



Sipa Resources Limited

SIPA RESOURCES LIMITED

ABN 26 009 448 980

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017**

CORPORATE DIRECTORY

DIRECTORS

Craig McGown BComm, FCA, ASIA (Non-Executive Chairman)
Lynda Burnett BSc (Hons) GAICD, MAusIMM, MSEG (Managing Director)
Karen Field B Ec, FAICD (Non-Executive Director, Senior Independent Director)
Paul Kiley B Ec. CPA (Non-Executive Director)
Tim 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

Unit 8, First Floor
12-20 Railway Road
SUBIACO WA 6008
Telephone (08) 9388 1551
Facsimile (08) 9381 5317

BANKERS

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

SOLICITORS

Gilbert & Tobin
Level 16 Brookfield Place Tower 2
123 St Georges Terrace
PERTH WA 6000

AUDITORS

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

TAX ADVISORS

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

SHARE REGISTRY

Computershare
Level 11
172 St Georges Terrace
PERTH WA 6000
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
www.investorcentre.com/contact

WEBSITE

www.sipa.com.au

Sipa Resources Limited Directors' Report

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Sipa Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS - NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

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

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

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

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

During the past three years Mr McGown has also served as the Non-Executive Chairman for Pioneer Resources Limited (13 June 2008 – present).

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

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

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

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

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

Mrs Field has over three decades of experience in the mining industry throughout Australia and overseas and has a strong background in strategy, project management and human resources. Mrs Field is currently a Non-Executive Director of Aurizon Holdings Limited (director from 19 April 2012) and has held Non-Executive directorships with the Water Corporation (Deputy Chairman), MACA Limited, Perilya Limited, Electricity Networks Corporation (Western Power) and The Centre for Sustainable Resource Processing.

In addition, Mrs Field is a Director of a number of community based organisations including the University of Western Australia's Centenary Trust for Women and is Chair of the Perth College Foundation Inc.

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

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

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

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

During the past three years Mr Kiley has not been a director of any other listed companies.

Tim Kennedy, B.App Sc (Geology), MBA, MAusIMM, MGSA - Independent Non-Executive Director (Appointed 13 December 2016)

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

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

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

COMPANY SECRETARY

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

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

Directors	Fully Paid Ordinary Shares	Share Options
C McGown	1,592,500	-
L Burnett	2,592,500	13,275,000
K Field	1,592,500	-
P Kiley	1,592,500	-
T Kennedy	100,000	-

There were no options issued during the year. Options to L Burnett were pursuant to the Sipar Resources Employee Share Option Plan. Further details are found in Note 15.

DIVIDENDS

No dividend has been paid or declared by the Group in respect of the financial year ended 30 June 2017 (30 June 2016: nil) and the directors do not recommend the payment of a dividend in respect of the financial year.

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity's loss after tax for the financial year ended 30 June 2017 was \$3,905,791 (2016: Loss \$4,597,538).

Continuing Operations

	Consolidated	
	2017	2016
	\$	\$
Revenue	82,802	82,957
Other income	154,950	69,382
Exploration expenditure	(2,871,232)	(3,374,437)
Administrative expenses	(1,271,711)	(1,372,340)
Impairment loss on available for sale assets	(600)	(3,100)
Net loss for the year	(3,905,791)	(4,597,538)

At 30 June 2017 the Group's cash and cash equivalents balance was \$2,322,895 and there was no debt.

Operating and Financial Review

In June 2016, the Group executed a Farm-in Agreement with Ming Gold Limited ("Ming") to earn up to 80% in Ming's Great Sandy Copper Gold Project in the Paterson province of Western Australia, for expenditure of \$3 million over 4 years. The tenement, together with a wholly owned adjacent tenement, form the Paterson North Project. Programs undertaken during the year included two reconnaissance RAB/RC programs which confirmed strength and continuity of the Obelisk copper, gold and polymetallic discovery and included two deeper RC holes. In addition to the two drilling programs, ground geophysics including IP and Audio Magneto Tellurics, and a state-of-the-art petrological analysis conducted in conjunction with CSIRO using its breakthrough Tescan Integrated Mineral Analyser technology (TIMA) were completed.

During the period Sipar earned its initial 51% interest in the Ming ground for \$1 million of exploration expenditure within two years of commencement, and has earned the right to continue to a further 29% interest by expending a further \$2 million of exploration expenditure by 20 July 2020.

At the Akelikongo Nickel Copper discovery in northern Uganda, Sipar has delineated intrusive-hosted nickel-copper sulphide mineralisation which is outcropping and plunges shallowly to the north-west for a distance of at least 500m and open to the northwest. Drilling in December 2016 revealed strong zones of up to 7m of semi-massive sulphide within internals of up to 84m of disseminated and semi-massive mineralisation interpreted to plunge shallowly to the northwest with strong off-hole conductors detected with down hole electrical geophysics.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

During the period, the Group earned an initial 51% interest in the Great Sandy Copper Gold Project pursuant to a Farm-in Agreement with Ming in which Sipar can earn up to 80% in the Project for expenditure of \$3 million over 4 years. The tenement is adjacent to an additional tenement pegged by Sipar, which together form the Paterson North Project. Under the terms of the Agreement, Sipar has earned the 51% interest in the Ming ground for \$1 million of exploration expenditure and has the right to earn a further 29% interest in the tenement for a further \$2 million of exploration expenditure within 4 years of commencement (July 6 2016).

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

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 2017, the Company announced a capital raising via a Share Purchase Plan ("SPP") of up to \$2 million to underpin further exploration programs at its Paterson North copper-gold project in WA and at its Akelikongo nickel sulphide discovery in Uganda. The SPP will allow all eligible Sipa shareholders to purchase up to A\$15,000 worth of new fully-paid ordinary shares in Sipa (New Shares) at 1.2 cents per share.

FUTURE DEVELOPMENTS

Subsequent to year end the Company commenced its maiden diamond drill program at the Paterson North Project in WA. In addition a gravity survey is planned to test the northern tenement to refine the geological interpretation prior to commencing a reconnaissance aircore drilling program. Sipa will also undertake a high powered EM survey at the Akelikongo Nickel-Copper project in Northern Uganda prior to testing the down plunge extent with additional drilling.

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

SAFETY AND ENVIRONMENTAL REGULATIONS

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

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 27,159,000 unissued ordinary shares under options (27,159,000 at reporting date). Refer to the remuneration report for further details of the options outstanding for Key Management Personnel (KMP).

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

Shares issued as a result of the exercise of options

There were nil fully paid ordinary shares issued pursuant to the exercise of listed options during 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.

