



Sipa Resources Limited

SIPA RESOURCES LIMITED

ABN 26 009 448 980

HALF YEAR FINANCIAL REPORT

FOR THE HALF - YEAR ENDED 31 DECEMBER 2019

DIRECTORS

Tim Paul Kennedy, B.App Sc (Geology), MBA, MAusIMM, MGSA (Chairman)
Pip Darvall, MSc (Geology), MBA (Managing Director since 1 February 2020)
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

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SUBIACO WA 6008
Telephone (08) 9388 1551
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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

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 2019.

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)

Pip Darvall, MSc (Geology), MBA (Managing Director since 1 February 2020)

Craig McGown, BComm, FCA, ASIA Non-Executive Director (Non-Executive Director)

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

Lynda Burnett BSc (Hons) GAICD, MAusIMM, MSEG (Managing Director). On 19 November 2019 the Company announced that Ms Burnett had provided her notice of resignation. Her resignation was effective 31 January 2020.

REVIEW OF OPERATIONS

Sipa is an Australian-based exploration company whose strategy is to provide shareholder exposure to the discovery of tier 1 mineral deposits, by generating and exploring these projects in Australia and other approved jurisdictions. 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.

During the period, the Kitgum-Pader Project was explored pursuant to an Earn-in and Joint Venture Agreement (JVA) with Rio Tinto Mining & Exploration Limited (Rio Tinto). On 31 January 2020 Rio Tinto provided notice of its intention to terminate the JVA. Sipa is currently in discussions with several parties to fund future exploration beyond the current joint venture with Rio Tinto which will terminate on 30 April 2020. Project expenditure during the 3-month notice period will continue to be funded by Rio Tinto.

During the period Rio Tinto contributed funds in advance of \$1,597,300 to Sipa. As at 31 December 2019, \$161,173 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 \$1,577,015 (2018: Loss \$1,716,012).

	Consolidated	
	For the half year ended 31 Dec 2019	For the half year ended 31 Dec 2018
	\$	\$
Revenue	191,224	194,396
Other income	122,385	253,262
Exploration expenditure	(1,162,535)	(1,449,327)
Administrative expenses	(728,089)	(714,343)
Net loss for the period	(1,577,015)	(1,716,012)
Exchange differences arising on translation of foreign operations	(558)	18,239
Total comprehensive loss for the period	(1,577,573)	(1,697,773)

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

During the period Sipa continued work on its Paterson North project with a major EM survey completed, resulting in several new targets which were subsequently drill tested. A total of 26 aircore holes for 2849m was undertaken, expanding the anomalous metal footprint at Obelisk and identifying new prospects Donut and Dorado for future follow up testing.

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

Diamond drilling at the Akelikongo prospect during the period resulted in the identification of additional Nickel-Copper mineralisation within disseminated and massive sulphides. Eight holes for a total of 3330.8m were completed at Akelikongo, with 5 of the eight holes intersecting mineralised sulphides.

Sipa Resources Limited – Directors’ Report

General

Several new tenements were applied for during the period within Western Australia and South Australia based on the Company’s project generation work.

Corporate

Pip Darvall was appointed Managing Director on 1 February 2020. Lynda Burnett resigned 31 January 2020.

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.



P Darvall
Managing Director
PERTH, 11 March 2020



Auditor's Independence Declaration

As lead auditor for the review of Sipa Resources Limited for the half-year ended 31 December 2019, 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 Sipa Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Helen Bathurst'.

