



Sipa Resources Limited

SIPA RESOURCES LIMITED

ABN 26 009 448 980

HALF YEAR FINANCIAL REPORT

FOR THE HALF - YEAR ENDED 31 DECEMBER 2017

DIRECTORS

Craig Ian McGown, BComm, FCA, ASIA Non-Executive Director (Chairman)
Lynda Margaret Burnett BSc (Hons) GAICD, MAusIMM, MSEG (Managing Director)
Karen Lesley Field B Ec, FAICD (Non-Executive Director)
Tim Paul Kennedy, B.App Sc (Geology), MBA, MAusIMM, MGSA (Non-Executive Director)
Paul Gerard Kiley, B Ec. CPA (Non-Executive Director) (Resigned 16 November 2017)

COMPANY SECRETARY

Tara Robson BA (Accounting), CPA (USA)

REGISTERED OFFICE

Unit 8 12-20 Railway Road
SUBIACO WA 6008
Telephone (08) 9388 1551
Facsimile (08) 9381 5137

BANKERS

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

AUDITORS

PricewaterhouseCoopers
Level 15 Brookfield Place
125 St Georges Terrace
PERTH WA 6000

SHARE REGISTRY

Computershare
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000

SOLICITORS

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

WEBSITE

www.sipa.com.au

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Sipa Resources Limited ("Sipa" or the "Company") during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Sipa Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Unit 8 12-20 Railway Road, Subiaco Western Australia 6008. Its shares are listed on the Australian Stock Exchange under code SRI.

Sipa Resources Limited – Directors’ Report

Your directors submit their report on the consolidated entity consisting of Sipa Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

DIRECTORS

The following persons were directors of Sipa Resources Limited during the whole of the half-year and up to the date of this report.

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

Paul Gerard Kiley, B Ec. CPA (Non-Executive Director) was a director from the beginning of the financial year until his resignation on 16 November 2017.

REVIEW OF OPERATIONS

Sipa is an Australian-based exploration company targeting the discovery of significant new gold-copper and base metal deposits in established and emerging mineral provinces with world-class potential. Current exploration activities are focused on the Paterson North Copper-Gold Project in Western Australia and the Kitgum-Pader Base Metals Project in Northern Uganda.

The Group continued with exploration activities on its mineral tenements within Uganda and Australia. The consolidated net loss for the period is \$2,076,568 (2016: Loss \$1,908,599).

	Consolidated	
	For the half year ended 31 Dec 2017	For the half year ended 31 Dec 2016
	\$	\$
Revenue	18,327	44,982
Other income	121,381	122,250
Exploration expenditure	(1,525,052)	(1,474,505)
Administrative expenses	(691,224)	(601,326)
Net loss for the period	(2,076,568)	(1,908,599)
Exchange differences arising on translation of foreign operations	13,496	3,474
Total comprehensive loss for the period	(2,063,072)	(1,905,125)

Paterson North Project, Western Australia (Sipa 51%, earning 80%)

Sipa’s Paterson North Copper-Gold Project is located in the Paterson Province, Western Australia, one of the most highly endowed yet under-explored mineral provinces in Australia. Included in the tenement package is the Great Sandy tenement (E45/3599), where Sipa can earn up to an 80% interest for expenditure of \$3 million over four years under a Farm-in and JV agreement with privately owned Ming Gold Limited. All other tenements are 100% owned.

In response to encouraging new gravity survey data collected during the period, Sipa expanded its land-holding, with the strategic addition of the new Anketell North tenement ELA 45/5104 increasing its total land-holding to 1242km² (Figure 1 and Figure 3).