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

INDEMNIFICATION OF AUDITORS

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

DIRECTORS' ATTENDANCE AT MEETINGS

	Eligible to Attend	Directors' Meetings	Nomination and Compensation Committee
Number of meetings held		10	6
Number of meetings attended			
C McGown	10	10	6
L Burnett	10	10	N/A
K Field	10	10	6
P Kiley	10	10	N/A
T Kennedy	5	5	N/A

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

As lead auditor for the audit of Sipa Resources Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young



G Lotter
Partner
Perth
22 September 2017

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
C McGown	Non-Executive Chairman	Full financial year
L Burnett	Managing Director	Full financial year
K Field	Non-Executive Director	Full financial year
P Kiley	Non-Executive Director	Full financial year
T Kennedy	Non-Executive Director	Appointed 13 December 2016
T Robson	Chief Financial Officer and Company Secretary	Full financial year

Background

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

The key initiatives arising from the review were:

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

At the Annual General Meeting in November 2016, the Company received 75.31% of the total voted shares in favour of the Remuneration Report.

Overview of the approach to Executive Remuneration

The following executive remuneration structure was in place for the year ended 30 June 2017.

Remuneration at Sipa should:

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

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

Fixed Remuneration

During the year, benchmarking of the Fixed Remuneration component of Executive salaries was conducted against a custom peer group of similar size (by market capitalisation), stage of development, and ASX-listed mineral exploration companies with overseas projects, in order to ensure that the remuneration levels set meet the objectives of enabling the Company to attract and retain key talent and are aligned to broader market trends in the minerals industry. Fixed Remuneration typically includes base

salary, (structured as a total employment cost package which may be delivered as a mix of cash and other benefits at the Executives' discretion), and superannuation at the prescribed legislative rates. Fixed Remuneration is to be reviewed annually by the Managing Director, within parameters established by the Board, or in the case of the Managing Director and Company Secretary, by the Board based on the recommendation of the Nomination and Compensation Committee.

Long Term Incentive Plan

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

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

The LTI as a percentage of Base Salary is 75% for the Managing Director and 30-50% for other participating personnel. Performance hurdles are measured at the end of the financial year with vesting occurring at the end of 3 years and expiry of the grants at the end of 5 years. Non-Executive Directors do not participate in the LTI. During the period 22,500,000 Options (16,600,000 to KMPs) exercisable at \$0.06 were issued pursuant to the ESOP. The Options vest on 19 December 2019 and expire on 18 December 2021. These Options were measured against key performance indicators subsequent to year end and 10,410,000 Options (7,802,000 to KMPs) were forfeited and cancelled as the key performance indicators were not fully achieved. Further details are found in Note 15 to the financial statements. During the period a further 3,084,000 Options (1,560,000 to KMPs) exercisable at \$0.11 were issued pursuant to the ESOP. The Options vest on 31 August 2019 and expire on 31 August 2021. They were issued during the period but relate to KPIs achieved in the 30 June 2016 financial period. Accordingly, there are no ongoing performance conditions attached to these options.

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

The performance hurdles in place for the 2016/2017 financial year are outlined below.

Strategic objectives	Performance measure	Weight Burnett	Weight Robson
Total Shareholder Return (TSR)	Comparison of TSR with a group of peer companies ⁽¹⁾ : <ul style="list-style-type: none"> Below 50th percentile – 0% vest Between 50th- 70% percentile – 15% vest Above 70th percentile – entire 30% vest 	30%	30%
Exploration Discovery	Substantially advance one or more company exploration projects via ore grade intersections of mineable width in a geologically compelling environment thus leading towards an initial mineral resource.	35%	0%
Capital Management and Financial Strength	Company adequately funded to achieve exploration objectives including successful management of public relations to achieve targeted outcomes with respect to liquidity and register profile	25%	60%
Corporate and Social Responsibility, incorporating metrics under environmental, safety, and community	Successful management of all stakeholders including government, community, and shareholders to achieve targeted outcomes whilst maintaining a safe working environment.	10%	10%

(1) The peer group includes Antipa Minerals, Rox Resources, Encounter Resources, St George Mining, Battery Metals (formerly Metals of Africa), Amani Gold (formerly Burey Gold), Oklo Resources and Rift Valley Resources.

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In addition, Options were issued during the period but relate to KPIs achieved in the 30 June 2016 for T Robson. The performance hurdles in place for the 2015/2016 financial were as follows:

Strategic objectives	Performance measure	Robson
Total Shareholder Return (TSR)	Comparison of TSR with a group of peer companies ⁽¹⁾ : <ul style="list-style-type: none"> Below 50th percentile – 0% vest Between 50th- 70% percentile – 15% vest Above 70th percentile – entire 35% vest 	20%
Exploration Discovery	Substantially advance one or more company exploration projects via ore grade intersections of mineable width in a geologically compelling environment thus leading towards an initial mineral resource.	0%
Capital Management and Financial Strength	Company adequately funded to achieve exploration objectives	50%
Corporate and Social Responsibility, incorporating metrics under environmental, safety, and community	Successful management of all stakeholders including government, community, and shareholders to achieve targeted outcomes whilst maintaining a safe working environment.	10%
Enhanced Company profile	Successful management of public relations to achieve targeted outcomes with respect to liquidity and register profile	20%

(1) The peer group for 2015/16 includes Metals of Africa Ltd, Golden Rim Resources Ltd, Oklo Resources Ltd, Rift Valley Resources Ltd, Buxton Resources Limited and Burey Gold Limited.

Nomination and Compensation Committee

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

Non-executive director compensation

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors and have the objective of ensuring maximum benefit for Sipar 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 \$152,046 of the pool was utilised.

On 1 May 2016 Non-Executive Directors resolved to voluntarily and temporarily reduce their fees by 33%. The reduction was in force until 1 May 2017.

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

The compensation of Non-executive Directors for the period ending 30 June 2017 is detailed in Table 1 of this report.

