



Sipa Resources Limited

**SIPA RESOURCES LIMITED**

**ABN 26 009 448 980**

**HALF YEAR FINANCIAL REPORT**

**FOR THE HALF - YEAR ENDED 31 DECEMBER 2018**

**DIRECTORS**

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

**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](http://www.sipa.com.au)

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 2018.

### 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.

Tim Kennedy, B.App Sc (Geology), MBA, MAusIMM, MGSA (Chairman since 28 August 2018)

Lynda Burnett BSc (Hons) GAICD, MAusIMM, MSEG (Managing Director)

Craig McGown, BComm, FCA, ASIA Non-Executive Director (Non-Executive Director; Chairman until 28 August 2018)

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

### 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.

In May 2018 Sipa announced a Landmark Earn-in and Joint Venture Agreement (JVA) with Rio Tinto Mining & Exploration Limited (Rio Tinto) to acquire an interest in Sipa's Kitgum Pader Base Metals Project (the Project). The JVA commenced in August 2018 with Sipa operating the Project for the first 18 months.

Under the terms of the agreement, Rio Tinto has the option to earn up to a 75% interest in the project by incurring US\$57M of exploration expenditure in the following stages and amounts:

- US\$12M of exploration expenditure within 5 years including a minimum commitment of US\$2.0M to earn 51% (Stage 1);
- Additional US\$15M of exploration expenditure within a further 3-year period to earn a 65% interest (Stage 2); and
- Additional US\$30M of exploration expenditure or declaration of a JORC resource containing at least 250,000 tonnes of contained nickel or nickel equivalents within a further 3-year period to earn a 75% interest (Stage 3).

In addition Rio Tinto will make cash payments totalling US\$2M to Sipa as follows:

- US\$0.25M (received in June 2018);
- US\$0.25M due in February 2020 and
- US\$1.5M if it elects to start Stage 2 (earn-in to 65%).

During the period Rio Tinto contributed funds in advance of \$3,087,930 to Sipa as part of their initial contribution. As at 31 December 2018, \$1,122,848 is held as restricted cash being monies received in advance from Rio Tinto and restricted for use on the Kitgum-Pader project (See Notes 4 and 5).

The Group continued with exploration activities on its mineral tenements within Uganda and Australia. The consolidated net loss for the period is \$1,716,012 (2017: Loss \$2,076,568).

	<b>Consolidated</b>	
	<b>For the half year ended 31 Dec 2018</b>	<b>For the half year ended 31 Dec 2017</b>
	<b>\$</b>	<b>\$</b>
Revenue	194,396	18,327
Other income	253,262	121,381
Exploration expenditure	(1,449,327)	(1,525,052)
Administrative expenses	(714,343)	(691,224)
Net loss for the period	(1,716,012)	(2,076,568)
Exchange differences arising on translation of foreign operations	18,239	13,496
Total comprehensive loss for the period	(1,697,773)	(2,063,072)

## Corporate

In November, an Underwritten Share Purchase Plan and subsequent Placement closed oversubscribed, raising \$3M to progress exploration in the Paterson Province as well as for generative activities and working capital.

Tim Kennedy was appointed as Chairman of the Company after Craig McGown advised his intention to step down due to his growing external work-load. Mr McGown remains on the board as a non-executive Director.

### Paterson North Project, Western Australia (Copper-Gold)(Sipa 80%)

During the period Sipa achieved an 80% equity interest in the project with the accumulation of expenditure of over \$3million with the Company's joint venture partner Ming Gold electing to dilute its position.

A 29-hole, 3,462m reconnaissance Aircore/RC drilling program was completed with seven regional targets tested including Aranea, Asselli, Vela, NW Obelisk, Andromeda, as well as four targets at and around the Obelisk Prospect. (ASX Release 14 September 2018)

Results of this program included the identification of an extensive new 2km long copper anomaly identified at Aranea (with associated gossanous ironstone identified in hole PNA075). Aranea lies 19km north-west of Obelisk and approximately 20km to the north east of Rio Tinto's recently announced Winu copper gold discovery. Figure 1

