair value of each Option at grant date – non-market performance conditions	\$0.0166
Maximum number of Options	750,000
Percentage achieved against strategic objectives	75%
Number of LTI's allocated	562,500

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

As at 30 June	2020	2019	2018	2017	2016
Share price (cents per share)*	\$0.060	\$0.007	\$0.010	\$0.011	\$0.019
Net profit/(loss) per year ended	336,361	(\$2,833,062)	(\$3,075,066)	(\$3,905,791)	(\$4,597,538)

* The share price for prior years was before the 12 for 1 consolidation.

Remuneration of KMP for the year ended 30 June 2020 and 30 June 2019 (Table 1)

		Short-term benefits	Post- employment	Other long-term benefits	Share- based payment			
Name		Cash Salary and Fees	Super- annuation	Long Service Leave	Options	Total	% Performance Related	% Options
Non-executive directors								
T Kennedy	2020 ⁽¹⁾	62,483	5,974	–	–	68,457	0%	0%
	2019	69,078	6,562	–	–	75,640	0%	0%
C McGown	2020 ⁽¹⁾	37,957	3,606	–	–	41,563	0%	0%
	2019	45,000	4,275	–	–	49,275	0%	0%
K Field	2020 ⁽¹⁾	41,288	3,940	–	–	45,228	0%	0%
	2019	40,000	3,800	–	–	43,800	0%	0%
Executive director								
P Darvall (Appointed 1 February 2020)	2020 ⁽¹⁾	105,071	9,982	–	13,848	128,901	10.7%	10.7%
	2019	–	–	–	–	–	–	–
L Burnett (Resigned 31 January 2020)	2020	228,915	18,409	(22,746)	5,867	230,445	2.6%	2.6%
	2019	306,005	29,070	7,654	27,464	370,193	7.4%	7.4%
Other KMP								
T Robson	2020 ⁽¹⁾	190,945	18,140	3,900	9,415	222,400	4.2%	4.2%
	2019	191,760	18,217	2,994	14,028	226,999	6.2%	6.2%
Totals	2020	666,659	60,051	(18,846)	29,130	736,994		
	2019	651,838	61,924	10,648	41,492	765,902		

⁽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.

DIRECTORS' REPORT

Service Agreements with executive KMPs

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

Pip Darvall, Managing Director

- Term of agreement is continuing.
- Base salary of \$290,000 and \$27,550 superannuation per annum.
- Termination notice of 3 months by either the company or by the Managing Director.
- Restraint of trade clause which will prohibit Mr Darvall from, among other things, soliciting various personnel and suppliers during the term of his employment and for a period of 12 months after his employment with the Company has come to an end.

Tara Robson, Chief Financial Officer and Company Secretary

- Term of agreement is continuing and is based on 0.8 of a full time equivalent employee.
- Base salary of \$197,513 and \$18,763 superannuation per annum for 0.8 of a full time equivalent.
- Termination notice of 3 months by either the company or Ms Robson.
- Ms Robson may terminate the agreement by 1 months' notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout equivalent to 6 months base salary.

Shareholdings of KMP

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

2020	Balance at the start of the year	Received during the year on exercise of options	Net Other Change	Balance at the end of the year
Directors				
T Kennedy	249,863	–	–	249,863
C McGown	374,239	–	–	374,239
K Field	374,238	–	–	374,238
P Darvall	–	–	177,337 [^]	177,337
L Burnett	457,571	–	(457,571)*	–
KMP				
T Robson	258,010	–	–	258,010

[^] Relates to acquisition on market.

* L Burnett ceased to be a KMP on her resignation 31 January 2020.

Option holdings of KMP

In July 2019 shareholders approved the consolidation of the Company's issued capital by consolidating (ie converting) every 12 existing Options into one New Option. The amounts below are shown pre-consolidation.

2020	Balance at start of the year	Granted as remuneration	Options exercised	Lapsed/ cancelled without exercise	Balance at the end of the year	Vested (Exercisable)	Unvested Non-exercisable)
Directors							
C McGown	–	–	–	–	–	–	–
K Field	–	–	–	–	–	–	–
T Kennedy	–	–	–	–	–	–	–
P Darvall	–	2,000,000	–	–	2,000,000	–	2,000,000
L Burnett	648,000	–	–	(648,000)	–	–	–
KMP							
T Robson	346,417	750,000	–	–	1,096,417#	346,417	750,000

#187,500 options were cancelled subsequent to year end as performance hurdles were not satisfied.

Options granted, vested and lapsed during the year

Long term incentives are administered through participation in the Sipa Resources Employee Share Option Plan (the ESOP). The ESOP meets the conditions of the ASIC class order for an eligible scheme and was last approved by members at the 19 November 2018 AGM for the purposes of Listing Rule 7.1.

2,750,000 Options were allocated to KMP during the period (2019: NIL). 648,000 Options were forfeited during the year. (2019: Nil). 347,417 Options vested during the period. No options expired during the period. There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

Shares issued on exercise of options

There were no shares issued on exercise of remuneration options during the financial year ended 30 June 2020.

Other

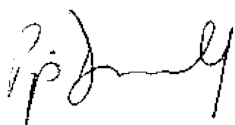
The Company prohibits KMP from entering into any arrangement which has the effect of limiting their exposure in relation to the risk inherent in issued options. The Company's Share Trading Policy governs when Sipa employees, directors, contractors, and consultants may deal in the Company's securities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

Other transactions with KMP

No transactions occurred between the Company and key management personnel during the year, aside from that disclosed in the remuneration of key management personnel above (2019: nil).

This is the end of the Remuneration Report

Signed in accordance with a resolution of the directors.



