

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

CORPORATE GOVERNANCE

Sipa's Corporate Governance policies have been formulated to ensure that it is a responsible corporate citizen. Unless otherwise noted, Sipa complies with all aspects of the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" ("The ASX Principles"). A description of the Company's main corporate governance practices is set out below. All of these practices were in place for the whole of the financial year unless otherwise noted.

THE BOARD OF DIRECTORS

The Board is responsible to shareholders for the overall Corporate Governance of the Sipa Group including its strategic direction, establishing goals for management and monitoring the achievement of those goals in a way which ensures that the interest of shareholders and stakeholders are promoted and protected. The Board operates in accordance with the broad principles set out in its charter which is available in the corporate governance information section of the Company's website at www.sipa.com.au.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least five directors and should maintain a majority of non-executive directors;
- the chairperson must be an independent, non-executive director;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board should meet at least quarterly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

Board Responsibilities

The responsibility for the operation and administration of the Sipa Group is delegated by the Board to the Managing Director and the executive team.

Specifically, the Board is responsible for:

- Identifying the expectation of the shareholders, as well as other regulatory and ethical expectations and obligations;
- Ensuring that the executive team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and executive team;
- Appointing and removing the managing director/CEO and overseeing succession plans for the senior executive team;
- Setting strategic direction of the Sipa Group and monitoring management's performance within that framework;
- Ensuring there are adequate resources available to meet Sipa's objectives;
- Approving and monitoring financial reporting and capital management;
- Approving and monitoring the progress of business objectives;
- Identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage those risks;
- Ensuring that the Sipa Group has appropriate corporate governance structures in place including standards of ethical behaviour and a culture of corporate and social responsibility; and
- Ensuring that the Board maintains an appropriate range of qualifications and expertise.

Board Members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the directors' report under the heading "Directors". There are 4 non-executive directors, all of whom are independent under the ASX Principles, and one executive director at the date of signing the directors' report.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Independence of Directors

The Company considers that an independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement. This independence is assessed continually throughout the year. Broadly, independent directors are non-executives, who:

- Are not a substantial shareholder of the Company or otherwise associated with a substantial shareholder of the Company;
- Have not been employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Has not within the last three years been a principal of a material professional adviser or a material consultant to the Company ;
- Is not a material supplier or customer of the Company or an officer of otherwise associated directly or indirectly with a material supplier or customer;
- Does not have a material contractual relationship with the Company or another Group member other than as a director. Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of the Company's expenditure or 10% of the advisors turnover is considered material.

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There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

COMMITTEES OF THE BOARD

- Audit Committee;
- Nomination & Compensation Committee; and
- Continuous Disclosure Committee

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. A copy of the charter can be found in the corporate governance information section of the Company's website at www.sipa.com.au. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility of the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement, signed by the Managing Director and CEO, and the Chief Financial Officer, that the company's financial reports give a true and fair view, in all material respects, of the company's financial position and comply in all material respects with relevant accounting standards.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.

The audit committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year review.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The members of the Audit Committee are Messrs D L Gooding (Chairman) and D J Williams. The Board has determined that two members are sufficient. This is one fewer than the minimum of 3 outlined in the ASX Principles. The qualifications of Audit Committee members and their attendance at meetings are detailed in the Directors' Report.

Continuous Disclosure Committee

The Board has established a Continuous Disclosure Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective Continuous Disclosure policy exists within the governance structure of Sipa and that an ongoing effective compliance regime is maintained.

This primary responsibility of the Committee is to establish, regularly review and monitor a Continuous Disclosure Policy which:

- Ensures compliance with continuous disclosure requirements of the ASX Listing Rules, the Corporations Act 2001 and the procedures set down by the Board of Sipa including review and verification of the accuracy of all public releases to the ASX of material consequence, prior to release to the market;
- Prevents selective or inadvertent disclosure and;
- Establishes guidelines for the review of all public relations materials including briefings and communications in general

Copies of both the Charter and the Policy can be found at the website www.sipa.com.au.

The members of the Continuous Disclosure Committee are Mrs Karen Field (Chair), Mr Michael Doepel and Tara Robson, Company Secretary. Ms Robson has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements under the ASX Listing Rules and overseeing information disclosure to the ASX, analysts, brokers, shareholders, and the public.

