



Sipa Resources Limited
ABN 26 009 448 980

SIPA RESOURCES LIMITED
ABN 26 009 448 980
FINANCIAL REPORT
FOR THE HALF - YEAR ENDED 31 DECEMBER 2016

This half-year report covers the consolidated entity comprising Sipa Resources Limited and its subsidiaries (the Group). The Group's presentation currency is Australian Dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report. The directors' report does not form part of the financial report.

DIRECTORS

Craig Ian McGown, BComm, FCA, ASIA Non-Executive Director (Chairman)
Lynda Margaret Burnett BSc (Hons) GAICD, MAusIMM, MSEG (Managing Director)
Karen Lesley Field B Ec, FAICD (Non-Executive Director)
Paul Gerard Kiley, B Ec. CPA (Non-Executive Director)
Tim Paul Kennedy, B.App Sc (Geology), MBA, MAusIMM, MGSA (Non-Executive Director) (Appointed 13 December 2016)

COMPANY SECRETARY

Tara Robson BA (Accounting), CPA (USA)

REGISTERED OFFICE

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BANKERS

Bank of Western Australia Ltd
Level 11, Bankwest Place
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AUDITORS

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

SHARE REGISTRY

Computershare
Level 2, Reserve Bank Building
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SOLICITORS

Gilbert & Tobin
1202 Hay Street
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WEBSITE

www.sipa.com.au

This report summarises results of exploration conducted by Sipa Resources Limited in the half year to 31 December 2016. It should be read in conjunction with Sipa’s September and December 2016 ASX Quarterly Reports for full technical descriptions.

The period to 31 December 2016 saw Sipa make further important progress towards unlocking its emerging mineral discoveries in Uganda (nickel-copper) and Australia (copper-gold), while also commencing follow-up activities which have laid the foundations for an important period of exploration in 2017.

Kitgum Pader Project, Uganda – Sipa 100%

The Kitgum-Pader Project covers 2676 square kilometres in central northern Uganda, East Africa. The land position has been refined from a peak landholding size of 7,000km². During the past four years some 60000 soil samples have been collected which together with aeromagnetics and regional mapping have effectively screened the original land holding. In addition to the **Akelikongo magmatic nickel-copper sulphide prospect**, the current landholding contains a number of other nickel and base metal prospects including the **Pamwa lead-zinc silver prospect** and the **Goma nickel prospect**. Figure 1 shows the location of the land holding over a geological interpretation of tectonic domains covering the tenements (Davies and Mason 2015).

During the period, Sipa completed a key follow-up drilling program at the emerging **Akelikongo nickel-copper discovery**, part of its Kitgum Pader Project in Northern Uganda.

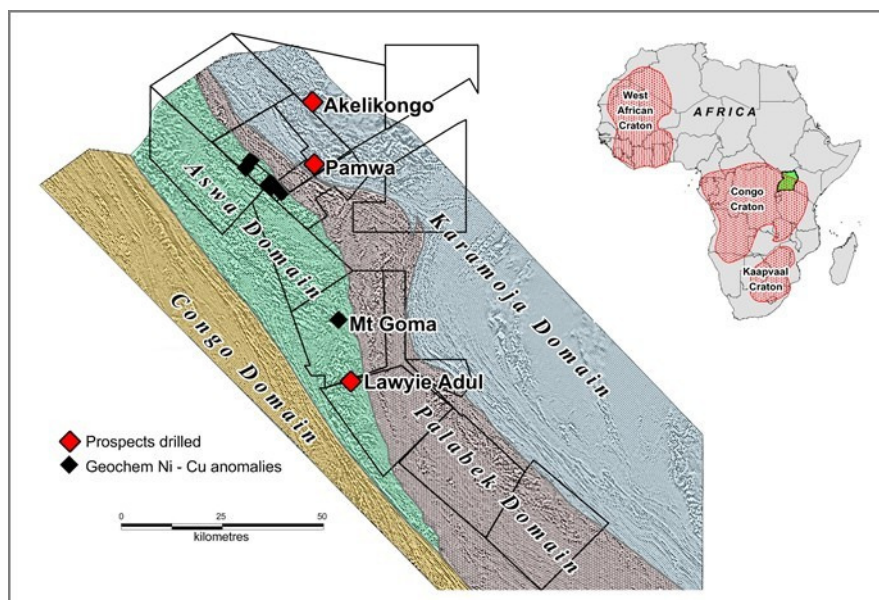


Figure 1 – Kitgum Pader Project, Uganda showing location of the Akelikongo nickel-copper and Pamwa base metal discoveries

The program, which was designed to further delineate zones of massive and disseminated sulphides intersected earlier in 2015 and 2016, consisted of nine RC holes, six RC holes with diamond tails, and one diamond hole drilled from surface, for a total of 1,800m of drilling.

