SIPA RESOURCES LIMITED
ABN 26 009 448 980

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2005

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CHAIRMANS ADDRESS

Dear Shareholders

There is no doubt the highest rewards achieved in the resources industry result from the discovery of major orebodies. Although Sipa has made several valuable discoveries it has yet to make a company- changing discovery and the achievement of that goal remains the clear objective.

Successful exploration to date has provided cash-flow either from production or from realising value through sale. This has minimised the requirement to ask shareholders for funds, with the placement and share purchase plan carried out during the year the first equity raising since 1997. With the potential of further funds being provided by progress payments from CBH Resources from the development of the Sulphur Springs Copper-Zinc Deposit the company now has sufficient cash to fund its active exploration programme and the present rate of expenditure for up to another two years, or longer depending on the level of expenditure by partners.

The formula for success remains the same: having the right opportunities and the right expertise. The right opportunity requires that the projects in the portfolio be subjected to a "conveyor belt" process where, as new information is received, the projects are continually appraised for prospectivity combined with an assessment of the risk: reward equation, such that the company has maximum exposure to meaningful discovery while minimising risk.

During the year the company carried out two high reward projects at Table Hill and Broken Hill. These projects, if successful, would have been company-changing and both generated a lot of interest from the media and shareholders. However, both were expensive to explore; Table Hill because of its remote location, and Broken Hill because of the expensive deep drilling required. The appraisal process resulted in our withdrawal from these projects.

The gold exploration alliance with Newmont Australia Ltd, which is explained in more detail in this report, will allow the company to be exposed to high reward projects while minimising expenditure risks. Newmont is the world's largest gold producer and any discovery that satisfies Newmont's demands would result in Sipa's free-carried 20% interest achieving the wealth creation that is the company's objective. I have no doubt that, provided we can continue to provide suitable projects, Newmont will be prepared to fund exploration which may be in remote locations and/or require expensive drilling programmes.

The alliance we have with Newmont endorses the high level of expertise within Sipa. We have a world-class Exploration Information System developed by our exclusive consultant, Alfred Eggo, and a highly qualified and motivated staff.

Although the past year has not produced any new discoveries, it has not been from the want of effort and enthusiasm from all within the company. Although activity is no substitute for success I believe the groundwork has been done to provide shareholders with the maximum exposure to meaningful discovery. We have joint ventures funded by major companies including Newmont, Newcrest and Placer-Dome, and have generated exciting new grassroots exploration projects and have the funds to explore them

Yours sincerely
SIPA RESOURCES LIMITED

P I B Pearce
Chairman

29 September 2005

MANAGING DIRECTORS REPORT

Introduction

Last year in this report I made the bold claim that '*I believe Sipa can legitimately claim to be one of Australia's most active, diverse and technologically-leading Mineral Exploration Companies*'.

This year we entered into a gold exploration alliance with Newmont Australia Limited, the wholly owned subsidiary of Newmont Mining Corporation, the world's largest gold miner, in part justifying the statement above.

'This Exploration Alliance with Newmont validates the company's exploration capabilities, elevates Sipa's gold exploration capabilities to a new high and increases the probability of Sipa gaining exposure to large, world-class gold plays' (from Sipa ASX Announcement 16 June 2005).

Last year I also stated that 'It is our clear aim to find 'Major Ore Deposits in Australia'.

We have continued in our quest through the year and have drilled for gold and basemetals at a total of five projects in Western Australia and North Queensland and have drilled for nickel sulphides in Western Australia. In addition, we have generated a number of new grassroots exploration projects and have conducted first pass programmes at many of them.

This year has also seen Sipa realise monetary value from two assets – the sale of the Sulphur Springs Development Project to CBH Resources Limited and the sale of the Mount Olympus gold treatment plant to Austindo Limited.

The Sulphur Springs sale was because the modest copper-zinc orebody could only realistically be developed by a company with an existing basemetals operation, and the Mount Olympus sale because the very significant costs increases of the last twelve months in the mining industry killed off any chance of the Mount Olympus cut-back operation and exploration had not discovered any new, economic oxide resources. The funds generated from the sales can now be used to help achieve our exploration goals.

Very importantly we now have three major companies and a mid-tier basemetals miner carrying Sipa, or sole funding, exploration on five projects.

Summarised below are the most important advances in the year.

Sipa-Newmont Alliance

We view this new venture as extremely exciting and highly beneficial to shareholders for the following reasons:

- The Joint Venture significantly expands our exploration coverage and minimises risk to Sipa, whilst Sipa wholly retains all of its existing projects
- Funding for the Alliance is wholly provided by Newmont until a Decision to Mine is made
- Sipa will be manager during the Generative Stage and the initial manager during Exploration Phases
- It enables Sipa to undertake exploration in very remote and unexplored terrains, funded by Newmont
- Sipa has the opportunity to sole-retain and develop identified Projects that fall below Newmont's hurdle size
- It will allow greater utilisation of Sipa's world-class Exploration Information System (EIS) and Sipa's exclusive consultant Alfred Eggo's world recognised abilities in compilation, integration, visualization and interpretation of very large geoscientific databases
- Very large geoscientific datasets have also been provided by Newmont and have been integrated into Sipa's Exploration Information System (EIS)
- Sipa will be able to draw upon specialist skills from Newmont

Other Joint Ventures funded by Majors

Newcrest -Ashburton Gold

Under Joint Venture, Newcrest and Sipa have been exploring Sipa tenements for seven years and Sipa and Newcrest together have been exploring third-party tenements for six years. Some $16 million dollars have now been spent by Newcrest and as of January 2004, Newcrest are 'carrying' Sipa's 20% interest up to Decision to Mine, with that carry to be paid back from production or sale to Newcrest. Significant mineralisation has been intersected over the years at many prospects over more than 200 kilometres of strike.

Following a review of the whole Ashburton Project, Newcrest have indicated that the 2005 calendar year exploration will concentrate on those prospects considered to have the greatest potential for discovery and early success, ensuring that they are recognised and adequately funded. As a result, exploration will focus on four main project areas in the coming year; the Mount Olympus Trend, Merlin, Romulus and Cheela Plains Trend. By focusing on fewer areas a more detailed assessment will be completed, thereby moving the entire project forward.

