
Sipa Resources Limited – Corporate Governance Statement

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 3rd Edition" ("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.

1 THE BOARD OF DIRECTORS

The Board is responsible to shareholders for the overall Corporate Governance of the Sipa Group including its strategic direction, establishing KPIs for management and monitoring the achievement of those KPIs 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 section of the Company's website at www.sipa.com.au.

1.1 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 four directors and should maintain a majority of independent non-executive directors;
- the Chairperson of the Board should be an independent non-executive director. In the event this independence is impaired, the Board shall appoint a Senior Independent Director, to manage conflicts of interest should they arise;
- the Board should comprise directors with an appropriate range of qualifications and expertise which is reviewed annually through the use of a skills matrix;
- the Board should meet at least 8 times per year 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.

Until the resignation of Paul Kiley on 16 November 2017, the Board consisted of a majority of independent non-executive directors. Since that date, 50% of the 4 person Board remain independent. The Board is satisfied that 50% is sufficient to be deemed a majority given the inclusion of a senior lead independent director.

The Board continually assess the independence of each Director. At a meeting of the Board on 25 September 2018 the board considered the relevant circumstances and resolved that Mr McGown be considered independent given the completion of the mandate with New Holland in September 2016. Names, Qualifications, Experience and Special Responsibilities

Information pertaining to the relevant skills, experience, and expertise of the directors of the company as at the date of this Statement is included in the 2018 Annual Report and in the Board/Executive section on the Company's website. A summary of their roles and tenure are as follows:

Tim Kennedy, Independent Non-Executive Director and Chairman since 28 August 2018 (Appointed 13 December 2016)

On 28 August 2018 the Company announced that Mr McGown would step down as Chairman of the Company, but will remain on the board as a non-executive Director. He is succeeded by Mr Kennedy who has been an independent non-executive director since 13 December 2016.

Craig Ian McGown, Non-Executive Chairman (Appointed 11 March 2015)

Mr McGown is a member of the Nomination and Compensation Committee since his appointment on 11 March 2015.

In accordance with the Board's policy on assessing the independence of directors, Mr McGown is not considered to be an independent director due to a mandate for advisory services entered into prior to his appointment as Chairman of the Company. As a result, the Board has appointed a Senior Independent Director to fulfil the role of Chair, in situations where Mr McGown may be conflicted. This position was held by Mrs Karen Field. Mr McGown has been considered independent since 25 September 2018.

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Karen Lesley Field, Independent Non-Executive Director (Appointed 16 September 2004)

Mrs Field is the Senior Independent Director and Chairman of the Nomination and Compensation Committee.

Lynda Margaret Burnett (Managing Director since 24 July 2014)

Paul Kiley, Independent Non-Executive Director (Appointed 23 September 2014 and resigned 16 November 2017)

1.2 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:

- Ensuring that appropriate Health, Safety, Environment and Community policies are implemented and monitored for effectiveness.
- Identifying and evaluating the expectation of the shareholders, as well as other regulatory and ethical expectations and obligations.
- Ensuring that the Board maintains an appropriate range of qualifications and expertise.
- Appointing the Chair of the Board and any Senior Independent Director as required.
- Appointing and removing the Managing Director/CEO and overseeing succession plans for the senior executive team.
- 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 the Company Secretary.
- Approving the entity's remuneration framework.
- Setting strategic direction of the Sipa Group and monitoring the performance of the Managing Director within that framework.
- Ensuring there are adequate resources available to meet Sipa's objectives.
- Approving and monitoring the progress of business objectives.
- Overseeing the integrity of Sipa's accounting and corporate reporting systems, including the external audit.
- Approving operational budgets and monitoring performance against those budgets, monitoring financial reporting, and capital management.
- Overseeing the Group's process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.
- Identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage those risks and reviewing the business risk matrix on a regular basis.
- 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 monitoring the effectiveness of those practices.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

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1.3 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 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;
- Have not within the last three years been a principal of a material professional advisor 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 advisor's turnover is considered material.

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.

