

Wednesday 3rd August, 2016

Drilling Begins at Paterson North – New Portfolio Stock (coverage initiated @ \$0.025 in July 2016)

Sipa Resources (ASX: SRI, Share Price: \$0.027, Market Cap: \$18m) is a relatively new Portfolio stock in terms of coverage. The company has been a mainstay of the Australian resources scene, listed for nigh on 30 years on the ASX and with a celebrated history of exploration and production success. The stock has attracted our attention because of exploration activity within Western Australia's Paterson Province.

Sipa is on track to commence its maiden drilling program at its newly-acquired Great Sandy Copper-Gold Project by the end of this week. Work will comprise up to 10,000 metres of air-core drilling to test a newly-discovered and extensive primary copper-gold anomaly, known as the Obelisk prospect.



Market Significance

Our coverage initiation of Sipa is occurring at what I believe is a very fortuitous time. Firstly, its share price looks to have bottomed back in March around \$0.014 and since then strong trading volumes have coincided with an appreciating share price. Secondly, Sipa is set to commence maiden drilling at its Obelisk prospect, which represents an extensive primary copper-gold anomaly that lies immediately to the north of fellow Portfolio stock, Antipa Minerals' (ASX: AZY) Magnum and Citadel copper-gold projects. These projects have garnered strong market interest and both companies' drilling will be closely watched.

Announcement Detail – Obelisk Project Update

Sipa Resources has announced the imminent commencement of its maiden drilling program at its recently-acquired Great Sandy Copper-Gold Project in Western Australia's Paterson Province, with work set to commence by the end of this week.

The company recently completed a Farm-in and Joint Venture agreement with private group, Ming Gold Pty Ltd, under which Sipa can earn up to an 80% stake in the project (E45/3599) by way of expenditure of \$3 million within a four-year period.