Placer-Dome -Ularring Rock Gold-Copper

Placer-Dome may earn 70% by spending $4 million on exploration, which commenced in June 2004 and has comprised regional geological, geochemical and geophysical surveys along with initial phase diamond and aircore drilling. Synthesis of these data has highlighted several areas for follow-up. The diamond drilling at Centre Forest Prospect intersected anomalous gold and copper.

Ularring Rock has similarities to the 'Giant' Boddington gold-copper system to the south and requires the funding capabilities of a Placer-Dome sized company.

CBH Resources (Outokumpu)-Panorama Basemetals

CBH may spend $4 million to earn 60% of the Panorama Exploration Project, which is contiguous with the Sulphur Springs Development Project, with Sipa paid to manage exploration. Two zinc-copper deposits and several underdrilled prospects lie within the Project and we firmly believe there may still exist undetected major deposits.

Should CBH develop a processing plant at Sulphur Springs, Sipa's 40% of any satellite deposits would be very valuable to the company.

Sipa Farm-ins and Options to Purchase

Coolgardie Nickel and Gold

Sipa controls 40 kilometres of strike of ultramafic rocks highly prospective for nickel sulphide deposits as well as substantial areas prospective for gold within two Farm-ins, two Options and 100%-owned tenements.

Exploration over the last two years has seen several prospects drilled and significant mineralisation intersected, whilst that drilling has only targeted about 10% of the area systematically mapped and partially geochemically and geophysically surveyed by Sipa to date. Drill testing continues.

Quinn Hills Gold and Nickel

Sipa controls through Farm-ins about 35 kilometres of, until we recently started exploration, largely unexplored greenstone-granite terrane through which passes a major structure – the Zuleika Shear – which localizes some 15 million ounces of gold to the south and north.

Our work over the last two years has found significant gold mineralization at the Matisse and Boticcelli Prospects and more drilling is planned.

Chinaman Well Basemetals Option

Recent drilling at the Yilil Gossan returned anomalous basemetal mineralisation from this unusual granite-hosted pyritic mineralisation.

Palmer River Gold

Two Options give Sipa control of 10 square kilometers of an area in the 25 million ounce North Queensland Province prospective for epithermal high grade gold. Drilling programmes in the last two field seasons have returned results of up to 21.5 g/t Au over 1 metre

Sipa Projects

Black Knob Polymetallic

Recent drilling at Black Knob in North Queensland intersected anomalous zinc, lead and tin in what is interpreted to be an altered carapace on a potential porphyry system.

Grassroots Exploration

Part of Sipa's strategy since floating in 1987 has been to generate, acquire and cheaply explore and, if unsuccessful, relinquish those projects. Two significant successes resulted – the Panorama VMS Province in the early 1990's and the Ashburton Gold Province in the late 1990's. We have continued this strategy, to a greater or lesser degree each year, and presently have a portfolio of very promising grass roots gold and basemetals projects.

Over the last year projects that we have done first pass exploration on, and which require more work, include Thaduna Basemetals and Gold, Woodline Gold and Glen Gold. Projects earmarked for first pass work in the 2005-2006 year include Lake Christopher Gold and Jillawarra.

It is important to note that for at least the next two years all new gold projects will be generated and explored under the Sipa-Newmont Gold Alliance.

Review of Operations

Sipa-Newmont Gold Exploration Alliance

Sipa has entered into a major new 'Exploration Alliance' with Newmont Exploration Pty Limited (Newmont), a wholly owned subsidiary of Newmont Australia Limited (Newmont Australia), for Australia-wide gold exploration. The Exploration Alliance will result in Sipa becoming one of Newmont Australia's primary gold exploration partners. Newmont and Newmont Australia are wholly owned subsidiaries of Newmont Mining Corporation, the world's largest gold producer.

■ Details of the Exploration Alliance are:

- Newmont will fund Sipa for a minimum of two years to manage a 'Generative Joint Venture'. The purpose of this Joint Venture will be to identify and generate new gold projects within Australia utilising a combination of Sipa's and Newmont's very large geoscientific databases through Sipa's world-class Exploration Information System (EIS).
- The Generative Joint Venture may move projects identified through this process, and subsequently acquired, to separate 'Exploration Joint Ventures', which are established on the following basis:
    - Newmont will wholly-fund the Exploration Joint Ventures and free-carry Sipa through to any Decision to Mine
    - the participating interests will be Sipa 20% and Newmont 80%
    - Sipa will be the manager of the Generative Joint Venture and the initial manager of the Exploration Joint Venture

  - upon a Decision to Mine being made, a 'Mining Joint Venture' is established, of which Newmont will be the manager. At that point Sipa may elect to participate in the Mining Joint Venture by contributing to costs in accordance with its 20% share, or may elect to oblige Newmont to purchase Sipa's Joint Venture interest at market value.

- Projects that have been acquired on behalf of the Generative and Exploration Joint Ventures, but which do not meet Newmont's exploration criteria may, at Newmont's election, be excluded from the Exploration Alliance. Sipa shall be entitled to a 100% interest in any projects so excluded, subject to a 2% Net Smelter Return Royalty in favor of Newmont.

■ Existing Projects Excluded

All existing Sipa gold and base metal projects and all existing Newmont projects are excluded from the Exploration Alliance.

■ New Sipa Non-Gold Projects

Sipa will continue to explore for non-gold mineral deposits separately from the Exploration Alliance.

■ Gold Discovery on New Sipa non-Gold Projects:

- Where a gold discovery is made on a Sipa non-gold project, where Sipa does not have a non-gold joint venture partner, and Sipa wishes to farm-out or sell its gold rights in the project to a third party, Sipa must first advise Newmont of its intentions. Newmont then has the right to form an Exploration Joint Venture with Sipa in respect of that gold discovery, on the same terms detailed above. If Newmont does not make that election, Sipa will retain 100% of that gold discovery, be free to deal with it as it wishes, and the discovery will not be subject to any royalty to Newmont.

This Exploration Alliance with Newmont validates the company's exploration capabilities, elevates Sipa's gold exploration activities and increases the probability of Sipa gaining exposure to large world-class gold plays.

Work has commenced on the Alliance with, initially, large geochemical and geophysical databases provided by Newmont being integrated into Sipa's Exploration Information System.