1.4 Board Experience, Skills and Attributes Matrix

The following table summarises the skills, attributes and experience of the non-executive directors serving on the Board at 25 September 2018:

Skill area/Specific Skill	Requirements Overview
1. RISK & COMPLIANCE	
1a. Operational Risk & Compliance	Identify key risks to the organisation related to each key area of operations.
1b. Legal Risk & Compliance	Ability to monitor risk and compliance and knowledge of legal and regulatory requirements.
1c. Financial & Audit	Experience in accounting and finance to analyse statements, assess financial viability, contribute to financial planning, oversee budgets and oversee funding arrangements.
2. STRATEGY & POLICY	
2a. Strategy	Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context to our policies and business objectives.
2b. Policy Development	Ability to identify key issues for the organisation and develop appropriate policy parameters within which the organization should operate including the oversight of processes designed to ensure that regulatory obligations are being met
2c. Crisis Management	Ability to constructively manage crisis, provide leadership around solutions and contribute to communications strategy with stakeholders.

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Skill area/Specific Skill	Requirements Overview
3. INDUSTRY	
3a. Senior Executive Experience	Experience in small to medium mining organisation necessary to create long-term shareholder value
3b. Commercial	Experience in financing arrangement, placement structures, joint venture agreements, and application of financial instruments,
3c. Industry Specific Skills	Experience and knowledge with respect to the junior exploration industry in which the Company operates.
3d. Technical Expertise	Experience in mineral technical expertise (geology, etc.)
4. EXECUTIVE LEADERSHIP	
4a. Senior Executive	Sustainable success in business at a chief executive level in a successful career
4b. Human Resources/Executive Management	Experience in evaluating performance of senior management, and oversee strategic human capital planning. Experience in industrial relations and organisational change management programmes.
4c. Leadership	Make decisions and take necessary actions in the best interest of the organisation, and represent the organisation favourably. Analyse issues and contribute at board level to solutions.
4d. Negotiation	Possess excellent negotiation skills, with the ability to drive stakeholder support for board decisions.
5. GOVERNANCE	
5a. Ethics and Integrity	Understand the significance of culture and the board's role in assessing culture within an organisation in the overall governance framework
5b. Diversity	Adds gender, age and/or ethnic diversity to the Board. Diversity can lead to better board outcomes.
5c. Previous Board Experience	Has diversified company director experience on other public company or private company Boards.
5d. Board Training	Has completed formal training in director role and duties including training in governance and risk (e.g. AICD or comparable membership). Understand role as director and continue to self-educate on legal responsibility, ability to maintain board confidentiality, declare any conflicts.
6 HEALTH, SAFETY, ENVIRONMENT & COMMUNITY	
6a: Workplace/ Compliance	Experience related to workplace health, safety, environment, particularly with respect to safety in remote locations
6b. Public policy and regulation	Oversight and management of regulatory frameworks and processes designed to ensure that all regulatory obligations are met (e.g.: Anti-Bribery & Corruption)
7. GLOBAL EXPERIENCE	
7a. Previous global experience	Senior management or equivalent experience in multiple global locations exposed to a range of political, cultural, regulatory and business environments
8. STAKEHOLDER MANAGEMENT	
8a. Shareholder engagement	Experience with shareholder engagement and the investment community
8b. Community relations	Experience with other stakeholders (native title/industrial relations/government)

2 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 section of the Company's website at www.sipa.com.au.

The Board recognises 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.

2.1 Composition of the Nomination and Compensation Committee

The members of the Nomination and Compensation Committee during the year were Mrs K Field (Chairman) and Mr C McGown. Mrs Field is an independent non-executive director. Mr McGown did not meet the Board's assessment of independent for the majority of the year but at a meeting of directors held 25 September 2018, it was determined that no remaining factors which would impair that independence were to be found and Mr McGown was deemed an independent director. On that same date it was also determined that Mr T Kennedy would also be a member of the committee taking the total now to three members, all of whom are now independent.

The Board has determined that two members are sufficient given the size of the company and its activities. While this is one less than the minimum of 3 outlined in the ASX Principles, the members of the Committee have considerable listed public company experience and are able to undertake this function appropriately. As stated above the number was increased to 3 on 25 September 2018. The qualifications of Nomination and Compensation committee members and their attendance at meetings are detailed in the Directors' Report section of the Annual Report.