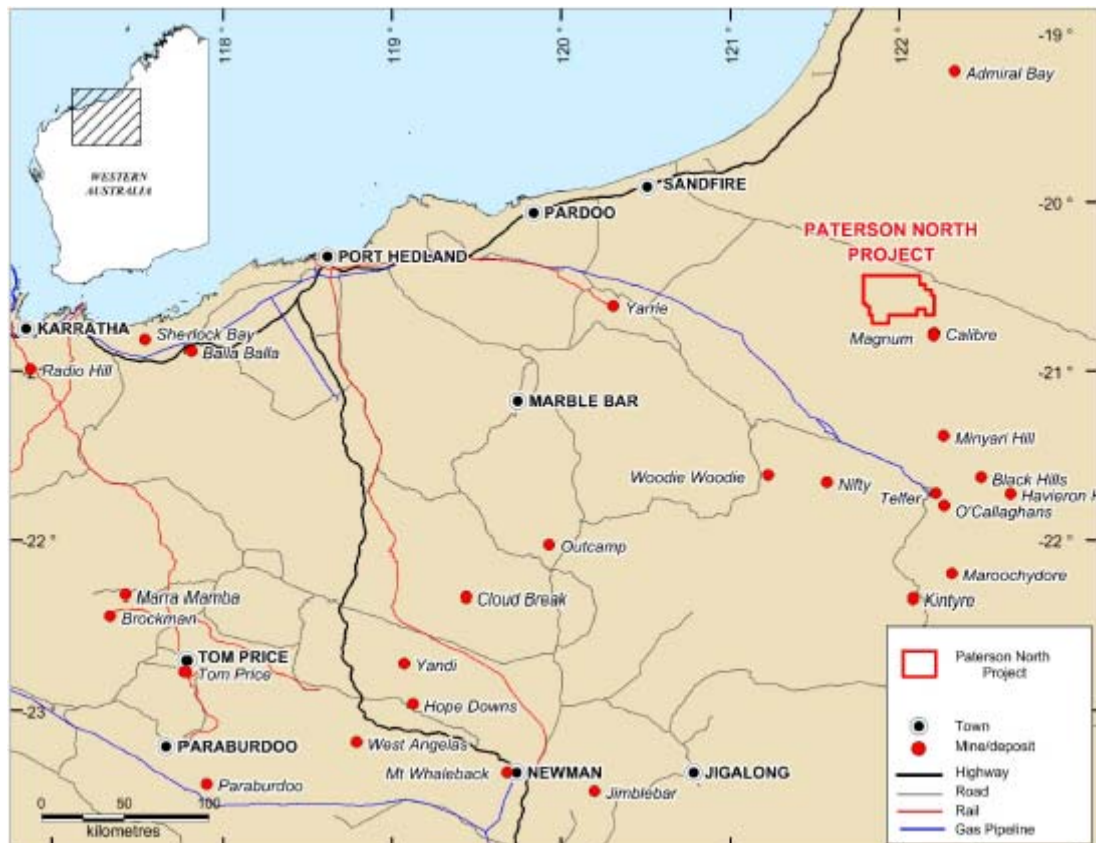


Figure 1: Sipa's Paterson North copper-gold projects

The maiden drilling program will be focused on following up previous copper intersections from wide-spaced reconnaissance drilling conducted by Ming during late 2015, which returned mineralised intercepts comprising up to 0.32% Cu, 30ppb Au and 25ppm Bi within an anomaly measuring 4km in length. Visible primary chalcopyrite was identified in a number of these holes.

The mineralisation is hosted within a metamorphosed gabbro, associated with a strong gravity feature immediately to the south of an interpreted non-magnetic granite intrusion. The mineralisation is also associated with magnetite alteration.

The program will comprise up to 10,000 metres of aircore drilling and is designed to test a newly-discovered extensive primary copper-gold-bismuth anomaly, known as the Obelisk prospect, which is located immediately to the north of the Magnum and Citadel Copper-Gold Projects, owned by Antipa.

Technical Significance

Obelisk lies immediately north of Antipa’s Magnum and Citadel copper-gold projects and the host geology is interpreted to be similar to these projects. Furthermore, Obelisk lies just 5km from some of the strong IP chargeability anomalies announced recently by Antipa under its \$60 million exploration joint venture with Rio Tinto (refer to our recent coverage on Antipa).