P Darvall

Managing Director

DATED 22 September 2020

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Sipa Resources Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
22 September 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Finance income	3	24,838	42,753
Revenue	3	456,018	353,471
Other income	3	206,582	243,947
Gain on fair value of listed investments	8	122,980	–
Gain on disposal of royalty portfolio	3	2,250,000	–
Exploration expenditure	3	(1,622,708)	(2,105,351)
Administrative and other expenses		(1,101,349)	(1,367,882)
Profit/(Loss) before income tax		336,361	(2,833,062)
Income tax expense	4	–	–
Net profit/(loss) for the year		336,361	(2,833,062)
Other comprehensive profit/(loss)			
<i>Items that may subsequently be classified through profit and loss</i>			
Exchange differences arising on translation of foreign operations		11,818	5,709
Other comprehensive profit/(loss) for the year, net of tax		11,818	5,709
Total comprehensive profit/(loss) for the year		348,179	(2,827,353)
Profit/(Loss) per share (cents per share)			
Profit/(Loss) per share (cents per share)			
– Basic profit/(loss) per share for the year	17	0.24	(0.20)
– Diluted profit/(loss) per share for the year	17	0.24	(0.20)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

		Consolidated	
	Note	2020	2019
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,378,083	3,911,912
Financial assets at fair value through profit or loss	8	1,374,680	–
Term deposits	6	30,000	30,000
Trade and other receivables	7	14,404	42,488
Prepayments		39,244	45,624
Total Current Assets		3,836,411	4,030,024
Non-Current Assets			
Financial assets at fair value through profit or loss	8	–	1,700
Other financial assets	9	21,920	21,770
Property, plant and equipment	10	105,954	148,895
Exploration and evaluation	11	581,037	581,037
Total Non-Current Assets		708,911	753,402
TOTAL ASSETS		4,545,322	4,783,426
LIABILITIES			
Current Liabilities			
Trade and other payables	12	118,299	350,707
Deferred joint venture contributions	13	–	323,031
Provisions	14	168,693	220,181
Total Current Liabilities		286,992	893,919
Non-Current Liabilities			
Provisions	14	15,961	33,304
Total Non-Current Liabilities		15,961	33,304
TOTAL LIABILITIES		302,953	927,223
NET ASSETS		4,242,369	3,856,203
EQUITY			
Contributed equity	15	111,004,480	111,004,480
Equity benefits reserve		1,435,596	1,397,609
Foreign currency translation reserve		9,103	(2,715)
Accumulated losses		(108,206,810)	(108,543,171)
TOTAL EQUITY		4,242,369	3,856,203

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Cash Flows used in Operating Activities			
Payments to suppliers and employees		(1,185,044)	(1,268,494)
Expenditure on exploration interests		(3,891,975)	(5,550,920)
Funding from Rio Tinto for joint venture		1,755,508	3,859,318
Interest received		24,596	45,559
Receipt from WA State Government Exploration Incentive Scheme		119,685	188,388
Receipt from Research & Development Tax Incentive		45,306	–
Receipt of Covid Subsidies		30,000	–
Receipt from Rio Tinto Earn In and JV Agreement		456,018	353,471
Receipts from miscellaneous income		11,591	55,559
Net Cash used in operating activities	18	(2,634,315)	(2,317,120)
Cash Flows used in Investing Activities			
Proceeds from sale of royalties		1,000,000	–
Payment for purchases of property, plant and equipment		(1,378)	(28,786)
Cash invested in security deposits		(150)	–
Net cash used in investing activities		998,472	(28,786)
Cash Flows from Financing Activities			
Proceeds from issuance of shares		–	4,294,180
Share issue expenses		–	(262,555)
Net cash from financing activities		–	4,031,625
Net Increase/(Decrease) In Cash And Cash Equivalents		(1,635,843)	1,685,719
Cash and Cash Equivalents at beginning of year		3,911,912	2,195,905
Effect of foreign exchange movement on opening cash balance		102,014	30,287
Cash and Cash Equivalents at the end of the year	5	2,378,083	3,911,912

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Note	Issued capital	Accumulated losses	Equity benefits reserve	Foreign Currency Translation Reserve	Total
		\$	\$	\$	\$	\$
CONSOLIDATED						
At 30 June 2018		106,972,855	(105,710,109)	1,337,920	(8,424)	2,592,242
Loss for the year		–	(2,833,062)	–	–	(2,833,062)
Other comprehensive profit/(loss)		–	–	–	5,709	5,709
Total comprehensive loss for the year		–	(2,833,062)	–	5,709	(2,827,353)
Shares issued	15	4,294,181	–	–	–	4,294,181
Cost of issuing shares	15	(262,556)	–	–	–	(262,556)
Share Based Payments		–	–	59,689	–	59,689
At 30 June 2019		111,004,480	(108,543,171)	1,397,609	(2,715)	3,856,203
Profit for the year		–	336,361	–	–	336,361
Other comprehensive profit/(loss)		–	–	–	11,818	11,818
Total comprehensive profit/(loss) for the year		–	336,361	–	11,818	348,179
Shares issued	15	–	–	–	–	–
Cost of issuing shares	15	–	–	–	–	–
Share Based Payments		–	–	37,987	–	37,987
At 30 June 2020		111,004,480	(108,206,810)	1,435,596	9,103	4,242,369

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. CORPORATE INFORMATION

The consolidated financial report of Sipa Resources Limited (the Company or the parent) and its subsidiaries (collectively, the Group) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 22 September 2020. The Company is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the company are described in the Directors' report. The presentation currency of the Group is the Australian dollar (\$).

2. BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with IFRS as issued by the International Accounting Standards Board.

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

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended accounting standards and interpretations which became mandatory for the first time this reporting period commencing 1 July 2019.