Remuneration of KMP for the year ended 30 June 2017 and 30 June 2016

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

Performance against LTI measures year ended 30 June 2017

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

LTI 2016/2017	Burnett	Robson	Robson⁽²⁾
Grant Date	17 November 2016	19 December 2016	1 September 2016
Base Salary at grant date	\$300,000	\$188,000	\$188,000
Percentage of Base Salary	75%	50%	50%
LTI Base Pool	\$225,000	\$94,000	\$94,000
Option exercise price	\$0.06	\$0.06	\$0.11
Fair value of each Option at grant date –market conditions	\$0.0074	\$0.005	-
Fair value of each Option at grant date – non-market performance conditions	\$0.0104	\$0.0089	\$0.0091
Maximum number of Options	11,700,000	4,900,000	2,080,000
Percentage achieved against strategic objectives	53%	53%	75%
Number of LTI's allocated	6,201,000 ⁽¹⁾	2,597,000 ⁽¹⁾	1,560,000 ⁽²⁾

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

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

At the end of the 2017 financial year, the Nomination and Compensation Committee measured the performance against the targets noting the following:

Strategic objectives	Weight Burnett	Achieved Burnett	Weight Robson	Achieved Robson
Total Shareholder Return (TSR)	30%	0%	30%	0%
Exploration Discovery	35%	27.5%	-	-
Capital Management and Financial Strength	25%	17.5%	60%	45%
Corporate and Social Responsibility, incorporating environmental, safety, and community	10%	8%	10%	8%
Total	100%	53%	100%	53%

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	2017	2016	2015	2014	2013
Share price (cents per share)	\$0.011	\$0.019	\$0.069	\$0.049	\$0.058
Net loss per year ended	\$3,905,791	\$4,597,538	\$3,526,807	\$4,504,830	\$5,717,678

Remuneration of KMP for the year ended 30 June 2017 and 30 June 2016 (Table 1)

		Short-term benefits	Post-employment		Other long-term benefits	Share-based payment			
Name		Cash Salary and Fees	Super-annuation	Retirement Provision #	Long Service Leave	Options	Total	% Performance Related	% Options
Non-executive directors									
C McGown	2017*	57,800	5,491	-	-	-	63,291	0%	0%
	2016*	75,555	7,178	-	-	-	82,733	0%	0%
K Field	2017*	28,900	2,746	-	-	-	31,646	0%	0%
	2016*	37,778	3,589	-	-	-	41,367	0%	0%
P Kiley	2017*	28,900	2,746	-	-	-	31,646	0%	0%
	2016*	37,778	3,589	-	-	-	41,367	0%	0%
T Kennedy (Appointed 13 December 2016)	2017*	23,254	2,209	-	-	-	25,463	0%	0%
	2016	-	-	-	-	-	-	-	-
D Gooding (Retired 31 March 2016)	2017	-	-	-	-	-	-	-	-
	2016*	30,000	2,850	(52,500)	-	-	(19,650)	0%	0%
Executive director									
L Burnett	2017*	267,750	25,436	-	334	27,377	320,897	8.5%	8.5%
	2016*	296,543	28,172	-	-	13,656	338,371	4.0%	4.0%
Other KMP									
T Robson	2017	191,760	18,217	-	378	10,769	221,124	4.9%	4.9%
	2016	187,578	17,820	-	-	-	205,398	0%	0%

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

The Directors' Retirement Scheme, approved by a meeting of shareholders, was frozen in the year ended 30 June 2008 with no further provision being made after that date. During the year ended 30 June 2016, Mr Gooding waived his entire entitlement of \$52,500 at retirement.

Options granted, vested and lapsed during the year

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

18,160,000 Options were allocated to KMP during the period, with 7,802,000 forfeited subsequent to year end for not achieving maximum key performance indicators. (2016: 1,575,000). No options vested or expired during the period. There were no alterations to the terms and conditions of options awarded as remuneration since their award date. Details can be found in Note 15.

Shares issued on exercise of options

There were no shares issued on exercise of remuneration options during the financial year ended 30 June 2017.

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 Sipar 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.

Sipa Resources Limited Directors' Report

Service Agreements

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

L M Burnett, Managing Director

- Term of agreement is continuing.
- Base salary of \$306,000 and \$29,070 superannuation per annum based on a comparative industry review in July 2016 undertaken in conjunction with the annual performance review. On 1 May 2016 Mrs Burnett agreed to voluntarily and temporarily reduce her base salary by \$45,000, taking her base salary to \$260,100 and \$24,709 superannuation. The reduction was in place until 1 May 2017.
- Termination notice of 6 months by the company or 3 months by the Managing Director.
- Payment of termination benefit on early termination by the employer other than for gross misconduct equal to 6 months the annual remuneration package.
- Mrs Burnett may terminate the agreement by 1 months' notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout equivalent to 1 year base salary.

T A Robson, Chief Financial Officer and Company Secretary

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

- Term of agreement is continuing and is based on .8 of a full time equivalent employee.
- Base salary of \$191 760 and \$18,217 superannuation per annum for .8 of a full time equivalent.
- Termination notice of 3 months by either the company or Ms Robson.
- Ms Robson may terminate the agreement by 1 months' notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout equivalent to 6 months base salary.

Shareholdings of KMP (including nominees)

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

2017	Balance at the start of the year	Received during the year on exercise of options	Acquisition pursuant to SPP [^]	Net Other Change	Balance at the end of the year
Directors					
C McGown	1,000,000	-	592,500	-	1,592,500
K Field	1,000,000	-	592,500	-	1,592,500
P Kiley	1,000,000	-	592,500	-	1,592,500
L Burnett	2,000,000	-	592,500	-	2,592,500
T Kennedy [#]	-	-	-	100,000	100,000
KMP					
T Robson	3,096,118	-	-		3,096,118

[^] Relates to shares purchased by Directors at fair value through the Share Purchase Plan announced 27 July 2016 in their capacity as shareholders.

[#] Appointed as a director 13 December 2016. The balance held at the end of the year was acquired prior to his appointment.

Sipa Resources Limited Directors' Report

Option holdings of KMP

2017	Balance at start of the year	Granted as remuneration	Options exercised	Lapsed without exercise	Balance at the end of the year	Vested (exercisable)	Unvested (Non-exercisable)
Directors							
C McGown	-	-	-	-	-	-	-
K Field	-	-	-	-	-	-	-
P Kiley	-	-	-	-	-	-	-
T Kennedy	-	-	-	-	-	-	-
L Burnett	1,575,000	11,700,000	-	-	13,275,000 ⁽¹⁾	-	13,275,000 ⁽¹⁾
KMP							
T Robson	-	6,460,000	-	-	6,460,000 ⁽²⁾	-	6,460,000 ⁽²⁾

(1) 5,499,000 were forfeited and cancelled subsequent to year end as the key performance indicators were not fully achieved.

(2) 2,303,000 were forfeited and cancelled as the key performance indicators were not fully achieved.

Other transactions with KMP

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

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

This is the end of the Remuneration Report

Signed in accordance with a resolution of the directors.