12 holes targeted the Akelikongo Ultramafic Complex with the remaining four holes testing additional targets in the immediate Akelikongo area. (Table 1)

RC holes

Hole_ID	UTMEast	UTMNorth	RL	Total_Depth	Dip	Hole_TYPE
AKC015	457021	396960	945	46	-60	RC
AKC016	457004	397010	944	41	-60	RC
AKC018	456944	397043	942	45	-60	RC
AKC019	456950	397153	940	46	-60	RC
AKC020	456318	396759	935	50	-90	RC
AKC021	456278	397183	922	52	-90	RC
AKC022	456642	396262	943	115	-60	RC
AKC023	456635	396302	943	67	-60	RC
AKC024	456936	397228	938	34	-60	RC

RC precollar with diamond tails

Hole_ID	UTMEast	UTMNorth	RL	Total_Depth	Dip	Hole_TYPE
AKCD001	456965	396961	944	97.57	-60	RC_DD
AKCD002	456933	396924	943	158.46	-60	RC_DD
AKCD003	456933	396999	942	116.43	-60	RC_DD
AKCD004	456895	396960	942	179.51	-60	RC_DD
AKCD005	457043	397075	943	309.19	-60	RC_DD
AKCD006	457088	397033	945	282.43	-60	RC_DD

Diamond hole

Hole_ID	UTMEast	UTMNorth	RL	Total_Depth	Dip	Hole_TYPE
AKD017	457076	397013	945	239.18	-60	DD

Table 1 – Drill-hole location and Depth

The drilling supports the interpretation that the system is strengthening down-plunge with the presence of strong matrix sulphide textures in the core indicating proximity to a bigger magmatic sulphide pool down-plunge to the north.

The final results validate Sipar's new geological model for Akelikongo which has identified the orientation of the better mineralised basal zone – which plunges shallowly to the north-west and is overlain by a thick zone of disseminated sulphides in the hanging wall position.

Some more significant results from the program, from the both the matrix to semi-massive zones and the overlying thick disseminated zones include:

Matrix to semi-massive zones:

- **5.2m @ 0.98% Ni and 0.41% Cu** from 213.1m to 218.3m; and
- **0.8m @ 0.99% Ni and 1.59% Cu** from 221.1m (AKD017)
- **7m @ 1.04% Ni and 0.35% Cu** from 223m to 230m, including
0.4m @ 2.47% Ni and 0.2% Cu from 228 (AKCD006)

Disseminated zones:

- **84.5m @ 0.42% Ni and 0.17% Cu** from 138m to 222.5m (AKD017)
- **38m @ 0.51% Ni and 0.17% Cu** from 194m to 232m (AKCD006)
- **38m @ 0.39% Ni and 0.13% Cu** from 2m to 40m, including
4m @ 0.54% Ni and 0.16% Cu and **8m @ 0.5% Ni and 0.2% Cu** (AKC015)
- **108m @ 0.24% Ni and 0.07% Cu** from 168m to 276m, including
40m @ 0.31% Ni and 0.1% Cu (AKCD005)

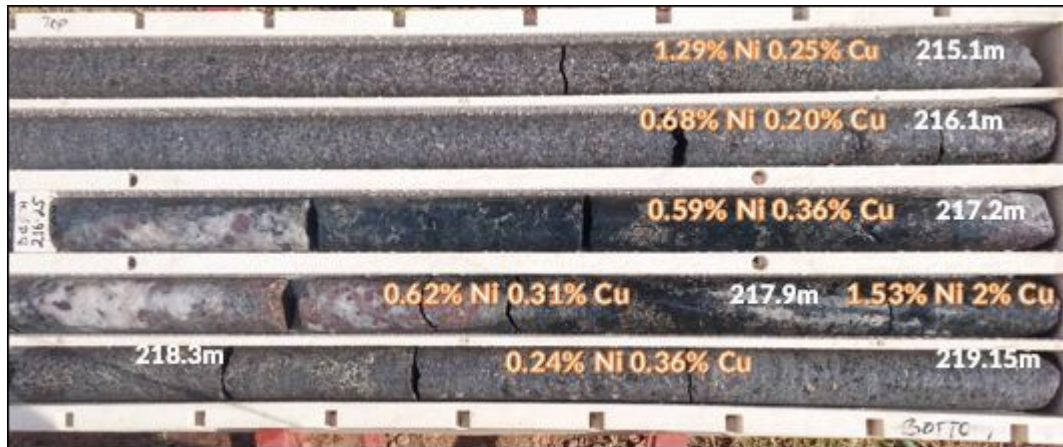


Figure 2 - Mineralised NQ core from AKD017 part of 5.2m interval from 213.1m to 218.3m showing matrix textured sulphides averaging 1% Ni and 0.41% Cu



Figure 3 – Close-up of matrix textured sulphides in NQ core 218m AKD017 showing chalcopyrite (Cu), pyrrhotite (Fe) and pentlandite (Ni)

Gravity modelling of the Intrusive Complex indicates a mass of much denser material in this central position than has already been identified by drilling potentially indicating a greater accumulation of massive sulphides as the system plunges deeper to the north-west (see Figure 4).