A strategy has been agreed on to target certain styles of gold mineralisation in a number of geological terrains in Australia, and procedures that will lead to ground acquisition have been commenced.

Ashburton Gold Project

(Sipa 20% - Newcrest Operations Limited 80%).

The Ashburton Gold Province stretches some 300 kilometres from near the Mount Olympus gold deposit in the southeast to near the Merlin Prospect in the northwest, with numerous other gold prospects in between. The style of gold mineralisation in the Ashburton may be likened to the 'Giant' gold camp of Carlin in Nevada.

Last year important developments included reorganising our Joint Venture arrangements with Newcrest whereby Sipa is now carried to Decision to Mine for a 20% interest (with that 'carry' to be paid back out of 80% of Sipa's share of positive cashflow) and the closing of the Mount Olympus mining and treatment operation. At the end of August 2005 sale of the Mount Olympus CIL gold treatment plant and infrastructure was finalised.

Newcrest now own 80% of the Ashburton Regional Joint Venture covering all of Sipa's Ashburton tenements including the Mount Olympus sulphide deposit, and Sipa (20%) and Newcrest (80%) collectively:

- hold a 78.6% of the Rocklea Joint Venture with Bacome Pty Ltd;
- are earning a 72% interest in the Mt Wall Joint Venture with Giralia Resources NL, and
- may earn 100% of the Ausicaribian and Anthiby Well properties from Pelican Resources Ltd and Goldfields Limited respectively.

Late in 2004, two deep diamond drill holes were drilled to more than 800 metres at Electric Dingo and Anthiby Well searching for primary zone mineralisation beneath the very large and intense gold anomalies discovered by shallower RAB and RC drilling within the 25 kilometres long 'Cheela Trend' chain of anomalies. Narrow intervals of primary zone gold mineralisation were discovered. In addition, several diamond drill holes targeting the down-plunge extension to the Mount Olympus sulphide deposit intersected significant mineralisation, including 20 metres @ 2.6 g/t Au in NMOD002 and 15 metres @ 2.9 g/t Au in NMOD003.

Early this year a detailed Gradient Array Induced Polarisation (IP) geophysical survey was completed over the Mount Olympus-Zeus-Styx area of 6 kilometres by 1.5 kilometres.

Previous IP work by Sipa in 1997 over part of Mount Olympus-Zeus Trend successfully delineated zones of known sulphide mineralisation as 'chargeability anomalies'. The new survey has been successful in not only confirming known anomalies, but more importantly, in delineating five new chargeability anomalies and a number of resistivity anomalies which may reflect alteration along structures.

Extensions to the existing survey are planned to clarify several of the more significant anomalies, and drilling recently commenced to assess the new anomalies.

RAB and RC drilling at Merlin and RC drilling at Romulus commenced mid year.

Coolgardie Gold and Nickel Projects

Over the last 12 months Sipa has added new projects in the vicinity of the existing Sipa-Austminex NL Nickel Joint Venture; these being a joint venture on the Miriam-Bouchers Nickel and Gold Project, two Option to Purchase Agreements on the Devil's Playground Gold Prospect and the Scorpion Pty Ltd Prospecting Licence, as well as the purchase of four Prospecting Licences from Fleetdale Pty Ltd. These new projects extend our coverage of rocks highly prospective for nickel sulphides to some 40 kilometres of the favourable 'basal contact' as well as significant coverage of gold bearing structures.

Coolgardie Nickel Project

(Sipa may earn 70% of the nickel and associated basemetals and PGM rights from Austminex NL)

The Project contains 25 kilometres of ultramafic rocks which host the historic Nepean Nickel Deposit which produced 1 million tonnes of 3% nickel in the 1970's and 1980's.

Sipa's work on the Project this year included geological mapping, soil sampling, electromagnetic (EM) geophysical surveying, RAB and RC drilling. Significant nickel sulphide mineralisation was detected by Sipa in the previous year at Deano's Prospect, which returned two intersections of 1 metre at 2.4% Ni and 0.2% Cu and 1 metre at 1.3% Ni and 0.7% Cu. Further drilling at Deano's and at Prior's Prospect two kilometres to the northwest failed to intersect significant mineralisation. A thorough re-evaluation of the Project is proceeding.

Miriam-Bouchers Nickel and Gold Project

(Sipa may earn 70% from Berkeley Resources Limited)

The Project contains the Miriam and Bouchers nickel sulphide occurrences which were discovered in the 1960's along strike from the later Nepean discovery, along with the sub-economic Forrest gold resource and some 5 kilometres of the southern strike extent of the shear zone which localises the historic Burbanks Goldmining Centre.

Miriam historically returned nickel intersections including 9.6 metres @ 5.6% Ni and Bouchers 0.4 metres @ 9.7% Ni, whilst Burbanks produced more than 350,000 ounces of gold at a grade of 23 g/t. In addition, the Project includes a 45 square kilometre Exploration Licence centred about 20 kilometres southeast of Miriam, covering 10 kilometres of strike of greenstones prospective for both nickel and gold.

Geological mapping, soil sampling, EM surveys and RAB and RC drilling have been conducted by Sipa during the year.

RC drilling at Miriam and Bouchers failed to intersect significant extensions to known mineralisation, but two off-hole EM conductors requiring further drilling were detected at Bouchers.

Reconnaissance RAB drilling along the interpreted Burbanks Shear Zone, about 3 kilometres south of that gold mining centre, has returned several interesting results, including 11 metres at 2 g/t Au (to end of hole) near the Forest resource and further drilling is planned.

Devil's Playground Option

(Sipa may purchase 100%)

The Devil's Playground Prospecting Licence covers 500 metres of the Burbanks Shear Zone and is surrounded by the Miriam-Bouchers Project. It contains numerous old gold workings and a recent 12 hole RC programme on 5 drill sections by Sipa returned a best intersection of 6 metres at 3.5 g/t Au at about 30 metres vertical, but with little continuity between sections. Results are being assessed in the context of continuing work within the surrounding Project.

Fleetdale Project

(Sipa 100%)

The four Prospecting Licences comprising the Fleetdale Project were purchased by Sipa during the year. Geological mapping and soil sampling have been completed and drilling of significant gold-in-soil anomalies along a strike of a small gold resource outlined by other operators in the 1990's is planned.

