

Monday 21<sup>st</sup> May, 2018

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### Portfolio Stock Developments

**Sipa Resources** - (ASX: SRI, Share Price: \$0.011, Market Cap: \$12m, coverage initiated @ \$0.025 in July 2016)



### Key Catalyst

**Landmark Farm-in and JV Agreement with Rio Tinto over its Kitgum-Pader base metals project, with potential funding of up to US\$57M of exploration expenditure and US\$2M in cash payments.**

We initiated coverage of SRI two years ago because of its technical pedigree and the fact that it offers exposure to two high-quality, large-scale project opportunities - its Great Sandy copper-gold project in Western Australia's Paterson Province, as well as its Kitgum-Pader base metals project in northern Uganda. The key issue for SRI however has been the dilemma of maintaining meaningful exploration activity on both projects, given their vast scale and geological nature, with somewhat limited financial resources. Encouragingly, the Farm-in and JV Agreement with Rio Tinto with respect to the Kitgum Pader Project reflects both the enormous potential of the acreage and the quality of the work that SRI's exploration team has undertaken over the past five years, as well as easing financial pressure on SRI.

## Latest Activity

### **Rio Tinto Kitgum Pader Project Deal**

SRI has signed a landmark Earn-in and Joint Venture Agreement (JVA) with Rio Tinto, which will see it acquire an interest in SRI's Kitgum Pader base metals project in Northern Uganda.

Rio Tinto has the option to sole fund a three-stage earn-in totalling up to US\$57 million (~A\$75 million). The Agreement encompasses SRI's entire Ugandan tenement package, within which it has been agreed to form a joint venture to explore, evaluate and, if feasible, develop one or more mines.

Under the deal, RIO will contribute expertise and funding, while SRI will continue to manage exploration activities in the initial stages of the joint venture, leveraging off its extensive technical and logistical experience operating in Uganda.

Stage 1 requires US\$12 million of expenditure within five years to earn an aggregated 51% interest (included in this amount is a payment of US\$0.25 million payable to SRI at execution of the JVA that forms part of the project expenditure).

Stage 2 requires a further US\$15 million of expenditure within three years to earn a 65% interest, whilst Stage 3 requires a further US\$30 million of expenditure, or the declaration of a JORC resource containing at least 250,000 tonnes of contained nickel or nickel equivalents within three years.

SRI will receive cash payments totalling up to US\$2 million, comprising US\$0.25 million payable at execution, US\$0.25 million 18 months after the commencement of the JVA and US\$1.5 million at the commencement of Stage 2.

The Agreement is conditional upon satisfactory completion of due diligence by RIO within three months of signing.

### How Will the Agreement Work?

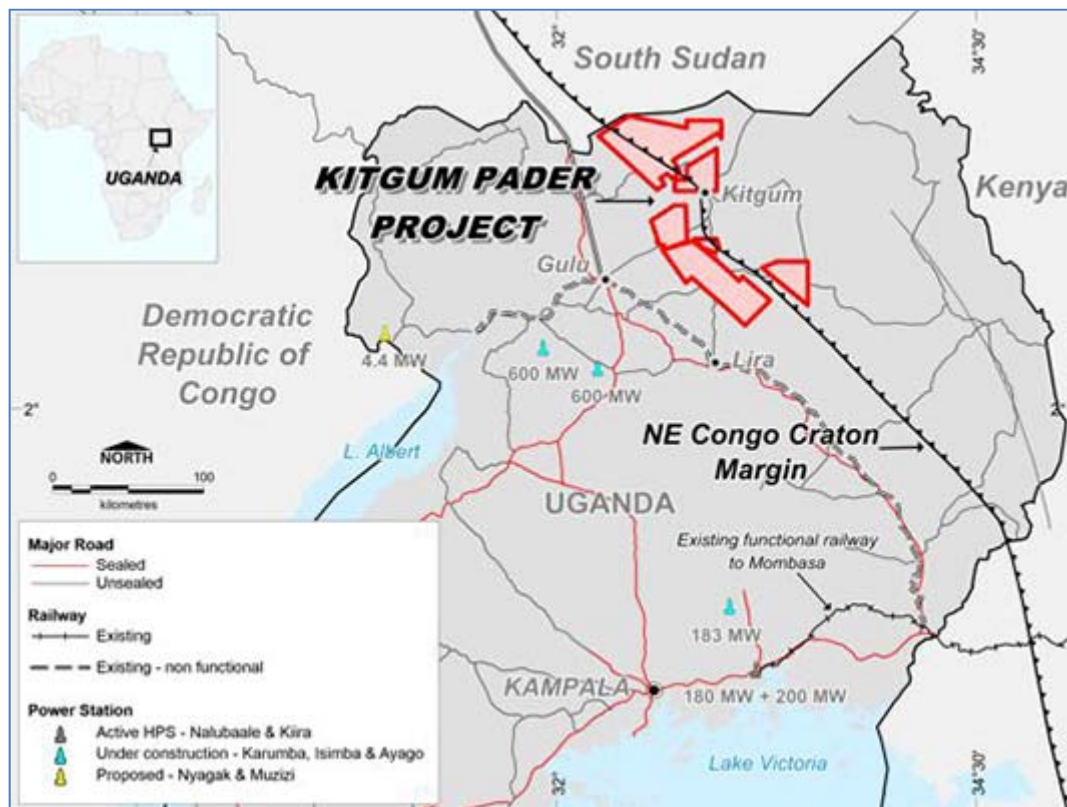
SRI will be initial JV Manager, with RIO reserving the right to manage after 18 months of the commencement of the JVA. A Management Committee made up of two members from each company will oversee key project-related decisions, including approving work programmes and budgets submitted by the Manager.

