



Quarterly Activities Report

ACTIVITIES FOR THE QUARTER ENDING 30 SEPTEMBER 2016

Initial Paterson gold-copper exploration push, and next phase of nickel drilling at Akelikongo nickel-copper discovery supported by a successful \$4.5M raising

Highlights:

Paterson North – Western Australia

- **Extensive gold-copper mineralised system confirmed at the Obelisk anomaly**, Paterson North project, with mineralisation intersected in wide-spaced reconnaissance aircore **over a strike length of +4km**.
- **Encouraging results of >0.1% Cu and anomalous gold of >20ppb (0.02g/t Au) and up to 1.26 g/t Au returned over 1.5km of strike** with mineralisation open in all directions.
- The results are considered to be significant for this early stage of exploration, with a **strong polymetallic mineral association of copper-gold-silver-molybdenum-tungsten**.
- **The high tenor of the widespread anomalism, together with high gold values of up to 1.26g/t** and the presence of **significant molybdenum, tungsten, silver and copper**, is analogous to the metal associations of other discoveries in the district, such as the >1Moz Antipa Mineral's controlled Calibre and Magnum copper and gold deposits, and Newcrest's giant Telfer gold and copper deposit.
- **Exploration activity in the Paterson Province in the vicinity of Sipa's tenements is ramping up** with a new 6,000m RC drill program commencing in October at Antipa Minerals' neighbouring Citadel project (funded by Rio Tinto Exploration Pty Ltd under their joint venture) and in November at Encounter Resources' Telfer West project.
- **Follow-up exploration underway including detailed gravity**, together with an extensive review of the initial drilling results to plan the next phase of drilling.

Kitqum Pader Base Metal Project – Uganda

- **New phase of combined RC and diamond drilling** commenced during the quarter, and is continuing, at the **Akelikongo nickel-copper discovery**, Uganda.
- **The key objective is to further extend and improve the grade** of the previously identified zone of massive sulphides along its north-westerly plunge.

Corporate

- **Successful \$4.5M capital raising completed** during the Quarter through a heavily oversubscribed Share Purchase Plan (SPP) and a placement at 2 cents per share.
- **Sipa's cash position is now \$5.07M** as at the end of September 2016, putting the Company in a strong position to progress its exploration activities and corporate strategy.



Sipa Resources Limited (ASX: **SRI**) is pleased to report on an active and successful September Quarter. Highlights included the completion of the Company's maiden drilling program in the Paterson North Province, the start of the next phase of drilling at the Akelikongo nickel-copper discovery and the completion of an oversubscribed Share Purchase Plan (SPP) and Placement, raising a total of \$4.5 million,

Drilling at the Company's Paterson North project resulted in the discovery of an extensive gold-copper mineralised system, with the results considered to be highly encouraging for early-stage reconnaissance drilling. Follow-up exploration activities are already underway including detailed gravity and analysis of all data collected to date. The next phase of drilling commenced at the Akelikongo discovery in September, with drilling ongoing at the date of this report and expected to be complete by the end of October.

Paterson North (Sipa earning up to 80% in the Great Sandy tenement)

Sipa's Paterson North project is comprised of the Great Sandy tenement (E45/3599), where Sipa can earn up to an 80% interest for expenditure of \$3 million over 4 years under a Farm-in and JV agreement with privately owned Ming Gold Limited (Ming Gold), and Sipa's wholly-owned Anketell tenement (ELA45/4697). The location of the Paterson North project, in the Paterson Province of Western Australia, is shown in Figure 1 below.