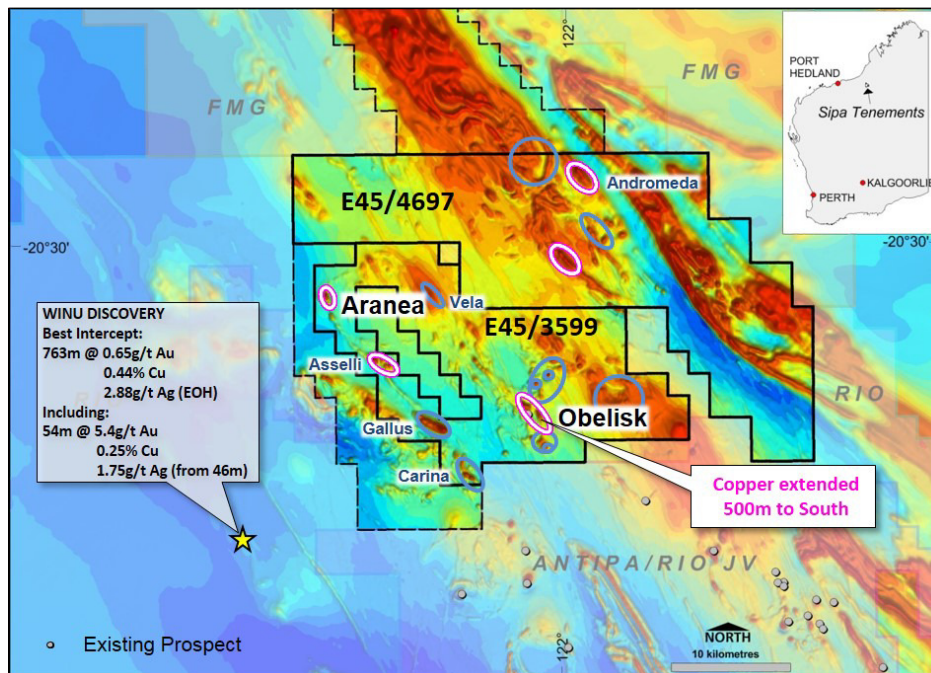


Figure 1: Location of Sipa's Paterson North copper and gold prospects with areas drilled highlighted and Rio's new Winu discovery located, RTP magnetic image.

Assay results included:

PNA079 **28m @ 274ppm Cu from 92m** (EOH) including peak copper assay **3m @ 700ppm**

PNA075 **15m @ 314ppm Cu from 121m** (EOH) including peak copper assay **1m @ 488ppm**

In addition to the anomalism discovered at Aranea, further **strong copper anomalism** identified south of **Obelisk has extended this anomaly** with holes PNA088, PNA090 and PNA091 returning:

PNA088 **3m @ 455ppm Cu from 111m** (EOH) including a peak copper assay **1m @ 958ppm**

PNA090 **8m @ 285ppm Cu from 81m**

PNA091 **8m @ 250ppm Cu from 87m** (EOH)

At Obelisk, diamond drilling of one hole was completed testing a prime target position as identified by magnetic and gradient array IP data and a new pole-dipole IP survey line. The 510m diamond hole providing further important information about the complex alteration system which indicates the presence of a large and complex mineral system.

The drilling was located ~250m north-west of where RC and diamond drilling last year returned broad intercepts of 102m @ 0.09% Cu (PNA070) and 64.8m @ 0.1% Cu (PND001) (ASX releases of 19 June 2017 and 12 Oct 2017 respectively). (ASX Release 5 December 2018)

Interest in the Paterson North district continues to grow with exploration tenements now pegged all the way to the coast from the Sipa tenements, with Rio Tinto and FMG the largest holders (Figure 3). The interest has now been substantiated with the announcement of Rio's new Winu Copper Gold discovery immediately adjacent to Sipa's tenement holding. Sipa's ground-holding is surrounded on all sides by Rio Tinto and FMG.