Once the earn-in is completed, the parties will be responsible for contributing to project expenditure in proportion of their Participating Interest, or face straight-line dilution. If a party's interest falls below 10%, it can elect to convert that interest to a 1.5% net smelter royalty, capped at US\$60 million. RIO will have exclusive marketing rights in relation to mine output, with an arm's length commission applying.

## Technical Significance

It is a company-defining transaction for SRI, which vindicates the company's long-term focus on pursuing the discovery of world-class base metal and gold-copper deposits in emerging mineral provinces with Tier-1 potential. Attracting a global major like RIO to farm-in to the Kitgum Pader Project reflects positively on the project's potential and the quality of the work that SRI has completed over the past five years.

The JVA will allow SRI to accelerate nickel-copper exploration activities within the broader Kitgum Pader Project area, while also continuing to evaluate the Akelikongo discovery – which continues to emerge as one of the more significant magmatic nickel-copper discoveries to be made globally in the last few years.



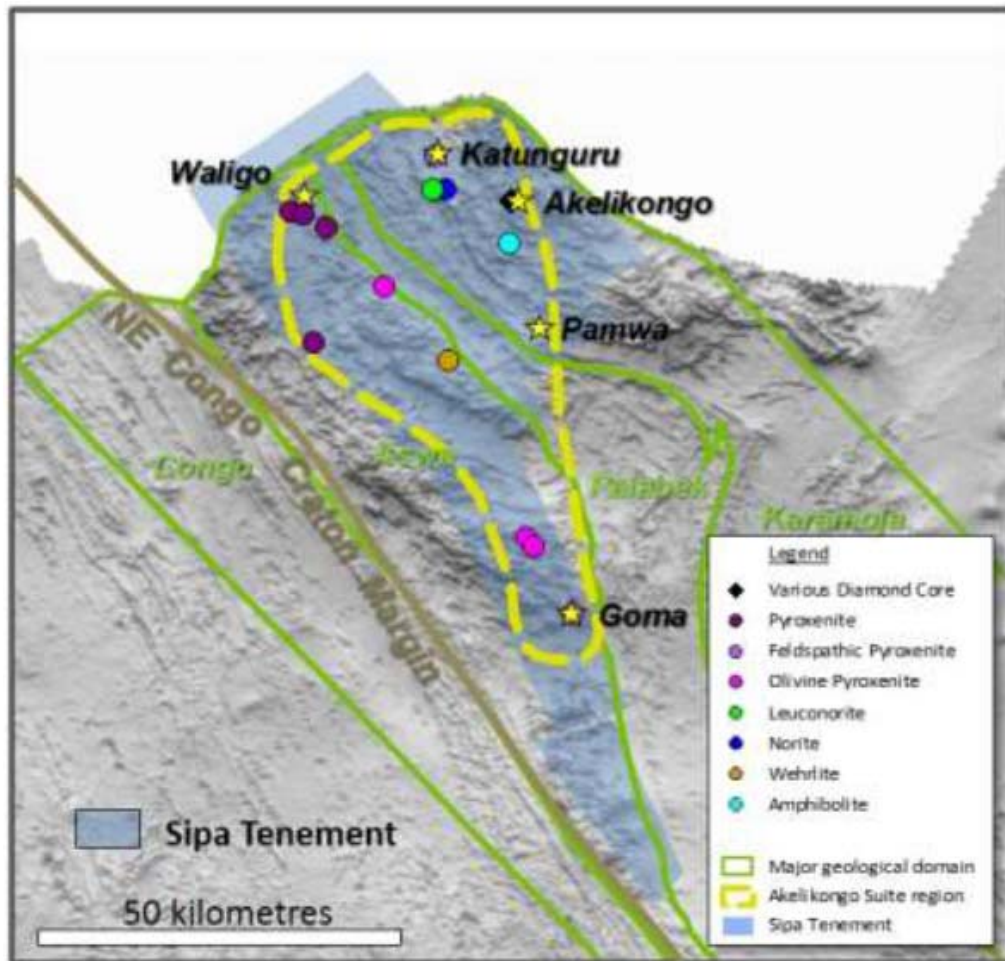