2.2 Appointment and Re-election of Directors

When appointing new Directors and re-electing Directors, the Board and the Nomination and Compensation committee rely on the Constitution and the Appointment and Re-election of Directors Policy, a copy of which is found on the website. In both instances, the skills matrix is utilised to ensure that an appropriate balance of skills, knowledge, experience, independence and diversity is maintained. For new appointments appropriate background checks commensurate with the knowledge of the nominated director are conducted prior to appointing any new Director and each Board member has an opportunity to meet with the nominated Director. When the candidate's nomination for election, or re-election, is being put forward for approval by shareholders at the AGM, all material information in the Company's possession that the Board considers relevant to the candidate's election as a Director will be provided to shareholders in the relevant notice of meeting.

Director appointments are confirmed with formal letters of appointment with each director personally setting out the key terms, conditions and expectations of their appointment.

Directors submitting themselves for re-election at an annual general meeting are reviewed by the Nominations and Compensation committee in accordance with the policy.

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2.3 Induction and Continuing Development of Directors

Sipa does not have a formal induction program. The Board in conjunction with the Nomination and Compensation Committee regularly reviews the skills, knowledge and familiarity with the Company's operations to ascertain gaps and the appropriate development opportunities to fill those gaps. In addition, the secretary regularly circulates professional updates designed to keep the directors abreast with regulatory topics.

3 Audit & Risk Committee

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, particularly the Company's mineral properties and cash at bank, 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 the responsibility of the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity.

3.1 Composition of the Audit & Risk Committee

The Board has determined that the role of the Audit & Risk Committee will be undertaken by the Board as a whole, as the size of the Board is not sufficient to warrant the existence of a separate committee. The Board will continue to conduct its audit and risk activities pursuant to 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.

3.2 External Auditor

The external auditor meets with the Audit & Risk Committee at least twice annually. In addition they are required to attend the Annual General Meeting to answer any questions from shareholders relevant to the audit and financial statements.

3.3 Annual Certification

When considering the Audit & Risk Committee's review of financial reports, the Board receives a written statement, signed by the Managing Director, and the Chief Financial Officer, that in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management, and internal control which is operating effectively.

4 Policies

4.1 Continuous Disclosure Policy

The Board as a whole has 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. Specifically the policy is designed to:

- Ensure 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;
- Prevent selective or inadvertent disclosure and:
- Establishes guidelines for the review of all public relations materials including briefings and communications in general.

A copy of the Policy can be found at the website www.sipa.com.au.

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4.2 Diversity

The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Board, as evidenced by the composition of the Board, the executive team and staff. Despite such clear commitment, the Board does not currently have a policy or measurable targets to document that commitment as the size of Company does not warrant such. The Company believes its practices are self-evident with 50% of the Board female, including the Managing Director, as well as 66% of the executives. The overall commitment is demonstrated below:

	Total	% of Women	% born outside Australia
Employees	18	33%	83%
Executives (excluding MD)	2	50%	50%
Directors (including MD)	4	50%	-

4.3 Code of Conduct

The Company has 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. A copy of the Code can be found at www.sipa.com.au.

4.4 Communication with Shareholders

Sipa has established a structured investor engagement programme to develop and maintain effective two-way communication between the Company and the market. The Company is committed to providing the market with clear, meaningful and timely information on the activities and financial performance of the Company, to enhance the market's understanding and trust in the Company.

Key ASX announcements will be distributed to those shareholders who have requested such as soon as reasonably practicable upon confirmation of release by the ASX. Shareholders, who wish to receive such communications, can subscribe to an email alert at www.sipa.com.au. In addition, shareholders can manage certain aspects of their shareholding, such as change of address, via the Investors page of the website.

The processes to facilitate shareholder communication are contained within the Shareholder Communication Policy found at www.sipa.com.au.

4.5 Risk Management Policy

The identification and effective management of material business risks is viewed as an essential part of the Company's approach to creating long-term shareholder value. Management, through the Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Sipa does not have an internal audit function but instead relies on the processes set out in the Risk Management Policy, a copy of which can be found at www.sipa.com.au.

The Company carries out risk specific management activities in four specific areas: strategic risk, operational risk, financial reporting risk and compliance risk. These risks are reviewed at least annually by the Board as part of annual strategy session. Management reports quarterly to the Board on the Company's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for determining the company's risk tolerance, identifying areas of significant business risks, and ensuring that arrangements are in place to adequately manage those risks. The Board is responsible for satisfying itself annually that the system of risk management and internal controls is sound and is operating adequately. The annual review was done in conjunction with the annual strategy review session.

