Sipa Resources Limited
ABN 26 009 448 980

28 October 2015

Quarterly Report

Highlights

Significant progress has been made during the quarter at Sipa Resources Limited's (the "Company" or "Sipa") wholly owned Kitgum Pader Base and Precious Metals Project in northern Uganda.

Nickel Akelikongo and Akelikongo West

The **Akelikongo** prospect is now positively identified as a chonolith or intrusive pipe which is hosting magmatic nickel copper sulphides along the sides and base of the intrusion. The system essentially outcrops where it coincides with the known soil anomaly and then plunges shallowly to the northwest. Drilling shows it then continues down plunge for at least 500m and is interpreted to extend more than a kilometre where holes to the north (AKD003 and 12) have detected alteration due to a probable nickel system in form of anomalous nickel copper and platinum group element (PGE) geochemistry in the felsic paragneisses.

The discovery at **Akelikongo West** of a second mineralised intrusive body with a different geological and geochemical character, demonstrates the Akelikongo field contains multiple mineralised intrusive systems indicative of a mineral field with a complex history enhancing its economic potential.

Recent data integration indicates the magmatic disseminated sulphides at **Akelikongo** show a linear nickel tenor trend up to 8% with massive sulphides averaging 6.5%. These nickel tenors are encouraging and an early stage indicator that any larger accumulations of sulphide mineralisation are likely to be economic.

Lead-Zinc Pamwa

Results from 25m by 25m sampling at **Pamwa** indicate a further six strong zinc plus lead targets within the 1.8km long soil anomaly, which require drill testing.

Gold

Good progress has also been on our gold exploration program with the identification of at least five high priority gold targets from re-assaying of existing pXRF soil samples.

Forward Program

Downhole EM is currently underway and will survey holes completed since June at **Akelikongo** and **Akelikongo West**. In addition, ground moving loop EM will be undertaken to probe deeper than the 200m below surface that was achieved with the earlier fixed loop EM surveys, (ASX Dec 4 2014).

A fourth diamond drilling program is planned before the end of the year to test targets generated from this work.

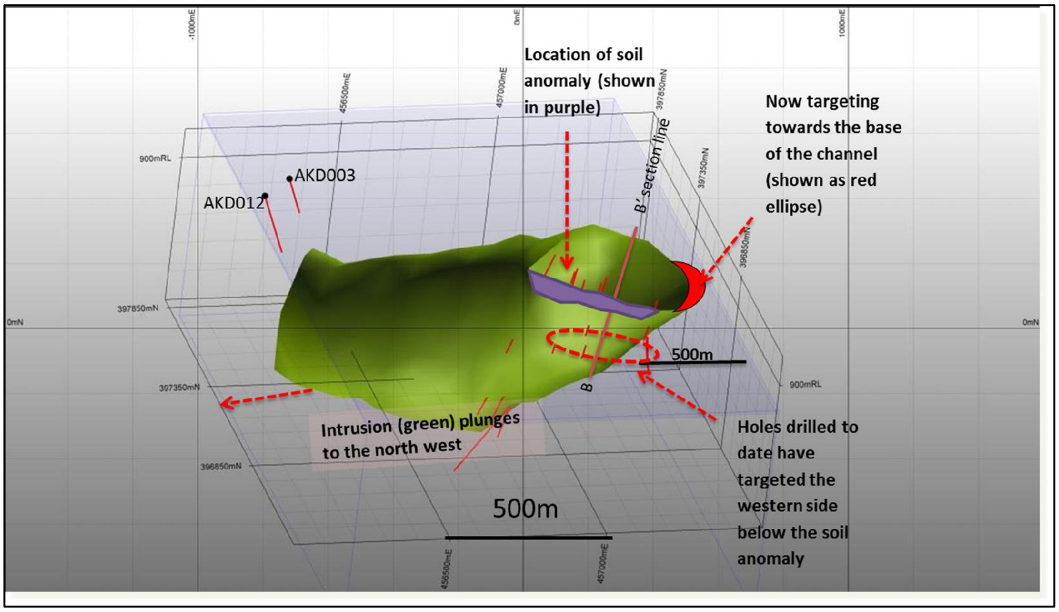

Figure 1: Modelled Chonolith at Akelikongo showing previous drilling in red and target zone along the base of the intrusion. 25m by 25m soil anomaly shown in purple

Sipa is pleased to announce the September quarterly summary of its activities at **Akelikongo and Akelikongo West, Pamwa** and surrounding areas.

A total of ten diamond drill holes and two RC holes were either drilled or results returned during the quarter at **Akelikongo** and **Akelikongo West.**

Hole	Easting	Northing	RL	Total Depth	Azimuth	Dip
AKC001	457041	396979	945	126.0	220	-60
AKC002	457024	397035	945	44.0	220	-60
AKD005	457116	397677	946	269.2	220	-60
AKD006	457037	397052	943.5	275.9	220	-60
AKD007	456990	397143	942	341.7	238	-60
AKD008	456598	396213	942	184.3	000	-60
AKD009	456593	396272	942	141.0	350	-60
AKD010	456539	396270	942	104.96	350	-60
AKD011	456594	396210	942	96.71	294	-60
AKD012	456157	397564	935	292.13	47	-60
AKD013	457165	397057	944	301.0	220	-62
AKD014	457235	397136	944	294.79	220	-65

Table 1 Drill hole locations for RC and diamond holes

The assay results from the most recent drilling program in September of five diamond holes (AKD010-014) for 1089.6m at **Akelikongo** and **Akelikongo West** are currently awaited.

Holes AKC001 and 002 and AKD005, 006 and 007 were targeted to intersect the western mineralised footwall position to the **Akelikongo** intrusion. These holes were drilled during the May to July drilling program with all results returned during the current quarter. As shown in **Figure 2**, the western mineralised footwall position coincides with a steep gravity gradient. The gravity highs are interpreted to represent ultramafic intrusions.

With the exception of AKC002 which was abandoned, all holes returned nickel and copper sulphide mineralised intercepts such as

AKC001 with an upper zone and a lower zone as follows:

- **5m at 0.48% Ni and 0.22% Cu** from 60m
- **15m at 0.55% Ni and 0.15% Cu** from 105m; and
- **126m at 0.25% Ni** across the entire hole**.**

AKD005 drilled underneath AKD002 with

- **115m at 0.31% Ni and 0.09% Cu** from 116m to end of hole at 231m including
    - **34m at 0.30% Ni and 0.08% Cu** from 116m.
    - **40m at 0.25% Ni and 0.07% Cu** from 155m
    - **5m at 0.69% Ni and 0.11% Cu** from 202m including
        - **1m at 1.15% Ni and 0.3% Cu** from 202m
    - **23m at 0.48% Ni and 0.13% Cu** from 208m including
        - **1m at 1.86% Ni and 0.11% Cu** from 214m

AKD006 drilled around 100m northwest of the AKD002 and AKD005 section beneath AKC002 with a large mineralised interval occurring from 144m to 255m where 111m sampled within the zone averaged **0.31% Ni and 0.11% Cu** with four higher grade intervals of

- **22m at 0.40% Ni and 0.14% Cu** from 173m
- **18m at 0.38% Ni and 0.12% Cu** from 206m
- **7m at 0.48% Ni and 0.18% Cu** from 229m
- **14m at 0.45% Ni and 0.23% Cu** from 241m.