Scorpion Option

(Sipa may purchase 100%)

The Scorpion Option was secured primarily to protect the down plunge projection of the Deano's Prospect nickel mineralisation. Assessment of past work on the tenement is being carried out.

Quinn Hills Gold and Nickel Project

(Sipa may earn 75% of Barra Resources Limited's interest and 70% of Barra's entitlement to earn interests on various tenements from Western Areas NL (Sipa earning up to 63.75%) and Kanowna Consolidated Gold Mines Ltd (Sipa earning up to 63.75%)

The Project covers 40 kilometres of strike of previously untested greenstones, mostly covered by shallow sand, through which the Zuleika Shear passes. This Shear controls some 15 million ounces (MOZ) of gold – 4.5 MOZ to the north at Agnew-Lawlers and more than 11 MOZ to the south from Davyhurst through Kundana to Ghost Crab.

In addition the Project contains ultramafic rocks prospective for nickel mineralisation. These rocks may be the northern extension of the ultramafic unit hosting recently discovered nickel sulphide mineralisation, ranging from 0.4 metres at 10.9% Ni and 0.4% Cu to 31 metres at 1.2% Ni, at Riverina some 70 kilometres to the south.

During the year Sipa completed geological mapping, soil sampling and RAB and RC drilling. Of particular note was the discovery of a large gold-in-soil anomaly named Botticelli to the west of the small, historic Boudie Rat and Forrest Belle open pit gold mines, and recent follow-up RC drilling success north of the Matisse Prospect drilled last year.

Recent RC drilling 50 metres and 100 metres north along strike of the previous drilling at Matisse returned 10 metres at 2.7 g/t Au and 10 metres at 1.7 g/t Au respectively (5 metre composites). Both holes contain wide zones of anomalous gold (i.e. ≥25 metres at >0.1 g/t). More drilling, both beneath and along strike of these intersections, is required.

Reconnaissance RAB testing of the Botticelli anomaly earlier this year resulted in one hole with 17 metres at 1.2 g/t Au and 0.2% Cu (to end of hole). RC drilling was recently completed to further test the anomaly and to follow-up the encouraging RAB hole. Results are awaited at the time of writing.

Ularring Rock Gold Copper Project

(Sipa 100% - Placer-Dome Asia Pacific Ltd may earn 70%).

Ularring Rock, which is situated near Northam about 120 kilometres east of Perth, was a Sipa discovery made by following up low level anomalies in 1980's-vintage open file laterite geochemistry database collected during a CSIRO study. Sipa's drilling in 2003 at the Centre Forest Prospect returned wide zones anomalous in gold and copper, like 37 metres at 0.7 g/t Au and 0.3% Cu, with a characteristic tungsten and bismuth association that has similarities with the large Boddington deposit, situated some 180 kilometres southeast. Drilling by earlier operators at Southern Brook, 5 kilometres south of Centre Forest, discovered a large weathered-rock copper anomaly and intersected some primary low grade copper mineralisation (like 32 metres at 0.3 g/t Au and 0.1% Cu in a diamond drill hole), but gold was rarely assayed for in the shallow drilling.

During the year Placer-Dome conducted geological mapping, BLEG stream sediment sampling, water sampling, auger soil sampling, flew a detained airborne magnetic survey and conducted aircore and diamond drilling.

Compilation of the geological mapping, geochemical results and the airborne magnetic survey has outlined several areas for detailed follow-up work, including drilling, which is scheduled for early 2006 when crops have been harvested.

Two diamond drillholes were completed at the Centre Forest and Southern Brook Prospects. The Centre Forest hole intersected a 25 metre thick zone of mineralisation containing chalcopyrite-pyrrhotite veins and disseminations assaying 0.5 g/t Au and 0.2% Cu from 194 metres, about 130 metres down-dip of Sipa's RC drilling.

Panorama Basemetals Project

Sulphur Springs Development Area

During the year Sipa sold the Sulphur Springs Copper-Zinc Deposit to CBH Resources Limited for $1.65 million cash on signing, $0.35 million cash at Decision to Mine and $2/tonne of ore processed capped at $3.7 million for production.

CBH Resources are currently evaluating the feasibility of developing the deposit, initially by open pit mining.

Panorama Exploration Project

(CBH Resources may earn 60%)

The Exploration Project, which is managed by Sipa, covers 58 square kilometres of land to the south of Sulphur Springs and contains the small Kangaroo Caves and Bernts Zinc (Copper) Deposits along with several other prospects.

Initial work is concentrating on a thorough compilation and review of all past geological, geophysical, geochemical and drilling data prior to new drilling programmes to be planned for the 2006 field season.

Chinaman Well Basemetals Project

(Sipa may purchase 100%)

Sipa has negotiated an Option to Purchase an Exploration Licence containing a 600 metre long, and up to 35 metre wide, recently discovered gossan zone (the Yilil Gossan) with geochemistry suggestive of base metal sulphide mineralisation near Chinaman Well, about 30 kilometres west of Agnew in Western Australia.

The gossan zone is hosted by granite intruding older greenstone belt rocks and is situated within an intense 8 kilometre long north-south trending magnetic anomaly with lesser, but similar magnetic features, traceable for some 10 kilometres north and south. Two new Exploration Licence Applications by Sipa cover these extensions.

The gossan is sporadically exposed in sandy country between prominent banded iron formation ridges which outcrop in the central part of the main magnetic anomaly. It is an entirely 'new discovery', albeit within sight of nearly 5 million ounces of gold production and reserves at Agnew (the dumps are visible from the banded irons ridge tops) and Leinster, one of the biggest nickel sulphide deposits in Western Australia. The northern part of the magnetic anomaly is covered by sand plain and the southern part by alluvium.

Sipa analyses from the gossan peak at 1,690ppm Pb, 14ppm Ag, 44ppm Bi, 990pppm Mo, 5ppm Sn, 10ppm W and 150ppb Au (not all are from the same sample).

Recent reconnaissance RC drilling of 8 holes covering 300 metres of strike returned zones of disseminated, semi-massive and massive pyrite in all holes with anomalous silver and basemetals peaking at:

60ppm Ag, 1.4% Zn, 0.25% Cu, 0.25% Pb and 760ppm Mo

Studies will be conducted to better understand this unusual, granite-hosted mineralisation and to guide future work.