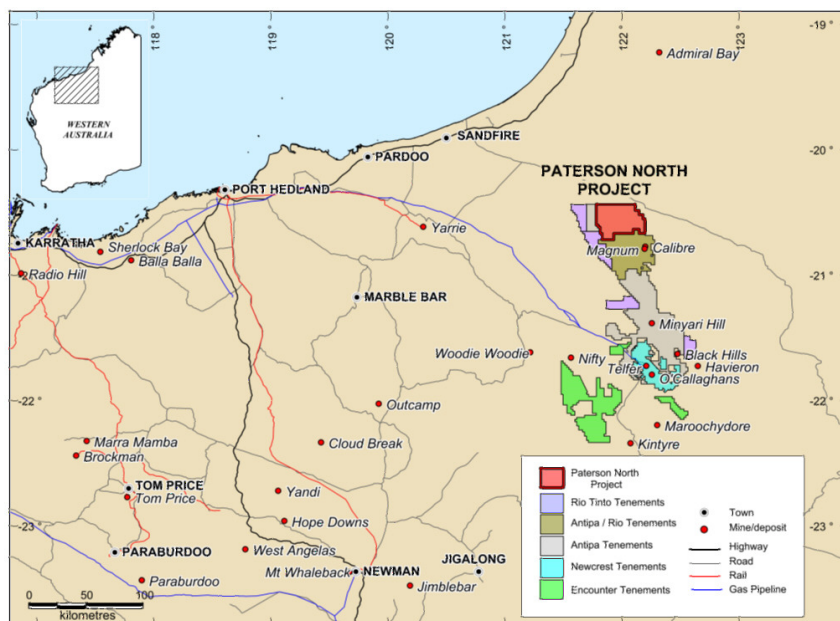


Figure 1 – Sipa's Paterson North copper-gold projects

During the quarter, Sipa completed its first reconnaissance drilling program on the project. Assay results from the Aircore/RC drilling program at the Great Sandy tenement have confirmed the presence of a large copper-gold and polymetallic mineral system extending over a strike length of ~4km, with initial laboratory results exceeding expectations for such an early stage program.

The reconnaissance program was completed in mid-September and comprised ~4,500m of Aircore/RC drilling in 45 holes. The objective was to test the primary copper-gold-anomaly, known as the Obelisk prospect, and at a minimum, replicate the anomalous values encountered in previous drilling by Ming Gold.

Of the 45 holes, **26 returned strongly anomalous copper values of >250ppm and gold values of >20ppb**, highlighting the potential for a significant new mineral discovery. The tenor of the anomalism and the metal association is similar to that which led to the discovery of other significant deposits in the region including the >1Moz Calibre and Magnum deposits held by Antipa Minerals.



Copper values of >250ppm Cu (peak 4100ppm or 0.4%) and gold values of >20ppb Au (peak 1260ppb or 1.26g/t) were returned in 26 out of the 45 wide-spaced reconnaissance holes, with the more significant mineralised intercepts including:

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

Drill-hole locations are shown on Figure 2 shown over the regional gravity survey data previously conducted by Ming Gold.

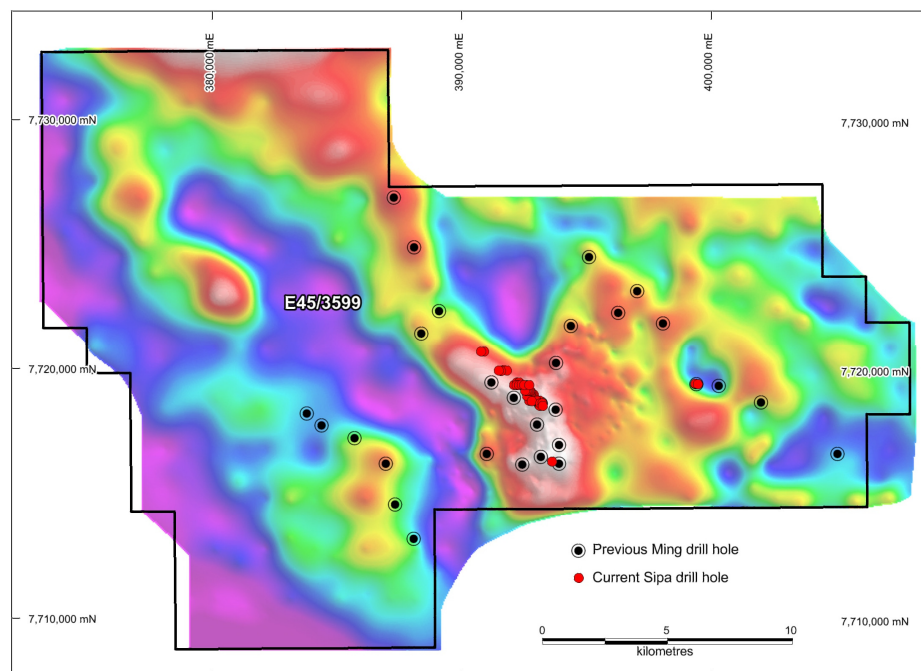


Figure 2 – Drill-hole locations on tenement gravity data

As shown in Figure 3 and Figure 4 inset, the strongest gold and copper results also generally correlate with strongly anomalous silver, molybdenum and tungsten. The metal association is similar to mineralisation intersected elsewhere in the Paterson Province and indicates a strong spatial and possibly genetic relationship to intrusive granites in the area.