**Figure 1:** Project Location & Tenure

## Project Overview

SRI discovered both the Akelikongo nickel-copper system and the Pamwa lead-zinc-silver prospects, hosted within the Kitgum Pader project, during 2014 and 2015. Encouragingly, it has made strong progress since then despite the inevitable budgetary constraints that face a junior exploration company.

The intrusive-hosted, chonolith-style mineralisation at Akelikongo has so far been defined over a strike length of at least 500m and remains open, with recent drilling having returned some significant thick zones of disseminated and semi-massive nickel sulphide mineralisation. The mineralisation exhibits strong similarities to some of the world's great intrusive-hosted nickel orebodies, such as Nova, Raglan and Voisey's Bay.

The Kitgum Pader project has been proven to contain multiple intrusive complexes that exhibit genetic similarities to Akelikongo, highlighting belt-scale nickel discovery potential. It is this prospectivity that has attracted RIO. These areas, including the already known prospects such as Goma and Katunguru, will be sampled further and detailed ground gravity will commence as soon as practical. This will be followed up later in 2018 with drilling of selected targets and at Akelikongo.



**Figure 2:** Location of litho-geochemical samples from ultramafic complexes and known prospects, outlining the priority area where “Akelikongo suite” intrusions have been identified.

## Other Recent Activity

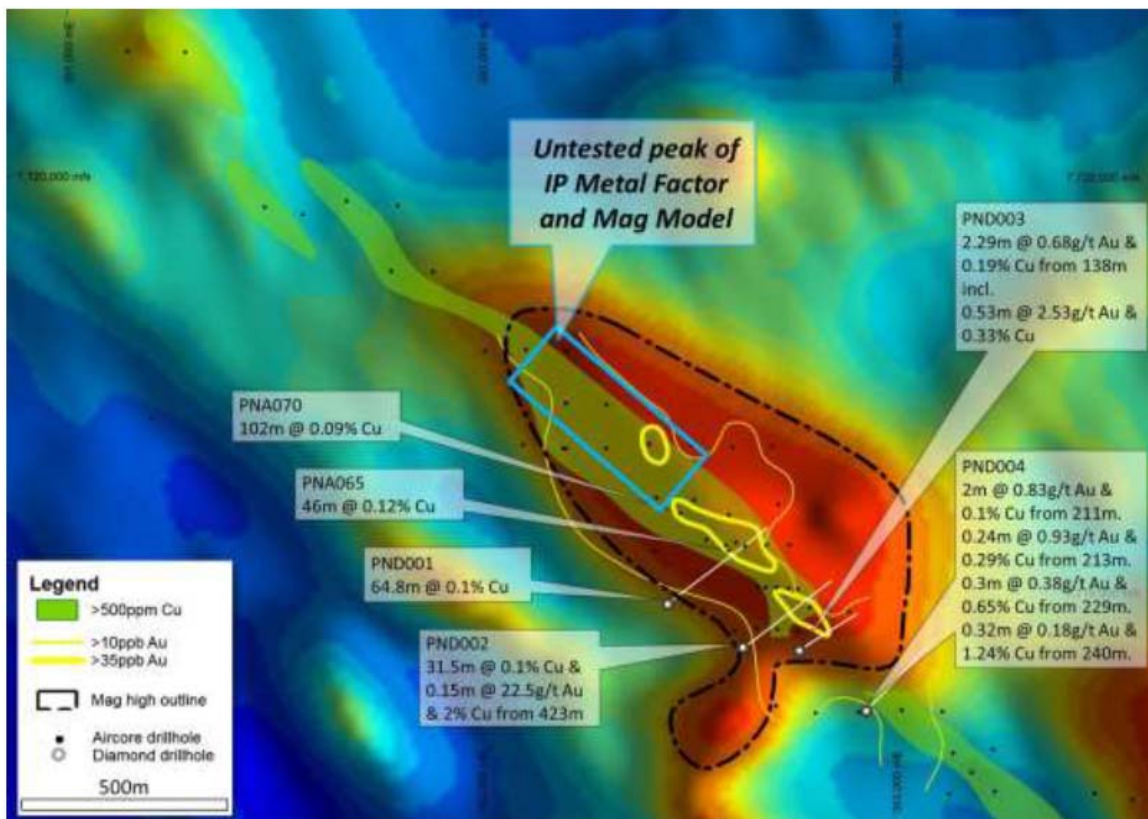
### **Paterson Province Exploration Campaign Imminent**