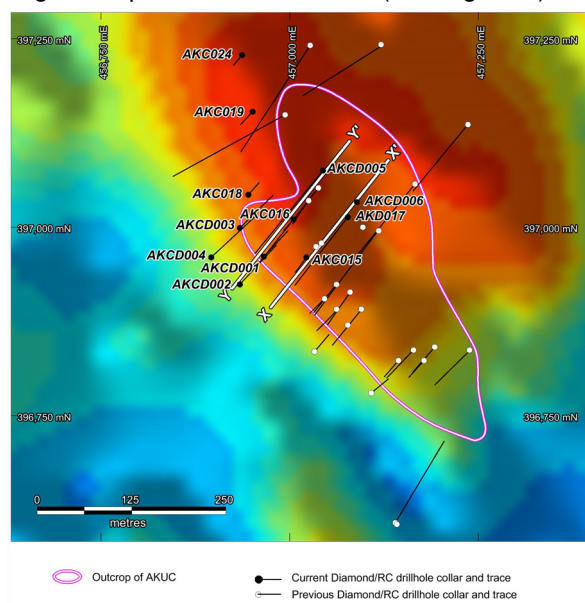


Figure 4 - Location Plan of Drill Holes on gravity image (section lines in white)

Table 2 shows a summary of all significant intercepts from the drill program:

	From	To	Width	Ni%	Cu%	Co%	Comments
AKC015	2	40	38	0.39	0.13		DZ strongly weathered to 30m
including	8	12	4	0.54	0.16		DZ
	32	40	8	0.50	0.20		basal sulphide mineralised zone
AKC016	35	41	6	0.42	0.10		DZ ended in mineralisation RC hole abandoned due to water
AKCD001	62.7	63	0.3	0.05	0.55		Chalcopyrite vein in footwall paragneiss
	65.55	73	7.45	0.29	0.09		DZ
including	65.55	66.55	1	0.83	0.11		basal sulphide mineralised zone
AKCD002	138.4	158.46	20.06	0.26	0.09		DZ
including	139.6	140	0.4	0.67	0.07		basal sulphide mineralised zone
AKCD003	77.5	97.5	20	0.19	0.05		DZ . footwall poorly developed
AKCD004	142.2	147.8	5.6	0.30	0.09		DZ
	155	159	4	0.32	0.09		DZ
	171	174	3	0.32	0.09		DZ
AKCD005	168	276	108	0.24	0.07		DZ footwall stoped out by intrusion
including	196	236	40	0.31	0.10		DZ
AKCD006	146	161	15	0.36	0.10		DZ
	194	237.7	43.7	0.53	0.18		DZ
including	223	230	7	1.04	0.35	0.05	basal sulphide mineralised zone
	247.45	253	5.55	0.32	0.11		footwall DZ zone
AKD017	138	222.5	84.5	0.37	0.16		DZ
including	179.3	201.2	21.9	0.43	0.17		DZ
	213.1	218.3	5.2	0.98	0.41	0.05	basal sulphide mineralised zone
	221.1	221.9	0.8	0.99	1.59		basal sulphide mineralised zone
	* DZ = disseminated mineralised zone						
	** note some intervals contain crosscutting dykes of unmineralised material. These have been given assay values of zero.						

Table 2 significant drill hole intercepts

RC holes AKC018, 019 and 24 were abandoned due to unacceptable water inflows and sample quality.

Paterson North Project, Western Australia

Sipa's Paterson North Project currently comprises two tenements: the Great Sandy tenement (E45/3599), where Sipra can earn up to an 80% interest for expenditure of \$3 million over 4 years under a Farm-in and JV agreement with privately owned Ming Gold Limited (Ming), and Sipra's wholly owned Anketell tenement (E45/4697) granted in September 2016 (Figure 7).