L M Burnett
Managing Director
DATED 22 September 2017

Sipa Resources Limited
Consolidated Statement of Comprehensive Income
For The Year Ended 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Revenue	3	82,802	82,957
Other income	3	154,950	69,382
Exploration expenditure		(2,871,232)	(3,374,437)
Administrative expenses		(1,272,311)	(1,375,440)
		<hr/>	
Loss before income tax		(3,905,791)	(4,597,538)
Income tax expense	4	-	-
		<hr/>	
Net loss for the year		(3,905,791)	(4,597,538)
		<hr/>	
<i>Items that may subsequently be classified through profit and loss</i>			
Exchange differences arising on translation of foreign operations		(10,515)	14,735
		<hr/>	
Total comprehensive loss for the year		(3,916,306)	(4,582,803)
		<hr/>	
Loss per share (cents per share)			
- Basic loss per share for the year	16	(0.43)	(0.57)
- Diluted loss per share for the year	16	(0.43)	(0.57)

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

Sipa Resources Limited
Consolidated Statement of Financial Position
As at 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,322,895	1,577,382
Term deposits	6	20,000	20,000
Trade and other receivables	7	67,287	32,559
Prepayments		53,178	54,244
Total Current Assets		2,463,360	1,684,185
Non-Current Assets			
Available-for-sale financial assets	8	1,500	2,100
Exploration and evaluation	11	581,037	581,037
Other financial assets	9	19,570	19,570
Property, plant and equipment	10	251,257	188,419
Total Non-Current Assets		853,364	791,126
TOTAL ASSETS		3,316,724	2,475,311
LIABILITIES			
Current Liabilities			
Trade and other payables	12	450,640	143,472
Provisions	13	171,883	197,205
Total Current Liabilities		622,523	340,677
Non-Current Liabilities			
Provisions	13	3,230	14,597
Total Non-Current Liabilities		3,230	14,597
TOTAL LIABILITIES		625,753	355,274
NET ASSETS		2,690,971	2,120,037
EQUITY			
Contributed equity	14	104,073,729	99,630,651
Equity benefits reserve		1,260,852	1,216,690
Foreign currency translation reserve		(8,567)	1,948
Accumulated losses		(102,635,043)	(98,729,252)
TOTAL EQUITY		2,690,971	2,120,037

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

Sipa Resources Limited
Consolidated Statement of Cash Flows
For The Year Ended 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Cash Flows used in Operating Activities			
Payments to suppliers and employees		(1,292,734)	(1,393,835)
Expenditure on exploration interests		(2,519,753)	(3,474,837)
Interest received		83,093	89,195
Receipt from WA State Government Exploration Incentive Scheme		150,000	-
Miscellaneous receipts		4,950	16,881
Net Cash used in operating activities	17	(3,574,444)	(4,762,596)
Cash Flows used in Investing Activities			
Payment for purchases of property, plant and equipment		(123,121)	(49,357)
Cash released from term deposits reserved for rehabilitation		-	20,000
Net cash used in investing activities		(123,121)	(29,357)
Cash Flows from Financing Activities			
Proceeds from issuance of shares		4,501,826	137,813
Share issue expenses		(58,748)	(1,814)
Net cash from financing activities		4,443,078	135,999
Net Increase/(Decrease) In Cash And Cash Equivalents		745,513	(4,655,954)
Cash and Cash Equivalents at beginning of year		1,577,382	6,233,336
Cash and Cash Equivalents at the end of the year	5	<u>2,322,895</u>	<u>1,577,382</u>

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

Sipa Resources Limited
Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2017

	Note	Issued capital	Accumulated losses	Equity benefits reserve	Foreign Currency Translation Reserve	Total
CONSOLIDATED		\$	\$	\$	\$	\$
At 30 June 2015		99,494,652	(94,131,714)	1,203,034	(12,787)	6,553,185
Loss for the year		-	(4,597,538)	-	-	(4,597,538)
Other comprehensive profit/(loss)		-	-	-	14,735	14,735
Total comprehensive loss for the year			(4,597,538)	-	14,735	(4,582,803)
Shares issued	14	137,813	-	-	-	137,813
Cost of issuing shares	14	(1,814)	-	-	-	(1,814)
Share Based Payments		-	-	13,656	-	13,656
At 30 June 2016		99,630,651	(98,729,252)	1,216,690	1,948	2,120,037
Loss for the year		-	(3,905,791)	-	-	(3,905,791)
Other comprehensive profit/(loss)		-	-	-	(10,515)	(10,515)
Total comprehensive loss for the year			(3,905,791)	-	(10,515)	(3,916,306)
Shares issued	14	4,501,826	-	-	-	4,501,826
Cost of issuing shares	14	(58,748)	-	-	-	(58,748)
Share Based Payments		-	-	44,162	-	44,162
At 30 June 2017		104,073,729	(102,635,043)	1,260,852	(8,567)	2,690,971

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

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 2017 was authorised for issue in accordance with a resolution of the directors on 22 September 2017. 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 (\$).

The consolidated financial report for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 22 September 2017.

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 available for sale 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 2016. The adoption of these standards and amendments did not result in a material adjustment to the amounts or disclosures in the current or prior year. The Group has not early adopted any other new or amended standards and interpretations that have been issued but are not yet effective.

2.1. Going concern

The Group incurred a net loss for the year ended 30 June 2017 of \$3,905,791 (2016: \$4,597,538) and a net cash inflow of \$745,513 (2016: \$4,655,954 outflow). As at 30 June 2017 the Group had cash and cash equivalents of \$2,342,895 (2016: \$1,577,382) and a working capital surplus of \$1,840,837 (2016: \$1,343,508).

The Group will require further funding during the next 12 months in order to meet day to day obligations as they fall due and to progress its exploration projects. Based on the Group's cash flow forecast the Board of Directors is aware of the Group's need to access additional funding in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration interests.

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 Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;
- The Directors have determined that future equity raisings will be required to provide funding for the Group's activities and to meet the Group's objectives.
- The Directors believe that future funding will be available to meet the Group's objectives and debts as and when they fall due.

Should the Group not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

2.2. Basis of consolidation

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

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

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

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

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

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

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

2.3. Significant accounting judgements, estimates and assumptions

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

Share-based payment transactions

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

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.

2.4. Revenue Recognition

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

Interest income

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

2.5. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

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

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

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

2.6. 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.

2.7. 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.

2.8. Trade and other receivables

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

2.9. 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.

2.10. 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.