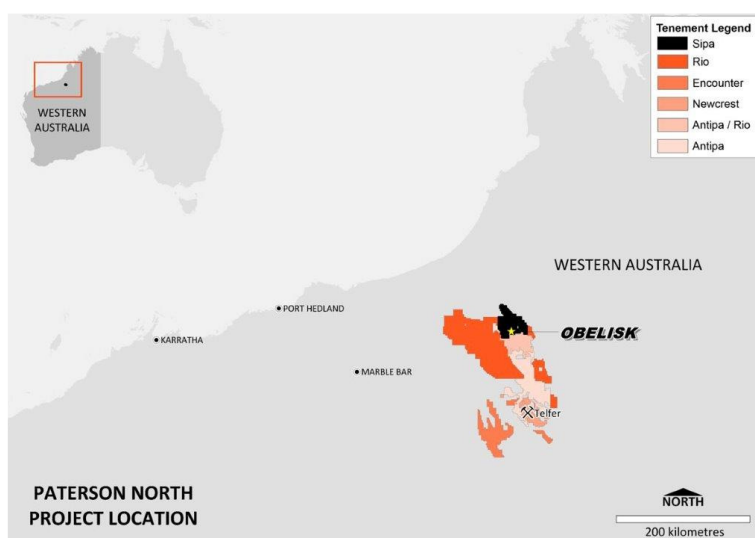


Figure 1: Location of Paterson North Tenements Western Australia

Anketell (EL 45/4697), and ELA45/5104 – Sipra 100%

A gravity survey consisting of some additional 2000 points was completed over the Paterson Project during the period. This takes the total number of data points collected on Sipra tenements to over 5000, representing a compelling new dataset in this relatively under-explored and prospective terrain.

When combined with magnetic data, the gravity data clearly identifies areas where granites intrude (gravity lows) and structural culminations or domes (shown in the magnetic data) which collectively demonstrate a similar style or geological setting to Telfer (>25Moz gold plus copper) and other mineralised systems in the Paterson Province.

The gravity survey indicates that this prospective stratigraphy extends further to the north-west of EL 45/4697. A new tenement (Anketell North) has been pegged to cover this newly identified prospective ground, increasing the total project area to 1,242km² (Figure 3).

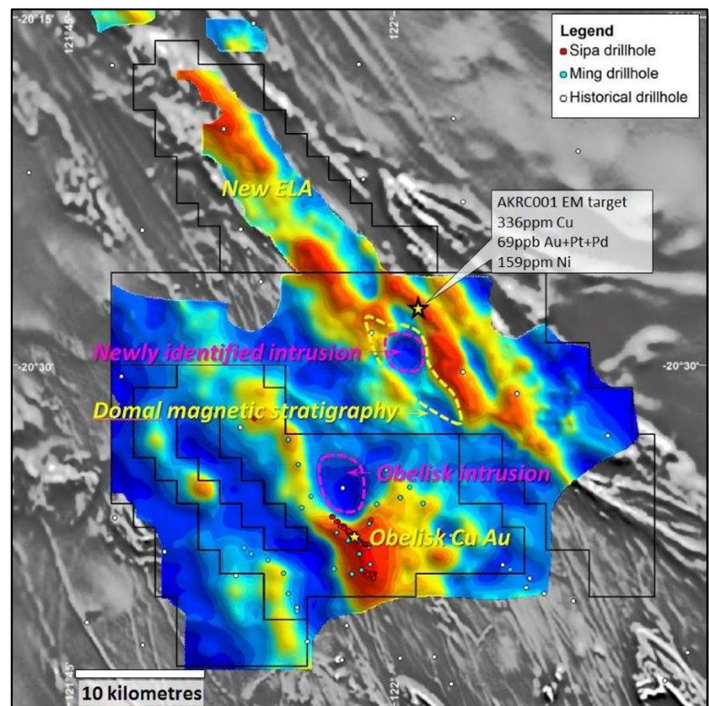


Figure 3: Tenement holding over 1VD magnetic with terrain corrected residual Bouguer gravity anomaly (colour drape)

Kitgum Pader Base Metal Project, Uganda – Sipra 100%

The Kitgum-Pader Base Metals Project was generated by Sipra following an interpretation in 2011 of relatively new airborne magnetic and radiometric datasets over East Africa on the premise that the area on the Congo Craton Margin was prospective for base metals.

The Company's flagship project in Uganda is the Akelikongo intrusive nickel-copper sulphide discovery, which was made by Sipra in 2015. Akelikongo comprises a sizeable body of nickel-copper sulphide mineralisation with strong similarities to globally significant, intrusive-related magmatic nickel copper sulphide systems such as Nova-Bollinger (14Mt @ 2.3% Ni and 0.9% Cu), Voisey's Bay (141Mt @ 1.6% Ni and 0.8% Cu) and Raglan (30Mt @ 3.4% Ni and 0.9% Cu).