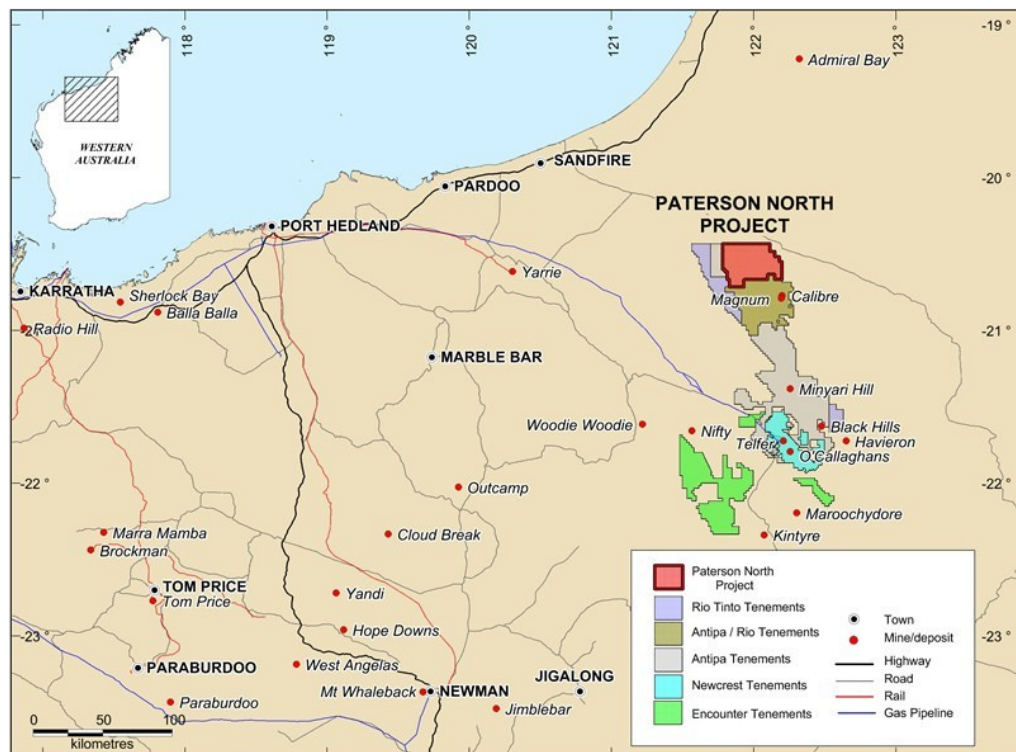


Figure 7 – Paterson Project location in Western Australia

EL45/3599 (Sipa earning up to 80%)

The Company's maiden 4,500m aircore drill program in August 2016 successfully delineated an extensive gold-copper mineral system over a 4km strike length at the Obelisk prospect, within the Great Sandy Tenement. The drilling confirmed that the anomaly is continuously developed over the entire strike length, including a 1.5km long zone where strongly anomalous copper and gold results were returned.

Of the 45 holes, **26 returned strongly anomalous copper values of >250ppm and gold values of >20ppb**. The strongest results of >1000ppm or 0.1% Cu returned over more than 1.5km with gold values up to 1.26g/t (see Figure 8 and 9). Summary assays included:

- **4m at 0.42g/t Au** from 85m in PNA007; and
- **7m at 0.28g/t Ag and 0.29% Cu** from 78m in PNA009
- **8m at 0.28g/t Au, 0.44g/t Ag, 0.11% Cu 36ppm Mo and 141ppm W**, from 86m including **1m at 1.26g/t Au** from 89m in PNA014
- **7m at 0.26g/t Ag and 0.13% Cu** from 86m in PNA018
- **3m at 0.16g/t Ag and 0.24% Cu** from 80m in PNA024
- **6m at 0.25g/t Ag and 0.10% Cu** from 107m PNA035

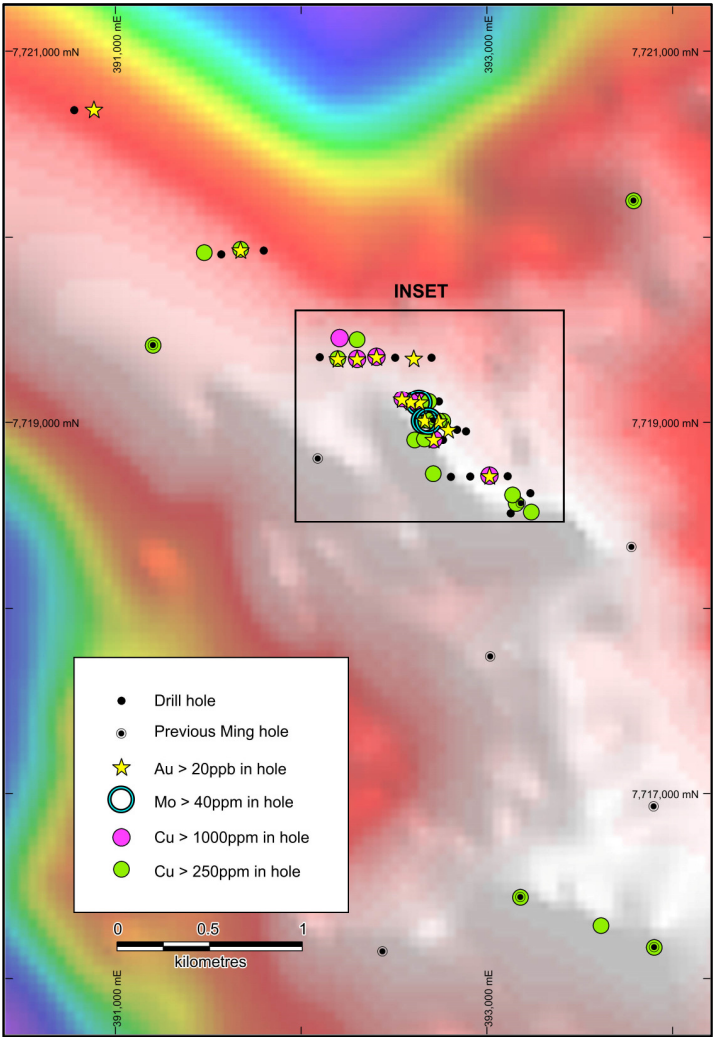


Figure 8 – Plan view of anomalous geochemistry in drill-holes at Obelisk, gravity image as backdrop