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
11 March 2020

Sipa Resources Limited
Condensed Consolidated Statement of Comprehensive Income
For The Half Year Ended 31 December 2019

	Notes	Consolidated	
		For the half year ended 31 Dec 2019	For the half year ended 31 Dec 2018
		\$	\$
Continuing operations			
Revenue	3	191,224	194,396
Other income	3	122,385	253,262
Exploration expenditure	3	(1,162,535)	(1,449,327)
Administrative and other expenses	3	(728,089)	(714,343)
Loss from continuing operations before income tax		(1,577,015)	(1,716,012)
Income tax expense		-	-
Net loss for the period		(1,577,015)	(1,716,012)
Other comprehensive profit /(loss)			
<i>Items that subsequently may be reclassified through profit and loss</i>			
Exchange differences arising on translation of foreign operations		(558)	18,239
Other comprehensive profit/(loss) for the period, net of tax		(558)	18,239
Total comprehensive profit/(loss) for the period		(1,577,573)	(1,697,773)
Loss per share (cents per share)			
- Basic loss per share for the half year		(1.1)	(1.4)
- Diluted loss per share for the half year		(1.1)	(1.4)

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 2019

	Note	Consolidated As at 31 Dec 2019 \$	As at 30 Jun 2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,986,532	3,911,912
Term deposits		30,000	30,000
Trade and other receivables		25,557	42,488
Prepayments		86,319	45,624
Total Current Assets		2,128,408	4,030,024
Non-Current Assets			
Exploration and evaluation		581,037	581,037
Financial assets		-	1,700
Other financial assets		21,370	21,770
Property, plant and equipment		131,134	148,895
Total Non-Current Assets		733,541	753,402
TOTAL ASSETS		2,861,949	4,783,426
LIABILITIES			
Current Liabilities			
Trade and other payables		155,484	350,707
Deferred joint venture contributions	5	161,173	323,031
Provisions		234,912	220,181
Total Current Liabilities		551,569	893,919
Non-Current Liabilities			
Provisions		13,063	33,304
Total Non-Current Liabilities		13,063	33,304
TOTAL LIABILITIES		564,632	927,223
NET ASSETS		2,297,317	3,856,203
EQUITY			
Issued capital	6	111,004,480	111,004,480
Accumulated losses		(110,120,186)	(108,543,171)
Foreign currency reserve		(3,273)	(2,715)
Equity benefits reserve		1,416,296	1,397,609
TOTAL EQUITY		2,297,317	3,856,203

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 2019

	Consolidated	
	For the half year ended 31 Dec 2019 \$	For the half year ended 31 Dec 2018 \$
Cash Flows From Operating Activities:		
Payments to suppliers and employees	(746,390)	(764,027)
Expenditure on exploration	(3,092,870)	(3,147,932)
Funding from Rio Tinto for joint venture	1,774,769	3,087,930
Interest received	19,182	14,084
Exploration Incentive Scheme Grants received	119,685	172,388
Receipts from miscellaneous income	2,700	52,409
Net cash used in operating activities	(1,922,924)	(585,148)
Cash Flows from Investing Activities:		
Cash refunded from security deposits	400	-
Payment for purchases of property, plant and equipment	(732)	(6,555)
Net cash (used)/ from investing activities	(332)	(6,555)
Cash Flows from Financing Activities		
Proceeds from issuance of shares	-	3,023,700
Share issue expenses	-	(253,757)
Net cash provided by financing activities	-	2,769,943
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,923,256)	2,178,240
Cash and Cash Equivalents at beginning of the period	3,911,912	2,195,905
Effects of foreign exchange movement on opening cash balance	(2,124)	28,465
Cash and Cash Equivalents at the end of the period	1,986,532	4,402,610

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 2019

CONSOLIDATED	Issued capital \$	Accumulated losses \$	Equity benefits reserve \$	Foreign currency reserve	Total \$
At 1 July 2018	106,972,855	(105,710,109)	1,337,920	(8,424)	2,592,242
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
At 31 December 2018	109,742,798	(107,426,121)	1,368,010	9,815	3,694,502
At 1 July 2019	111,004,480	(108,543,171)	1,397,609	(2,715)	3,856,203
Loss for the period	-	(1,577,015)	-	-	(1,577,015)
Other comprehensive income	-	-	-	(558)	(558)
Total comprehensive loss for the period	-	(1,577,015)	-	(558)	(1,577,573)
Shares issued	-	-	-	-	-
Costs of issuing shares	-	-	-	-	-
Share based payment	-	-	18,687	-	18,687
At 31 December 2019	111,004,480	(110,120,186)	1,416,296	(3,273)	2,297,317

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 2019 was authorised for issue in accordance with a resolution of the directors on 11 March 2020.