SRI has advised of the imminent commencement of its exploration field season in the North Paterson province of Western Australia, designed to test several strong geophysical targets that have been developed and refined following significant advances in the company’s geological understanding of the area. The targets have been identified as a result of the integration of magnetics, gravity, ground and airborne electromagnetic data sets, as well as drilling undertaken during the 2016 and 2017 field seasons.

The North Paterson continues to emerge as an exploration ‘hot spot’ with active exploration programs currently being undertaken by major mining companies such as Rio Tinto (ASX: RIO) and Newcrest Mining (ASX: NCM), along with fellow junior exploration companies such as Antipa Minerals (ASX: AZY) and Encounter Resources (ASX: ENR) – which points to the world-class potential and underexplored nature of the belt. In addition, Fortescue Metals Group (ASX: FMG) has recently joined the search, with tenements pegged immediately to the north of SRI’s ground.

Obelisk Prospect

Since entering a Farm-In and Joint Venture with Ming Gold Ltd in June 2016, SRI has successfully progressed exploration on its large ground-holding, resulting in the discovery of a significant copper-rich polymetallic mineral system at the Obelisk prospect. At Obelisk, broad bedrock zones have been delineated that extend for more than 4km at greater than 0.05% copper, with discrete higher grade gold-copper zones. Diamond drill testing including at least one 500m deep hole is planned to test further along strike of the combined magnetic/gradient array IP target.



**Figure 3:** Obelisk Magnetics with new target area shown in blue rectangle with previous drilling.

Andromeda Prospect

Re-processing and interpretation of BHP’s extensive airborne EM survey using GEOTEM from the early 1990s has now been completed. At the time, BHP identified three priority EM anomalies: Andromeda, Magnum and one located to the east of Magnum. Andromeda and Magnum were followed up and confirmed with moving loop EM. The Andromeda EM target was not drill tested until 1996, when Croesus

Mining and Gindalbie Gold, in a Joint Venture with BHP, attempted to test the EM anomaly with RC hole AKRC001. The hole returned anomalous bedrock copper, nickel and PGEs in an altered hornblende and olivine-bearing mafic intrusive, however it did not test the peak of the GEOTEM and moving-loop EM anomaly or the adjacent distinctive magnetic anomaly. SRI's plans for the upcoming field season include RC drill testing the Andromeda EM anomaly and regional reconnaissance air-core/ RC drilling to the west of Andromeda.

### **Summary**

***SRI is entering a very exciting period, with exploration activity set to resume on dual fronts. What's also significant is the fact that although SRI has so far been unable to create strong market excitement - in terms of share price activity - with respect to its projects, its industry peers certainly recognise the quality of its projects. This is reflected in the potentially transformational deal it has achieved with RIO. This should provide reassurance to investors that the company is on the right track. Deals like this ease the financial pressure on SRI, allowing it to channel its funding into its Paterson Province exploration activities. SRI remains held within our Portfolio.***

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