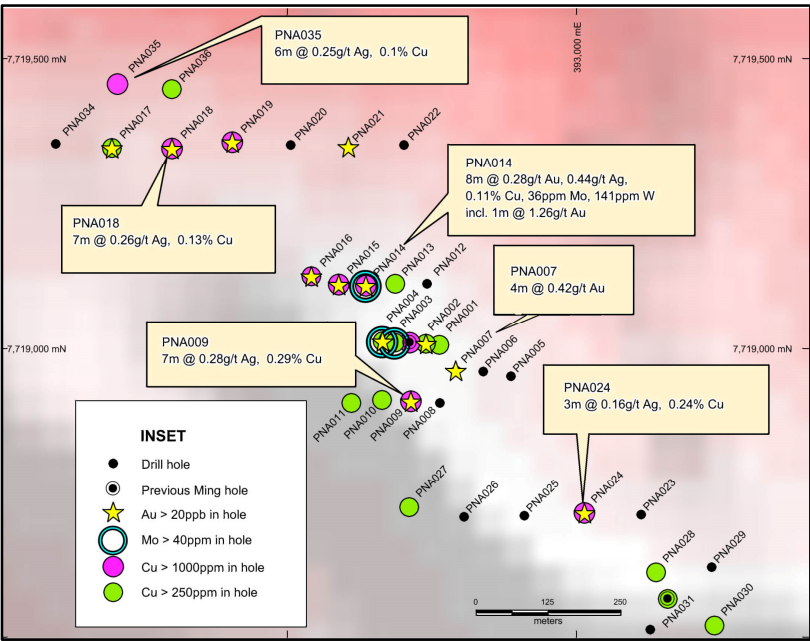


Figure 9 (inset) - Anomalous Aircore/RC holes over gravity image

The tenor of the anomalism and the metal association is similar to that which led to the discovery of other significant deposits in the region including the >1Moz Calibre and Magnum deposits, highlighting the potential for a significant new mineral discovery.

The Paterson Province is an emerging region in north-west Western Australia where several Tier-1 discoveries (Telfer copper-gold, Nifty copper, O’Callaghans tungsten and Kintyre uranium) have been made.

Paterson North EL 45/4976 – Sipa 100%

A second Paterson North tenement called Anketell (Sipa 100%) was granted in September 2016. The collaborative geological interpretation underway with CSIRO includes this newly granted tenement.

A particularly interesting domal feature shown on Figure 10 has been identified in the regional aeromagnetic data on this tenement which appears similar to domes related to mineralisation in the southern parts of the Paterson Province such as Telfer and Thompsons Dome.

Sipa is planning an aircore/RC reconnaissance drill program to test this domal feature later in the year.