Thaduna Basemetals and Gold Project

(Sipa 100%)

The Thaduna Project covers some 380 square kilometres in the Gascoyne Region of Western Australia. It was acquired by Sipa to cover some major regional structures. The Exploration Licences surround several small but significant historic copper-oxide and supergene high grade copper sulphide mines in the district, including Thaduna, Ricci, Rooney and Green Dragon.

Sipa flew a detailed airborne magnetic survey mid year and conducted geological mapping and prospecting. Based on results a reconnaissance RAB drill programme has been designed, subject to Heritage clearances being obtained.

North Queensland

Black Knob Polymetallic Project

(100% Sipa)

The Black Knob Project contains a large (at least 800 metres by 400 metres) alteration zone with mineralised breccias and very strong rock and soil geochemistry, highly anomalous in Cu, Pb, Zn, Sn, Te and In along with minor but possibly older gold-rich quartz veins.

An Induced Polarisation geophysical survey was conducted earlier this year to attempt to better focus drilling but no indications were received for significant near-surface sulphide accumulation. Three RC holes were recently drilled and the anomalous surface mineralisation was found to extend to nearly 200 metres vertically with intersections including:

42 metres at 0.3% Zn and 180 ppm Sn from 3 metres
25 metres at 0.4% Zn and 130 ppm Sn from 45 metres
42 metres at 140 ppm Sn from 140 metres

It is interpreted that the alteration zone may be a 'carapace' on a deeper porphyry system and it is likely that a major partner will be sought to advance the project.

Palmer River Gold Project

(Sipa may purchase 100% subject to two Option Agreements)

Balteara and Wally's Vein Options

Following from last year's drilling at the 1,200 metre long Balteara epithermal quartz vein that returned narrow intersects of up to 21.5 g/t Au over 1 metre, a second recent programme comprising 13 RC holes returned a best intersection of 3.2 g/t Au over 4 metres, including 8.1 g/t Au over 1 metre.

The Options are presently being reassessed.

Broken Hill

Stephens-Centennial Project

(Sipa may earn 70% from PlatSearch NL, Triako Resources Ltd and Eaglehawk Geological Consulting Pty Ltd)

Documentation is well advanced on an agreement with a major company, regarding that company's introduction into the Stephens-Centennial joint venture to undertake a deep drill test of a strong gravity anomaly. Drilling is expected to commence during the September Quarter.

Sipa-Golden Cross Resources Farm-In and Joint Venture

During the year Sipa conducted drilling at the Tip Prospect for a repetition of the 'Line of Lode' Ag-Pb-Zn deposits and a surface EM survey at the Little Broken Hill Gabbro looking for Platinum Group Metals and nickel sulphides. Neither programme was successful and we have withdrawn from the Farm-in.

Copper King Project

Following exploration including a detailed gravity survey at the Native Dog Prospect this year, Sipa has withdrawn from this Project with PlatSearch NL and Eaglehawk Geological Consulting Pty Ltd.

Table Hill Project

Sipa drilled two RC holes into the Canning EM Anomaly late last year and determined the cause of the 'conductor' to be graphite and pyritic black shale. We subsequently withdrew from the Farm-in Agreement with AusQuest Limited.

Grassroots Exploration Projects

Sipa acquired a number of grass roots gold exploration projects during the year and have conducted, or intend to conduct, reconnaissance over Woodline, Glen, Jillawarra and Lake Christopher.

SIPA COMPANY POLICIES

SAFETY & HEALTH POLICY

Sipa accepts the responsibility for, and values the safety and health of all our employees, contractors, and visitors to our sites.

Our aim is to provide an environment that is free from accident and industrial disease.

We believe this can be achieved by:
- Clarity of policy and strength of leadership.
- Involvement of employees and contractors in the formulation and implementation of practical, understandable and robust practices.
- Adoption of these practices as part of our culture.

The culture will be formed on the bases of:

- The commitment of the Board Members to this Policy, with supportive funding.
- The belief by all of us that all accidents are preventable and all industrial health hazards are controllable with foresight, relevant training, purposeful attitude, appropriate equipment and proper tools.
- The accountability of management with the support of all employees to ensure that the workplace and the practices comply with statutory requirements and industry best practice as a minimum standard.

The Sipa Board, Management, Employees, Contractors and Visitors all have a Duty of Care to themselves and to each other to adhere to this Policy, which is by definition, dynamic and requires continuous improvement. It will be reviewed at least every two years on its anniversary in consultation with the involvement of all personnel.

EMPLOYEE & COMMUNITY RELATIONS POLICY

We have a responsibility to conduct our business for the maximum benefit of all involved - that is, our shareholders, employees and contractors and for all people within the wider community that our activities effect.

That responsibility includes a corporate, communal and statutory duty to provide a safe, healthy and considerate environment for all who work on our mine, exploration and office sites. The results of this duty should exceed expectations of regulations and industry best practice.

Our mining and exploration activities throughout Australia are conducted within traditional Aboriginal lands - much of which is presently subject to Native Title Claim.

We are committed to ensuring that all issues relating to Aboriginal Culture and Heritage are dealt with in consultation with Traditional Owners and relevant Land Councils from a position of openness and flexibility with Claimants and within the Legislative framework.
We believe that our operations should involve mutually beneficial contributions to nearby communities - particularly if it is possible to assist in the education of children and adolescents and the wellbeing of the elderly, as well as participation in community social and recreational activities.

ENVIRONMENTAL POLICY

One inevitable consequence of mining and of some aspects of mineral exploration is disturbance of the environment.

Sipa commits:
- to minimise adverse environmental impact in areas that we operate, and
- to maximise positive environmental rehabilitation of areas that we have disturbed in our activities.

We believe this commitment is a natural responsibility, not a burden imposed by regulatory authorities - hence we believe our efforts and results should exceed statutory and best industry practices.