AKD007 was drilled a further 100m along strike from AKD006. Whilst much of the ultramafic is mineralised at 0.1-0.3% Ni the best continuous zone within this hole was from 275 to 287m with **12m at 0.42% Ni and 0.12% Cu** from 275m.

AKD013 and AKD014, were drilled to test the base of the chonolith. This drilling shows the disseminated magmatic nickel and copper sulphides now extend across the width of the intrusive complex as defined by gravity modelling and confirm the pipelike shape with assays awaited.

Figure 3 shows the plan of recent drilling and **Figure 4** shows an interpreted section through the Akelikongo Ultramafic complex.

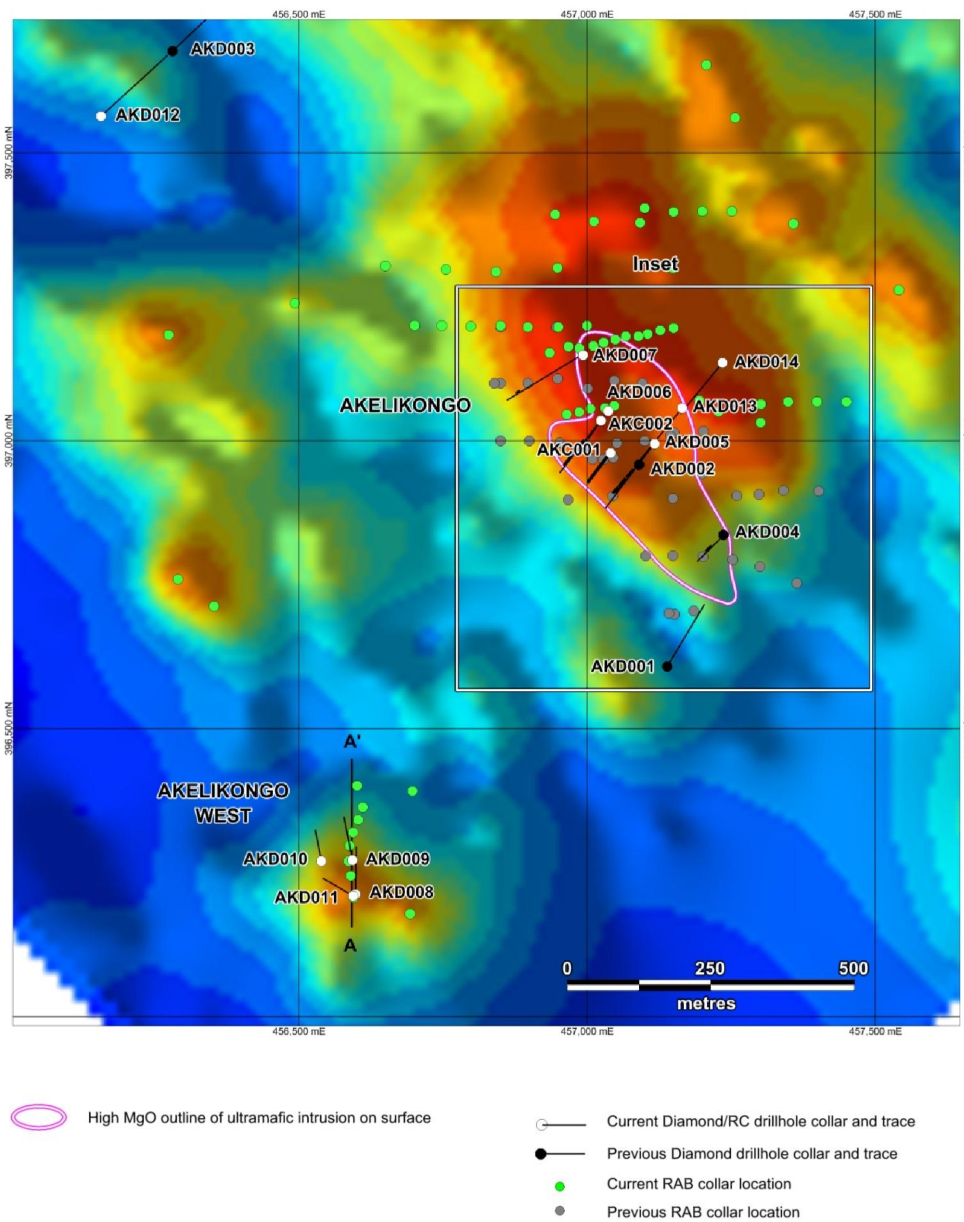

Figure 2 September Quarter drillhole locations showing location of inset located at Figure 3

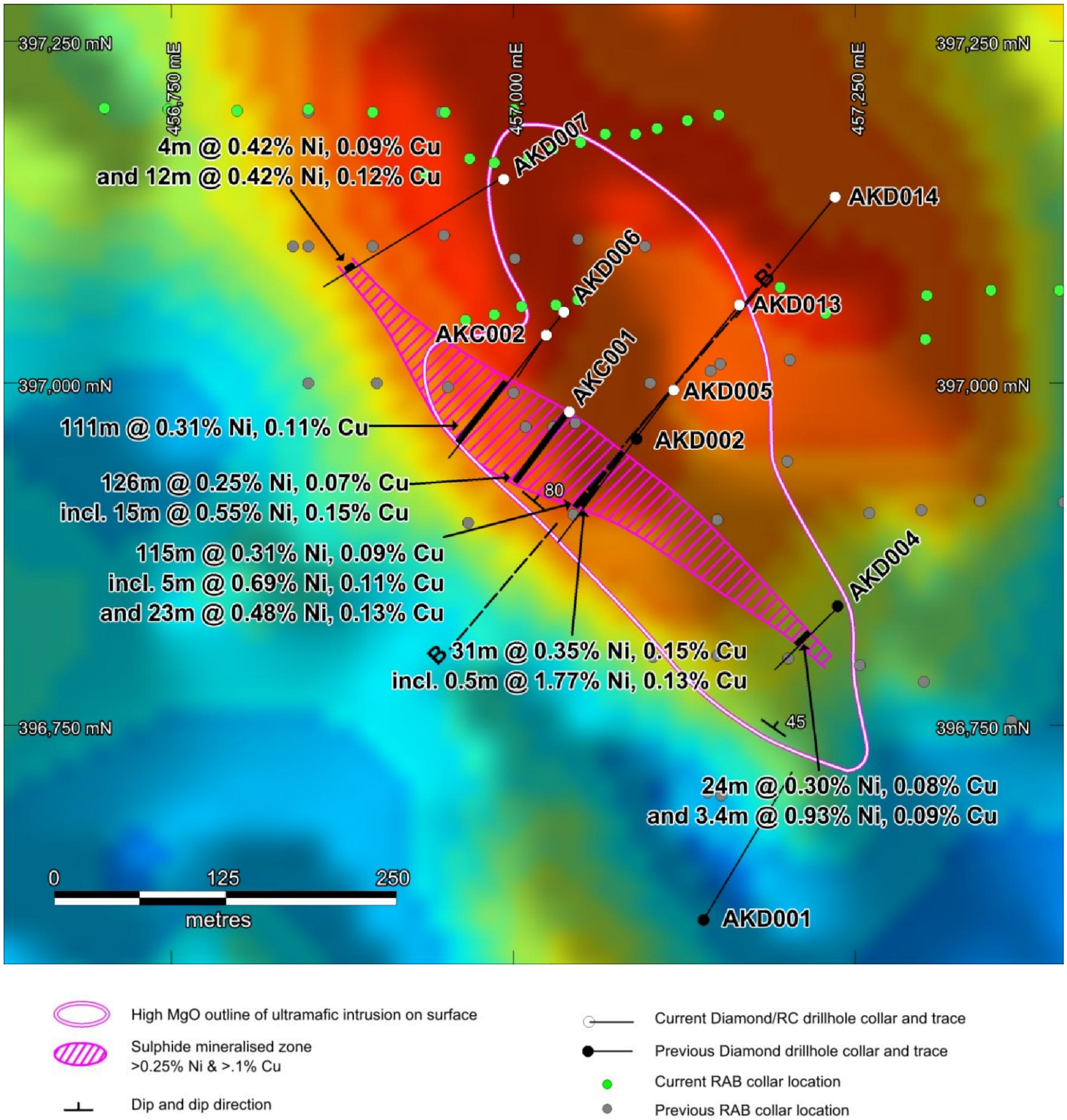

Figure 3: Location of drillholes and results at Akelikongo Ultramafic Complex. Location of Section B-B' Figure 4.