Figure 4: Kitgum Pader tenement location

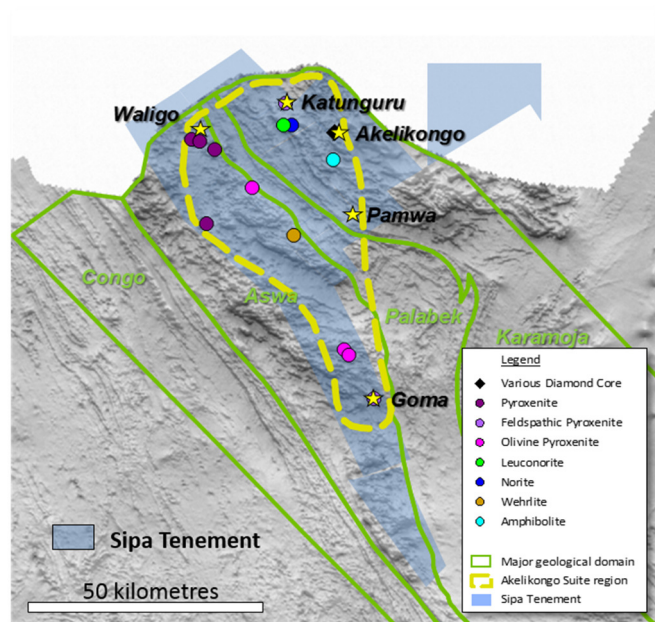


Figure 5: Kitum Pader Project, Location of the Akelikongo and regional prospects with new “Akelikongo Suite” intrusions highlighted.

While the majority of the recent exploration has been focused at the Akelikongo prospect, there is strong regional prospectivity for further for nickel sulphide discoveries as indicated by geochemical anomalies at Goma, Katunguru and Waligo (see Figure 5).

During the period, a tenement-scale field mapping and rock sampling program of outcropping mafic-ultramafic bodies was completed. The program was undertaken to quantify litho-geochemistry, geochronology and olivine mineral chemistry, and to compare these features to selected mineralised and unmineralised core at Akelikongo. The purpose of the investigation was to determine whether the area beyond the Akelikongo is prospective for significant intrusive related nickel-copper mineralisation area. Early results indicate the intrusions, now known as the “Akelikongo Suite”, are all related geochemically and are potentially fertile for nickel and copper sulphides.

Mapping shows the “Akelikongo-like” suite of intrusives are located over an 80km x 30km north-northwest trending corridor extending from Goma in the south-east through Akelikongo and trending further to the north-west through the Sipa tenements.

The information in this report that relates to Exploration Results was previously reported in the ASX announcement dated 30 November 2017, 20 October 2017, 12 October 2017 and 22 April 2015. The Company is not aware of any new information or data that materially affects the information included in that relevant market announcement.

BASIS OF PREPARATION

The attached half-year report for the half-year ended 31 December 2017 contains an independent auditor's review report which includes an emphasis of matter paragraph in regards to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

For further information, refer to Note 1 of the financial statements together with the auditor's review report.

CHANGE OF AUDITOR

During the period the Company received approval from the Australian Securities and Investments Commission (ASIC) to change its auditors. PricewaterhouseCoopers (PwC) has been appointed by the board as Sipa's auditor. In accordance with section 327C of the Corporations Act 2001, a resolution will be placed at the 2018 Annual General Meeting to ratify the appointment of PwC as the Company's auditor.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors PricewaterhouseCoopers. The Auditor's Independence Declaration forms part of this report and is set out on page 6.

Signed in accordance with a resolution of the Directors.