MINING TENEMENTS AS AT 30 JUNE 2005 HELD BY CONTROLLED ENTITIES

PROJECTS	TENEMENTS	INTEREST
Western Australia		
Panorama	M45/587	100%
	E45/2300	100%
Ashburton	E08/821,825,831,951-953,1271,1272	20%
	P08/491,492	20%
	E47/825	20%
	E52/1077,1085,1086,1148-1150	20%
	M52/734,735	20%
Mount Olympus	M52/639,640	20%
	L52/76,77	100%
Ularring Rock	E70/2337,2518-2521,2668	100%
Dixon Range	E80/2597,2810,2811,2815	100%
Baring Downs	E47/1086	20%
	E08/1213	20%
Lake Harris	E28/1238	100%
Newcrest Areas	E08/994,1095,1106	0% *
	E52/812	0% *
Coolgardie	P15/2986-2988,3001,3070,3071,3138,3139,3252,3253,	0% *
	3354,3427,3753,3943,4092-4095	0% *
	M15/384,515,632,709,761,791,871,1374,1422	0% *
Berkley	M15/664	
	P15/3355-3357,4334-4343	0% *
Scorpion	P15/4344	0% *
Devils Playground	P15/3483	0% *
Thaduna	E52/1673,1674	100%
Fleetdale	P15/4492-4494,4504	100%
Friday Well	E31/650	100%
Glen	E20/544	100%
Widgiemooltha	E28/1483-1485	100%
Quinn Hills	E29/329-331,489,492-494,521	0% *
	P29/1716,1717	0% *
	M29/36,37,65	0% *
Queensland		
	EPM1332	100%
	EPM13659,13891	0%*
New South Wales		
Stephens Centennial	EL6132	0%*

* Interest being earned

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 "Principles of Good Corporate Governance and Best Practice 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.

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. 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 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 interests of shareholders and stakeholders are promoted and protected.

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 "Particular of 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.

Independence of Directors

The Company has adopted the definition given in the ASX Principles. Broadly, independent directors are non-exeuctives, who:

- Hold less than 5% of the Company's securities;
- Have not been employed by the organisation or have not been employed by the organisation in the last 3 years;
- Have not been a principal of a material professional advisor or material consultant to the company within the last 3 years. This extends to employees who are or have been materially associated with the service provided to the company, such as senior members of the external auditing team; and
- Have no material relationship with the organization as a supplier, customer or contractually which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company. Materiality is determined on a case by case basis.

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.

COMMITTEES OF THE BOARD

- Audit Committee; and
- Nomination & Compensation Committee.

Audit Committee

The Board has established an audit committee, which operates under a charter approved by the Board. 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.

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.

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 are detailed in the Directors' Report.

Nomination and Compensation Committee

The Board has established a Nomination and Compensation committee, which operates under a charter approved by the Board. 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; and
- Review and make recommendations to the Board on remuneration packages and policies applicable to the senior executives and directors.

The committee meets as and when required and is able to obtain independent advice, at the Company's expense, as to the appropriateness of remuneration packages.

The members of the Nomination and Compensation Committee during the year were Messrs P I B Pearce (Chairman) and D J Williams. On 16 September 2004, Mr Williams stepped down from this Committee and K L Field was appointed to the Committee. 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.

Further information on directors' and executives' remuneration is set out in the directors' report and Note 20 to the financial statements.

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.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company is in the process of creating the written policies and procedures on information disclosure that focus on continuous disclosure. To date, the size of the business activities have not warranted written policies.

The Company Secretary 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.

All information disclosed to the ASX is posted on the Company's website as soon as it is confirmed received by the ASX. The website contains all press releases for the past 12 months, as well as annual and quarterly reports for the past 3 years. It also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates of company matters.

To assist in the facilitation of effective shareholder communication, the external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

DEPARTURES FROM THE PRINCIPLES

Performance assessment

No performance assessment of the Board was done in the current financial year as the Board has deemed it inappropriate for the business activity of the Company.

Certification of internal controls

The Company is not implementing the recommendations outlined in Principle 7. Whilst the Company supports such recommendations, the Board does not believe the processes involved in such certification to be cost effective.

Your Directors submit their report for Sipa Resources Limited and its controlled entities for the financial year ended 30 June 2005.

DIRECTORS

The names and details of the Company's directors in office during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

PARTICULARS OF DIRECTORS

Peter Ian Blair Pearce, ACSM F AusIMM – Independent Non-Executive Director

Mr Pearce is a mining engineer with some 30 years of experience in gold and base metals project evaluation, development and management. In addition to Chairman of the Board, Mr Pearce is Chairman of the Nomination and Compensation Committee.

Michael Glen Doepel, MSc DIC M AusIMM- Managing Director, Executive Director

Mr Doepel is a West Australian geologist with over thirty years involvement in mineral exploration.

Dalton Leslie Gooding, B.BUS, FCA– Independent Non-Executive Director

Mr Gooding is a chartered accountant with over 25 years experience within the corporate and business sector including 14 years as a partner of Ernst & Young before starting his own practice of Gooding & Pervan in 1998. Mr Gooding is the Chairman of the audit committee. During the past three years Mr. Gooding has also served as a director of the following other listed companies:

- Clinical Cell Culture Limited (director since November 2002)
- Australian Wine Holdings Limited (director since November 2002)

David John Williams, LL.B, FAICD– Independent Non-Executive Director

Mr Williams is a commercial lawyer with 30 years experience advising in resources, corporate and business matters. He is a senior partner with the West Perth law firm of Williams & Hughes. During the year Mr Williams was a member of both the nomination and compensation and audit committees. He resigned from the nomination and compensation committee on 16 September 2004. During the past three years Mr. Williams has also served as a director of the following other listed companies:

- Heritage Gold NZ Limited (director since August 1985)

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

Mrs Field has over three decades experience in the mining industry and has held executive roles in a variety of industry sectors in Australia and South America. Mrs Field is a member of the nomination and compensation committee.

COMPANY SECRETARY

The company secretary is Ms T A Robson, B.A. Accounting. Ms Robson was appointed company secretary on 8 April 2004. Before joining Sipa Resources Limited, she served as consultant to the Company. She has held a similar position with another listed public company since 1997 and prior to that was a senior audit manager with a major accounting practice.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of Sipa Resources Limited were:

Directors	Fully Paid Ordinary Shares	Share Options	Options Issued During The Year
P I B Pearce	441,667	200,000	NIL
M G Doepel	4,844,844	400,000	NIL
D L Gooding	NIL	NIL	NIL
D J Williams	NIL	NIL	NIL
K L Field	71,667	NIL	NIL

PRINCIPAL ACTIVITIES

The principal activities of the companies in the Group were the acquisition and exploration of mineral tenements in Australia.