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 2019 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 the financial assets that 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 2019 and considered together with any public announcements made by Sipa Resources Limited during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

The Group incurred a net loss for the period ended 31 December 2019 of \$1,577,015 (2018: \$1,716,012) and a net cash outflow from operating activities of \$1,922,924 (2018:\$585,148).

As at 31 December 2019 the Group had unrestricted cash and cash equivalents of \$1,825,359 (30 June 2019: \$3,588,881) and a working capital surplus of \$1,576,839 (30 June 2019: \$3,136,105).

Subsequent to the end of the half-year, Rio Tinto provided notice of its intention to terminate the Earn-in and Joint Venture Agreement (JVA) that provides current funding for the Group's Kitgum-Pader project in Uganda. The end of the Earn In Agreement is 30 April 2020.

Also subsequent to the end of the half-year, the Group has entered into a Binding Preliminary Purchase Agreement (Agreement) to sell a portfolio of royalties to SilverStream SEZC (SilverStream) for a total consideration of \$2,250,000. The total consideration comprises \$1,000,000 in cash and \$1,250,000 in shares upon the imminent public listing of SilverStream.

Based on the Group's cash flow forecast the Group may require additional funding in the next 12 months to enable the Group to pursue its exploration strategy, 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 of the above, in particular, the risks associated with the SilverStream transaction mean there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on the following pertinent matters:

- The Directors believe that future funding will be available to meet the Group's objectives and debts as and when they fall due, including through engaging with parties interested in joint venture arrangements and/or raising additional capital through equity placements to existing or new investors. The Group has a demonstrated history of success in this regard.
- The Group has entered into a Binding Preliminary Purchase Agreement (Agreement) to sell a portfolio of royalties to SilverStream SEZC (SilverStream) for a total consideration of

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2019

\$2,250,000. The total consideration comprises \$1,000,000 in cash and \$1,250,000 in shares upon the imminent public listing of SilverStream.

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;

The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

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

New and amended accounting standards and interpretations

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2019.

AASB16 Leases – impacts on adoption

The Group has applied AASB 16 from 1 July 2019. On transition no adjustments were required as the group applied the practical expedient permitted by the standards which exempts any leases with a remaining term of less than 12 months.

New accounting standards and interpretations issued but yet effective

There are no Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective which have an impact on the group for the period ended 31 December 2019.

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2019

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 2019 is presented below:

	6 months to 31 Dec 2019 Uganda \$	6 months to 31 Dec 2019 Australia \$	6 months to 31 Dec 2019 Unallocated \$	6 months to 31 Dec 2019 Consolidated \$
Revenue from continuing operations	173,179	-	18,045	191,224
Other income	-	122,385	-	122,385
Exploration expenditure	(13,223)	(1,149,312)	-	(1,162,535)
Administrative and other expenses	-	-	(728,089)	(728,089)
Segment loss before tax	159,956	(1,026,927)	(710,044)	(1,577,015)
Current assets	224,121	-	1,904,287	2,128,408
<i>Non-current assets</i>				
Exploration and evaluation	581,037	-	-	581,037
Other financial assets	-	-	21,370	21,370
Property, plant and equipment	18,500	108,436	4,198	131,134
TOTAL ASSETS	823,658	108,436	1,929,855	2,861,949
Current liabilities	211,303	-	340,266	551,569
Non-current liabilities	-	-	13,063	13,063
TOTAL LIABILITIES	211,303	-	353,329	564,632
NET ASSETS	612,355	108,436	1,576,526	2,297,317
Capital expenditure	732	-	-	732