The intense gravity high (which was an initial target identified by Ming Gold) also appears to be spatially related to the mineralization, which is commonly hosted in a sulphide-rich foliated and hydrothermally altered gabbroic intrusion. The gold mineralisation appears to be hosted in quartz veins and fractures, indicating the possibility of multiple mineralizing events in the same area. Extensive pegmatitic dykes also intrude the sequence.

In addition to the drilling at Obelisk, Sipa followed up a bedrock nickel and copper anomaly located 6.5km east-north-east of Obelisk. The anomaly was previously identified by Ming Gold in drill-hole GSAC001, which returned 8m at 2000ppm Ni (0.2%) and 401ppm Cu in a weathered ultramafic schist. It was followed up with two drill holes PNA044 and PNA045 during the quarter. Recent drilling did not intersect any ultramafic rocktypes but drilled fine-grained granite, biotite schist and pegmatite dykes. Assay results returned a best nickel assay of 327ppm from PNA044 from 80-84m.



Given that granites typically do not contain any nickel, these values are strongly anomalous and most likely represent nickel dispersion from an as-yet unknown nickel source. Further drilling is required to track down the source of the nickel and copper anomalism.

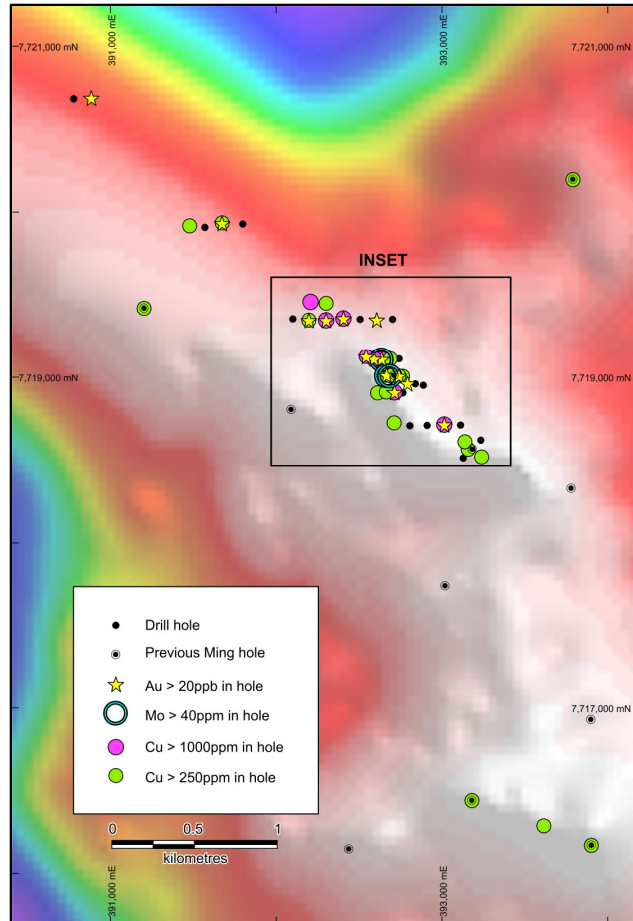


Figure 3 – Plan view of anomalous geochemistry in drill-holes at Obelisk, gravity image as backdrop