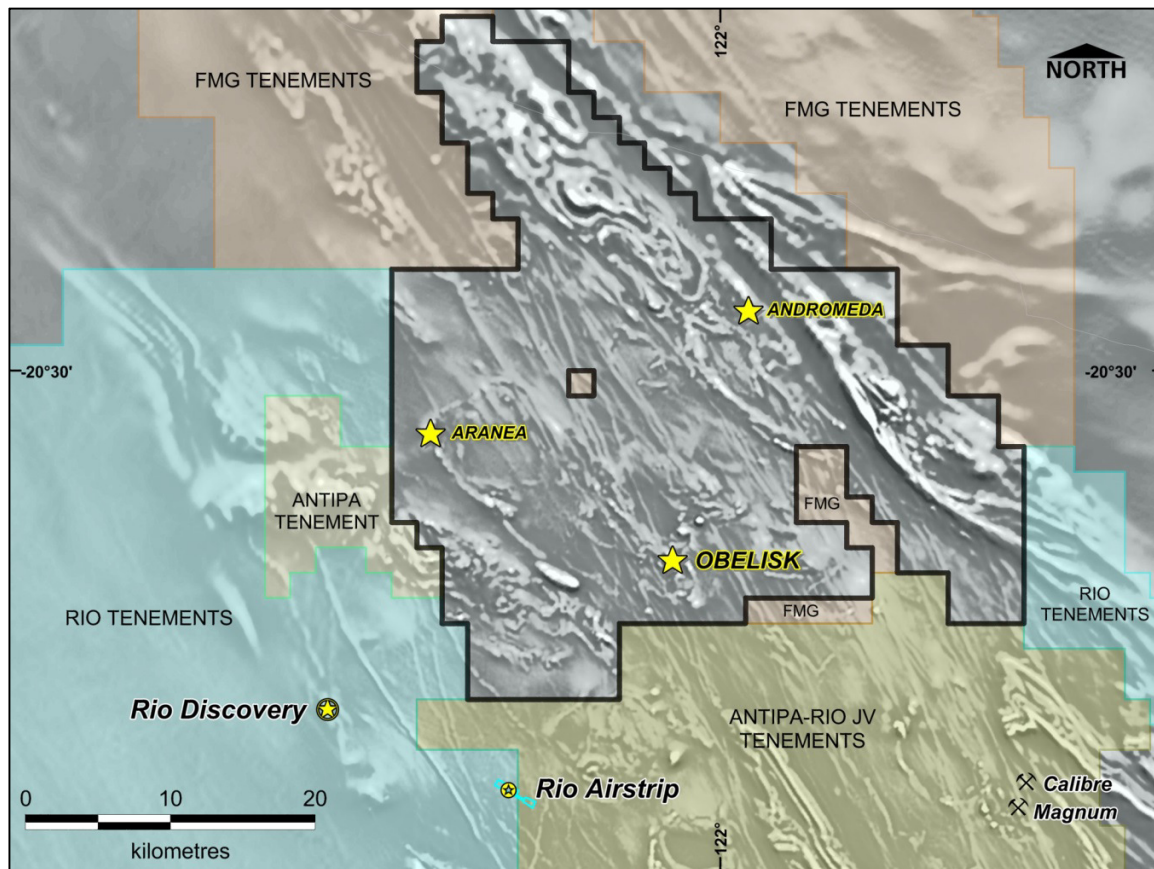


Figure 2: Paterson North magnetics RTP image showing prospect locations.



During the period Sipa further expanded its strategic footprint in the Paterson with a new 390km<sup>2</sup> tenement application called Wallal, based on gravity modelling to cover the north-west margin of the Province – a potentially similar structural domain to Rio Tinto's Winu discovery.

The tenement is bounded by Rio Tinto and Red Metal to the north and east, increasing Sipa's prospective Paterson land-holding to 1,632km<sup>2</sup>. (Figure 3)