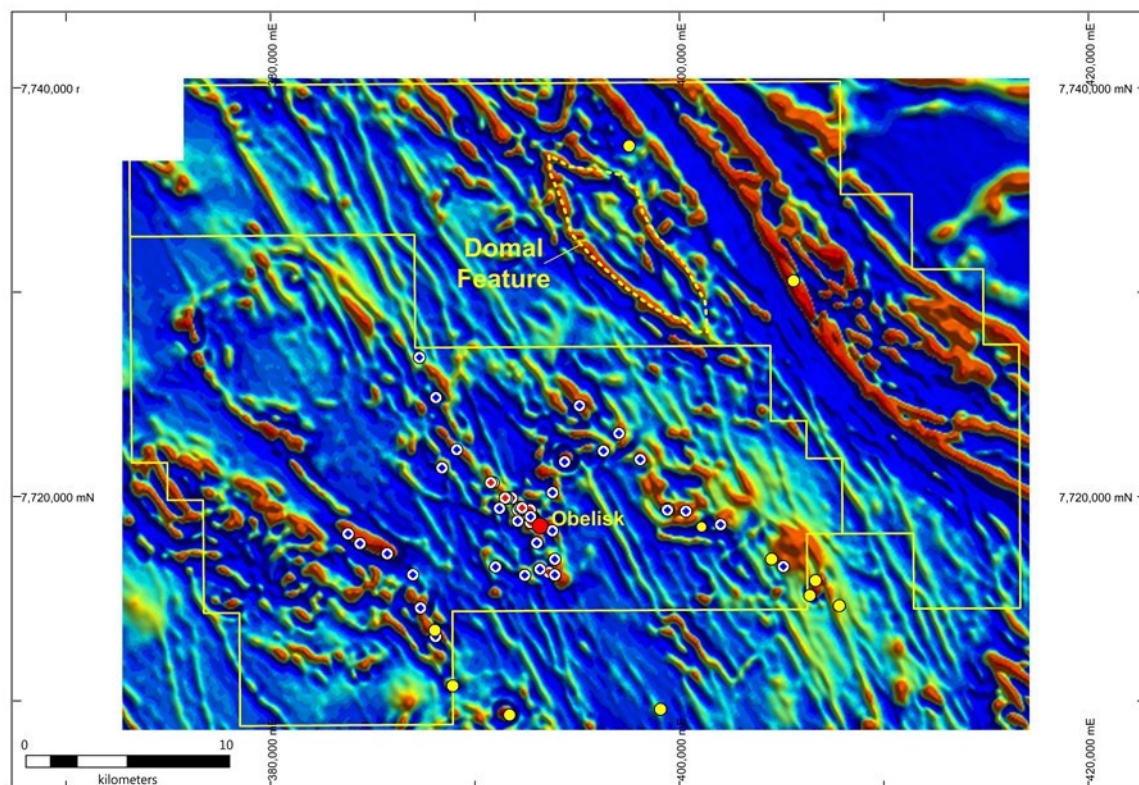


Figure 10 – Aeromagnetic image covering Sipa’s North Paterson Tenements showing the domal feature to be drill tested for structurally controlled “Telfer lookalike” mineralisation

The information in this report that relates to Exploration Results was previously reported in the ASX announcement dated 1 December 2016, 17 November 2016, 5 September 2016 and 2 June 2016,. 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 – Directors’ Report

Your directors submit their report for the half-year ended 31 December 2016.

DIRECTORS

The names of the company’s directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period, unless otherwise noted.

Craig Ian McGown, BComm, FCA, ASIA Non-Executive Director (Chairman)
Lynda Margaret Burnett BSc (Hons) GAICD, MAusIMM, MSEG (Managing Director)
Karen Lesley Field B Ec (Non-Executive Director)
Paul Gerard Kiley, B Ec. CPA (Non-Executive Director)
Tim Paul Kennedy, B.App Sc (Geology), MBA, MAusIMM, MGSA (Non-Executive Director) (Appointed 13 December 2016)

REVIEW AND RESULTS OF OPERATIONS

The Group continued with exploration activities on its mineral tenements within Uganda and Australia. The consolidated net loss for the period is \$1,913,650 (2015: Loss \$3,032,309).

	Consolidated	
	For the half year ended 31 Dec 2016	For the half year ended 31 Dec 2015
	\$	\$
Revenue	44,982	57,010
Other income	122,250	13,232
Exploration expenditure	(1,474,505)	(2,353,775)
Administrative expenses	(601,326)	(748,776)
Net loss for the period	<u>(1,913,650)</u>	<u>(3,032,309)</u>

The decrease in the loss was primarily due to the timing issues associated with periodic nature of exploration programs. In addition the cost reduction measures favourably impacted administration costs.

AUDITOR’S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors Ernst & Young. The Auditor’s Independence Declaration forms part of this report and is set out on page 9.

Signed in accordance with a resolution of the Directors.



L Burnett
Managing Director

PERTH, 14 March 2017

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

As lead auditor for the review of Sipa Resources Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young



G Lotter
Partner
14 March 2017

Sipa Resources Limited
Consolidated Statement of Comprehensive Income
For The Half Year Ended 31 December 2016

		Consolidated	
	Notes	For the half year ended 31 Dec 2016	For the half year ended 31 Dec 2015
		\$	\$
Continuing operations			
Revenue	3	44,982	57,010
Other income	3	122,250	13,232
Exploration expenditure		(1,474,505)	(2,353,775)
Administrative and other expenses	3	(601,326)	(748,776)
Loss from continuing operations before income tax		(1,908,599)	(3,032,309)
Income tax expense		-	-
Net loss for the period		(1,908,599)	(3,032,309)
Other comprehensive loss			
<i>Items that subsequently may be reclassified through profit and loss</i>			
Exchange differences arising on translation of foreign operations		3,474	(36,694)
Other comprehensive loss for the period, net of tax		3,474	(36,694)
Total comprehensive loss for the period		(1,905,125)	(3,069,003)
Loss per share (cents per share)			
- Basic loss per share for the half year		(0.22)	(0.43)
- Diluted loss per share for the half year		(0.22)	(0.43)

Sipa Resources Limited
Consolidated Statement of Financial Position
As at 31 December 2016

		Consolidated	
	Note	As at 31 Dec 16 \$	As at 30 Jun 16 \$
ASSETS			
Current Assets			
Cash and cash equivalents		4,095,176	1,577,382
Term deposits		20,000	20,000
Trade and other receivables		15,389	32,559
Prepayments		85,193	54,244
Total Current Assets		4,215,758	1,684,185
Non-Current Assets			
Exploration and evaluation		581,037	581,037
Available-for-sale financial assets		1,900	2,100
Other financial assets		19,570	19,570
Property, plant and equipment		176,304	188,419
Total Non-Current Assets		778,811	791,126
TOTAL ASSETS		4,994,569	2,475,311
LIABILITIES			
Current Liabilities			
Trade and other payables		113,922	143,472
Provisions		196,016	197,205
Total Current Liabilities		309,938	340,677
Non-Current Liabilities			
Provisions		13,169	14,597
Total Non-Current Liabilities		13,169	14,597
TOTAL LIABILITIES		323,107	355,274
NET ASSETS		4,671,462	2,120,037
EQUITY			
Issued capital	4	104,073,729	99,630,651
Accumulated losses		(100,637,851)	(98,729,252)
Foreign currency reserve		5,422	1,948
Equity benefits reserve		1,230,162	1,216,690
TOTAL EQUITY		4,671,462	2,120,037