Nomination and Compensation Committee

The Board has established a Nomination and Compensation committee, which operates under a charter approved by the Board. A copy of the charter can be found in the corporate governance information section of the Company's website at www.sipa.com.au.

The Board recognizes that corporate performance is enhanced when there is a Board with the appropriate competencies to enable it to discharge its mandate effectively. The Committee's primary functions are to:

- Identify and evaluate the particular skills, experience and expertise that will best complement the Board's effectiveness;
- Review Board succession plans;
- Evaluate the Board's performance;
- Make recommendations for the appointment and removal of directors to the Board;
- Periodically review performance and succession planning for the Managing Director, senior executives and other key staff; and
- Review and make recommendations to the Board on remuneration packages and policies applicable to the senior executives and directors.

The members of the Nomination and Compensation Committee during the year were Messrs P I B Pearce (Chairman) and K L Field. The Board has determined that two members are sufficient. This is one fewer than the minimum of 3 outlined in the ASX Principles. The qualifications of Nomination and Compensation committee members are detailed in the Directors' Report.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

REMUNERATION AND PERFORMANCE

Board remuneration and performance

Non-executive director compensation

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors' fees and payments are determined within an aggregate directors' fee pool limit, which is periodically recommended by the Nomination and Compensation Committee for approval by shareholders. The maximum currently stands at \$200,000. It is the discretion of the board to distribute this pool amongst the non-executive directors based on the responsibilities assumed. Further details of the compensation of non-executive directors for the period ending 30 June 2009 is detailed in the Remuneration Report.

Performance review

The Committee has completed its first performance review to ensure that individual directors and the board are functioning effectively in achieving their functions outlined in the Board Charter. Following completion of a questionnaire, the chairman conducted formal discussions with each director individually to discuss their performance and ideas for improvement of the operation of the Board. The consolidated results form the basis of discussion with the full board which collectively identifies ways to improve board performance and determine the necessary implementation plans, as appropriate

Executive compensation

The Nomination and Compensation Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the managing director (CEO) and the senior management team. The Nomination and Compensation Committee assess the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Executive compensation framework

The Company aims to reward the executive with a level and mix of compensation commensurate with their position and responsibilities within the company and so as to:

- Ensure the general level of compensation and benefits for persons holding similar positions in the mining industry in Western Australia is achieved;
- Reward the performance of the executive against agreed key performance indicators covering both financial and non-financial measures of performance; and
- Other such factors as the Board considers relevant.

No executive has any direct incentive component of cash salary. The executive pay and reward framework has 3 components:

- Base pay;
- Long-term incentives through participation in the Sipa Resources Employee Share Option; and
- Superannuation at the statutory rate.

Whilst the objective of the executive remuneration framework is to link the executive reward to the performance of the consolidated entity over a number of years, there are no predetermined measures within the exploration industry which directly link the executive compensation to either the earnings of the company or to the growth of shareholder wealth. Base pay is structured as a total employment cost package which may be delivered as a mix of cash and other benefits at the executives' discretion with the objective of ensuring that it is competitive when considering the market for a comparable role. The committee is able to obtain independent advice, at the Company's expense, as to the appropriateness of remuneration packages and uses this information to perform a peer analysis.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The committee meets as and when required to review and make recommendations to the Board regarding the compensation arrangements for the Directors, the Managing Director and other senior executives. Performance is measured against the Company objectives identified in the annual Strategy Session.

There was no performance evaluation of the Managing Director or Company Secretary during the current year.

Further information on directors' and executives' remuneration is set out in the directors' report.

CODE OF CONDUCT

The Company has developed a Code of Conduct which applies to all directors, employees and consultants. In summary, the code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The Company has implemented a share trading policy to outline permitted trading in Company securities by directors, employees and consultants. A copy of the policy is located at the company website.

SHAREHOLDER COMMUNICATIONS

The Company has developed a Shareholder Communications Policy, a copy of which can be found at www.sipa.com.au.

DEPARTURES FROM THE PRINCIPLES

Risk Management and Internal Controls

The Company does not at this time maintain written policies on risk management or have a formal system of management reporting on whether those risks are being managed effectively. The Board does conduct a risk analysis as part of the annual strategy session. During this analysis, material business risks are identified and mitigating strategies formulated. The Company is reviewing measures necessary to introduce compliance of all aspects of Principle 7.1 and 7.2. These measures include attendance at ASX led presentations on the subject matter and review of specialist material suitable for small – mid-market cap companies.