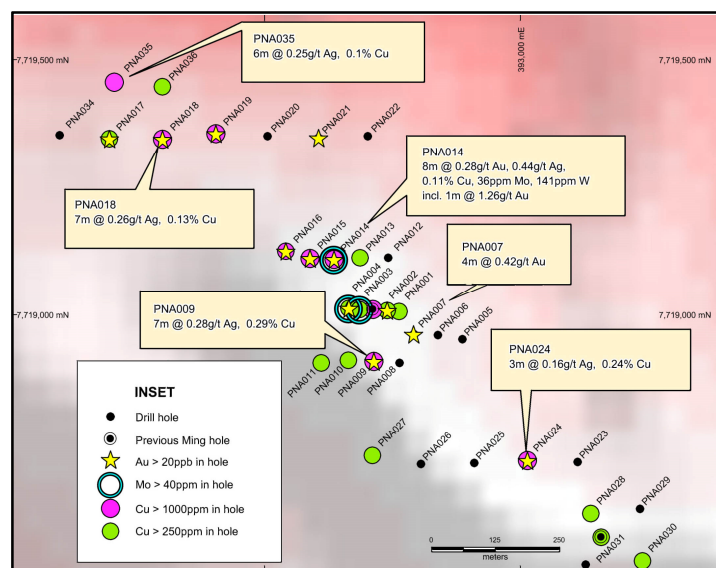


Figure 4 – Inset from Figure 3 showing detailed area of strong geochemical anomalism with significant intercepts



Kitgum Pader Project – Uganda (Sipa 100%)

During September a program of follow-up reverse circulation (RC) drilling and diamond drilling commenced at the **Akelikongo nickel-copper prospect**, part of its Kitgum-Pader Base Metal project in Uganda (see Figure 5).

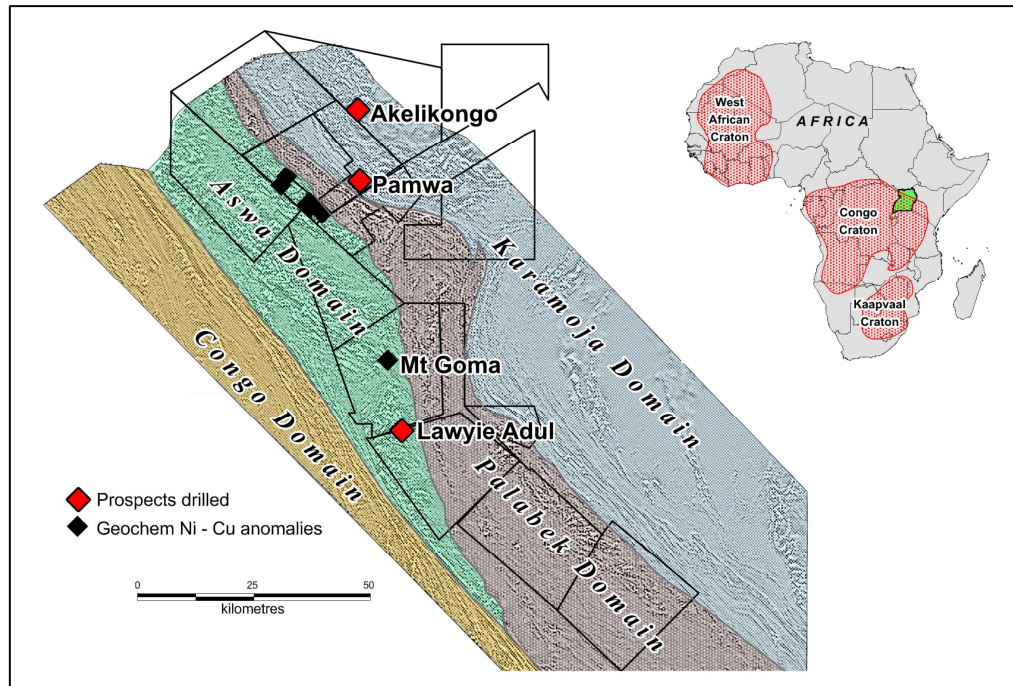


Figure 5 – Location of the Akelikongo Ni-Cu discovery on the north-eastern margin of the Congo Super-craton, Northern Uganda.

The program, of up to 3000m diamond and RC, is designed to further extend the previously identified basal zone of semi to massive sulphides on the western side of the Akelikongo Ultramafic complex.