New and amended accounting standards and interpretations

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2019.

AASB16 Leases – impacts on adoption

The Group has applied AASB 16 from 1 July 2019. On transition no adjustments were required as the group applied the practical expedient permitted by the standards which exempts any leases with a remaining term of less than 12 months.

New accounting standards and interpretations issued but not yet effective

There are no Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective which have an impact on the group for the year ended 30 June 2020.

2.1. 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.

As disclosed in the financial statements, the Group incurred a net profit of \$336,361 and had net cash outflows from operating activities of \$2,634,315 for the year ended 30 June 2020. As at 30 June 2020 the Group had cash and cash equivalents of \$2,378,083 and a working capital surplus of \$3,549,419. The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to continue to secure funds by raising capital from equity markets and managing cash flows in line with available funds.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

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

- The Directors believe that future funding will be available to meet the Group's objectives and debts as and when they fall due, including through engaging with parties interested in joint venture arrangements and/or raising additional capital through equity placements to existing or new investors. The Group has a demonstrated a consistent history of success in this regard as demonstrated by the \$2.3m raising completed subsequent to year end.
- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

2. BASIS OF PREPARATION (continued)

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year.

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3. Accounting for farmouts

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

Rio Tinto Earn In Agreement (Uganda)

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

Based on the terms of the agreement it was determined that Sipa did not have control, nor joint control of the unincorporated JV. As such, the project was not accounted for as a subsidiary or a joint operation. It was determined, however, that Sipa did have significant influence over the project and therefore the investment in the unincorporated joint venture was accounted for using the equity method.

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

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

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

2. BASIS OF PREPARATION (continued)

Sipa on behalf of the unincorporated joint venture incurred expenses in relation to the farm in and Rio contributed to these expenses and also paid a management fee of 10% of expenditure. Cash received from Rio Tinto pertaining to the farm-In agreement is received in advance. Upon receipt of the funds a liability is recognised for deferred exploration contributions. As expenditure is incurred, the liability is decreased. The cash received in advance by Rio Tinto is held by the Company in the capacity as operator, and is shown separately as restricted cash. The liability is nil at 30 June 2020.

As at the 30 June 2020 nil profit has been recognised from Sipas participation in the JV. The JV was terminated 30 April 2020 with no interest earned by Rio Tinto.

2.4. Significant accounting judgements, estimates and assumptions

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

Share-based payment transactions

The Group measures the cost of these equity-settled transactions with participants by reference to the fair value of the equity instruments at the date at which they are granted using an appropriate valuation model, further details of which are given in Note 16.

Impairment of acquired exploration and evaluation assets

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

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

The key areas of judgement and estimation include:

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

2.5. Revenue and Other Income

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

Management fee income

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

Interest income

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

2.6. Leases

The 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

2. BASIS OF PREPARATION (continued)

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 21 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
- 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.

2.7. Cash and cash equivalents

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

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

2.8. Term deposits provided as security

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

2. BASIS OF PREPARATION (continued)

2.9. Trade and other receivables

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

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

2.10. Derecognition of financial instruments

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

2.11. Impairment of non-financial assets

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

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

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

2.12. Foreign currency translation

The Group's consolidated financial report is presented in Australian Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity is measured using that functional currency.

Transactions and balances

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

2. BASIS OF PREPARATION (continued)

Foreign operations

The assets and liabilities of foreign operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.13. Income tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, or interest in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised except:

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

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

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

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

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

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

2.14. GST

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

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

2. BASIS OF PREPARATION (continued)

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

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

2.15. Plant and Equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset which is 2-15 years for plant and equipment. The assets residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

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

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

2.16. Exploration and Evaluation

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

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

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

2.17. Investments and other financial assets

Classification

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

2. BASIS OF PREPARATION (continued)

Measurement

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

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

Measurement - Equity instruments

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

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

Impairment

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

2.18. Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

2.19. Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20. Employee Benefits

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

2.21. Share-based payment transactions

The Group provides benefits to employees (including 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 16.

2. BASIS OF PREPARATION (continued)

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

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

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

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

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

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

2.22. Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.23. 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.

2.24. Government Grants

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

3 REVENUES AND EXPENSES

		Consolidated	
		2020	2019
		\$	\$
Revenue and Expenses			
(a) Finance income			
Interest income		24,838	42,753
		<u>24,838</u>	<u>42,753</u>
(b) Revenue			
Management fee income		456,018	353,471
		<u>456,018</u>	<u>353,471</u>
(c) Other income			
WA State Exploration Incentive grant		19,685	188,388
Research & Development Tax Incentive		45,306	–
Covid subsidies		30,000	–
Other		11,591	55,559
		<u>206,582</u>	<u>243,947</u>

(d) Gain on disposal of royalty portfolios

During the 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.

		Consolidated	
		2020	2019
		\$	\$
(e) Other expenses			
<i>Exploration expenditure</i>			
Exploration expenditure incurred on behalf of Kitgum Pader JV		2,011,481	3,536,288
Less: exploration expenditure funded by Rio Tinto		(2,011,481)	(3,536,288)
Exploration expenditure – other projects		1,622,708	2,105,351
		<u>1,622,708</u>	<u>2,105,351</u>
<i>Employee benefits expense</i>			
Wages and salaries		956,242	1,067,762
Superannuation		78,178	90,221
Provision for annual leave		56,044	68,788
Provision for long service leave		(15,889)	14,663
Share based payments		37,987	59,689
Workers compensation insurance		2,760	2,391
		<u>1,115,322</u>	<u>1,303,514</u>
<i>Employee benefits expense included in:</i>			
Exploration expenditure		565,785	669,533
Administrative expenses		549,537	633,981
		<u>1,115,322</u>	<u>1,303,514</u>
Depreciation of plant and equipment		44,319	77,572
Rental expenses on short-term operating lease		58,380	88,595