Sipa Resources Limited
Consolidated Statement of Cashflows
For the Half Year Ended 31 December 2016

	Consolidated	
	For the half year ended 31 Dec 2016 \$	For the half year ended 31 Dec 2015 \$
Cash Flows From Operating Activities:		
Payments to suppliers and employees	(620,346)	(732,639)
Expenditure on exploration	(1,466,262)	(2,579,230)
Interest received	43,801	59,720
Receipts from other income	122,250	13,234
Net cash used in operating activities	(1,920,557)	(3,238,915)
Cash Flows from Investing Activities:		
Cash released from term deposits reserved for rehabilitation	-	20,000
Payment for purchases of property, plant and equipment	(4,727)	-
Net cash (used)/ from investing activities	(4,727)	20,000
Cash Flows from Financing Activities		
Proceeds from issuance of shares	4,501,826	137,808
Share issue expenses	(58,748)	(1,809)
Net cash provided by financing activities	4,443,078	135,999
Net Increase/(Decrease) in Cash and Cash Equivalents	2,517,794	(3,082,916)
Cash and Cash Equivalents At Beginning Of The Period	1,577,382	6,233,336
Cash and Cash Equivalents At The End Of The Period	4,095,176	3,150,420

SIPA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED	Issued capital \$	Accumulated losses \$	Equity benefits reserve \$	Foreign currency reserve	Total \$
At 1 July 2016	99,630,651	(98,729,252)	1,216,690	1,948	2,120,037
Loss for the period	-	(1,908,599)	-	-	(1,908,599)
Other comprehensive income	-	-	-	3,474	3,474
Total comprehensive loss for the period	-	(1,908,599)	-	3,474	(1,905,125)
Shares issued	4,501,826	-	-	-	4,501,826
Costs of issuing shares	(58,748)	-	-	-	(58,748)
Share based payment	-	-	13,472	-	13,472
At 31 December 2016	104,073,729	(100,637,851)	1,230,162	5,422	4,671,462
At 1 July 2015	99,494,652	(94,131,714)	1,203,034	(12,787)	6,553,185
Loss for the period	-	(3,032,309)	-	-	(3,032,309)
Other comprehensive income	-	-	-	(36,694)	(36,694)
Total comprehensive loss for the period	-	(3,032,309)	-	(36,694)	(3,069,003)
Shares issued	137,808	-	-	-	137,808
Costs of issuing shares	(1,809)	-	-	-	(1,809)
At 31 December 2015	99,630,651	(97,164,023)	1,203,034	(49,481)	3,620,181

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

General Information and basis of preparation

The half-year financial report for the period ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 14 March 2017.

Sipa Resources Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded.

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report has been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. The financial report is presented in Australian dollars, unless otherwise stated.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by Sipa Resources Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

New and amended accounting standards and interpretations

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2016. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group.

New accounting standards and interpretations issued but yet effective

The Group has not elected to early adopt any new accounting standards and interpretations.

SIPA RESOURCES LIMITED
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

2. SEGMENT INFORMATION

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

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

	31 December 2016	30 June 2016
Non-current operating assets	\$	\$
Australia	128,730	140,026
Africa	628,614	629,433
Total	<u>757,344</u>	<u>769,459</u>

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

	CONSOLIDATED	
3. REVENUE, INCOME AND EXPENSES	2016	2015
a) Revenue		
Interest revenue	44,982	57,010
	<u>44,982</u>	<u>57,010</u>
b) Other income		
Other income – Western Australia Exploration Incentive Scheme Grant	120,000	-
Other income	2,250	13,232
	<u>122,250</u>	<u>13,232</u>
c) Other expenses		
<i>Administrative expenses</i>		
Employee benefits expense	235,882	351,984
Corporate expense	167,637	129,444
Consultants	26,517	53,831
Office expense	155,068	172,641
Other	16,222	40,876
	<u>601,326</u>	<u>748,776</u>

SIPA RESOURCES LIMITED
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

4. CONTRIBUTED EQUITY	As at 31 Dec 2016 \$	As at 30 Jun 2016 \$
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Issued and fully paid

Ordinary shares

104,073,729 99,630,651

Movements in shares on issue

	2016 No	\$
Balance at beginning of period	704,863,006	99,630,651
Placement ⁽¹⁾	14,200,000	284,000
Share Purchase Plan ⁽²⁾	210,891,290	4,217,826
Less: share issue expenses	-	(58,748)
Balance at end of financial year	<u>929,954,296</u>	<u>104,073,729</u>

(1) On 26 July 2016, Sipa issued Shares to exemption offerees. The placement was followed by a Share Purchase Plan.

(2) On 23 August 2016 Sipa issued Shares pursuant to the terms of a Share Purchase Plan.