DIVIDENDS

No dividend has been paid or declared by the parent entity in respect of the financial year ended 30 June 2005 and the directors do not recommend the payment of a dividend in respect of the financial year.

REVIEW AND RESULTS OF OPERATIONS

The Company continued with exploration activities on its mineral tenements within Australia. The consolidated entity's loss after tax for the financial year ended 30 June 2005 was $3,813,656 (2004: Loss $4,476,300).

	Consolidated Results	
	2005	**2004**
	$	**$**
Gold sales revenue	-	25,704,482
Cost of mining operations	(515,911)	(24,146,123)
Gross profit	(515,911)	1,558,359
Other revenue from ordinary activities	3,180,655	328,050
Disposal of non-current assets	(1,760,325)	-
Exploration expenditure	(2,679,157)	(4,445,660)
Administrative expenses	(2,038,918)	(2,428,611)
(Loss) from ordinary activities before income tax expense/(benefit)	**(3,813,656)**	**(4,987,862)**
Income tax benefit/ (expense) relating to ordinary activities	**-**	**511,562**
Net loss attributable to members of Sipa Resources Limited	**(3,813,656)**	**(4,476,300)**

Comments on the operations and the results of those operations are set out below:

(a). Gold sales revenue ceased upon the closure of Mount Olympus in March 2004. During the year $515k was spent to provide care and maintenance for the plant to provide a further $237k for future rehabilitation. The plant was sold subsequent to year end.

(b). Other revenue from ordinary activities has increased primarily to one off events. The sale of Sulpher Springs to CBH Resources Limited provided $2.0m revenue to the Company. The profit realised on this disposal after deduction of the cost basis of $1.76m was $245k. A further $440k was realised on the sale of tenements and $307k was realised on gold recovered during the plant cleanout.

(c). The decrease in exploration is the result of higher percentage of our exploration budget being farmed out to majors and including in many instances Sipa carrying out the work for the JV partner.

(d). Administration costs decreased as a result of lower overhead costs after closure of the mine and the restructure of the Perth office.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the consolidated entity other than as follows:

Contributed equity increased to $64,139,866 from $60,361,131, an increase of $3,778,735. This is due to the issue of 18,741,666 and 9,000,093 paid ordinary shares to sophisticated investors and share purchase plan participants respectively. The shares were issued at 12 cents. A further 4,104,700 ordinary shares were issued at 12.2 cents to Outokumpu Zinc Australia Pty Ltd ("OZA") as part consideration for the acquisitions of OZA's interest in the Panorama basemetals project ("Panorama").

In October 2004, Sipa acquired from OZA, 60% of Panorama, to regain control of 100% of the project, for an upfront payment of $350,000 in cash and $500,000 of Sipa shares, with a further $350,000 payable at the earlier of 18 months or subsequent sale of the project to a third party. Sipa then sold the Sulphur Springs Development Area of Panorama to CBH Resources Limited ("CBH") for proceeds of $2.0 million. On Decision to Min, Sipa will receive $350,000 and a royalty of $2 a tonne capped at $3.7 million. In addition Sipa entered into a Farm-in with CBH to earn up to 60% of the Panorama exploration project.

On 16 June 2005, Sipa announced the creation of a major new Exploration alliance with Newmont Exploration Pty Limited ("Newmont"). Under the terms of this alliance, Newmont will fund Sipa for a minimum of two years to manage a generative joint venture with the purpose to identify and generate new gold projects utilising the databases of each company.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years except as follows:

The Mount Olympus gold treatment plant located in the Ashburton Region of Western Australia was sold to Austindo Resources Corporation NL for $2,575,000. Proceeds were received in September 2005. The financial effect of the transaction will be reported during the financial year ended 30 June 2006 in accordance with AIFRS. There is no anticipated difference on the net profit for the year between the AIFRS amount and the amount that would have been recognised under AGAAP.

FUTURE DEVELOPMENTS

The consolidated entity intends to continue its current operations of tenement acquisition and mineral exploration with a view to commercial development.

Likely developments that are included elsewhere in this report or the financial statements will, amongst other things, depend upon the success of the exploration and development programs.

ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration activities the consolidated entity promotes an environmentally responsible culture and adheres to environmental regulations of the Department of Industry and Resources, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The consolidated entity has complied with all material environmental requirements up to the date of this report.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 4,067,500 unissued ordinary shares under options (4,067,500 at reporting date). Refer also to Note 25 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issues of any other registered scheme.

Shares issued as a result of the exercise of options

During or since the end of the financial year, there were no options exercised.

INDEMNIFYING OFFICER OR AUDITOR

During the financial year, the company has entered into a Deed of Indemnity with each of the directors. The Deed provides for the Company to indemnify the Director from liabilities incurred while acting as a director and to grant certain rights and privileges to the Director to the extent permitted by law.

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate incurred any expense in relation to the indemnification.

The Company has also paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the parent entity or a controlled entity in the consolidated entity, other than conduct involving a wilful breach of duty in relation to the consolidated entity. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Sipa Resources Limited (the Company).

Remuneration philosophy

Corporate performance is enhanced when the Board and executives have the appropriate competencies to enable it to discharge its mandate effectively. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

Nomination and Compensation Committee

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.

Non-executive director remuneration

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. The remuneration of non-executive directors for the period ending 30 June 2005 is detailed in Table 1 on page 25 of this report.

Executive and Executive director remuneration

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

- Ensure the general level of remuneration 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 Limited Employee Incentive Scheme; and
- Superannuation at the statutory rate.

Whilst the overall level of executive reward takes into account 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 remuneration 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. Base pay is based upon data available to the board to reflect the market for a comparable role. It is reviewed annually.

The fixed remuneration component of the 5 most highly remunerated senior managers is detailed in Table 2 on page 26 of this report.