L Burnett
Managing Director
PERTH, 12 March 2018



Auditor's Independence Declaration

As lead auditor for the review of Sipra Resources Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Ben Gargett'.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
12 March 2018

Sipa Resources Limited
Condensed Consolidated Statement of Comprehensive Income
For The Half Year Ended 31 December 2017

		Consolidated	
	Notes	For the half year ended 31 Dec 2017	For the half year ended 31 Dec 2016
		\$	\$
Continuing operations			
Revenue	3	18,327	44,982
Other income	3	121,381	122,250
Exploration expenditure		(1,525,052)	(1,474,505)
Administrative and other expenses	3	(691,224)	(601,326)
Loss from continuing operations before income tax		(2,076,568)	(1,908,599)
Income tax expense		-	-
Net loss for the period		(2,076,568)	(1,908,599)
Other comprehensive profit /(loss)			
<i>Items that subsequently may be reclassified through profit and loss</i>			
Exchange differences arising on translation of foreign operations		13,496	3,474
Other comprehensive profit/(loss) for the period, net of tax		13,496	3,474
Total comprehensive profit/(loss) for the period		(2,063,072)	(1,905,125)
Loss per share (cents per share)			
- Basic loss per share for the half year		(0.20)	(0.22)
- Diluted loss per share for the half year		(0.20)	(0.22)

Sipa Resources Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2017

		Consolidated	
	Note	As at 31 Dec 17 \$	As at 30 Jun 17 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,880,864	2,322,895
Term deposits		30,000	20,000
Trade and other receivables		82,451	67,287
Prepayments		78,778	53,178
Total Current Assets		2,072,093	2,463,360
Non-Current Assets			
Exploration and evaluation		581,037	581,037
Available-for-sale financial assets		1,500	1,500
Other financial assets		19,970	19,570
Property, plant and equipment		229,080	251,257
Total Non-Current Assets		831,587	853,364
TOTAL ASSETS		2,903,680	3,316,724
LIABILITIES			
Current Liabilities			
Trade and other payables		147,665	450,640
Provisions		197,475	171,883
Total Current Liabilities		345,140	622,523
Non-Current Liabilities			
Provisions		1,999	3,230
Total Non-Current Liabilities		1,999	3,230
TOTAL LIABILITIES		347,139	625,753
NET ASSETS		2,556,541	2,690,971
EQUITY			
Issued capital	5	105,958,823	104,073,729
Accumulated losses		(104,711,611)	(102,635,043)
Foreign currency reserve		4,929	(8,567)
Equity benefits reserve		1,304,400	1,260,852
TOTAL EQUITY		2,556,541	2,690,971

Sipa Resources Limited
Condensed Consolidated Statement of Cashflows
For the Half Year Ended 31 December 2017

	Consolidated	
	For the half year ended 31 Dec 2017 \$	For the half year ended 31 Dec 2016 \$
Cash Flows From Operating Activities:		
Payments to suppliers and employees	(640,284)	(620,346)
Expenditure on exploration	(1,810,799)	(1,466,262)
Interest received	15,497	43,801
Receipts from other income	121,381	122,250
Net cash used in operating activities	(2,314,205)	(1,920,557)
Cash Flows from Investing Activities:		
Cash invested in deposits	(10,400)	-
Payment for purchases of property, plant and equipment	(2,520)	(4,727)
Net cash (used)/ from investing activities	(12,920)	(4,727)
Cash Flows from Financing Activities		
Proceeds from issuance of shares	2,000,000	4,501,826
Share issue expenses	(114,906)	(58,748)
Net cash provided by financing activities	1,885,094	4,443,078
Net Increase/(Decrease) in Cash and Cash Equivalents	(442,031)	2,517,794
Cash and Cash Equivalents At Beginning Of The Period	2,322,895	1,577,382
Cash and Cash Equivalents At The End Of The Period	1,880,864	4,095,176

Sipa Resources Limited
Condensed Consolidated Statement Of Changes In Equity
For the Half-Year Ended 31 December 2017

CONSOLIDATED	Issued capital \$	Accumulated losses \$	Equity benefits reserve \$	Foreign currency reserve	Total \$
At 1 July 2017	104,073,729	(102,635,043)	1,260,852	(8,567)	2,690,971
Loss for the period	-	(2,076,568)	-	-	(2,076,568)
Other comprehensive income	-	-	-	13,496	13,496
Total comprehensive loss for the period	-	(2,076,568)	-	13,496	(2,063,072)
Shares issued	2,000,000	-	-	-	2,000,000
Costs of issuing shares	(114,906)	-	-	-	(114,906)
Share based payment	-	-	43,548	-	43,548
At 31 December 2017	105,958,823	(104,711,611)	1,304,400	4,929	2,556,541
At 1 July 2016	99,630,651	(98,729,252)	1,216,690	1,948	2,120,037
Loss for the period	-	(1,908,599)	-	-	(1,908,599)
Other comprehensive income	-	-	-	3,474	3,474
Total comprehensive loss for the period	-	(1,908,599)	-	3,474	(1,905,125)
Shares issued	4,501,826	-	-	-	4,501,826
Costs of issuing shares	(58,748)	-	-	-	(58,748)
Share based payment	-	-	13,472	-	13,472
At 31 December 2016	104,073,729	(100,637,851)	1,230,162	5,422	4,671,462