The drilling aims to extend the mineralised zone **for a further 250m of strike down-plunge** (as shown in yellow in Figure 6 below)

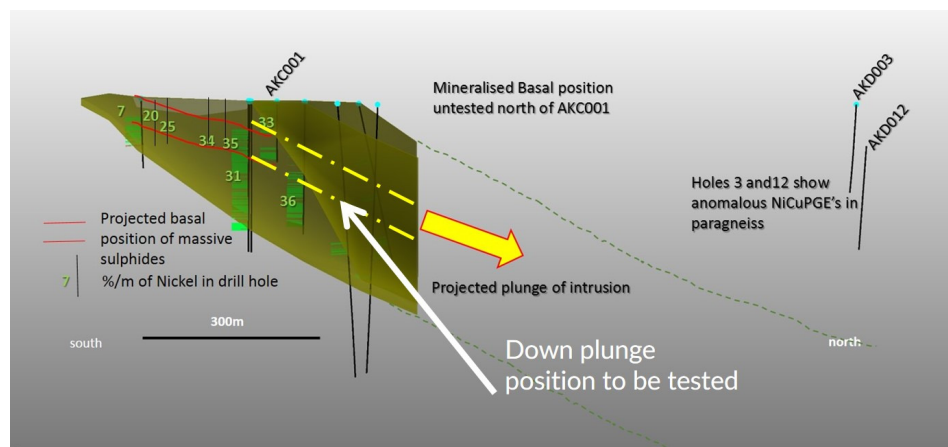


Figure 6 – Long section of Akelikongo intrusive complex, showing previous drilling and location of massive sulphide zone in red and the down-plunge projected extent in yellow to be tested during the current drill program.



Where possible 55mm PVC will be inserted down-hole to facilitate down-hole EM surveying planned for January 2017.

The latest phase of drilling follows the highly successful RC program completed by Sipa in May this year. The results from the previous program included the highest grade and widest matrix to semi-massive intercepts drilled at **Akelikongo** to date, including a significant semi-massive sulphide intercept of **10m grading 1% Ni, 0.22% Cu and 0.05% Co** from 63m down-hole in the footwall of the disseminated mineralisation in hole AKC004.

The previous program also returned some of the widest disseminated intercepts obtained to date from the project, including **119m @ 0.4% Ni, 0.12% Cu and 0.02% Co** from surface in disseminated mineralisation in hole AKC005.

The footwall matrix to semi-massive zones, which lie at the footwall of the wide and shallow zones of disseminated sulphides, are interpreted to represent the high-grade basal position at the time of mineralisation within the Akelikongo Ultramafic Complex. This sequence has been intersected in hole AKD004, in the south, continues up to AKC001, approximately 250m to the north, and remains open down-plunge to the north-west.

The basal position in other, better-understood nickel deposits is where massive sulphides (which have higher grades of nickel and copper) originally pooled during the initial formation of the deposit.

The discovery of an embayment in the footwall during this drill program, plus the knowledge of the existence of higher and thicker grades within the embayment and the identification of this as being the basal position, now provides a clear focus for future drilling of this mineralised position along the shallow north-westerly plunge of the chonolith as demonstrated in Figure 6.

CSA Global Pty Ltd Review

An independent review of the Akelikongo mineralisation and exploration model, commissioned by Sipa and conducted by CSA Global Pty Ltd has provided strong affirmation regarding Sipa's exploration approach at Akelikongo. A key conclusion of the review was that the nickel tenor is of good quality and should be pivotal in the further discovery of massive sulphide material.

In particular, analysis of Nickel and Sulphur across the deposit shows a constant relationship, providing significant vectors for future exploration, and suggesting that nickel grade can be reasonably expected to increase linearly with total sulphide content.

Further, the discovery of an embayment or terrace, as revealed by the last drilling program, demonstrates a good observed empirical relationship between sites of sulphide deposition and the embayment.

The key to finding a larger tonnage of higher grade mineralisation is to discover and recognize further larger embayments within the conduit. Other aspects reviewed were QA/QC protocols with respect to drilling and assaying for JORC compliance, drill spacing analysis into order to design optimal drill spacing for resource calculations, and some preliminary considerations regarding metallurgical sampling.



Outlook

Paterson North

A program to collect additional detailed gravity data is currently underway in order to further characterise the strong gravity high feature, which is spatially associated with the mineralisation.