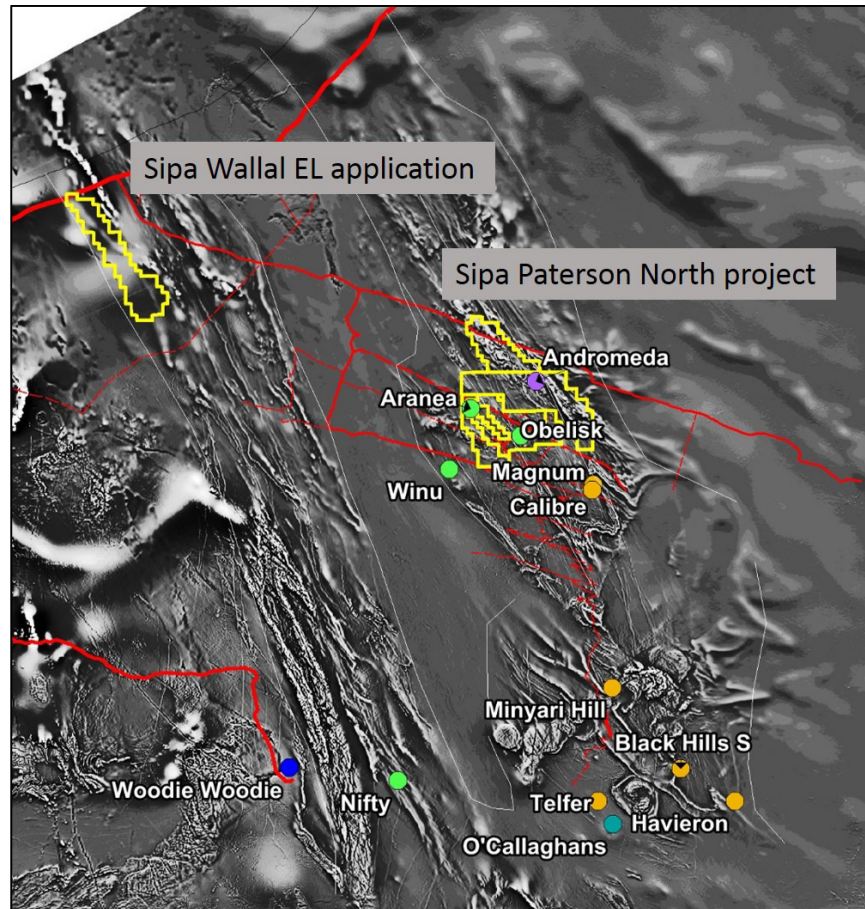


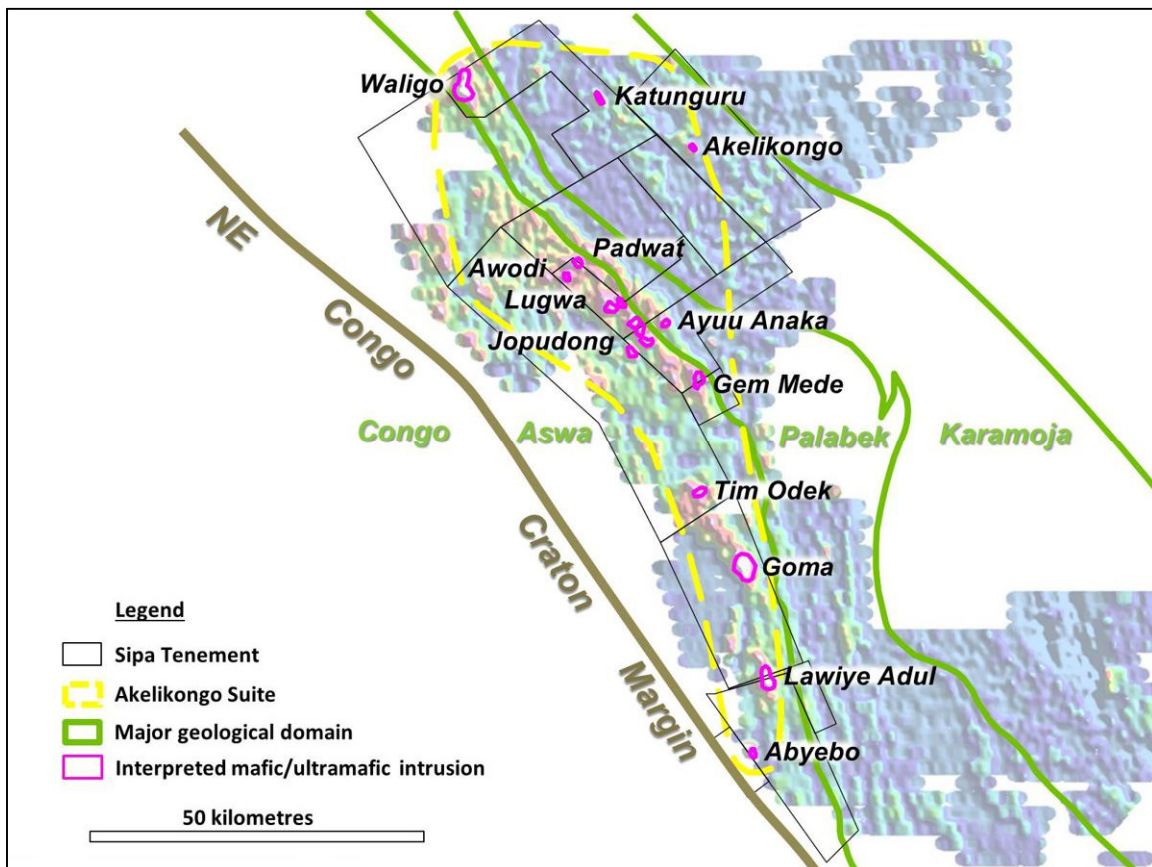
Figure 3. Sipa's expanded landholding with regional projects over magnetics 1VD.

**Kitgum Pader Base Metal Project, Uganda (Nickel- Copper) – Sipa 100%**

US\$59M Earn-in and Joint Venture Agreement with Rio Tinto commenced in August 2018, following completion of the 3-month due diligence period.

The program is being managed by Sipa on behalf of Rio Tinto for the first 18 months. Rio is earning an initial 51% interest in the project with the overall US\$59M Earn-in and Joint Venture Agreement extending over a period of up to 11 years, taking Rio Tinto's interest to 75%.