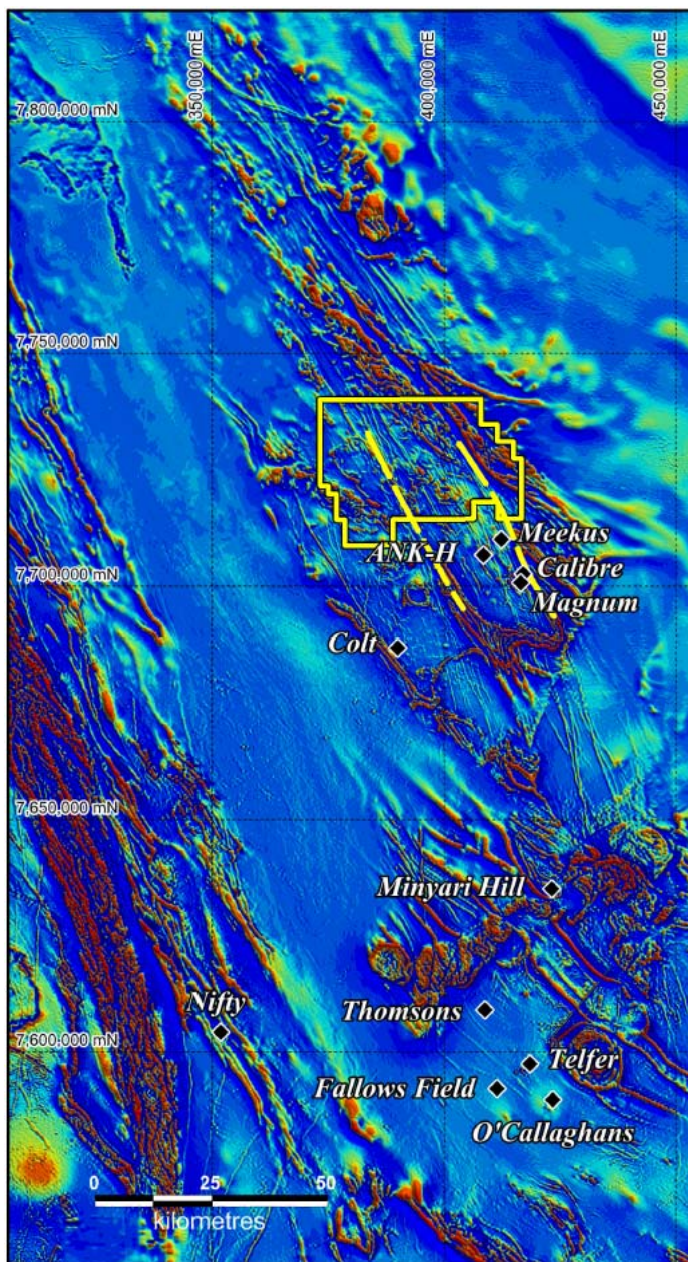


Figure 2: Mineralised corridor extending from Magnum, Calibre and Meekus into the Sipa/Ming tenement

As a reminder, we initiated coverage of Antipa Minerals around \$0.024 during October 2015 and it's currently trading at a price around \$0.042 (after hitting a recent high of \$0.068).

Antipa recently announced significant results from its IP survey work on its adjacent ground to the south, highlighting a series of IP chargeability anomalies within a corridor extending north from the Magnum and Calibre deposits, through to its Meekus chargeability and VTEM anomaly.

The Meekus chargeability anomaly is situated 5km from Sipa's tenement boundary along this same trend - and also forms a magnetic anomaly in the halo of an interpreted non-magnetic granite. This is clearly evident in the graphic (Figure 2) above.