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2019

2 SEGMENT INFORMATION (Continued)

Segment Financial Information for the six months ended 31 December 2018 is presented below:

	6 months to 31 Dec 2018 Uganda \$	6 months to 31 Dec 2018 Australia \$	6 months to 31 Dec 2018 Unallocated \$	6 months to 31 Dec 2018 Consolidated \$
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)
Segment loss before tax	248,726	(1,293,759)	(670,979)	(1,716,012)
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
TOTAL ASSETS	1,799,114	142,807	3,438,010	5,379,931
Current liabilities	1,316,881	57,456	285,296	1,659,633
Non-current liabilities	-	-	25,796	25,796
TOTAL LIABILITIES	1,316,881	57,456	311,092	1,685,429
NET ASSETS	482,233	85,351	3,126,918	3,694,502
Capital expenditure	1,766	-	4,789	6,555

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2019

3. REVENUE, INCOME AND EXPENSES	CONSOLIDATED	
	2019	2018
Revenue		
Interest income	18,045	14,899
Management fee income	173,179	179,497
	<u>191,224</u>	<u>194,396</u>
Other income		
Western Australia Exploration Incentive Scheme Grant	119,685	172,388
Other	2,700	52,409
Gain on unrealised foreign exchange	-	28,465
	<u>122,385</u>	<u>253,262</u>
Other expenses		
<i>Administrative expenses</i>		
Employee benefits expense	325,203	328,414
Corporate expense	179,784	201,300
Consultants	75,900	26,400
Office expense	124,740	138,291
Other	22,462	19,938
	<u>728,089</u>	<u>714,343</u>
Exploration expenditure		
Exploration expenditure incurred on behalf of Kitgum Pader JV	1,759,158	1,965,082
Less: exploration expenditure funded by Rio Tinto	(1,759,158)	(1,965,082)
Exploration expenditure – other projects	1,162,535	1,449,327
	<u>1,162,535</u>	<u>1,449,327</u>
4. CASH AND CASH EQUIVALENTS		
	As at	As at
	31 Dec 2019	30 Jun 2019
Cash at bank and in hand	1,375,359	1,388,881
Short-term deposits	450,000	2,200,000
Cash reserved for JV expenditure	161,173	323,031
	<u>1,986,532</u>	<u>3,911,912</u>
As at 31 December 2019, \$161,173 is held as restricted cash being monies received in advance from Rio Tinto and restricted for use on the Kitgum-Pader project.		
5. DEFERRED JOINT VENTURE CONTRIBUTIONS		
Opening balance	323,031	-
Contributions received from Rio Tinto	1,597,300	3,859,319
Expenditure	(1,759,158)	(3,536,288)
	<u>161,173</u>	<u>323,031</u>

In May 2018 Sipa 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.

During the period Rio Tinto contributed funds in advance of \$1,597,300 to Sipa as part of their initial contribution. As at 31 December 2019, \$161,173 is held as restricted cash being monies received in advance from Rio Tinto and restricted for use on the Kitgum-Pader project (Note 4).

Sipa Resources Limited
Notes to the condensed financial statements
For the Half-Year Ended 31 December 2019

6. CONTRIBUTED EQUITY	As at 31 Dec 2019 \$	As at 30 Jun 2019 \$
Issued and fully paid		
<i>Ordinary shares</i>	111,004,480	111,004,480
Movements in shares on issue	No	\$
Balance at beginning of period	1,707,295,911	111,004,480
Share consolidation ⁽¹⁾	(1,565,019,330)	-
Balance at end of financial year	<u>142,276,581</u>	<u>111,004,480</u>

(1) On 23 July 2019, Shareholders approved the consolidation of its share capital on the basis that every 12 fully paid ordinary Shares in the capital of the Company be consolidated into one fully paid ordinary Share and the Options on issue be adjusted in accordance with ASX Listing Rule 7.22.1.