Detailed ground gravity and soil sampling over selected target areas was completed with diamond drilling of over 2000m commencing on key regional targets and resuming at Akelikongo. (Figure 4)



*Figure 4: Kitgum Pader project areas showing nickel-in-soil anomalies and interpreted prospective ultramafic intrusions as named prospects.*

**Barbwire Terrace, WA (Zinc-Lead) – New Licence Applications, 100% Sipa**

During the period a major new MVT-type zinc-lead project was generated by Sipa in WA's Canning Basin, 150km south-west of Fitzroy Crossing totalling 3824sqkm. Previous work, including geophysics and broad spaced drilling, has been compiled with core assays highlighting some broad areas of anomalous zinc.

A review of previous explorer's core at the GSWA core library indicates that zinc-rich fluids did move south and deposit in Devonian carbonate rich rocks, similar to the mineralisation on the Lennard Shelf, with spot XRF assays of this core showing up to 2% Zn associated with marcasite in breccias. (Figure 5) (ASX Release 25 October 2018)



*Figure 5 :Core from GSWA core library showing anomalous Zn in XRF up to 2% with pyrite within Barbwire Terrace tenements..*

*The information in this report that relates to Exploration Results was previously reported in the ASX announcement dated 14 September 2018, 25 October 2018, and 5 December 2018. The Company is not aware of any new information or data that materially affects the information included in that relevant market announcement.*

**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 8.

Signed in accordance with a resolution of the Directors.

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L Burnett  
Managing Director  
PERTH, 15 March 2019





## *Auditor's Independence Declaration*

As lead auditor for the review of Sipra Resources Limited for the half-year ended 31 December 2018, 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  
15 March 2019

**Sipa Resources Limited**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For The Half Year Ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Notes</b>	<b>For the half year ended 31 Dec 2018</b>	<b>For the half year ended 31 Dec 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Continuing operations</b>			
Revenue	3	194,396	18,327
Other income	3	253,262	121,381
Exploration expenditure	3	(1,449,327)	(1,525,052)
Administrative and other expenses	3	(714,343)	(691,224)
<b>Loss from continuing operations before income tax</b>		<b>(1,716,012)</b>	<b>(2,076,568)</b>
Income tax expense		-	-
<b>Net loss for the period</b>		<b>(1,716,012)</b>	<b>(2,076,568)</b>
<b>Other comprehensive profit /(loss)</b>			
<i>Items that subsequently may be reclassified through profit and loss</i>			
Exchange differences arising on translation of foreign operations		18,239	13,496
<b>Other comprehensive profit/(loss) for the period, net of tax</b>		<b>18,239</b>	<b>13,496</b>
<b>Total comprehensive profit/(loss) for the period</b>		<b>(1,697,773)</b>	<b>(2,063,072)</b>
<b>Loss per share (cents per share)</b>			
- Basic loss per share for the half year		(0.12)	(0.20)
- Diluted loss per share for the half year		(0.12)	(0.20)

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

**Sipa Resources Limited**  
**Condensed Consolidated Statement of Financial Position**  
**As at 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>As at 31 Dec 18 \$</b>	<b>As at 30 Jun 18 \$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	4,402,610	2,195,905
Term deposits		30,000	30,000
Trade and other receivables		62,325	34,236
Prepayments		95,219	52,290
<b>Total Current Assets</b>		<b>4,590,154</b>	<b>2,312,431</b>
<b>Non-Current Assets</b>			
Exploration and evaluation		581,037	581,037
Available-for-sale financial assets		2,100	3,000
Other financial assets		21,770	21,770
Property, plant and equipment		184,870	195,746
<b>Total Non-Current Assets</b>		<b>789,777</b>	<b>801,553</b>
<b>TOTAL ASSETS</b>		<b>5,379,931</b>	<b>3,113,984</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		312,982	292,511
Deferred joint venture contributions	5	1,122,848	-
Provisions		223,803	202,841
<b>Total Current Liabilities</b>		<b>1,659,633</b>	<b>495,352</b>
<b>Non-Current Liabilities</b>			
Provisions		25,796	26,390
<b>Total Non-Current Liabilities</b>		<b>25,796</b>	<b>26,390</b>
<b>TOTAL LIABILITIES</b>		<b>1,685,429</b>	<b>521,742</b>
<b>NET ASSETS</b>		<b>3,694,502</b>	<b>2,592,242</b>
<b>EQUITY</b>			
Issued capital	6	109,742,798	106,972,855
Accumulated losses		(107,426,121)	(105,710,109)
Foreign currency reserve		9,815	(8,424)
Equity benefits reserve		1,368,010	1,337,920
<b>TOTAL EQUITY</b>		<b>3,694,502</b>	<b>2,592,242</b>

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

**Sipa Resources Limited**  
**Condensed Consolidated Statement of Cashflows**  
**For the Half Year Ended 31 December 2018**