2.11. Joint arrangements

Joint arrangements are arrangements over which two or more parties have joint control. Joint Control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or a joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Consolidated Entity with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Consolidated Entity recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly

2.12. Foreign currency translation

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

Transactions and balances

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

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

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

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

Foreign operations

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

2.13. Income tax

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

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

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

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

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

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

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

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

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

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

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

2.14. GST

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

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

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

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

2.15. Plant and Equipment

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

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

Derecognition

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

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

2.16. Exploration and Evaluation

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

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

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

2.17. Investments and other financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

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

2.18. Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually

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

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

(ii) Available-for-sale investments

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

2.19. 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.

2.20. 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.

2.21. 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 Sipar Resources Limited.

2.22. Share-based payment transactions

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

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

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

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

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

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

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

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

2.23. 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.

2.24. Earnings Per Share

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

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

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2.25. Government Grants

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

3 REVENUES AND EXPENSES

	Consolidated	
	2017	2016
	\$	\$
Revenue and Expenses		
(a) Revenue		
Interest revenue	82,802	82,957
	<u>82,802</u>	<u>82,957</u>
(b) Other income		
WA State Exploration Incentive grant	150,000	-
Gain on extinguishment of provision ¹	-	52,500
Other	4,950	16,882
	<u>154,950</u>	<u>69,382</u>
(d) Other expenses		
<i>Employee benefits expense</i>		
Wages and salaries	1,244,062	1,377,191
Superannuation	126,508	146,937
Provision for annual leave	84,336	145,802
Share based payments	44,162	13,656
Provision for long service leave	29,528	6,194
Workers compensation insurance	3,272	3,050
	<u>1,531,868</u>	<u>1,692,830</u>
<i>Employee benefits expense included in:</i>		
Exploration expenditure	1,046,232	1,079,270
Administrative expenses	485,636	613,560
	<u>1,531,868</u>	<u>1,692,830</u>
Depreciation of plant and equipment	55,247	79,036
Rental expenses on operating lease	75,454	147,454
Loss on disposal of fixed assets	-	15,156

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

4 INCOME TAX	Consolidated	
	2017 \$	2016 \$
(a) Major components of income tax expense for the years ended 30 June 2017 and 2016 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 2017 and 2016 is as follows:		
Accounting loss before tax	(3,905,790)	(4,597,538)
At statutory income tax rate of 27.5% (2016: 28.5%)	(1,113,150)	(1,310,298)
Adjustment for difference in foreign tax rate	(13,746)	(35,868)
Non-deductible items	166,091	298,641
Under/(overprovision) in prior year	(124,012)	2,236
Unrecognised deferred tax assets	1,084,816	1,045,289
Income tax expense reported in income statement	-	-
(c) Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Plant and equipment	(38,213)	-
Other	(572)	(655)
	(38,785)	(655)
Deferred tax assets		
Provision for employee entitlements	49,907	60,364
Superannuation provision	3,640	3,748
Accruals	7,695	6,498
Carried forward losses	11,866,951	11,002,614
	11,928,194	11,073,223
Unrecognised deferred tax assets	(11,889,409)	(11,072,569)
	38,785	655
Net deferred tax asset	-	-
Deferred tax expense	-	-

4 INCOME TAX (continued)

	Consolidated	
	2017	2016
	\$	\$
Deferred Tax Assets on the Tax losses not recognised	12,582,363	12,165,375
Directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable as at 30 June 2017. These benefits will only be obtained if:		
(i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;		
(ii) the Consolidated Entity continues to comply with the conditions for the deductibility imposed by law; and		
(iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deduction for the loss.		

(d) Tax Consolidation

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

	Consolidated	
	2017	2016
	\$	\$
5 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	622,895	527,382
Short-term deposits	1,700,000	1,050,000
	<u>2,322,895</u>	<u>1,577,382</u>

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

6 TERM DEPOSITS RESERVED FOR REHABILITATION

Term deposits provided for security ⁽¹⁾	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

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

7 TRADE AND OTHER RECEIVABLES

Interest receivable ⁽¹⁾	2,007	2,297
Other receivables ⁽²⁾	65,280	30,262
	<u>67,287</u>	<u>32,559</u>

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

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

	Consolidated	
	2017	2016
	\$	\$
8 AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS		
At fair value		
Shares in listed entities (a)(b)	1,500	2,100
	<u>1,500</u>	<u>2,100</u>

(a) 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.

(b) During the current year, \$600 was recognised in the profit and loss due to decrease in share price.

9 OTHER FINANCIAL ASSETS

Security deposits (a)	19,570	19,570
	<u>19,570</u>	<u>19,570</u>

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

10 PLANT AND EQUIPMENT

At beginning of the year, net of accumulated depreciation	188,419	233,255
Additions	123,121	49,357
Disposals	(5,037)	(15,157)
Depreciation expense	(55,247)	(79,036)
At end of the year, net of accumulated depreciation	<u>251,256</u>	<u>188,419</u>
At end of year		
Gross carrying amount – at cost	1,084,042	965,958
Accumulated depreciation	(832,786)	(777,539)
Net book value at end of year	<u>251,256</u>	<u>188,419</u>

11 EXPLORATION AND EVALUATION

Exploration and evaluation acquired	581,037	581,037
	<u>581,037</u>	<u>581,037</u>

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

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

12 TRADE AND OTHER PAYABLES (CURRENT)

Trade payables – unsecured	353,795	53,204
Accrued expenses	96,845	90,268
	<u>450,640</u>	<u>143,472</u>

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

13 PROVISIONS	Annual Leave	Long Service Leave	Directors Retirement Benefit (a)	Total
<i>Consolidated</i>				
At 1 July 2016	69,029	107,773	35,000	211,802
Arising during the year	84,336	29,528	-	113,864
Utilised during the year	(74,434)	(76,119)	-	(150,553)
Balance at 30 June 2017	78,931	61,182	35,000	175,113
Current 2017	78,931	57,952	35,000	171,883
Non-Current 2017	-	3,230	-	3,230
	78,931	61,182	35,000	175,113
Current 2016	69,029	93,176	35,000	197,205
Non-Current 2016	-	14,597	-	14,597
	69,029	107,773	35,000	211,802

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

14 CONTRIBUTED EQUITY AND RESERVES	Consolidated			
	2017		2016	
	\$		\$	
(a) Ordinary shares				
Issued and fully paid shares			104,073,729	99,630,651
	2017		2016	
Movements in shares on issue	No	\$	No	\$
Balance at beginning of year	704,863,006	99,630,651	702,963,898	99,494,652
Placement to exempt investors ⁽¹⁾	14,200,000	284,000	-	-
Share purchase plan ⁽¹⁾	210,891,290	4,217,826	-	-
Placement to Directors ⁽²⁾	-	-	1,850,000	134,125
Pursuant to exercise of listed options	-	-	49,108	3,688
Less transaction costs	-	(58,748)	-	(1,814)
Balance at end of financial year	929,954,296	104,073,729	704,863,006	99,630,651

(1) In July 2016, Sipa announced a placement to exempt investors, consisting of sophisticated and professional investors, and a Share Purchase Plan (SPP) for eligible shareholders at a price of \$0.02 per share

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

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.