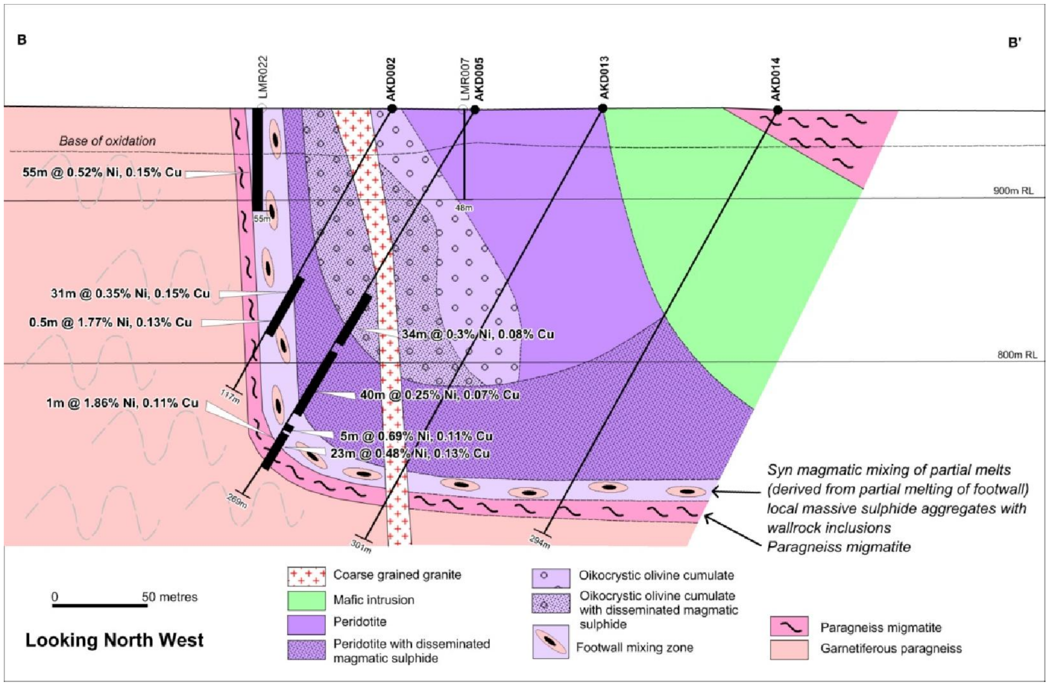

Figure 4: Section B-B' showing drill section across Akelikongo Intrusive Complex with new holes AKD013 and AKD014 (assays awaited).

Northern EM anomaly

The relogging of AKD003 during the data integration exercise demonstrated that the geochemistry returned from limited assaying was highly anomalous in nickel copper and PGE's. This was especially significant given the hole intersected paragniess (a metamorphosed sediment). Further, the combined PGE's in one sample (80ppb combined Pt and Pd) were higher than any returned from assaying of the highest nickel sulphide intercepts returned to date. This information combined with the previous modelling of deeper EM conductors, and a weak gravity anomaly, led to the drilling of a second hole AKD012 in this target area (**Figures 1 and 2**)

AKD012 was drilled one kilometre to the northwest of **Akelikongo** and 100m west of and under AKD003. Elevated conductivity measurements on the core using a hand held conductivity meter indicate the EM anomalies are probably due to elevated pyrrhotite and graphite in the paragneiss and not mineralisation due to massive sulphide.

However, textures observed in both holes indicate melting and magma mixing in the gneiss. These textures are similar to those observed close to the known intrusion at **Akelikongo.** The core also contains very thin serpentinite (altered ultramafic) veins. Spot pXRF analyses on sulphide veins in both holes show strongly anomalous nickel and copper.

The integration of the data has led to the conclusion that AKD003 and AKD012 are close to an ultramafic intrusion which has a modelled depth of 450m to 800m underneath these holes. The fixed loop EM survey would only have detected anomalism down to 200m below surface and hence would not detect a mineralised system at the modelled depth. Laboratory assays are awaited for AKD012.

Akelikongo West

AKD008 and AKD009 drilled in July, were targeted to test shallow RAB intersections of coarse disseminated sulphides at **Akelikongo West** from LMR 137 and 138 (ASX 24 August 2015). The diamond holes were drilled 60m apart and oriented -60 degrees to the north to test apparently shallowly south dipping nickel copper and sulphide mineralisation.

AKD008 intersected tonalite from 0 to 46m followed by coarse grained pyroxenite from 46m to 156m. Nickel and copper sulphide mineralisation occurs as coarse grained disseminated zones up to 15% total sulphide with sulphides identified as pyrrhotite, chalcopyrite, and pentlandite. Where the tonalite is close to the footwall and hanging wall pyroxenitic intrusion, it exhibits partial melting textures. An 8m zone from 47m to 55m assayed 0.2% Ni.

AKD009 collared in tonalite and intersected mineralised ultramafic pyroxenite at 38.3m. A 47.3m zone with strong 15% to 50% very coarse grained disseminated to matrix nickel and copper sulphide mineralisation occurs from 38.3m to 85.6m, with some minor zones of massive to semi massive sulphide. At the upper contact at 38.3m there is a 1.6m zone of semi-massive sulphides (pyrrhotite, chalcopyrite and pentlandite).The best mineralised zone assayed **41m at 0.5% Ni and 0.1% Cu from 38m**.

AKD010 and AKD011, were drilled in September at **Akelikongo West** for a total of 201.7m **(Figure 2**). These holes did not intersect the target mineralised intrusion. The recent data integration exercise provides a probable explanation as to why these holes missed the target. The current interpretation is that the body dips to the south east.

Initial nickel tenor calculations show sulphide intercepts at **Akelikongo West** are generally lower than at **Akelikongo (Figure 10)** and the size of the intrusion appears to be smaller based on size of the soil geochemical anomaly and the size of the gravity anomaly.

Figure 5 shows a geological section of the **Akelikongo West** drilling and nickel and copper assay results.