Options outstanding and movements in share options during the period

Grant date	Expiry date	Exercise price	Balance at start of period	Issued during period	Exercised during period	Lapsed/ cancelled during period	Balance at end of period
1/9/16 ⁽¹⁾	31/8/21	11 cents	-	1,575,000	-	-	1,575,000
1/9/16 ⁽²⁾	31/8/21	11 cents	-	3,084,000	-	-	3,084,000
19/12/16 ⁽³⁾	18/12/21	6 cents	-	11,700,000	-	-	11,700,000
19/12/16 ⁽⁴⁾	18/12/21	6 cents	-	10,800,000	-	-	10,800,000

Options issued period ended 31 December 2016

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

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

	Market	Performance
Valuation method	Monte Carlo	Black-Scholes Merton
Valuation date	1/7/15	1/7/15
Closing share price at valuation date	\$0.032	\$0.032
Exercise price	\$0.11	\$0.11
Expected life of option	5 years	5 years
Dividend yield	0%	0%
Expected volatility	75.36%	75.36%
Historical volatility	75.36%	75.36%
Risk-free interest rate	2.03-2.20%	2.03-2.20%
Fair value of options issued	\$0.010	\$0.012
Number of options issued	-	1,575,000

4. CONTRIBUTED EQUITY (Continued)

- (2) The fair value of the equity-settled share options (ESOs) granted to employees was estimated as at 29 August 2016 and granted on 1 September 2016 and was made with a reference to the set percentage of base salary (20-50%) and contemplated a combination of both market hurdles (Share Price Based) and non-market hurdles (Internal).

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

	Market	Performance
Valuation method	Monte Carlo	Black-Scholes Merton
Valuation date	29/8/16	29/8/16
Closing share price at valuation date	\$0.019	\$0.019
Exercise price	\$0.11	\$0.11
Expected life of option	5 years	5 years
Dividend yield	0%	0%
Expected volatility	100%	100%
Historical volatility	100%	100%
Risk-free interest rate	1.60%	1.60%
Fair value of options issued	\$0.0053	\$0.0091
Number of options issued	-	3,084,000

- (3) The fair value of the equity-settled share options (ESOs) granted to the Managing Director was estimated and approved by shareholders on 17 November 2016 and granted on 19 December 2016 and was made with a reference to the set percentage of base salary (75%) and contemplated a combination of both market hurdles (Share Price Based) and non-market hurdles (Internal).

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

	Market	Performance
Valuation method	Monte Carlo	Black-Scholes Merton
Valuation date	17/11/16	17/11/16
Closing share price at valuation date	\$0.018	\$0.018
Exercise price	\$0.06	\$0.06
Expected life of option	5 years	5 years
Dividend yield	0%	0%
Expected volatility	100%	100%
Historical volatility	100%	100%
Risk-free interest rate	2.08%	2.08%
Fair value of options issued	\$0.0104	\$0.0074
Number of options issued	2,340,000	9,360,000

4. CONTRIBUTED EQUITY (Continued)

- (4) The fair value of the equity-settled share options (ESOs) granted to employees was estimated as at 15 December 2016 and granted on 19 December 2016 and was made with a reference to the set percentage of base salary (20-50%) and contemplated a combination of both market hurdles (Share Price Based) and non-market hurdles (Internal).

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

Valuation method	Market Monte Carlo	Performance Black-Scholes Merton
Valuation date	15/12/16	15/12/16
Closing share price at valuation date	\$0.016	\$0.016
Exercise price	\$0.06	\$0.06
Expected life of option	5 years	5 years
Dividend yield	0%	0%
Expected volatility	100%	100%
Historical volatility	100%	100%
Risk-free interest rate	2.31%	2.31%
Fair value of options issued	\$0.005	\$0.0089
Number of options issued	2,160,000	8,640,000

5. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any commitments, contingent liabilities or contingent assets.

6. RELATED PARTY DISCLOSURES

There were no transactions with related parties other than remuneration paid to directors.

7. FINANCIAL INSTRUMENTS

As at 31 December 2016, the Group held the following classes of financial instruments held at fair value:

Financial assets measured at fair value:

	Valuation hierarchy		
	Level 1	Level 2	Level 3
Equity Instruments	\$1,900	-	-

The Level 1 securities are traded in active markets and have been valued at the quoted bid price as at balance date.

The rest of the Group's principal financial instruments comprise receivables, payables, provisions, cash and short-term deposits. Due to the short term nature of the financial assets and financial liabilities, the carrying value is considered to approximate the fair value.

8. EVENTS AFTER THE BALANCE SHEET DATE

There were no other events subsequent to 31 December 2016 which would require disclosure in the financial report.

9. DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during the period (2015: \$nil)

**SIPA RESOURCES LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity 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 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



L. Burnett
Managing Director

Perth, Western Australia

Dated: 14 March 2017

To the members of Sipa Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Sipa Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Sipa Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sipa Resources Limited is not in accordance with:

- a. the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young



G Lotter
Partner
Perth
14 March 2017