	<b>Consolidated</b>	
	<b>For the half year ended 31 Dec 2018 \$</b>	<b>For the half year ended 31 Dec 2017 \$</b>
<b>Cash Flows From Operating Activities:</b>		
Payments to suppliers and employees	(764,027)	(640,284)
Expenditure on exploration	(3,147,932)	(1,810,799)
Funding from Rio Tinto for joint venture	3,087,930	-
Interest received	14,084	15,497
Exploration Incentive Scheme Grants received	172,388	118,431
Receipts from miscellaneous income	52,409	2,950
<b>Net cash used in operating activities</b>	<b>(585,148)</b>	<b>(2,314,205)</b>
<b>Cash Flows from Investing Activities:</b>		
Cash invested in deposits	-	(10,400)
Payment for purchases of property, plant and equipment	(6,555)	(2,520)
<b>Net cash (used)/ from investing activities</b>	<b>(6,555)</b>	<b>(12,920)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of shares	3,023,700	2,000,000
Share issue expenses	(253,757)	(114,906)
<b>Net cash provided by financing activities</b>	<b>2,769,943</b>	<b>1,885,094</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>2,178,240</b>	<b>(442,031)</b>
<b>Cash and Cash Equivalents at beginning of the period</b>	<b>2,195,905</b>	<b>2,322,895</b>
<b>Effects of foreign exchange movement on opening cash balance</b>	<b>28,465</b>	<b>-</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<b>4,402,610</b>	<b>1,880,864</b>

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



**Sipa Resources Limited**  
**Condensed Consolidated Statement Of Changes In Equity**  
**For the Half-Year Ended 31 December 2018**

CONSOLIDATED	Issued capital \$	Accumulated losses \$	Equity benefits reserve \$	Foreign currency reserve	Total \$
<b>At 1 July 2017</b>	<b>104,073,729</b>	<b>(102,635,043)</b>	<b>1,260,852</b>	<b>(8,567)</b>	<b>2,690,971</b>
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
<b>At 31 December 2017</b>	<b>105,958,823</b>	<b>(104,711,611)</b>	<b>1,304,400</b>	<b>4,929</b>	<b>2,556,541</b>
<b>At 1 July 2018</b>	<b>106,972,855</b>	<b>(105,710,109)</b>	<b>1,337,920</b>	<b>(8,424)</b>	<b>2,592,242</b>
Loss for the period	-	(1,716,012)	-	-	(1,716,012)
Other comprehensive income	-	-	-	18,239	18,239
Total comprehensive loss for the period	-	(1,716,012)	-	18,239	(1,697,773)
Shares issued	3,023,700	-	-	-	3,023,700
Costs of issuing shares	(253,757)	-	-	-	(253,757)
Share based payment	-	-	30,090	-	30,090
<b>At 31 December 2018</b>	<b>109,742,798</b>	<b>(107,426,121)</b>	<b>1,398,100</b>	<b>9,815</b>	<b>3,694,502</b>

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

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**General Information and basis of preparation**

The half-year financial report for the period ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 15 March 2019.

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 2018 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 2018 and considered together with any public announcements made by Sipa Resources Limited during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX listing rules.

The Group incurred a net loss for the period ended 31 December 2018 of \$1,716,012 (2017: \$2,076,568) and a net cash outflow from operating activities of \$585,148 (2017: \$2,314,205).

During the period the Group raised \$3,023,700 pursuant to a SPP and Placement. As at 31 December 2018 the Group had unrestricted cash and cash equivalents of \$3,279,762 (30 June 2018: \$2,195,905) and a working capital surplus of \$2,930,521 (30 June 2018: \$1,817,079). A further \$450,640 was raised subsequent to 31 December 2018.

Based on the Group's cash flow forecast the Group has sufficient working capital for 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, this report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

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

**Accounting for farmouts**

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

***Rio Tinto Earn In Agreement***

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

Based on the terms of the agreement it has been determined that Sipa does not have control, nor joint control of the unincorporated JV. As such, the project is not accounted for as a subsidiary or a

joint operation. It has been determined, however, that Sipa does have significant influence over the project and therefore the investment in the unincorporated joint venture shall be accounted for using the equity method.

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

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

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

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

As at the 31 December 2018 nil profit has been recognised from Sipa's participation in the JV.

#### ***New and amended accounting standards and interpretations***

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2018.

##### ***AASB 9 Financial Instruments – Impacts on adoption***

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The retrospective adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out below. Given that the Group does not have any complex financial instruments and it does not follow hedge accounting, the adoption of this standard and its retrospective application did not result in any adjustments to the comparative amounts recognised in the consolidated financial statements.