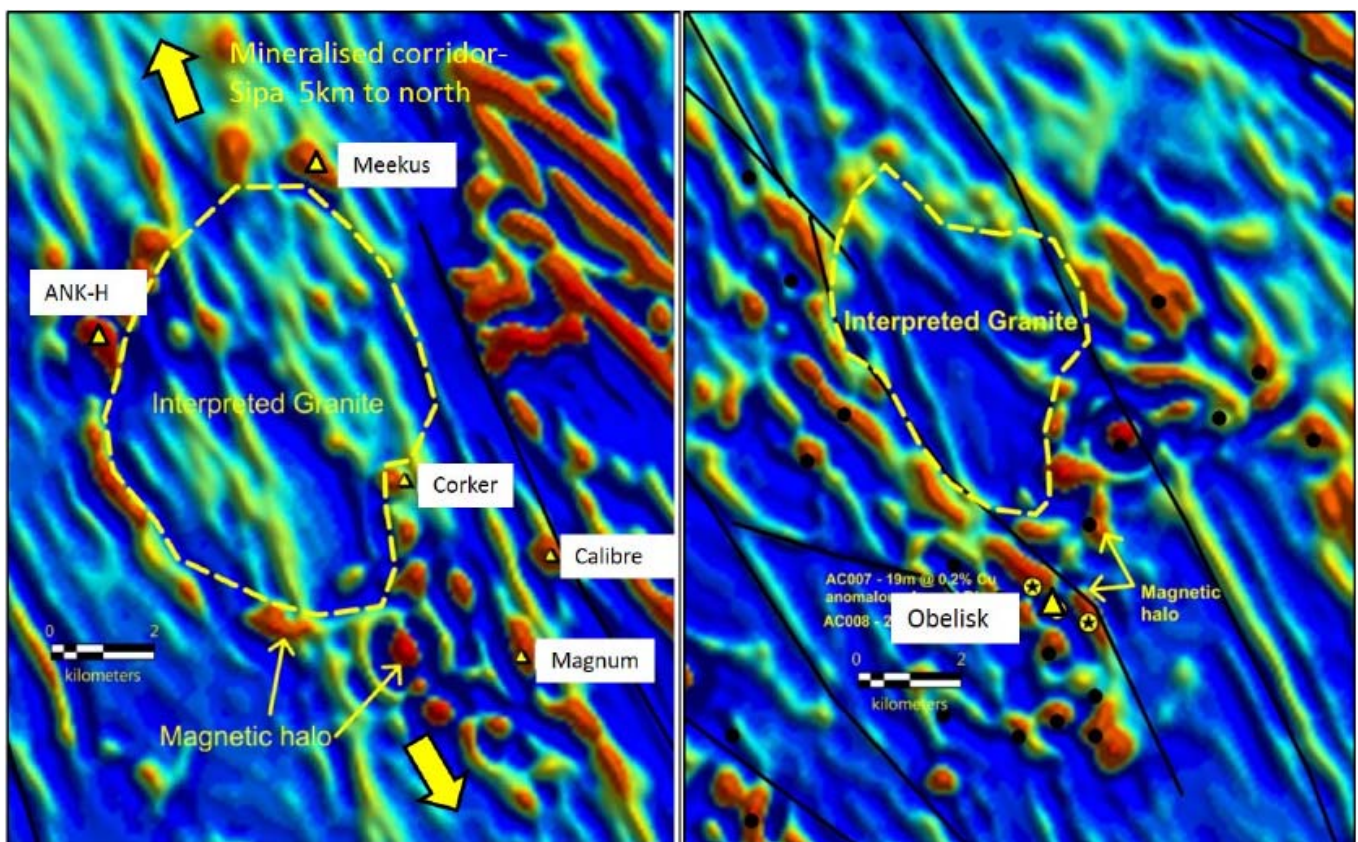


Figure 3: Interpreted granite (marked in yellow dashed line) spatially related to Antipa's Copper-Gold deposits/prospects

Figure 4: Interpreted granite (marked in yellow dashed line) spatially related to Sipa/Ming Obelisk Copper anomaly

What's significant about this is that the margins of non-magnetic granites present key targeting criteria for locating many of the gold and copper systems within the Paterson province. The combined use of gravity and magnetics assists with the identification of such granites and also explains the location of the Telfer deposits and the O'Callaghan's skarn system.

The Paterson Province is a globally recognized, strongly endowed and highly prospective mineral belt for gold and copper - including the world-class Telfer deposits, Antipa's Magnum and Citadel gold and copper

deposits, the Nifty copper and Kintyre uranium deposits, along with the O'Callaghans skarn-hosted tungsten deposit.

Funding

Firstly, Sipa has secured a West Australian Government Exploration Incentive Scheme (EIS) grant worth up to \$150,000 to co-fund the upcoming drilling program.

Secondly, Sipa recently announced a capital raising worth up to \$2.264 million – comprising a placement of up to 13.2M shares at \$0.02 each (representing a 19.2% discount to the 5-day volume weighted share price (VWAP) in the lead-up to the announcement) to raise up to \$264,000 – along with a Share Purchase Plan (SPP) to all eligible shareholders on the same terms.

The proceeds of the placement and SPP, together with Sipa's cash reserves of ~\$1.6M as at the end of the June Quarter, will ensure the company is strongly cashed-up ahead of its drilling commitments.

Summary

We recently initiated coverage of Sipa Resources and introduced it to our Portfolio at a price around \$0.025.

The company's key focus at present is its Paterson Province acreage and we look forward to its initial drilling program during August. Given the sharemarket interest that has driven the share price of Portfolio stock Antipa Minerals, Sipa Resources is in an encouraging position. From a market capitalization perspective alone, Sipa is priced at \$18m, compared with Antipa at \$38m, so potentially offers even greater leverage to exploration success. It's always difficult comparing stocks, but in my view both companies have strong investor appeal.

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