4 INCOMETAX

		Consolidated	
		2020	2019
		\$	\$
(a)	Major components of income tax expense for the years ended 30 June 2020 and 2019 are:		
	Income Statement		
	<i>Current income tax</i>		
	Current income tax benefit	–	–
	<i>Deferred income tax</i>		
	Relating to origination and reversal of temporary differences	–	–
	Income tax expense reported in income statement	–	–
(b)	A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2020 and 2019 is as follows:		
	Accounting profit/(loss) before tax	336,361	(2,833,062)
	At statutory income tax rate of 27.5%	92,499	(779,092)
	Adjustment for difference in foreign tax rate	(1,520)	2,254
	Non-(assessable)/deductible items	(194,399)	16,947
	Under/(overprovision) in prior year	545,795	(152,391)
	(Recognised)/Unrecognised deferred tax assets	(442,375)	912,282
	Income tax expense reported in income statement	–	–

(c) Deferred income tax

	Statement of Financial Position		Profit or Loss	
	2020	2019	2020	2019
	\$	\$	\$	\$
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Plant and equipment	(26,097)	(20,670)	(5,427)	(77)
Other	(24,804)	(8,735)	(16,069)	(7,558)
	(50,901)	(29,405)		
Deferred tax assets				
Provision for employee entitlements	50,780	69,708	(18,928)	6,669
Superannuation provision	–	3,641	(3,641)	555
Accruals	7,150	7,854	(704)	–
Carried forward losses	14,725,854	15,123,460	(397,606)	912,693
	14,783,784	15,204,663		
Unrecognised deferred tax assets	(14,732,883)	(15,175,258)	442,375	(912,282)
	50,901	29,405	–	–
Net deferred tax asset	–	–	–	–
Deferred tax expense	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

4 INCOME TAX (continued)

	Consolidated	
	2020	2019
	\$	\$
Deferred tax assets on temporary differences and tax losses not recognised	14,732,883	15,175,258

Directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable as at 30 June 2020. These benefits will only be obtained if:

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

(d) Tax Consolidation

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

5 CASH AND CASH EQUIVALENTS

	Consolidated	
	2020	2019
	\$	\$
Cash at bank and in hand	478,093	1,388,881
Short-term deposits	1,899,990	2,200,000
Cash reserved for JV expenditure	–	323,031
	2,378,083	3,911,912

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

As at 30 June 2020, nil (2019: \$323,031) is held as restricted cash being monies received in advance from Rio Tinto for use on the Kitgum-Pader project as the JV ceased 30 April 2020.

6 TERM DEPOSITS

	Consolidated	
	2020	2019
	\$	\$
Term deposits provided for security	30,000	30,000
	30,000	30,000

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

7 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2020	2019
	\$	\$
Interest receivable ⁽¹⁾	1,718	1,476
Other receivables ⁽²⁾	12,686	41,012
	14,404	42,488

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

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

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	2020	2019
At fair value	\$	\$
Shares in listed entities	1,374,680	1,700
	1,374,680	1,700
Disclosed as:		
Current	1,374,680	–
Non-Current	–	1,700
	1,374,680	1,700

The fair value of listed available for sale investments has been determined directly by reference to published price quotations in an active market and classified as Level 1. During the current year, \$122,980 was recognised in the profit and loss due to an increase in share price.

9 OTHER FINANCIAL ASSETS

	Consolidated	
	2020	2019
	\$	\$
Security deposits	21,920	21,770
	21,920	21,770

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

10 PLANT AND EQUIPMENT

	Consolidated	
	2020	2019
	\$	\$
At beginning of the year, net of accumulated depreciation	148,895	195,746
Additions	1,380	28,786
Disposals	–	(80)
Depreciation expense	(44,321)	(77,572)
Exchange differences	–	2,015
At end of the year, net of accumulated depreciation	105,954	148,895
At end of year		
Gross carrying amount – at cost	1,091,036	1,089,656
Accumulated depreciation	(985,082)	(940,761)
Net book value at end of year	105,954	148,895

11 EXPLORATION AND EVALUATION

	Consolidated	
	2020	2019
	\$	\$
Exploration and evaluation acquired	581,037	581,037
	581,037	581,037

In January 2015, a wholly owned subsidiary of Sipa completed the acquisition of the remaining 20% of shares in SiGe East Africa Pty Ltd, from Geocrust Pty Ltd to become the 100% holder of the Kitgum-Pader base and precious metals project in Uganda, East Africa. The exploration and evaluation acquired represents the value of the acquisition at that date.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

12 TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2020	2019
	\$	\$
Trade payables – unsecured	53,634	241,714
Accrued expenses	64,665	108,993
	118,299	350,707

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

13 DEFERRED JOINT VENTURE CONTRIBUTIONS

	Consolidated	
	2020	2019
	\$	\$
Opening balance	323,031	–
Contributions received from Rio Tinto	1,688,450	3,859,319
JV Expenditure	(2,011,481)	(3,536,288)
	–	323,031

In May 2018 Sipa announced a Farm-in and JV Agreement with Rio Tinto at the Kitgum Pader Base Metals Project in Northern Uganda in which Rio Tinto can fund up to US\$57M of exploration expenditure for a staged earn-in to earn up to a 75% interest the project. The agreement was terminated 30 April 2020 with no interest earned by Rio Tinto.

In accordance with the agreement, Sipa was the operator for the project. During the period Rio Tinto contributed funds in advance of \$1,688,450 (2019: \$3,859,319) to Sipa as part of their contribution. As at 30 June 2020, nil (2019: \$323,031) is held as restricted cash being monies received in advance from Rio Tinto and restricted for use on the Kitgum-Pader project (See Note 5).