Management is responsible for identifying specific risks and the implementation of mitigating controls over those risks. The Managing Director is responsible to the Board for ensuring that the risk management system is maintained in accordance with this policy. In conjunction with the Managing Director, the Company Secretary is responsible for the implementation and continuous program of risk

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assessment including those procedures necessary to provide assurance to the Board that the risk management and internal control system is operating effectively to reduce financial reporting risks.

The Board also receives a written assurance from the Chief Executive Officer and Company Secretary that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the CEO and Company Secretary can only be reasonable rather than absolute.

A copy of the policy can be found at www.sipa.com.au.

4.6 SHARE TRADING POLICY

The Company has implemented a share trading policy to outline permitted trading in Company securities by directors, employees and consultants. The policy does not presently impose restrictions on trading in derivatives or on engaging in short-term trading and short-selling, however all trading in company securities requires pre-clearance which enables the Company to monitor this behaviour.

A copy of the policy can be found at www.sipa.com.au.

5 Board remuneration and performance

5.1 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 \$300,000 as approved in November 2014. It is at 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 2018 is detailed in the Remuneration Report.

5.2 Performance review

Subsequent to year end, the Board has completed an internal review of its performance and its Committees through the use of confidential questionnaires. These questionnaires were subsequently discussed by the Board which resulted in a number of recommendations which either have been, or in the process of being, progressively implemented. The Board continuously reviews its composition by comparison to the skills required to meet Sipa's strategic objectives, as outlined in the Skills Matrix.

5.3 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 Company Secretary. The committee meets as and when required to review and make recommendations to the Board regarding the compensation arrangements and performance evaluations for the Managing Director and other senior executives. These evaluations take into account specific criteria outlined in the position descriptions and measurement of performance towards the Company's objectives and the achievement of individual performance objectives. Performance evaluations were undertaken during the period for the Managing Director and Company Secretary.

The objectives of the executive remuneration structure is to:

- Align and contribute to delivering strategic projects on time and on budget;
 - Assist Sipa in attracting and retaining the right people to execute the business strategy;
 - Align the interests of executives with the interest of shareholders;
 - Be contingent on both individual and Company performance; and
 - Be simple and easy to administer.
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The two components of the Remuneration Policy are described as follows:

Fixed Remuneration

During the year ended 30 June 2017, benchmarking of the Fixed Remuneration component of Executive salaries was conducted against a custom peer group of similar size (by market capitalisation), and ASX-listed mineral exploration companies with overseas projects at a similar stage, in order to ensure that the remuneration levels set meet the objectives of enabling the Company to attract and retain key talent and are aligned to broader market trends in the minerals industry. Fixed Remuneration typically includes base salary, and superannuation at the prescribed legislative rates. Fixed Remuneration is to be reviewed annually by the Managing Director, within parameters established by the Board, or in the case of the Managing Director and Company Secretary, by the Board based on the recommendation of the Nomination and Compensation Committee.

Long Term Incentive Plan

Generally, Long Term Incentive (LTI) grants are made to executives on an annual basis to align with typical market practice, and to align executives' interests with those of shareholders and the generation of long-term sustainable value. No such grants were made during the current period year as the Board has determined the LTI grants currently issued are sufficient.

The LTI grants are delivered through participation in the Sipa Resources Employee Share Option Plan (ESOP), as approved by shareholders at the Annual General Meeting held 15 November 2015. The number of the options granted under the plan is calculated with reference to a set percentage of Base Salary with Executives' performance assessed against pre-determined performance hurdles and the value of each proposed LTI grant using appropriate valuation methods. The performance hurdles are a combination of market (share price based) and non-market (internal) hurdles to optimise share performance against exploration targets, the annual operating budget, corporate and social responsibility targets, successful communication with stakeholders, improved access to capital markets, stock liquidity and register profile. The threshold levels are suitably stretched to be consistent with the objectives of the LTI plan.

The LTI as a percentage of Base Salary historically has been 75% for the Managing Director and 30-50% for other participating personnel. Performance hurdles are measured at the end of the financial year with vesting occurring at the end of 3 years and expiry of the grants at the end of 5 years. Non-Executive Directors do not participate in the LTI. There were no additional grants made during the current period.

The plan rules do not provide for automatic vesting in the event of a change of control. The board may in its discretion determine the manner in which the unvested incentives will be dealt with in the event of a change of control.

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

There are no departures from the Corporate Governance Principles and Recommendations 3rd Edition" other than noted above.