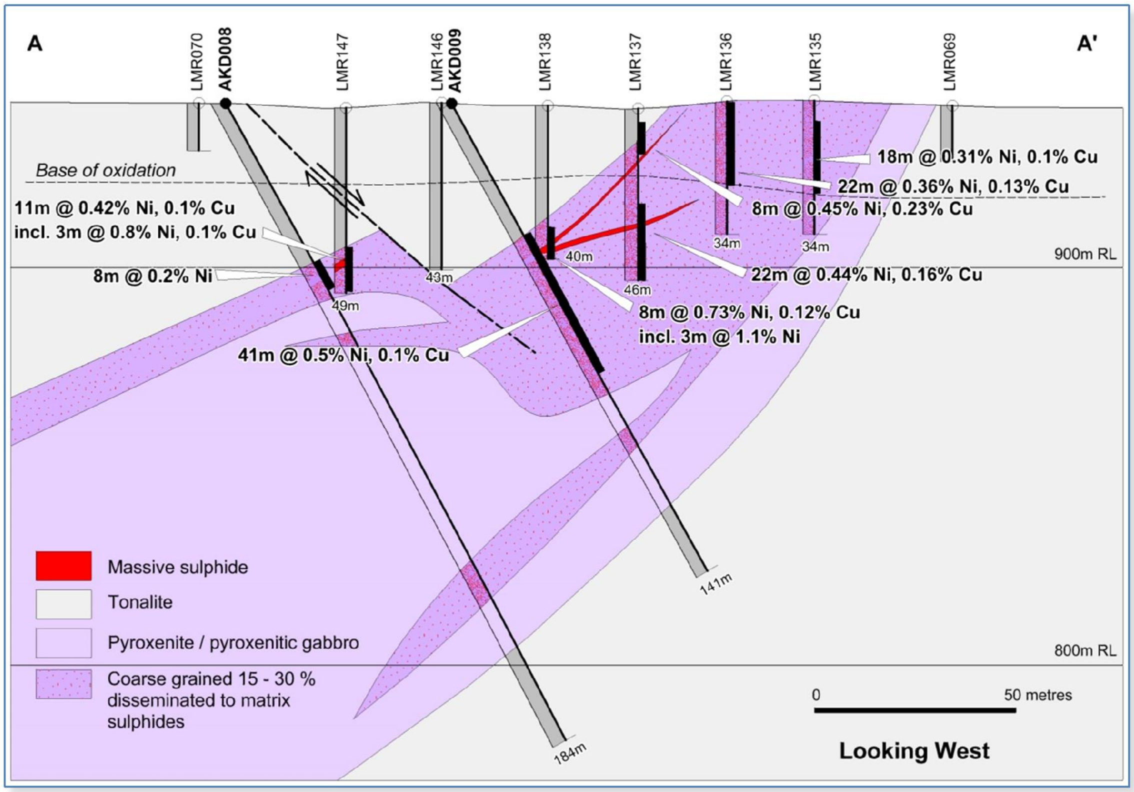

Figure 5 Section through Akelikongo West Nickel and Copper Sulphide system

Mt Goma

25m by 25m, and 50m by 50m infill sampling has now been conducted at Mt Goma. The sampling has highlighted zones within the original 200m by 50m soil anomaly greater than 1% Ni with a peak result of 4.5% Ni **Figure 6**. The association is most likely that of a lateritized ultramafic with elevated copper values generally adjacent to the nickel anomaly. Some elevated copper values up to 230ppm lie within the plus 1000pm Ni contour. (**Figure 7**) These zones will be further evaluated with shallow RAB drilling once environmental approval is granted to bulldoze an access contour track along the side of Mt Goma.

Once environmental approval is given and the dry season is underway the drilling program will commence. This is now likely in early 2016.

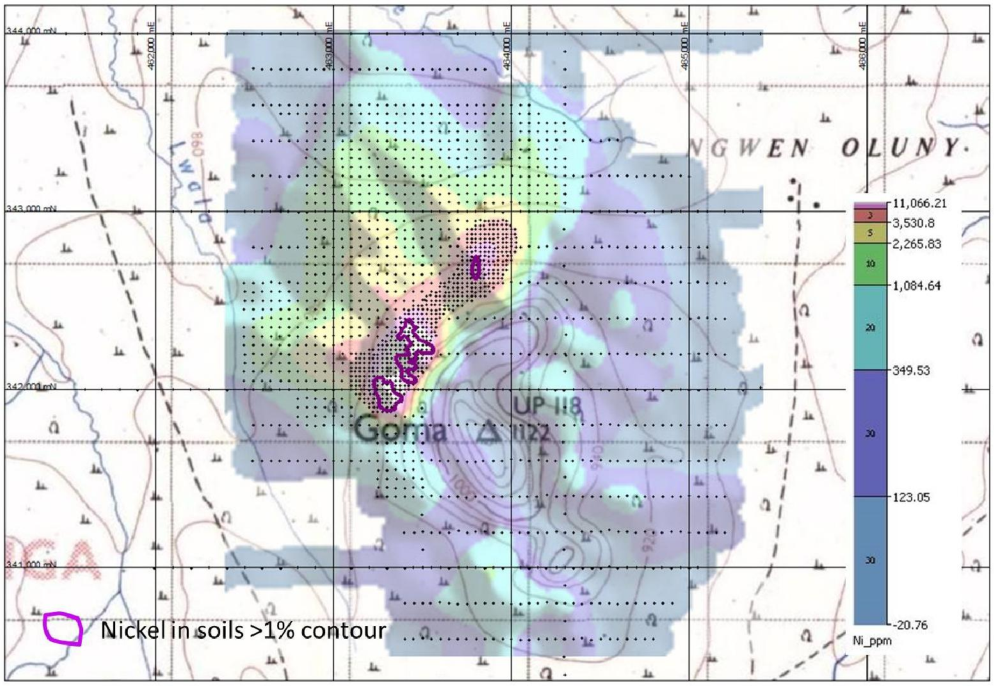

Figure 6 Nickel in soils ppm showing outline of >1% Nickel

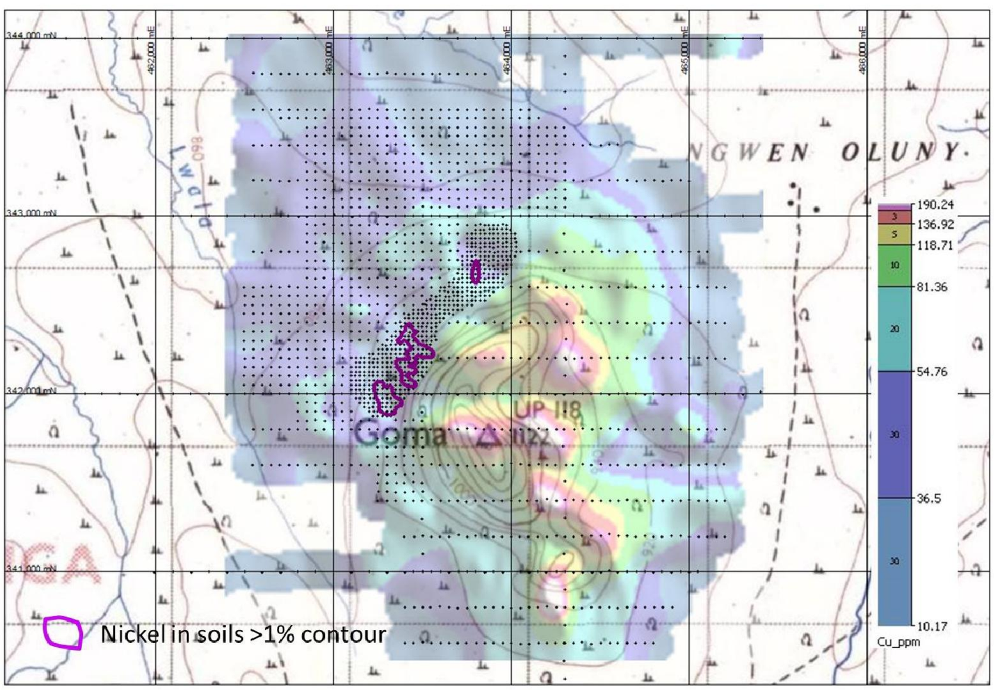

Figure 7 Copper in soils ppm showing outline of >1% Nickel (for reference)

Pamwa- Zinc-Lead

Infill 25m by 25m soil sampling has now been completed. Portable XRF assaying of these samples indicates the soil anomaly which was originally defined by 200m by 50m spaced samples has now resolved into two zones orientated parallel to the regional foliation as mapped in the area (**Figure 8**). The soils outline six new zinc plus lead anomalous zones which may be fold hinges or structurally complex zones where further enrichment of mineralisation may occur.