14 CONTRIBUTED EQUITY AND RESERVES (continued)

Share Options

Options Issued Year ended 30 June 2017

The following options were issued during the year ended 30 June 2017:

Number of Options	Exercise Price	Vesting Date	Expiry Date
4,659,000	\$0.11	31 August 2019	31 August 2021
22,500,000	\$0.06	18 December 2019	18 December 2021

Further details are found in Note 15.

Options Issued Year ended 30 June 2016

1,575,000 options were granted to the Managing Director at the meeting of shareholders held on 19 November 2015 but only issued subsequent to 30 June 2016.

Dividends

There were no dividends paid or proposed during the year ended 30 June 2017 (2016: Nil). The amount of franking credits available to the Company at 30 June 2017 is Nil (2016: Nil).

(b) Equity benefits reserve

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

(c) Foreign currency translation reserve

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

Capital Management

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

The Group manages shareholder equity \$2,690,971 (2016: \$2,120,037) 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.

15 SHARE BASED PAYMENT PLANS

Sipa Resources Employee Share Option Plan

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

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

2017

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Lapsed/ cancelled during year	Balance at end of year	Exercisable at end of year
19/11/15	31/08/21	11 cents	1,575,000	-	-	1,575,000	-
01/09/16	31/08/21	11 cents	-	3,084,000	-	3,084,000	-
19/12/19	18/12/21	6 cents	-	22,500,000	-	22,500,000	-
			<u>1,575,000</u>	<u>25,584,000</u>	<u>-</u>	<u>27,159,000</u>	<u>-</u>

2016*

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Lapsed/ cancelled during year	Balance at end of year	Exercisable at end of year
19/11/15	31/08/21	11 cents	-	1,575,000	-	1,575,000	-
			<u>-</u>	<u>1,575,000</u>	<u>-</u>	<u>1,575,000</u>	<u>-</u>

* Includes amounts granted to the Managing Director at the meeting of shareholders held on 19 November 2015 but issued subsequent to 30 June 2016.

Options Issued Year ended 30 June 2017

The fair value of the equity-settled share options (ESOs) granted to the Managing Director was determined at the date the award was approved by shareholders on 17 November 2016. The options were issued on 19 December 2016. The number of options granted was determined with reference to a set percentage of base salary (75%) and vesting of the options is subject to a combination of both market hurdles (Share Price Based) and non-market hurdles (Internal). Options were issued to employees on the same date and at the same exercise price but are valued at the date of grant (19 December 2016). Also during the period a further 3,084,000 Options exercisable at \$0.11 were issued pursuant to the ESOP. The Options vest on 31 August 2019 and expire on 31 August 2021. They were issued during the period but relate to KPIs achieved in the 30 June 2016 financial period.

In estimating the fair value of the Market Based ESOs, the Monte Carlo simulation based model was used, whilst the Performance ESOs were valued using the Black-Scholes Merton model.

The following table sets out the key assumptions adopted to value the Options.

	Managing Director		Other Personnel		Other Personnel ⁽¹⁾
	Market	Performance	Market	Performance	Performance
Valuation method	Monte Carlo	Black-Scholes Merton	Monte Carlo	Black-Scholes Merton	Black-Scholes Merton
Valuation date	17/11/16	17/11/16	19/12/16	19/12/16	1/9/16
Closing share price at valuation date	\$0.018	\$0.018	\$0.016	\$0.016	\$0.019
Exercise price	\$0.06	\$0.06	\$0.06	\$0.06	\$0.11
Expected life of option	5 years	5 years	5 years	5 years	5 years
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	100-105%	100-105%	97-100%	97-100%	100%
Historical volatility	75.36%	75.36%	97-100%	97-100%	100%
Risk-free interest rate	2.08%	2.08%	2.31%	2.31%	2.31%
Fair value of options issued	\$0.0074	\$0.0104	\$0.0050	\$0.0089	\$0.0091

(1) Options were issued during the period but relate to KPIs achieved in the 30 June 2016 financial period.

(ii) Options exercised

No options were exercised during the financial years ended 30 June 2017 and 30 June 2016.

(iii) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2017 is 4.5 years (2016: 0.30 years).

16 LOSS PER SHARE

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

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

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

	Consolidated	
	2017	2016
Net loss attributable to the ordinary equity holders of the Company	(3,905,791)	(4,597,538)
Weighted average number of ordinary shares before the Placement	704,863,006	702,963,898
Adjustment for dilutive effects of Placement and SPP	192,879,428	1,819,589
Share Options exercised	-	31,769
Weighted average number of ordinary shares on issue	<u>897,742,434</u>	<u>704,815,256</u>

The Nil options (2016: 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 14 and 15.

17 RECONCILIATION OF LOSS TO NET CASH FLOWS FROM OPERATIONS

	Consolidated	
	2017	2016
Net Loss	(3,905,791)	(4,597,538)
Depreciation of plant and equipment	55,247	79,036
Loss on disposal of fixed assets	-	15,156
Loss on write-down of available for sale financial assets	600	3,100
Gain on extinguishment of provision	-	(52,500)
Foreign exchange (gain)/loss	(5,479)	14,735
Share based payments	44,162	13,656
Changes in assets and liabilities		
Refund of bonds	-	24,675
(Increase) in trade and other receivables	(34,728)	(9,915)
Decrease/(Increase) in prepayments	1,066	(43,546)
(Decrease) in provisions	(36,688)	(38,883)
Increase/(decrease) in trade and other payables	307,168	(170,571)
Net cash flow used in operating activities	<u>(3,574,443)</u>	<u>(4,762,595)</u>

18 RELATED PARTY DISCLOSURE

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

Name	Country of Incorporation	Equity Interest	
		2017 %	2016 %
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.