14 PROVISIONS

	Annual Leave	Long Service Leave	Directors Retirement Benefit (a)	Total
Consolidated				
At 1 July 2019	125,481	93,004	35,000	253,485
Arising during the year	56,044	6,857	–	62,901
Reversed during the year	–	(22,746)	–	(22,746)
Utilised during the year	(87,532)	(21,454)	–	(108,986)
Balance at 30 June 2020	93,993	55,661	35,000	184,654
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
Current 2019	125,481	59,700	35,000	220,181
Non-Current 2019	–	33,304	–	33,304
	125,481	93,004	35,000	253,485

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

15 CONTRIBUTED EQUITY AND RESERVES

	Consolidated			
	2020		2019	
	\$		\$	
(a) Ordinary shares				
Issued and fully paid shares			111,004,480	111,004,480
	2020		2019	
	No	\$	No	\$
Movements in shares on issue				
Balance at beginning of year	1,707,295,911	111,004,480	1,200,621,023	106,972,855
12:1 share consolidation	(1,565,019,330)	–	–	–
Share purchase plan(2)	–	–	165,439,718	1,505,501
Placement to exempt investors(2)	–	–	166,835,170	1,518,200
Placement to exempt investors(4)	–	–	174,400,000	1,270,480
Less transaction costs	–	–	–	(262,556)
Balance at end of financial year	142,276,581	111,004,480	1,707,295,911	111,004,480

- (1) In July 2019 shareholders approved the consolidation of the Company's issued capital by consolidating (ie converting) every 12 existing Shares into one New Share.
- (2) In November 2018, Sipa raised \$1.5m pursuant to an underwritten Share Purchase Plan at a price of \$0.0091 per share.
- (3) In November 2018, Sipa raised \$1.5m pursuant to a placement to exempt investors at a price of \$0.0091 per share.
- (4) In February 2019 and May 2019 Sipa raised \$450k and \$820k respectively pursuant to placements to Rodiv (NSW) Pty Ltd, a substantial shareholder of the Company. The price per share was \$0.0086 and \$0.0067 respectively.

Ordinary shares

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

Share Options

The following options were issued during the year ended 30 June 2020:

Number of Options	Exercise Price	Vesting Date	Expiry Date
1,300,000	\$0.13	25/11/2020	24/11/2023
2,000,000	\$0.15	1/2/2021	31/1/2023

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

Further details are found in Note 16.

Dividends

There were no dividends paid or proposed during the year ended 30 June 2020 (2019: Nil). The amount of franking credits available to the Company at 30 June 2020 is Nil (2019: Nil).

(b) Equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 16 for further detail of the plan.

(c) Foreign currency translation reserve

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

15 CONTRIBUTED EQUITY AND RESERVES (continued)

Capital Management

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

The Group manages shareholder equity of \$4,242,369 (2019: \$3,856,203) as capital in light of changes in economic conditions and the requirements of the business with respect to exploration commitments, approved programs, and net working capital. There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

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

16 SHARE BASED PAYMENT PLANS

Sipa Resources Employee Share Option Plan

The LTI grants are delivered through participation in the Sipar Resources Employee Share Option Plan 2015, 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.

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

2020

Grant date	Expiry date	Exercise price#	Balance at start of year#	Issued during year	Exercised during year	Lapsed/cancelled during year	Balance at end of year	Exercisable at end of year
1/9/16	31/8/21	\$1.32	388,250	–	–	(225,750)	162,500	162,500
19/12/16	18/12/21	\$0.72	1,007,501	–	–	(676,250)	331,251	331,251
25/11/19	24/11/23	\$0.13	–	1,300,000	–	–	1,300,000	–
25/11/19	31/1/23	\$0.15	–	2,000,000	–	–	2,000,000	–
			1,395,751	3,300,000	–	(902,000)	3,793,751	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.

The share based payments expense recognised for the above options during the period was \$37,987.

2019

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Exercised during year	Lapsed/cancelled during year	Balance at end of year	Exercisable at end of year
1/9/16	31/8/21	11 cents	4,659,000	–	–	–	4,659,000	–
19/12/16	18/12/21	6 cents	12,090,000	–	–	–	12,090,000	–
			16,749,000	–	–	–	16,749,000	–

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

Options issued year ended 30 June 2020

On 25 November 2019, 1,300,000 options expiring 24 November 2023 with an exercise price of \$0.13 each were issued to employees pursuant to the Sipar Employee Share Option Plan. On that same date a further 2,000,000 options expiring 31 January 2023 with an exercise price of \$0.15 each were issued to Pip Darvall pursuant to the Sipar Employee Share Option Plan as part of his employment agreement.

16 SHARE BASED PAYMENT PLANS (continued)

The fair value of the equity-settled share options (ESOs) was determined at the date of the grant. The number of options granted was determined by the Board with reference to comparative salary information. The options to the employees are subject to internal hurdles. There are no hurdles associated with the options issued to Pip Darvall other than continued employment.

The Black-Scholes Merton model was used to estimate the fair value of the ESOs. The following table sets out the key assumptions adopted to value the Options.

	Managing Director	Other Personnel
Valuation method	Black-Scholes Merton	Black-Scholes Merton
Valuation date	25/11/2019	25/11/2019
Closing share price at valuation date	\$0.081	\$0.081
Exercise price	\$0.15	\$0.13
Vesting Date	1/02/2021	25/11/2020
Expiry	31/01/2023	24/11/2023
Expected life of option	1/02/2022	26/05/2022
Dividend yield	0%	0%
Expected volatility	56.03%	56.03%
Historical volatility	56.03%	56.03%
Risk-free interest rate	0.84%	0.84%
Fair value of options issued	\$0.012	\$0.017

Options issued year ended 30 June 2019

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

(ii) Options exercised

No options were exercised during the financial years ended 30 June 2020 and 30 June 2019.