The pXRF soil data also shows a mafic association of Fe-Cu-Zn-Ca-Cr-Ti within the anomalies and a felsic granitic association characterised by Rb-K-Zr-Y immediately outside the anomaly area (**Figure 9**).

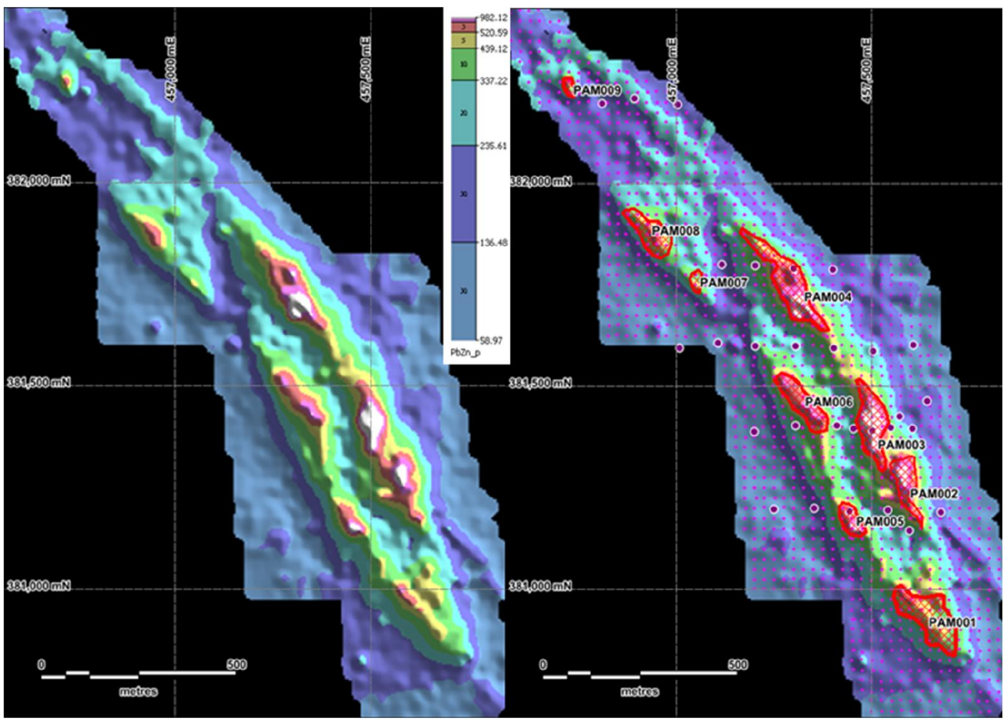

Figure 8: Pb plus Zn in soils (left) , Anomalies labelled with drill holes (right)

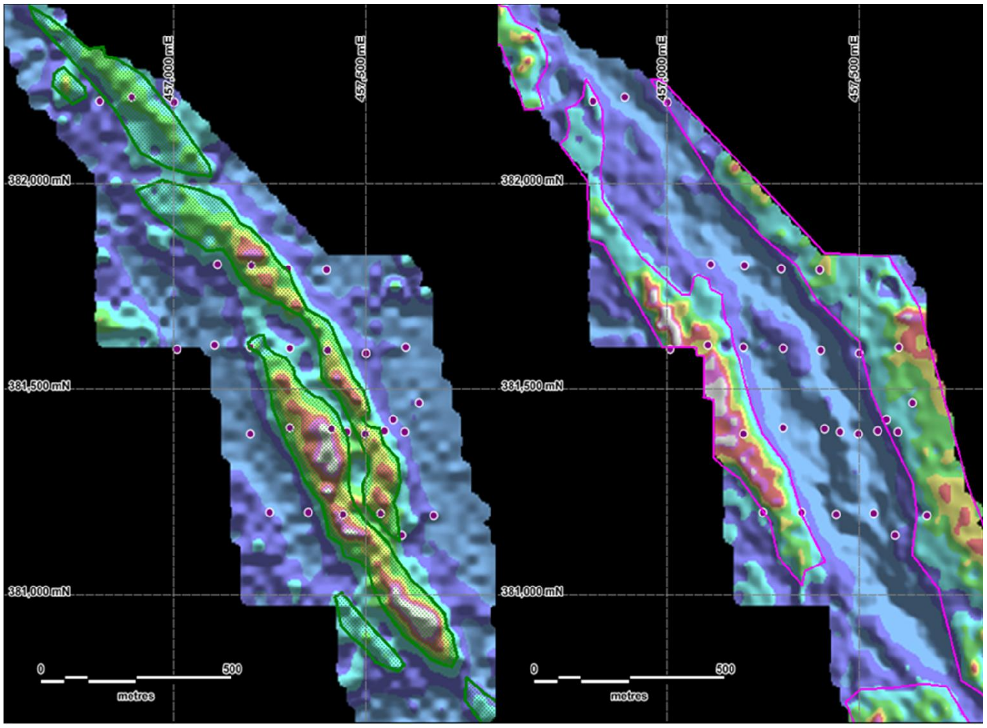

Figure 9: Mafic association of Fe-Cu-Zn-Ca-Cr-Ti (left) and a felsic association characterised by Rb-K-Zr-Y immediately outside the anomaly area (right)

Regional RAB Drilling

Results from the regional RAB drilling have highlighted some other zones of interest outside **Akelikongo** for nickel sulphide potential at **Katunguru** and for zinc lead potential at **Akek North** and **South,** north west of **Akelikongo**.

LMR123 and LMR152 (2.3km north west of **Akelikongo**) at **Akek South** intersected 6m at 1410ppm Pb from 10m and 20m at 450ppm Zn from 0m, respectively.

LMR150 and 151 at **Akek North** (4km north of **Akelikongo**) intersected anomalous zinc and lead averaging 443ppm Zn and 226ppm Pb and 752ppm Zn and 324ppm Pb with 1230ppm Zn over 3 metres from 10-13m at the end of hole.

At **Katunguru** (14km northwest of **Akelikongo**) 25m by 25m infill soil sampling has resulted in a redefinition of the anomalous area which extends east and north from the initial line drilled. **Figure 10** shows the extended soil grid and the hole locations where the reconnaissance line was drilled. LMR162 and 164 intersected anomalous Ni up to 595ppm and 605ppm Ni and up to 105ppm Cu but only clipped the edge of the detailed soils. Further shallow drilling is needed to test this anomaly.