19 KEY MANAGEMENT PERSONNEL DISCLOSURES

Name	Position	Term as KMP
C McGown	Non-Executive Chairman	Full financial year
L Burnett	Managing Director	Full financial year
K Field	Non-Executive Director	Full financial year
P Kiley	Non-Executive Director	Full financial year
T Kennedy	Non-Executive Director	Appointment 13 December 2016
D Gooding	Non-Executive Director	Retired 31 March 2016
T Robson	Chief Financial Officer and Company Secretary	Full financial year

	Consolidated	
	2017 \$	2016 \$
Compensation by Category: KMP		
Short-term employee benefits	598,364	665,232
Post employment benefits	56,845	10,698
Share based payments	38,146	13,656
Other long term benefits	712	-
	<u>694,067</u>	<u>689,586</u>

Other transactions with KMP

Mr McGown, the Chairman and a director of the company, is an executive director of the corporate advisory business New Holland Capital Pty Ltd. Prior to his appointment as director, New Holland Capital Pty Ltd was paid fees in the amount of \$30,000 pursuant to a fundraising mandate. The mandate provides for a success fee (6%) to be paid on any funds raised with introduced parties. The Board believes that this agreement is a market rate and is an arm's length agreement. No fees have been paid in accordance with the mandate since appointment in March 2015. As at 30 June 2017 a balance of \$Nil remained outstanding

(30 June 2016: Nil). The mandate which outlines the terms of the consulting arrangement was terminated in September 2016, however a continuing obligation of 6% of funds raised from introduced parties remains until 23 September 2017.

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

20 COMMITMENTS FOR EXPENDITURE

(a) Operating Lease – Group as Lessee

The Company has obligations under the terms of the lease of its office premises for a term of 2 years, plus a further 2 year option, from and including 1st day of May 2017. 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	
	2017	2016
	\$	\$
Due not later than one year	63,620	76,343
Due later than one year and not later than five years	-	63,620
	<u>63,620</u>	<u>139,963</u>

(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 2017, the Directors estimate the minimum expenditure commitment for the ensuing twelve months to be \$904,265 (2016: \$2,147,411). However the Directors consider that the actual commitment is likely to be less as these commitments are reduced continuously for such items as exemption applications to the Department of Geological Survey and Mines, Uganda and the Department of Mines and Petroleum, Western Australia, withdrawal from tenements, and other farm-out transactions. In any event these expenditures do not represent genuine commitments as the ground can always be surrendered in lieu of payment of commitments. This estimate may be varied as a result of the granting of applications for exemption.

(c) Commitment to Controlled Entities

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

(d) Remuneration Commitments

A remuneration commitment arises for Ms Burnett in the event of early termination of her employment contract other than for gross misconduct equal to 6 months total remuneration package. Ms Burnett may terminate the agreement by 1 month notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout of 1 year base salary. Ms Burnett's total annual remuneration package is base salary of \$306,000, plus superannuation of \$29,070. On 1 May 2016 Mrs Burnett agreed to voluntarily and temporarily reduce her base salary by \$45,000, taking her base salary to \$260,100 and \$24,709 superannuation. The reduction was in force until 1 May 2017.

A remuneration commitment arises for Ms Robson in the event of early termination of her employment contract other than for gross misconduct equal to 3 months total remuneration package. Ms Robson may terminate the agreement by 1 months' notice in the event she is demoted from her position without good cause, or is requested, without good cause to assume responsibilities or perform tasks not reasonably

consistent with her position. In this instance, she will, subject to shareholder approval if necessary, be entitled to a payout of 6 months base salary. Ms Robson's total annual remuneration package is base salary of \$191,760, plus superannuation of \$18,217.

21 INTERESTS IN JOINT OPERATION

The consolidated entity has an interest in the following Joint Operation:

Arrangement	Commitments	Principal Activities	Percentage Interest	
			2017	2016
Great Sandy Project	Minimum commitment met	Gold/Copper Exploration	51%	-

The above joint operation is for the purposes of exploration and holding of tenement interests.

22 SEGMENT INFORMATION

For management purposes, the Company is organised into one main operating segment, which involves mining exploration for nickel, copper, 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.

	2017	2016
	\$	\$
Non-current operating assets		
Australia	223,059	140,026
Africa	609,234	629,433
Total	832,293	769,459

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

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 credit rating.

Trade and other receivables

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

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

Exposure to credit risk

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

	Consolidated	
	2017	2016
	\$	\$
Cash and cash equivalents	2,322,895	1,577,382
Term deposits reserved for rehabilitation	20,000	20,000
Trade and other receivables	67,287	32,559
Other financial assets	19,570	19,570
	<u>2,429,752</u>	<u>1,649,511</u>

Impairment losses

None of the Group's other receivables are past due (2016: nil).

Liquidity risk

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

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

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

Consolidated 30 June 2017	Carrying amount	Contractual cash flows	6 mths or less
Trade and other payables	450,640	450,640	450,640
	<u>450,640</u>	<u>450,640</u>	<u>450,640</u>
30 June 2016			
Trade and other payables	143,472	143,472	143,472
	<u>143,472</u>	<u>143,472</u>	<u>143,472</u>

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.

	Consolidated	
	2017	2016
	\$	\$
Floating rate instruments		
Cash and cash equivalents	2,322,895	1,577,382
	<u>2,322,895</u>	<u>1,577,382</u>
Fixed rate instruments – No interest rate risk		
Term deposits reserved for rehabilitation	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

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 \$23,228 and \$(23,228) (2016 \$15,774 and \$(15,774)) respectively.

Fair values

Fair values versus carrying amounts

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

Commodity Price Risk

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

	Consolidated	
	2017	2016
	\$	\$
24 AUDITORS' REMUNERATION		
The auditor of Sipa Resources Limited is Ernst & Young.		
<i>Amounts received or due and receivable by Ernst & Young for:</i>		
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	42,439	41,625
– other services in relation to the entity and any other entity in the consolidated entity		
– tax compliance	-	-
	<u>42,439</u>	<u>41,625</u>

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

25 CONTINGENT ASSETS AND LIABILITIES

In February 2015, the Company completed the sale of the Thaduna project to Sandfire Resources Ltd (Sandfire) for \$2 million worth of Sandfire shares and a 1% Net Smelter Royalty. Under the terms of the Agreement, Sandfire acquired the entire legal and beneficial interest in E52/1673, E52/1674, E52/1858, E52/2356, E52/2357, and E52/2405 including the rights and benefits which Sipa is entitled to under heritage agreements and native title contracts, and all mining information which is relevant to the Tenements. No asset (related to the royalty) has been recognised as it is not probable at 30 June 2017 that economic benefits will be received by the company.

During the year ended 30 June 2013 the Panorama Exploration Project Joint Operation partners (Sipa 40% - CBH Resources Limited 60%) sold the Kangaroo Caves Mining Lease (ML45/587) and regional exploration tenements (P45/2607, P45/2609-2614, and P45/2616) to Venturex Resources Limited (Venturex), for the consideration of \$2 per dry tonne of all ore mined and treated by Venturex. No asset has been recognised as it is not probable at 30 June 2017 that economic benefits will be received by the company.