##### ***AASB 15 Revenue from Contracts with Customers – Impact on adoption***

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies. The new accounting policies are set out below. Given that the Group is still in the exploration phase, the adoption of this standard and its retrospective application did not result in any adjustments to the comparative amounts recognised in the consolidated financial statements as the entity has no revenue arising from Contracts with Customers.

#### ***New accounting standards and interpretations issued but 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 2018 are outlined below.

##### **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.

The impact of the application of AASB 16 is still being calculated but is not expected to have a material impact on the net assets of the Group given that leases are limited to rental on office space. Preliminary calculations indicate that if the standard were applied today that Property, Plant and Equipment would increase by approximately \$111,945 with a resulting increase in liabilities of a similar amount. There are currently no contracts which may be deemed to contain a lease.



## 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 2018 is presented below:

	<b>6 months to 31 Dec 2018 Uganda \$</b>	<b>6 months to 31 Dec 2018 Australia \$</b>	<b>6 months to 31 Dec 2018 Unallocated \$</b>	<b>6 months to 31 Dec 2018 Consolidated \$</b>
Revenue from continuing operations	179,497	-	14,899	194,396
Other income	-	224,797	-	224,797
Exploration expenditure	69,229	(1,518,556)	-	(1,449,327)
Administrative and other expenses	-	-	(685,878)	(685,878)
<b>Segment loss before tax</b>	<b>248,726</b>	<b>(1,293,759)</b>	<b>(670,979)</b>	<b>(1,716,012)</b>
Current assets	1,197,967	-	3,392,187	4,590,154
<i>Non-current assets</i>				
Exploration and evaluation	581,037	-	-	581,037
Available for sale financial assets	-	-	2,100	2,100
Other financial assets	-	-	21,770	21,770
Property, plant and equipment	20,110	142,807	21,953	184,870
<b>TOTAL ASSETS</b>	<b>1,799,114</b>	<b>142,807</b>	<b>3,438,010</b>	<b>5,379,931</b>
Current liabilities	1,316,881	57,456	285,296	1,659,633
Non-current liabilities	-	-	25,796	25,796
<b>TOTAL LIABILITIES</b>	<b>1,316,881</b>	<b>57,456</b>	<b>311,092</b>	<b>1,685,429</b>
<b>NET ASSETS</b>	<b>482,233</b>	<b>85,351</b>	<b>3,126,918</b>	<b>3,694,502</b>
Capital expenditure	1,766	-	4,789	6,555

**Sipa Resources Limited**  
**Notes to the condensed financial statements**  
**For the Half-Year Ended 31 December 2018**

**2 SEGMENT INFORMATION (Continued)**

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)
<b>Segment loss before tax</b>	<b>(505,751)</b>	<b>(900,170)</b>	<b>(670,647)</b>	<b>(2,076,568)</b>
Current assets	74,504	-	1,997,589	2,072,093
<i>Non-current assets</i>				
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	169,713	32,123	229,080
<b>TOTAL ASSETS</b>	<b>682,786</b>	<b>169,713</b>	<b>2,051,181</b>	<b>2,903,680</b>
Current liabilities	4,085	46,471	294,584	345,140
Non-current liabilities	-	-	1,999	1,999
<b>TOTAL LIABILITIES</b>	<b>4,085</b>	<b>2,265</b>	<b>340,789</b>	<b>347,139</b>
<b>NET ASSETS</b>	<b>678,701</b>	<b>123,242</b>	<b>1,754,599</b>	<b>2,556,541</b>
Capital expenditure	-	-	2,520	2,520

**Sipa Resources Limited**  
**Notes to the condensed financial statements**  
**For the Half-Year Ended 31 December 2018**