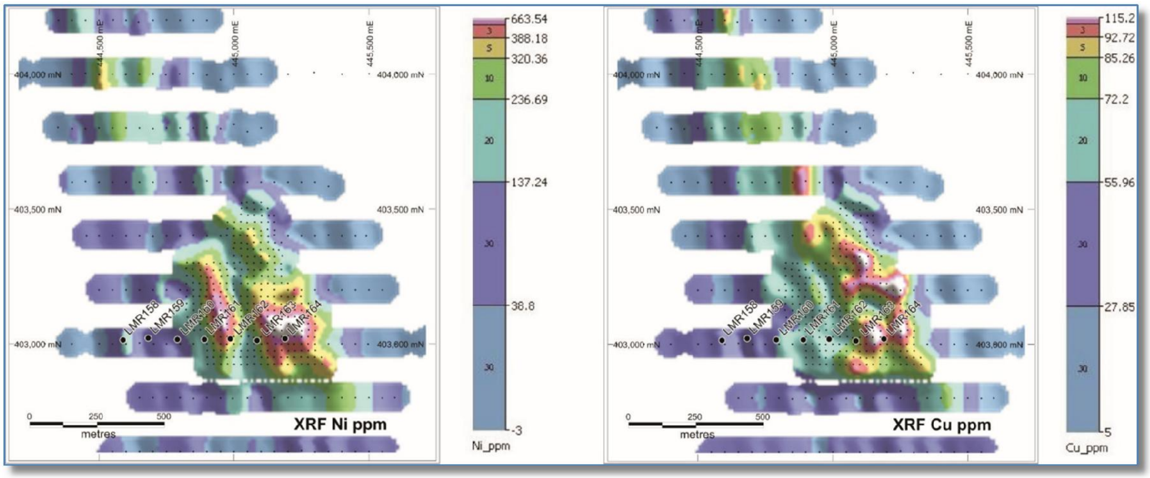

Figure 10 Infill 25m by 25m soils at Katunguru with location of reconnaissance RAB line.

Gold

The potential of gold mineralisation in these tenements is considered high as the interpreted Archean and Proterozoic geological ages and structural setting is similar to many orogenic belts containing gold deposits elsewhere in the world. To further our aim of understanding this potential, two phases of selected soil samples (one in eight of every regional soil) collected for pXRF base metal analysis were sent to ACME labs in Vancouver for Au and other pathfinder element analyses. The first phase was conducted in 2013, the second phase is currently underway.

The Oguk Au and As anomaly was identified via the first phase of 1 in 8 lab testing in in 2013 and drilled with shallow RAB in 2014. The drilling did not extend far enough to test the peak of the gold anomaly.

The second phase of sampling has so far identified 5 strong new anomalies up to 500 ppb Au. These anomalies are currently being infilled using more of the existing XRF soil samples to determine their robustness (**Figure 11**).

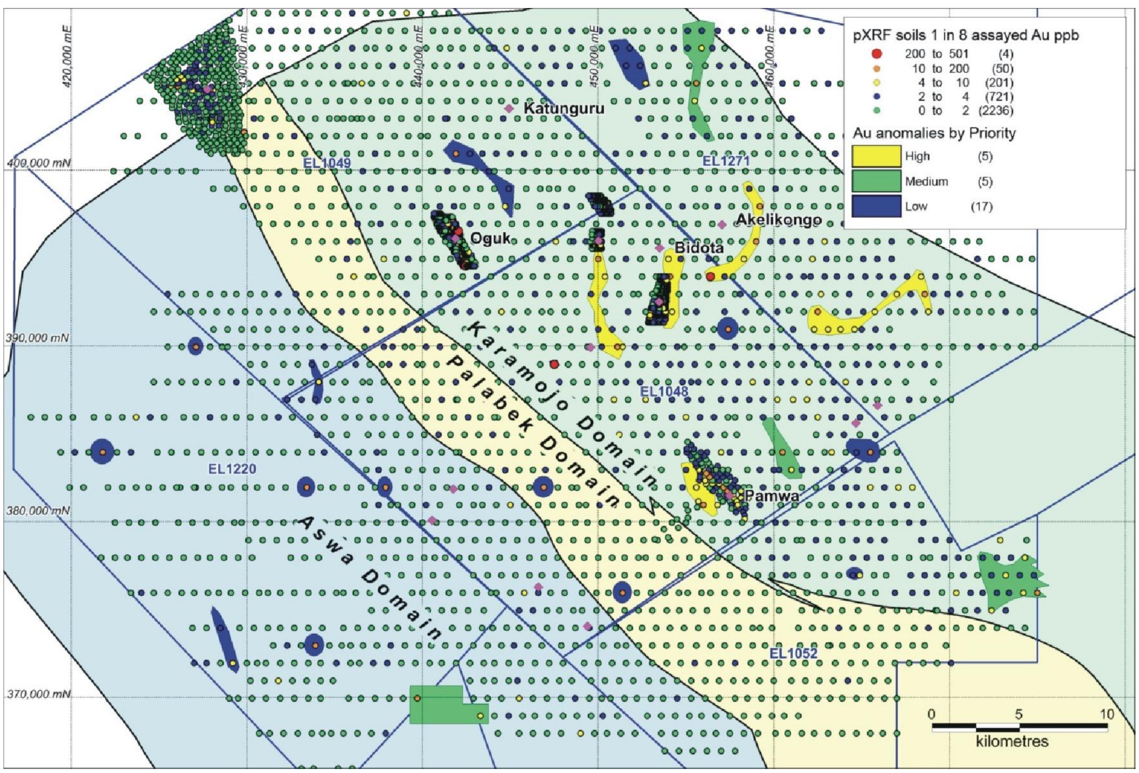

Figure 11 1 in 8 soil assay results with priority anomalies for follow up highlighted.

Once all assays are returned further RAB drilling will be planned to test the priority confirmed anomalies.

Results of the data integration exercise for Akelikongo

Two days were spent on site with Jon Hronsky, Nigel Brand, Peter Neumayr and Lynda Burnett reviewing all data sets collected to date. The objective was to create an integrated predictive model of the mineralisation at Akelikongo and in the immediate vicinity. Both Drs Hronsky and Brand are renowned experts in nickel exploration and have been involved with the project since its generation in late 2012. Dr Hronsky, is principal of Western Mining Services - West Perth, Western Australia. Jon previously headed Western Mining Corporation's and BHP Billiton's global nickel-copper-PGE search. Dr Brand, is principal of Geochemical Services Pty Ltd, Perth, WA and was previously Senior Exploration Geochemist for Western Mining Corporation and for Anglo American Corporation and has extensive global exploration experience.

An area defined largely by the recent gravity survey was chosen as the framework area.

Detailed objectives were to understand what the mineralisation discovered to date represents, in terms of how and where it formed. More importantly, via integrating geochemical calculations ie tenor variations, MgO rock contents, to get an understanding as to whether this nickel system at Akelikongo has potential to host an economic orebody and how to vector towards it.

Datasets included in review

Diamond drill core, diamond assays, gravity, magnetics, radiometrics, DHEM, Fixed loop EM and resultant modelled conductor plates, RAB drilling and assays, pXRF multielement soil data and imagery

Conclusions are

- Data integration exercise confirms strong potential for the Akelikongo Ultramafic Complex (AKUC) to host significant zones of Nickel-Copper massive sulphides.
- The low grade disseminated mineralisation represents primary magmatic sulphide, increasing in grade towards the sides and the base of the ultramafic intrusion which is interpreted to be a chonolith or pipe like intrusion. Importantly, chonoliths represent conduit zones for the concentrated flux of mafic magma.
- The newly identified "footwall mixing zone", marginal to the ultramafic complex, contains local zones of felsic xenomelt and partially resorbed paragneiss wallrock clasts, commonly associated with aggregates of igneous textured, high grade semi-massive to massive sulphides. These may have been derived from a larger sulphide accumulation, perhaps located at the base of the conduit or from elsewhere along the conduit axis.
- The overwhelming majority of the sulphide mineralisation intersected to date is considered to be igneous in nature, with only minor occurrences associated with post-ore remobilisation (eg local veins on the margins of later dykes).
- The magmatic disseminated sulphides show a linear nickel tenor trend up to 8% with massive sulphides averaging 6.5%. These nickel tenors are

encouraging and an early stage indicator that any larger accumulations of sulphide mineralisation are likely to be economic.