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

General Information and basis of preparation

The half-year financial report for the period ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 12 March 2018.

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

This general purpose condensed financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

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

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2017 and considered together with any public announcements made by Sipa Resources Limited during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

Going Concern

The Group incurred a net loss for the period ended 31 December 2017 of \$2,076,568 (2016: \$1,908,599) and a net cash outflow from operating activities of \$2,314,205 (2016: \$1,920,557). As at 31 December 2017 the Group had cash and cash equivalents of \$1,880,864 (30 June 2017: \$2,322,895) and a working capital surplus of \$1,726,953 (30 June 2017: \$1,840,837).

Based on the Group's cash flow forecast the Group will require 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 and project development activities and meeting its annual minimum tenement expenditure commitment.

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

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

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

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

New and amended accounting standards and interpretations

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2017. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group.

New accounting standards and interpretations issued but yet effective

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

2. SEGMENT INFORMATION

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

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

Segment Financial Information for the six months ended 31 December 2017 is presented below:

	6 months to 31 Dec 2017 Uganda \$	6 months to 31 Dec 2017 Australia \$	6 months to 31 Dec 2017 Unallocated \$	6 months to 31 Dec 2017 Consolidated \$
Revenue from continuing operations	-	-	18,327	18,327
Other income	-	119,131	2,250	121,381
Exploration expenditure	(505,751)	(1,019,301)	-	(1,525,052)
Administrative and other expenses	-	-	(691,224)	(691,224)
Segment loss before tax	(505,751)	(900,170)	(670,647)	(2,076,568)
Current assets	74,504	-	1,997,589	2,072,093
Non-current assets				
Exploration and evaluation	581,037	-	-	581,037
Available for sale financial assets	-	-	1,500	1,500
Other financial assets	-	-	19,970	19,970
Property, plant and equipment	27,245	-	201,835	229,080
TOTAL ASSETS	682,786	-	2,200,894	2,903,680
Current liabilities	4,085	2,265	338,790	345,140
Non-current liabilities	-	-	1,999	1,999
TOTAL LIABILITIES	4,085	2,265	340,789	347,139
NET ASSETS	678,701	(2,265)	1,880,105	2,556,541
Capital expenditure	-	-	2,520	2,520

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2017

Segment Financial Information for the six months ended 31 December 2016 is presented below:

	6 months to 31 Dec 2016 Uganda \$	6 months to 31 Dec 2016 Australia \$	6 months to 31 Dec 2016 Unallocated \$	6 months to 31 Dec 2016 Consolidated \$
Revenue from continuing operations	-	-	44,982	44,982
Other income	-	120,000	2,250	122,250
Exploration expenditure	(729,162)	(745,343)	-	(1,474,505)
Administrative and other expenses	-	-	(601,326)	(601,326)
Segment loss before tax	(729,162)	(625,343)	(554,094)	(1,908,599)
Current assets	137,966	-	4,077,792	4,215,758
Non-current assets				
Exploration and evaluation	581,037	-	-	581,037
Available for sale financial assets	-	-	1,900	1,900
Other financial assets	-	-	19,570	19,570
Property, plant and equipment	47,575	-	128,729	176,304
TOTAL ASSETS	766,578	-	4,227,991	4,994,569
Current liabilities	4,863	-	305,075	309,938
Non-current liabilities	-	-	13,169	13,169
TOTAL LIABILITIES	4,863	-	318,244	323,107
NET ASSETS	761,715	-	3,909,747	4,671,462
Capital expenditure	-	-	4,727	4,727