The multi-element assay data, detailed gravity, digital elevation data (collected from the gravity surveying and drilling) and geological logging data (including magnetic susceptibility and conductivity data) will now be compiled and analysed to further understand this newly identified mineral system and enable planning for follow-up drilling and geophysical programs in the new year.

Exploration activity is gathering momentum in the Paterson Province, with a number of exploration programs planned by other explorers in the region.

Antipa Minerals, which owns the neighbouring Citadel project (containing the Magnum and Calibre copper gold deposits), announced on 10 October that a program of up to 6,000m of RC drilling would commence in mid-October to test a 20km corridor of Induced Polarisation (IP) anomalies and other targets. This drilling is fully funded by Rio Tinto Exploration Pty Ltd under the 2015 Farm-in agreement (see Antipa ASX Announcement – 10 October 2016).

Encounter Resources announced on 20 October that it was planning to commence drilling in November at the Telfer West Prospect, located 25km north-west of Newcrest's Telfer Gold Mine (see Encounter ASX Announcement – 20 October 2016).

Kitgum Pader

Subject to continued positive results in extending the massive sulphide part of the system down-plunge, it is anticipated the next step will be to conduct down-hole EM before a further phase of diamond drilling.

Further follow-up soil sampling is also planned over a number of previously identified regional targets.

A review and program to define the potential of cobalt in nickel laterites at Goma and Lawyie Adul in Sipa's western tenements is underway.

Corporate

During the quarter, the Company's Share Purchase Plan (SPP) closed heavily oversubscribed following an exceptional response from shareholders with the Company receiving valid applications for \$5.34 million from 698 shareholders.

In light of this strong demand, the Board elected to accept oversubscriptions over the original target of \$2.0 million to \$4.2 million, which was just under the maximum allowable amount under exception 15 of the ASX Listing Rule 7.2, and undertook a pro-rata scale-back of all valid applications received by the closing date. The result was that shareholders received 79% of valid applications.

Together with the proceeds of the recent share placement and existing cash reserves, the proceeds of the SPP have increased Sipa's cash reserves to \$5.07M at the end of the quarter, putting it in a strong position to progress its ongoing exploration activities, both in Australia and Uganda.



About Sipa

Sipa Resources Limited (ASX: SRI) is an Australian-based exploration company which is targeting the discovery of significant new gold-copper and base metal deposits in established and emerging mineral provinces with world-class potential.

In Northern Uganda, the 100%-owned Kitgum-Pader Base Metals project contains two new mineral discoveries both made by Sipa during 2014 and 2015. The intrusive hosted nickel-copper sulphide mineralisation at Akelikongo is one of the most significant nickel sulphide discoveries globally for 2015.

At Akelikongo, Sipa has delineated an intrusive-hosted chonolith nickel-copper sulphide system which is outcropping and plunges shallowly to the north-west for a distance of at least 500m and open to the north- west. Further drilling is planned at this exciting discovery in the second half of 2016.

In Australia, Sipa has a Farm-in and Joint Venture Agreement with Ming Gold at the Paterson North project in the Paterson Province of North West Western Australia, where extensive primary copper anomalism was intersected at the Obelisk prospect in primary bedrock adjacent to Rio/Antipa's Magnum and Citadel Gold/Copper project. The Company's maiden drilling program at the Obelisk prospect was completed in September 2016 with encouraging results.

The Paterson Province is a globally recognized, strongly endowed and highly prospective mineral belt for gold and copper including the plus world-class Telfer deposits, Antipa Minerals' Magnum and Calibre gold and copper deposits, the Nifty copper and Kintyre uranium deposits and the O'Callaghans skarn hosted tungsten deposit.

The information in this report that relates to the exploration results previously reported in the ASX Announcements dated 30 June 2015, 27 July 2015, 24 August 2015, 27 August 2015, 8 October 2015, 28 October 2015, 13 November 2015, 9 December 2015, 17 March 2016, 4 April 2016, 20 May 2016, 2 June and 15 June 2016, 5 September 2016 and 3 October 2016. The Company is not aware of any new information or data that materially affects the information included in those relevant market announcements.

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