Options outstanding and movements in share options during the period⁽¹⁾

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 ⁽¹⁾	31/8/21	\$1.32	131,250	-	-	-	131,250
1/9/16 ⁽²⁾	31/8/21	\$1.32	257,000	-	-	(94,500)	162,500
19/12/16 ⁽³⁾	18/12/21	\$0.72	516,750	-	-	-	516,750
19/12/16 ⁽⁴⁾	18/12/21	\$0.72	490,751	-	-	(159,500)	331,251
25/11/19	24/11/23	\$0.13	-	1,300,000	-	-	1,300,000
25/11/19	31/1/23	\$0.15	-	2,000,000	-	-	2,000,000
			<u>1,395,751</u>	<u>3,300,000</u>	<u>-</u>	<u>254,000</u>	<u>4,441,751</u>

Options issued period ended 31 December 2019

On 25 November 2019, 1,300,000 options expiring 24 November 2023 with an exercise price of \$0.13 each were issued to employees pursuant to the Sipa Employee Share Option Plan. On that same date a further 2,000,000 options expiring 31 January 2023 with an exercise price of \$0.15 each were issued to Pip Darvall pursuant to the Sipa Employee Share Option Plan as part of his employment agreement.

The fair value of the equity-settled share options (ESOs) was determined at the date of the grant. The number of options granted was determined by the Board with reference to comparative salary information. The options to the employees are subject to internal hurdles. There are no hurdles associated with the options issued to Pip Darvall other than continued employment.

The Black-Scholes Merton model was used to estimate the fair value of the ESOs. The following table sets out the key assumptions adopted to value the Options.

	Managing Director	Other Personnel
	Black-Scholes Merton	Black-Scholes Merton
Valuation method	Black-Scholes Merton	Black-Scholes Merton
Valuation date	25/11/2019	25/11/2019
Closing share price at valuation date	\$0.081	\$0.081
Exercise price	\$0.15	\$0.13
Vesting Date	1/02/2021	25/11/2020
Expiry	31/01/2023	24/11/2023
Expected life of option	1/02/2022	26/05/2022
Dividend yield	0%	0%
Expected volatility	56.03%	56.03%
Historical volatility	56.03%	56.03%
Risk-free interest rate	0.84%	0.842%
Fair value of options issued	\$0.01	\$0.017

Options issued period ended 31 December 2018

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

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

Mr Pip Darvall commenced 1 February 2020 as Managing Director replacing Lynda Burnett who resigned effective 31 January 2020.

Rio Tinto advised their intention to terminate the Earn In and JV Agreement over the Kitgum-Pader Project. The Agreement will expire on 30 April 2020.

The Group has entered into a Binding Preliminary Purchase Agreement (Agreement) to sell a portfolio of royalties to SilverStream SEZC (SilverStream) for a total consideration of \$2,250,000. The total consideration comprises \$1,000,000 in cash and \$1,250,000 in shares upon the imminent public listing of SilverStream. The Agreement is subject to:

- Shareholder approval pursuant to ASX Listing Rule 11.4.1(b);
- Standard conditions for a transaction of this nature,
- One third party approval,
- Completion of relevant documentation, and
- Listing of SilverStream on the Toronto Stock Exchange or TSX Venture Exchange by 6 April 2020, and completing a capital financing of not less than US\$3,000,000

There were no other events subsequent to 31 December 2019 which would require disclosure in the financial report.

**SIPA RESOURCES LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

In accordance with a resolution of the directors of Sipa 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 2019 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.



P Darvall
Managing Director

Perth, Western Australia

Dated: 11 March 2020



Independent auditor's review report to the members of Sipa Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Sipa Resources Limited (the Company) and the entities it controlled from time to time during the half-year (together the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2019, 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.

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 gives a true and fair view and 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 2019 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 Sipa 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*.

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 2019 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*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which indicates the Group incurred a net loss after tax of \$1,577,015 for the year ended 31 December 2019 and a net cash outflow from operating activities of \$1,922,924. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PriceWaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
11 March 2020