- The potential for discovery of large zones of massive sulphide lies deeper, towards the inferred base of the conduit channel and along its down-plunge extent to the northwest, particularly in any position where the base of the chonolith flattens. There is a tendency for larger sulphide bodies within chonoliths to be associated with such flattening, probably because of simple gravitational accumulation.
- The Akelikongo West ultramafic intrusion represents a separate chonolith to the main AKUC, with distinctive mineralisation tenor characteristics. This is a significant observation because it indicates that the Akelikongo area may represent a field of mineralised intrusions, rather than just one body. Not all of these prospective intrusions necessarily will subcrop at the surface. The Russian Norilsk-Talnakh camp is a good example of this, where the most important mineralised chonolith (Kharalekh intrusion) was totally blind.

Ni Tenor

Conclusion from detailed tenor analyses of various mineralisation styles and variations with depth show the magmatic disseminated sulphides exhibit a linear nickel tenor trend up to 8% with massive sulphides averaging 6.5%. These nickel tenors are encouraging and an early stage indicator that possible ore concentrates could be economic.

Figure 12 shows a diagram of all Ni ppm assays vs Ni tenor within the Akelikongo and Akelikongo West mineralised systems.

In AKD005 there is a linear trend of nickel tenor within the magmatic disseminated nickel sulphide population increasing with nickel grade with an average tenor of 5.3%. In the mixing zone where felsic rock has intermingled with the ultramafic there is a linear trend of Ni tenor decreasing away from the contact with the main magmatic disseminated sulphide zone (**Figure 13**). This trend represents increasing proportion of felsic melt and the gradation to migmatitic paragniess away from the contact. The average Ni tenor of this mixed zone is 4.6%.

The high grade massive nickel sulphide zones have an average Ni Tenor of 6.5% with relatively low variability but also a low number of sample points. At Akelikongo West disseminated magmatic Ni sulphide tenor has a different linear trend and is lower with an average of around 2.5%. This indicates a separate magma with different geochemical characteristics. From core logging, the host to Akelikongo West is interpreted to be a medium to coarse grained pyroxenite.