(iii) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2020 is 2.6 years (2019: 2.4 years).

17 PROFIT/(LOSS) PER SHARE

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

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

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

	Consolidated	
	2020	2019
Net profit/(loss) attributable to the ordinary equity holders	336,361	(2,833,062)
Weighted average number of ordinary shares before the Placement	142,276,581	1,200,621,023
Adjustment for dilutive effects of Placement and SPP		244,944,392
Share Options exercised	-	-
Weighted average number of ordinary shares on issue	142,276,581	1,445,565,415

Nil options (2019: Nil) are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share as they are anti-dilutive for the periods presented. Details relating to the options are set out in Notes 15 and 16.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

18 RECONCILIATION OF PROFIT/(LOSS) TO NET CASH FLOWS FROM OPERATIONS

	Consolidated	
	2020	2019
Net Profit/(Loss)	336,361	(2,833,062)
Depreciation of plant and equipment	44,319	77,572
Profit on disposal of royalties	(2,250,000)	-
(Gain)/loss on revaluation of available for sale financial assets	(122,980)	1,300
Foreign exchange (gain)/loss	(90,197)	(26,514)
Share based payments	37,987	59,689
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	28,085	(8,252)
Decrease in prepayments	6,380	6,666
Increase in provisions	(68,831)	24,254
Increase in deferred joint venture contributions	(323,031)	323,031
Increase/(Decrease) in trade and other payables	(232,408)	58,196
Net cash flow used in operating activities	(2,634,315)	(2,317,120)

19 RELATED PARTY DISCLOSURE

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

Name	Country of Incorporation	Equity Interest	
		2020 %	2019 %
Sipa Gold Limited	Australia	100	100
Sipa Copper Pty Ltd	Australia	100	100
Sipa Resources (1987) Limited	Australia	100	100
Sipa Exploration NL	Australia	100	100
Sipa Management Pty Ltd	Australia	100	100
Sipa – Gaia NL	Australia	100	100
Ashling Resources NL	Australia	100	100
Topjest Pty Limited	Australia	100	100
Sipa –Wysol Pty Ltd	Australia	100	100
Sipa East Africa Pty Ltd	Australia	100	100
SiGe East Africa Pty Ltd#	Australia	100	100
Sipa Exploration Uganda Limited	Uganda	100	100
Sipa Resources Tanzania Limited#	Tanzania	100	100

Application for winding up is pending.

20 KEY MANAGEMENT PERSONNEL DISCLOSURES

Name	Position	Term as KMP
T Kennedy	Non-Executive Chairman	Full financial year
P Darvall	Managing Director	1 February 2020 - present
L Burnett	Managing Director	1 July 2019 – 31 January 2020
K Field	Non-Executive Director	Full financial year
C McGown	Non-Executive Director	Full financial year
T Robson	Chief Financial Officer and Company Secretary	Full financial year

20 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Compensation by Category: KMP

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	666,659	651,838
Post employment benefits	60,051	61,924
Share based payments	29,130	41,492
Other long term benefits	(18,846)	10,648
	736,994	765,902

Other transactions with KMP

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

21 COMMITMENTS FOR EXPENDITURE

(a) Short Term Lease – Group as Lessee

The Company had obligations under the terms of the lease of its office premises for a term of 2 years from 1 May 2018. Lease payments are payable in advance by 12 equal monthly instalments due on the 1st day of each month. Under the lease agreement the lessee provides for a rent review based on CPI each anniversary date.

	Consolidated	
	2020	2019
	\$	\$
Due not later than one year	–	70,870
Due later than one year and not later than five years	–	–
	–	70,870

(b) Exploration Expenditure Commitments

The consolidated entity has minimum statutory commitments as conditions of tenure of certain mining tenements. In addition it has commitments to perform and expend funds towards retaining an interest in formalised agreements with partners. If all existing areas of interest were maintained on the terms in place at 30 June 2020, the Directors estimate the minimum expenditure commitment for the ensuing twelve months to be \$951,000 (2019: \$1,340,045). 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.

(c) Commitment to Controlled Entities

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

22 SEGMENT INFORMATION

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

22 SEGMENT INFORMATION (continue)

Segment Financial Information for the year ended 30 June 2020 is presented below:

	Year to 30 June 2020 Uganda \$	Year to 30 June 2020 Australia \$	Year to 30 June 2020 Unallocated \$	Year to 30 June 2020 Consolidated \$
Revenue from continuing operations	456,018	–	24,838	480,856
Other income	–	206,582	–	206,582
Gain on sale of royalties	–	2,250,000	–	2,250,000
Gain on fair value of listed investments	–	122,980	–	122,980
Exploration expenditure	(53,504)	(1,569,204)	–	(1,622,708)
Administrative and other expenses	–	–	(1,101,349)	(1,101,349)
Segment profit/(loss) before tax	402,514	1,010,358	(1,076,511)	336,361
Current assets	54,883	3,781,528	–	3,836,411
Non-current assets				
Exploration and evaluation	581,037	–	–	581,037
Other financial assets	–	–	21,920	21,920
Property, plant and equipment	11,057	–	94,897	105,954
TOTAL ASSETS	646,977	3,781,528	116,817	4,545,322
Current liabilities	10,381	–	276,611	286,992
Non-current liabilities	–	15,961	–	15,961
TOTAL LIABILITIES	10,381	15,961	276,611	302,953
NET ASSETS	636,596	3,488,956	116,817	4,242,369
Capital expenditure	731	–	649	1,380

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

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

23 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Credit risk

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

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. Cash is held with recognised financial institutions with AA long term credit rating for Australian banks and B+ for Uganda.