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2017

		CONSOLIDATED	
		2017	2016
3. REVENUE, INCOME AND EXPENSES			
a) Revenue			
Interest revenue		18,327	44,982
		<u>18,327</u>	<u>44,982</u>
b) Other income			
Other income – Western Australia Exploration Incentive Scheme Grant		119,131	120,000
Other income		2,250	2,250
		<u>121,381</u>	<u>122,250</u>
c) Other expenses			
<i>Administrative expenses</i>			
Employee benefits expense		288,548	235,882
Corporate expense		203,647	167,637
Consultants		26,939	26,517
Office expense		148,346	155,068
Other		23,744	16,222
		<u>691,224</u>	<u>601,326</u>
4. CASH AND CASH EQUIVALENTS			
Cash at bank and in hand		80,864	622,895
Short-term deposits		1,800,000	1,700,000
		<u>1,880,864</u>	<u>2,322,895</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.

		As at 31 Dec 2017 \$	As at 30 Jun 2017 \$
5. CONTRIBUTED EQUITY			
Issued and fully paid			
<i>Ordinary shares</i>		105,958,823	104,073,729
Movements in shares on issue		No	\$
Balance at beginning of period		929,954,296	104,073,729
Placement ⁽¹⁾		6,916,667	83,000
Placement ⁽²⁾		95,233,334	1,142,800
Share Purchase Plan ⁽³⁾		64,516,726	774,200
Less: share issue expenses		-	(114,906)
Balance at end of financial year		<u>1,096,621,023</u>	<u>105,958,823</u>

- (1) On 2 November 2017, Sipra issued Shares to exempt offerees. Each Share had an issue price of \$0.012 per Share.
- (2) On 2 November 2017, Sipra issued Shares to an underwriter of the Share Purchase Plan. Each Share had an issue price of \$0.012 per Share.
- (3) On 2 November 2017 Sipra issued Shares pursuant to the terms of a Share Purchase Plan. Each Share had an issue price of \$0.012 per Share.

Options outstanding and movements in share options during the period

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2017

Grant date	Expiry date	Exercise price	Balance at start of period	Issued during period	Exercised during period	Lapsed/ cancelled during period	Balance at end of period
1/9/16 ⁽¹⁾	31/8/21	11 cents	1,575,000	-	-	-	1,575,000
1/9/16 ⁽²⁾	31/8/21	11 cents	3,084,000	-	-	-	3,084,000
19/12/16 ⁽³⁾	18/12/21	6 cents	11,700,000	-	-	5,499,000	6,201,000
19/12/16 ⁽⁴⁾	18/12/21	6 cents	10,800,000	-	-	4,911,000	5,889,000
			27,159,000				16,749,000

Options issued period ended 31 December 2017

There were no options issued during the period ended 31 December 2017

Options issued period ended 31 December 2016

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

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

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

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

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2017

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

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

(3) The fair value of the equity-settled share options (ESOs) granted to the Managing Director was estimated and approved by shareholders on 17 November 2017 and granted on 19 December 2017 and was made with a reference to the set percentage of base salary (75%) and contemplated a combination of both market hurdles (Share Price Based) and non-market hurdles (Internal).

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

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

(4) The fair value of the equity-settled share options (ESOs) granted to eligible employees was estimated as at 15 December 2017 and granted on 19 December 2017 and was made with a reference to the set percentage of base salary (20-50%) and contemplated a combination of both market hurdles (Share Price Based) and non-market hurdles (Internal).

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

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

6. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

7. RELATED PARTY DISCLOSURES

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

8. EVENTS AFTER THE BALANCE SHEET DATE

There were no other events subsequent to 31 December 2017 which would require disclosure in the financial report.

9. DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during the period (2016: \$nil)

**SIPA RESOURCES LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



L Burnett
Managing Director

Perth, Western Australia

Dated: 12 March 2018



Independent auditor's review report to the members of Sipa Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Sipa Resources Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Sipa Resources Limited Group (the Group). The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sipa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sipa Resources Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report which indicates the Group incurred a net loss after tax of \$2,076,568 for the half-year ended 31 December 2017 and requires additional funding to meet its annual minimum tenement expenditure commitments. This condition, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

PricewaterhouseCoopers

A handwritten signature in grey ink that reads 'Ben Gargett'.

Ben Gargett
Partner

Perth
12 March 2018