During the year ended 30 June 2011, Sipa sold its 100% interest in the Ashburton Gold Project to Northern Star Resources Limited. Under the terms of the agreement, Northern Star will pay Sipa a 1.75% gross royalty on all gold production from the tenements, except the Merlin tenements, which will earn a 0.75% gross royalty on all gold production from the Merlin tenements. No asset has been recognised as it is not probable at 30 June 2017 that economic benefits will be received by the company.

During the year ended 30 June 2005, Sipa sold its interest in the Sulphur Springs Tenements (M45/0494, M45/0653, M45/1000) to CBH Sulphur Springs Pty Ltd. Under the terms of the agreement, Sulphur Springs Pty Ltd will pay Sipa \$2 per tonne of ore processed from the Sulphur Springs Tenements. CBH Sulphur Springs was sold in 2011 to Venturex Resources Limited and changed its name to Venturex

Sulphur Springs Pty Ltd. No asset has been recognised as it is not probable at 30 June 2017 that economic benefits will be received by the company.

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

26 INFORMATION RELATING TO SIPA RESOURCES LIMITED

	2017	2016
	\$	\$
Current assets	1,701,925	1,052,197
Total assets	1,858,491	1,054,308
Current liabilities	-	-
Total liabilities	-	-
Retained earnings	(103,631,145)	(99,793,032)
Total equity	1,703,437	1,054,308
Loss of the parent entity	3,838,113	5,255,162
Total comprehensive loss of the parent entity	3,838,113	5,255,162
Details of any contingent liabilities of the parent entity	NIL	NIL
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	NIL	NIL

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

27 EVENTS SUBSEQUENT TO BALANCE DATE

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

On 18 September 2017, the Company announced a capital raising via a Share Purchase Plan ("SPP") of up to \$2 million to underpin further exploration programs at its Paterson North copper-gold project in WA and at its Akelikongo nickel sulphide discovery in Uganda. The SPP will allow all eligible Sipa shareholders to purchase up to A\$15,000 worth of new fully-paid ordinary shares in Sipa (New Shares) at 1.2 cents per share.

28 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2017 are outlined below.

AASB 9 Financial Instruments

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value

through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under AASB 15 Revenue from Contracts with Customers and lease receivables under AASB 17 Leases or AASB 16 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

Transition

The new standard is effective 1 July 2018. Early application is permitted for reporting periods beginning after the issue of AASB9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

Impact

The application of AASB 9 may change the measurement and presentation of certain financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses.

AASB16 Leases

The key features of AASB 16 are as follows.

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.

- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

AASB 16 supersedes:

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

Transition

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations. AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Transition

The new standard will be effective 1 July 2018. Early application is permitted.

Implementation of mandatory standards beyond 2017

As detailed above, AASB9 Financial Instruments and AASB15 Revenue from Contracts with Customers are mandatory in 2018 and AASB16 Leases is mandatory in 2019.

The Group's process for implementing the new mandatory pronouncements is in four stages as detailed below.

- Stage 1 - Analytic: the high-level identification of accounting issues in the new pronouncement that will impact the Group.

- Stage 2 - Confirmation of understanding: the detailed review of contracts or other relevant data and training for finance, commercial, procurement and other teams.
- Stage 3 - Solution development: identifying and progressing system and data changes.
- Stage 4 - Implementation.

The Group is currently evaluating the impact of these pronouncements. This work is ongoing and additional impacts may be identified later in the implementation process.

Sipa Resources Limited Directors' Declaration

Directors' Declaration

In accordance with a resolution of the directors of Sipar 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 2017 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 2017 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 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 2017

On behalf of the Board



L M Burnett
Managing Director
PERTH, WESTERN AUSTRALIA

DATED 22 September 2017

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Sipa Resources Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to 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 the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. 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 matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of capitalised exploration and evaluation

Why significant

As at 30 June 2017 the Group held capitalised exploration and evaluation totalling \$581,037 on the Group's consolidated statement of financial position, as disclosed in note 11. The carrying value of exploration and evaluation assets is subjective as it is based on the Group's ability, and intention, to continue to explore the assets. The carrying value may also be impacted by the results of exploration work indicating that the mineral reserves may not be commercially viable for extraction.

We focused on this matter because the Group is required to exercise significant judgment with regards to assessing amounts stated in the financial report that may not be recoverable.

How our audit addressed the key audit matter

We evaluated the Group's assessment of the carrying value of exploration and evaluation assets. In performing our procedures, we:

- ▶ considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements;
- ▶ considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models, enquiries with senior management and Directors as to the intentions and strategy of the Group;
- ▶ evaluated that all exploration expenditure during the year was expensed, unless it was an acquired exploration expenditure, in accordance with the Group's accounting policy; and
- ▶ assessed the Group's ability to finance any planned future exploration and evaluation activity.

2. Share based payments - share options

Why significant

In the prior periods the Group awarded share based payments in the form of share options. The awards vest subject to the achievement of certain vesting conditions.

The Group used the Black Scholes and Monte Carlo Simulation models in valuing the share-based awards, based on the conditions attached to each tranche.

The Group has performed calculations to record the related share based payment expense of \$44,162 in the consolidated statement of comprehensive income.

Due to the complex and judgmental estimates used in determining the valuation of the share based payment arrangement and vesting expense, we consider the Group's calculation of the share based payment expense to be a key audit matter.

In determining the fair value of the awards and related expense the Group used assumptions in respect of future market and economic conditions.

Refer to Note 3 to the financial report for the share based payment expense recognised for the period ended 30 June 2017 and related disclosure.

How our audit addressed the key audit matter

For the share option awards granted, our audit procedures included assessing:

- ▶ the assumptions used in the Group's calculation being the share price of the underlying equity, interest rate, volatility, dividend yield, time to maturity (expected life) and grant date. We involved our actuarial specialists in assessing these assumptions; and
- ▶ the use of third party experts engaged by the Group for the purposes of performing an independent actuarial valuation on the options that have total shareholder return vesting conditions. This included assessing the independence, objectivity and capability of the third party expert.

We also assessed the accuracy of the calculation of the share based payments expense and the adequacy of the disclosure in Note 15 to the financial report.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report 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 any form of assurance conclusion thereon.

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

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

Directors' responsibilities 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 Group's ability 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 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ▶ Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

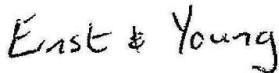
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the Directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Sipa Resources Limited for the year ended 30 June 2017, 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.



Ernst & Young



G Lotter
Partner
Perth
22 September 2017