Trade and other receivables

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

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

Exposure to credit risk

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

	Consolidated	
	2020	2019
	\$	\$
Cash and cash equivalents	2,378,083	3,911,912
Term deposits secured	30,000	30,000
Trade and other receivables	14,404	42,488
Other financial assets	21,920	21,770
	2,444,407	4,006,170

Impairment losses

None of the Group's other receivables have expected credit losses (2019: nil).

Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

23 FINANCIAL RISK MANAGEMENT (continued)

Consolidated 30 June 2020

Trade and other payables

Carrying amount	Contractual cash flows	6 mths or less
118,299	118,299	118,299
118,299	118,299	118,299

30 June 2019

Trade and other payables

350,707	350,707	350,707
350,707	350,707	350,707

Market Risk

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

Foreign currency risk

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

Surplus funds are held primarily in Australian Dollars with the Group ensuring that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term requirements. As such the exposure to foreign exchange rate changes is not considered material for the group.

Interest rate risk

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

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

Profile

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

Floating rate instruments

Cash and cash equivalents

Consolidated	
2020	2019
\$	\$
2,378,083	3,911,912
2,378,083	3,911,912
30,000	30,000
30,000	30,000

Fixed rate instruments – No interest rate risk

Term deposits secured

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Group's exposure to variable rate instruments is in cash and cash equivalents. A 100 basis point favourable and unfavourable change in interest rates will affect comprehensive income by\$ 23,780 and \$(23,780) (2019 \$39,119 and \$(39,595)) respectively.

23 FINANCIAL RISK MANAGEMENT (continued)

Fair values

Fair values versus carrying amounts

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

Commodity Price Risk

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

24 AUDITORS' REMUNERATION

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

	Consolidated	
	2020	2019
	\$	\$
<i>PwC Australia</i>		
Audit and review of financial statements	40,000	52,200
Other assurance services	–	10,200
Taxation services	–	–
	40,000	62,400
<i>Other firms</i>		
Audit and review of financial statements	7,271	9,979
	7,271	9,979
Total Auditors' remuneration	47,271	72,379

25 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets

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

26 INFORMATION RELATING TO THE PARENT ENTITY

	2020	2019
	\$	\$
Current assets	3,410,250	3,556,641
Total assets	3,974,317	3,558,352
Current liabilities	–	(381,432)
Total liabilities	(209,375)	(381,432)
Retained earnings	(108,675,140)	(109,225,169)
Total equity	3,764,937	3,176,921
Profit/(Loss) of the parent entity	550,029	(2,568,286)
Total comprehensive loss of the parent entity	550,029	(2,568,286)
Details of any contingent liabilities of the parent entity	NIL	NIL
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	NIL	NIL

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

27 EVENTS SUBSEQUENT TO BALANCE DATE

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

On 18 September 2020, Sipa announced raised \$2.3 million from sophisticated and professional investors (the Placement), with strong support from existing Sipa shareholders. The placement consisted of 32,361,115 fully paid ordinary shares at A\$0.072 cents per share. Proceeds of the capital raising will be used for the completion of the Company's planned field programs for the remainder of the current financial year.

On 3 August 2020 Sipa announced it had entered into a Farm-in and Joint Venture Agreement (FJVA) with Rio Tinto Exploration Pty Ltd (RTX) for Sipa's Paterson North Copper-Gold Project in the Paterson province of Western Australia: The FJVA encompasses Sipa's entire Paterson North Project tenement package, including the tenements within Sipa's Great Sandy Joint Venture with Ming Gold Pty Ltd (Ming Gold) in which Sipa has earned an 89% interest (together, the Project).

Key terms of the FJVA with RTX are summarised below:

- \$6 million expenditure on the Project, including a minimum commitment of \$3 million, including at least 4,000m of drilling to earn 55%
- A further A\$6 million expenditure on the Project to earn 70%; and
- The right to earn an additional 10% interest in the Project (i.e. to an 80% total interest) by sole funding exploration expenditure to the earlier of:
 - Definition of total JORC Mineral Resources on the Project with an in-situ value equivalent of at least A\$1 billion; or
 - Completion of an Order of Magnitude study
- The FJVA is conditional on Ming Gold agreeing to certain matters in relation to the FJVA

In addition, RTX will also subscribe to A\$250,000 worth of Sipa shares @ A\$0.10 per share.

Sipa has sold 102,400 shares in VOX for total proceeds of \$314,819.

DIRECTORS' DECLARATION

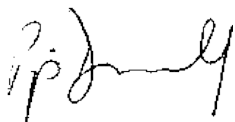
for the year ended 30 June 2020

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) subject to the matters set out in note 2.1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2020

On behalf of the Board



P Darvall

Managing Director

PERTH, WESTERN AUSTRALIA

DATED 22 September 2020



Independent auditor's report

To the members of Sipa Resources Limited

Report on the audit of the financial report

Our opinion

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended, and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Material uncertainty related to going concern

We draw attention to Note 2.1 in the financial report, which indicates that the Group incurred a net profit of \$336,361 and a cash outflow from operating activities of \$2,634,315 during the year ended 30 June 2020 and that the ability of the Group to continue as a going concern is principally dependent upon continuing to secure funds by raising capital from equity markets and managing cash flows to continue its normal business activities. These conditions, along with other matters set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Liability limited by a scheme approved under Professional Standards Legislation.

Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of \$95,000, which represents approximately 5% of the Group's adjusted profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group adjusted profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured whilst in the exploration phase given the Group have a policy of expensing all ongoing exploration costs. We adjusted for the gain on disposal of royalty portfolio as it is an infrequently occurring item impacting profit and loss.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

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



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

Key audit matter	How our audit addressed the key audit matter
Carrying value of acquired exploration and evaluation assets (Refer to note 11) As at 30 June 2020, the Group held capitalised exploration and evaluation assets of \$581,037 relating to their acquisition of the Kitgum-Pader base metals project in Uganda. Judgement was required by the Group to assess whether there were indicators of impairment of the capitalised exploration and evaluation assets due to the need to make estimates about future events and circumstances, such as whether the mineral resources may be economically viable to mine in the future. This was a key audit matter because of the size of the balance in relation to the statement of financial position and judgement in considering the risk of impairment of the exploration and evaluation assets should the results of exploration activities not be positive.	We performed the following procedures, amongst others: - Evaluated the Group's assessment that there had been no indicators of impairment for its capitalised exploration and evaluation assets, including inquiries with management and directors to develop an understanding of the current status and future intentions for the Group's exploration activities in Uganda. - Considered the Group's right to tenure for its exploration licenses which included obtaining and assessing supporting documentation from the relevant government authority in Uganda. - Obtained management's exploration expenditure forecasts supporting their assessment and compared these to the approved budgets and future cash flow forecasts of the Group. - Considered the consistency of information provided with other available information, such as press releases made by the Group about the results of exploration activities.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report and the Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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



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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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

Our opinion on the remuneration report

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Sipa Resources Limited for the year ended 30 June 2020 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
22 September 2020

ADDITIONAL INFORMATION

as at 8 September 2020

The following information is provided in accordance with the listing requirements of the ASX Limited. All information is current as of 8 September 2020 unless otherwise noted.

1. Substantial holders

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

Name	Units	% of Units
Rodiv NSW P/L <Rodiv Pension Fund A/C>	25,065,789	17.62
JM Financial Group Limited	8,831,351	6.21

2. Top 20 Shareholders

Rank	Name	Units	% Units
1	RODIV NSW P/L <RODIV PENSION FUND A/C>	25,065,789	17.62
2	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	8,547,709	6.01
3	MOGGS CREEK PTY LTD <MOGGS CREEK SUPER A/C>	3,719,144	2.61
4	MR GAVIN JEREMY DUNHILL	3,100,000	2.18
5	WIP FUNDS MANAGEMENT PTY LTD <PORTER FAMILY S/F A/C>	1,600,000	1.12
6	MR JEREMY DOMINIC KALMUND	1,246,120	0.88
7	GUNDRYS PTY LTD <CHEM PACK S/F A/C>	1,234,294	0.87
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,227,291	0.86
9	GECKO RESOURCES PTY LTD	1,216,042	0.85
10	GEOCRUST PTY LTD <GEOCRUST A/C>	1,066,954	0.75
11	CITICORP NOMINEES PTY LIMITED	1,056,730	0.74
12	MICHAEL GLEN DOEPEL	907,400	0.64
13	SANCOAST PTY LTD	883,460	0.62
14	MRS CHRISTINE EMILY COGHLAN	833,334	0.59
15	SHANTANANDA PTY LTD	799,575	0.56
16	SPACEFACE PTY LTD	770,696	0.54
17	MEGALOCONOMOS PTY LTD <MEGALOCONOMOS S/F A/C>	750,000	0.53
18	TRAIST PTY LIMITED <INNES FAMILY A/C>	700,000	0.49
19	MR WILLIAM HENRY HERNSTADT	666,667	0.47
20	SUPERFUZE PTY LTD <KALJER SUPER FUND A/C>	644,170	0.45
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		56,035,375	39.38
Total Remaining Holders Balance		86,241,206	60.62

3. Options on issue

As at 8 September 2020 the following unlisted options were on issue:

Date of expiry	Number	Number of Holders	Exercise Price
31 August 2021	162,500	2	\$1.32
18 December 2021	331,251	2	\$0.72
24 November 2023	950,000	3	\$0.13
31 January 2023	2,000,000	1	\$0.15

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

ADDITIONAL INFORMATION

as at 8 September 2020

4. Escrowed securities

There are presently no securities subject to escrow.

5. Distribution of shareholder's holdings at 8 September 2020.

Range	Total holders	Units	% Units
1 - 1,000	1,268	591,014	0.42
1,001 - 5,000	1,254	3,257,025	2.29
5,001 - 10,000	494	3,713,685	2.61
10,001 - 100,000	1,057	36,318,070	25.53
100,001 Over	213	98,396,787	69.16
Total	4,286	142,276,581	100.00

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.089 per unit	5,618	2,584	4,177,449

6. Stock Exchange listing.

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

7. Income tax

Sipa Resources Limited is taxed as a public company.

8. Voting rights

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

9. Schedule of tenements as at 8 September 2020

Projects	Location	Tenements	Interest
Kitgum-Pader	Uganda	1271	100%
Paterson North (Great Sandy)	Western Australia	EL45/3599, EL45/4697, EL45/5335, EL45/5336	89% (11 % Ming Gold-diluting)
Paterson North	Western Australia	E45/5337	100%
Barbwire Terrace	Western Australia	ELA04/2674, ELA04/2684	100%
Skeleton Rocks	Western Australia	ELA77/2705, ELA77/2706, ELA77/2707, ELA77/2708	100%
Wallal	Western Australia	ELA45/5390	100%
Wolfe Basin	Western Australia	EL80/5344, ELAE80/5491	100%
Warralong	Western Australia	ELA45/5674, ELA45/5675, ELA45/5687, ELA45/5712, ELA45/5740	100%



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