3. REVENUE, INCOME AND EXPENSES	CONSOLIDATED	
	2018	2017
<b>Revenue</b>		
Interest revenue	14,899	18,327
Management fee income	179,497	-
	<u>194,396</u>	<u>18,327</u>
<b>Other income</b>		
Western Australia Exploration Incentive Scheme Grant	172,388	119,131
Other	52,409	2,250
Gain on unrealised foreign exchange	28,465	-
	<u>253,262</u>	<u>121,381</u>
<b>Other expenses</b>		
<i>Administrative expenses</i>		
Employee benefits expense	328,414	288,548
Corporate expense	201,300	203,647
Consultants	26,400	26,939
Office expense	138,291	148,346
Other	19,938	23,744
	<u>714,343</u>	<u>691,224</u>
<b>Exploration expenditure</b>		
Exploration expenditure incurred on behalf of Kitgum Pader JV	1,965,082	-
Less: exploration expenditure funded by Rio Tinto	(1,965,082)	-
Exploration expenditure – other projects	1,449,327	1,525,052
	<u>1,449,327</u>	<u>1,525,052</u>
<b>4. CASH AND CASH EQUIVALENTS</b>	<b>As at 31 Dec 2018</b>	<b>As at 30 Jun 2018</b>
Cash at bank and in hand	1,179,762	495,905
Short-term deposits	2,100,000	1,700,000
Cash reserved for JV expenditure	1,122,848	-
	<u>4,402,610</u>	<u>2,195,905</u>
As at 31 December 2018, \$1,122,848 is held as restricted cash being monies received in advance from Rio Tinto and restricted for use on the Kitgum-Pader project.		
<b>5. DEFERRED JOINT VENTURE CONTRIBUTIONS</b>		
Opening balance	-	-
Contributions received from Rio Tinto	3,087,930	-
Expenditure	(1,965,082)	-
	<u>1,122,848</u>	<u>-</u>

In May 2018 Sipra announced a Landmark Farm-in and JV Agreement with Rio Tinto to underpin accelerated nickel-copper exploration at the Kitgum Pader Base Metals Project in Northern Uganda in which Rio Tinto can fund up to US\$57M of exploration expenditure for a staged earn-in to earn up to a 75% interest the project.

In accordance with the agreement, Sipra will be the operator for the project for the first 18 months. During the period Rio Tinto contributed funds in advance of \$3,087,930 to Sipra as part of their initial contribution. As at 31 December 2018, \$1,122,848 is held as restricted cash being monies received in advance from Rio Tinto and restricted for use on the Kitgum-Pader project (See Note 4).

**Sipa Resources Limited**  
**Notes to the condensed financial statements**  
**For the Half-Year Ended 31 December 2018**

6. CONTRIBUTED EQUITY	As at 31 Dec 2018 \$	As at 30 Jun 2018 \$
<b>Issued and fully paid</b>		
<i>Ordinary shares</i>	109,742,798	106,972,855
<b>Movements in shares on issue</b>	<b>No</b>	<b>\$</b>
Balance at beginning of period	1,200,621,023	106,972,855
Share Purchase Plan <sup>(1)</sup>	165,439,718	1,505,500
Placement <sup>(2)</sup>	166,835,170	1,518,200
Less: share issue expenses	-	(253,757)
Balance at end of financial year	<u>1,532,895,911</u>	<u>109,742,798</u>

(1) On 13 November 2018 Sipa issued Shares pursuant to the terms of a Share Purchase Plan. Each Share had an issue price of \$0.0091 per Share.

(2) On 20 November 2018, Sipa issued Shares to exempt offerees. Each Share had an issue price of \$0.0091 per Share.

**Options outstanding and movements in share options during the period**

Grant date	Expiry date	Exercise price	Balance at start of period	Issued during period	Exercised during period	Lapsed/ cancelled during period	Balance at end of period
1/9/16 <sup>(1)</sup>	31/8/21	11 cents	1,575,000	-	-	-	1,575,000
1/9/16 <sup>(2)</sup>	31/8/21	11 cents	3,084,000	-	-	-	3,084,000
19/12/16 <sup>(3)</sup>	18/12/21	6 cents	6,201,000	-	-	-	6,201,000
19/12/16 <sup>(4)</sup>	18/12/21	6 cents	5,889,000	-	-	-	5,889,000
			<u>16,749,000</u>	-	-	-	<u>16,749,000</u>

**Options issued period ended 31 December 2018**

There were no options issued during the period ended 31 December 2018.

**Options issued period ended 31 December 2017**

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

**7. 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.

**8. EVENTS AFTER THE BALANCE SHEET DATE**

On 11 February 2019, Sipa announced a placement, comprising 52,400,000 shares at an issue price of \$0.0086 to raise proceed of \$450,640. The placement sees Mr Ervin Vidor AM controlled interest increase to 10%. The proceeds will be used to support Sipa's aggressive copper exploration campaign in the Paterson Province of WA Pilbara and for project generation purposes.

There were no other events subsequent to 31 December 2018 which would require disclosure in the financial report.



**SIPA RESOURCES LIMITED  
DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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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 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 2018 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.



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L Burnett  
Managing Director

Perth, Western Australia

Dated: 15 March 2019



## **Independent auditor's review report to the members of Sipar Resources Limited**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Sipar Resources Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the Sipar 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 2018 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 Sipar 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*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *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 2018 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*.

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

PricewaterhouseCoopers

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

Ben Gargett  
Partner

Perth  
15 March 2019