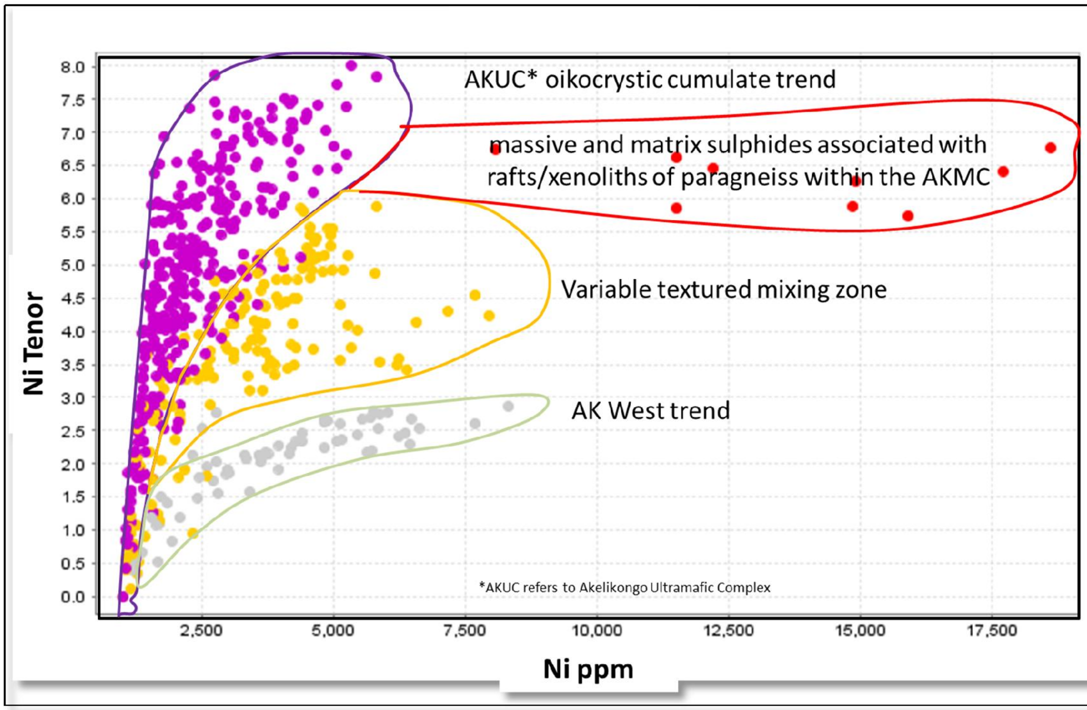

Figure 12 Ni ppm vs Ni Tenor %

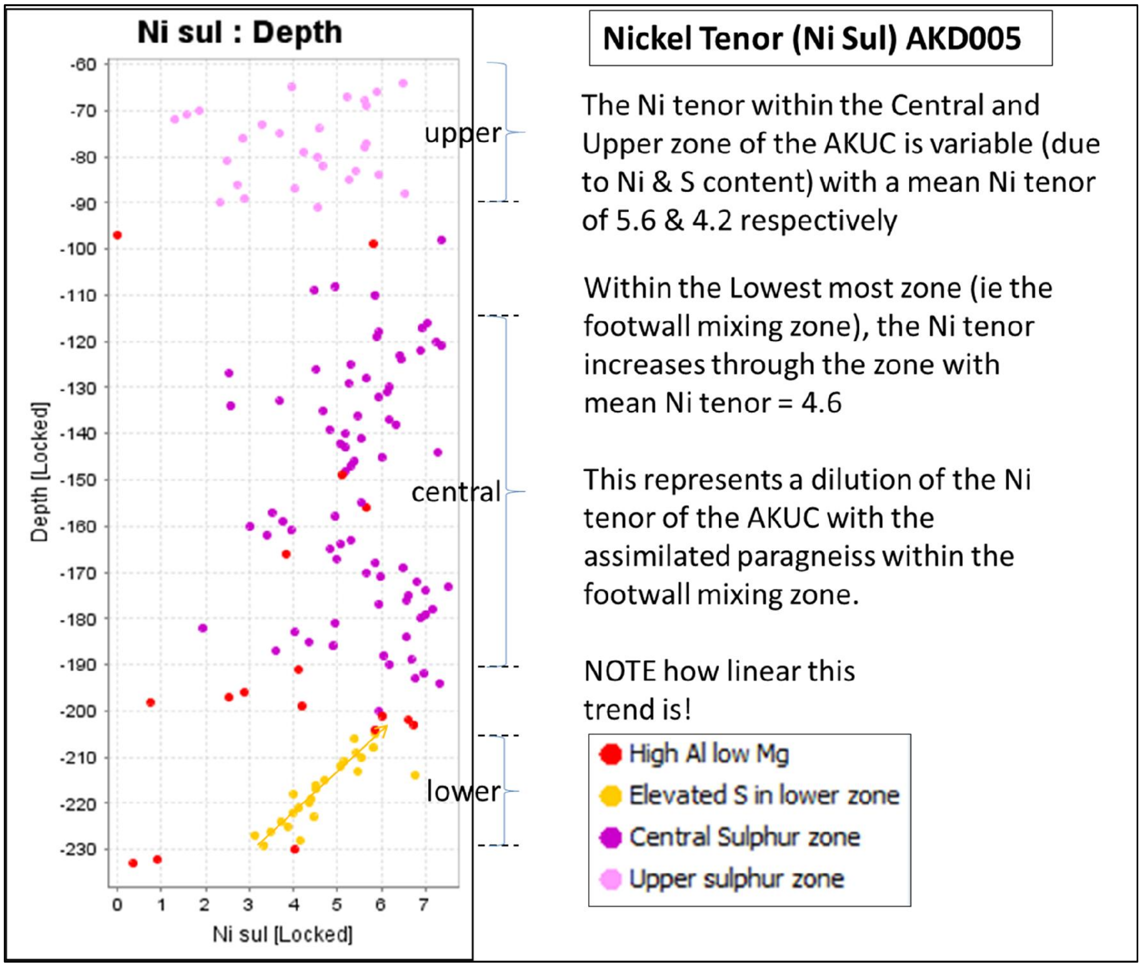

Figure 13 Ni Tenor % with depth (AKD005)

The linear trend marked in yellow relates directly to the amount of mixing between the intrusion and footwall. The closer one gets to the intrusion at 200m the higher the tenor ie less mixing of the footwall with the intrusion. The tenor is related to the volume of intrusion versus the increasing volume of melted country rock adjacent to the intrusion.

The information in this report that relates to Exploration Results is based on, and fairly represents, information and supporting documentation compiled by Ms Lynda Burnett, a who is a Member of The Australasian Institute of Mining and Metallurgy. Ms Burnett is a full-time employee of Sipa Resources Limited. Ms Burnett has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Burnett consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

For more information:
Lynda Burnett
Managing Director
Sipa Resources Limited
+61 (0) 8 9481 6259
info@sipa.com.au

Glossary

Chalcopyrite

Chalcopyrite is a copper iron sulfide mineral

Cumulate

Cumulate rocks are the typical product of precipitation of solid crystals from a fractionating magma chamber. These accumulations typically occur on the floor of the magma chamber. Cumulates are typically found in ultramafic intrusions, in the base of large ultramafic lava tubes in komatiite and magnesium rich basalt flows and also in some granitic intrusions.

Gneiss

Gneiss is a high grade metamorphic rock, meaning that it has been subjected to higher temperatures and pressures than schist. It is formed by the metamorphosis of granite (**orthogneiss**), or sedimentary rock (**paragneiss**). **Gneiss** displays distinct foliation, representing alternating layers composed of different minerals

MgO content

Method of mafic and ultramafic rock classification, with high MgO ultramafic rocks generally comprising greater than 25% MgO. The higher the MgO content the more Ni the rock can contain in silicate form with modifying factors up to 3000ppm.

Migmatite

Migmatite is a rock that is a mixture of metamorphic rock and igneous rock. It is created when a metamorphic rock such as gneiss partially melts, and then that melt recrystallizes into an igneous rock, creating a mixture of the unmelted metamorphic part with the recrystallized igneous part.

Nickel tenor

How much nickel in percentage terms is in the sulphides as a percentage of the sulphide. If you have nickel tenor of 6% and you have 50% sulphide then the grade is 3% nickel

Oikocrysts

Part of the definition of poikilitic texture. Poikilitic texture is a texture in which small, randomly orientated, crystals are enclosed within larger crystals of another mineral. The term is most commonly applied to igneous rock textures. The smaller enclosed crystals are known as chadacrysts, whilst the larger crystals are known as oikocrysts.

Paragneiss

A metamorphic rock formed in the earth's crust from sedimentary rocks (sandstones and argillaceous schists) that recrystallized in the deep zones of the earth's crust. See Gniess

Pentlandite

Pentlandite is an iron-nickel sulphide mineral with the formula, $(Fe,Ni)_9S_8$.

Peridotite

Peridotite is a dense, coarse-grained igneous rock, consisting mostly of the minerals olivine and pyroxene. Peridotite is ultramafic, as the rock contains less than 45% silica.

Pyroxenite

Pyroxenite is an ultramafic igneous rock consisting essentially of minerals of the pyroxene group, such as augite and diopside, hypersthene, bronzite or enstatite. They are classified into clinopyroxenites, orthopyroxenites, and websterites which contain both clino and orthopyroxene.

Pyrrhotite

Pyrrhotite is an iron sulfide mineral with the formula $Fe_{(1-x)}S$ (x = 0 to 0.2).

Xenomelt

Melt of a foreign rock typically the country rock, through which the hot ultramafic magma intrudes, interacts and partially melts and absorbs. This is represented in the "Footwall Mixing Zone" referred to in the text.

Background

The Kitgum-Pader Base and Precious Metals Project covers 7,296 square kilometres in central northern Uganda, East Africa. The Project was generated following the acquisition in 2011 of relatively new airborne magnetic/radiometric data sets over East Africa, and the subsequent geological/metallogenic interpretation of the data sets.

During field reconnaissance in December 2011, rocks were recognised as being strikingly similar to the host 'Mine Series' sequence at the giant Broken Hill Lead-Zinc-Silver Deposit in NSW, Australia, to the northwest of Kitgum, Uganda. Since that time, the company has collected over 60,000 soil samples, along with geological mapping by the late Nick Archibald, Brett Davies and Russell Mason. The results of the field work and subsequent drilling of soil targets has led to the discovery of at least 3 potentially economic mineral systems.

- the Intrusive hosted Nickel-Copper sulphide mineralisation at **Akelikongo and Akelikongo West; and**.
- The Broken Hill-style Lead-Zinc-Silver, at **Pamwa.**

Akelikongo is one of the standout Ni-Cu-PGE soil anomalies identified to date. The element association and shape of the anomaly led Dr Jon Hronsky to interpret this as a possible "chonolith" being a fertile host for nickel sulphides within a mafic-ultramafic intrusive complex.

At **Akelikongo** a high MgO intrusion hosts a zone of disseminated nickel and copper sulphide mineralisation increasing in grade towards the base and sides of the intrusion. The "footwall mixing zone" marginal to the ultramafic complex contains local zones of felsic xenomelt and partially resorbed paragneiss wallrock clasts. These are commonly associated with aggregates of igneous textured high grade semi-massive to massive sulphides.

At **Mt Goma** in the western Archean greenstone belt a zone of strongly oxidised ultramafic has returned nickel in soil XRF values ranging from 0.5% to 1.9% Nickel. A strong copper in soil anomaly is located adjacent to the nickel anomaly. Other nickel in soil anomalies in the western zone are under investigation.

The **Pamwa** Zn, Pb, Ag and Cd soil anomaly is 1.8km long with diamond drilling confirming primary zones of base metal sulphides (sphalerite and galena) plus silver and cadmium.

The mineralisation is broadly foliation parallel and can be correlated to the detailed soil data. Infill soil geochemistry indicates a further six targets untested by drilling.

The soil and drilling geochemistry shows a strong association between Zn-Pb-Ag-Cd-Mn a characteristic element suite of Broken Hill or lithostructurally controlled mineralisation.