Long term incentives are administered through participation in the Sipa Resources Limited Employee Incentive Scheme (the "Scheme"). The Scheme, which was approved by the shareholders, provides for free options to be issued to Participants, as determined by the directors in their absolute discretion based on various factors including length of service and the contribution that the participant will have to the long term performance of the Company. Each option is convertible into one ordinary share and all options vest as follows: not more than 25% of the options being exercisable before the first anniversary of the issue date, not more than 50% of the options being exercisable before the second anniversary of the issue date and not more than 75% of the options being exercisable by the third anniversary of the commencement date. The term of the options must not exceed 5 years. In the event of an employee leaving the Company, the options held are terminated. The exercise price fixed by the directors shall not be less than the last sale price for the shares quoted by the ASX on the date upon which the directors resolve to grant the options. There are no performance conditions attached to the issued options with the exception of continued service as the Directors believe performance conditions are met prior to the grant of options to each employee.

Details of options granted as part of remuneration for the year ended 30 June 2005 is detailed in Table 3 on page 26 of this report.

Service Agreements

Remuneration and other terms of employment for the Managing Director and the specified executives are formalised in service agreements. Each of these agreements provide for the provision of cash salary and participation, when eligible, in the Sipa Resources Limited Employee Option Plan. Other major provisions are set out below.

M G Doepel, Managing Director

- Term of agreement, 1/12/04 – 1/12/07.
- Base salary of $217,300 and $19,557 superannuation for the financial year ended 30 June 2005.
- Termination notice of 3 months by either the company or the Managing Director.
- Payment of termination benefit on early termination by the employer other than for gross misconduct equal to the base salary times the number of days remaining in the contract divided by 365.

L F Bettenay, Chief Geologist (Appointed 1/7/03)

- Term of agreement, 1/7/03 – 30/06/08.
- Base salary of $153,750 and $13,838 superannuation for the financial year ended 30 June 2005.
- There is no stated time for the length of notice on termination.
- Payment of termination benefit on early termination by the employer other than for gross misconduct equal and prior to 1 July 2005 of 1.5 times the base salary. This amount reduces to 1 times the base salary for termination dates between 1 July 2005 and 1 July 2008. After that date the termination benefit is computed based on a formula of x times the base salary where x=.5 +(.1x years of service).

Table 1: Director remuneration for the year ended 30 June 2005

		Primary	Post-employment		Other	Equity	
Name		Cash Salary and fees	Retirement Benefit	9% Super Guarantee Levy		Options	Total
P I B Pearce	2005	80,000	Nil	7,200	Nil	Nil	87,200
	2004	79,325	Nil	7,139	Nil	Nil	86,464
M G Doepel	2005	214,650	Nil	19,318	Nil	6,000	239,968
	2004	212,000	Nil	19,080	Nil	6,000	237,080
D L Gooding	2005	35,000	Nil	3,150	Nil	Nil	38,150
	2004	35,000	Nil	3,150	Nil	Nil	38,150
D J Williams	2005	35,000	Nil	3,150	Nil	Nil	38,150
	2004	35,000	Nil	3,150	Nil	Nil	38,150
K L Field	2005	26,788	Nil	2,411	Nil	Nil	29,199
(Appt 16/9/04)	2004	Nil	Nil	Nil	Nil	Nil	Nil
W H Crawford	2005	Nil	Nil	Nil	Nil	Nil	Nil
(Retired 11/7/03)	2004	2,750	165,000	247	Nil	Nil	167,997

Table 2: Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2005

		Primary	Post-employment		Other	Equity	
Name		**Cash Salary and fees**	**Retirement Benefit**	**9% Super Guarantee Levy**	**Termination**	**Options**	**Total**
D J Gore (Resigned Company Secretary 6/4/04)	2005	43,510	Nil	3,916	Nil	7,600	55,026
	2004	136,154	Nil	12,254	Nil	6,000	154,408
T A Robson (Appt Company Secretary 6/4/04)	2005	58,240	Nil	Nil	Nil	1,600	59,840
	2004	10,593	Nil	Nil	Nil	Nil	10,593
L Bettenay	2005	151,875	Nil	13,669	Nil	5,850	171,394
	2004	147,692	Nil	13,292	Nil	3,850	164,834
P J Langworthy (Resigned 19/11/03)	2005	Nil	Nil	Nil	Nil	Nil	Nil
	2004	85,915	Nil	7,732	Nil	963	94,610

Table 3: Options granted as part of remuneration for the year ended 30 June 2005 (in accordance with the Sipa Resources Limited Employee Incentive Scheme)

	Grant date	Grant Number	Vesting date	Value per option at grant date *	% of remuneration
T A Robson	21/12/04	200,000	50,000 on 21/12/04 50,000 on 21/12/05 50,000 on 21/12/06 50,000 on 21/12/07	3.2 cents	2.7%
L Bettenay	21/12/04	250,000	62,500 on 21/12/04 62,500 on 21/12/05 62,500 on 21/12/06 62,500 on 21/12/07	3.2 cents	1.2%
D J Gore	21/12/04	200,000	50,000 on 21/12/04 50,000 on 21/12/05 50,000 on 21/12/06 50,000 on 21/12/07	3.2 cents	2.9%

* From 1 July 2003, options granted as part of senior manager remuneration have been valued using a Binomial option pricing model, which take account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. The following weighted average assumptions used for grants made on 30 June 2005, 2004 and 2003 are:

Fair value of options:

	2005	2004	2003
Dividend yield	Nil	Nil	Nil
Expected volatility	49%	58%	58%
Historical volatility	49%	58%	58%
Risk-free interest rate	5.20%	4.93%	4.93%
Expected life of option	5 years	5 years	5 years

DIRECTORS' ATTENDANCE AT MEETINGS

	Directors' Meetings	Audit Committee	Nomination and Compensation Committee
Number of meetings held	5	2	1
Number of meetings attended			
P I B Pearce	5	-	1
M G Doepel	5	-	-
D L Gooding	3	2 (2)	-
D J Williams	5	2 (2)	-
K L Field	4*	-	1

* Only 4 meetings were held during the period Mrs Field was a director.

TAX CONSOLIDATION

On 1 July 2003, for the purposes of income taxation, Sipa Resources Limited and its 100% owned subsidiaries formed a tax consolidated group.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration under Section 307c of the Corporations Act 2001 forms part of the Directors' Report and is set out on the following page.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	$97,285
Other	$nil

Signed in accordance with a resolution of the directors.

P I B PEARCE
Director
DATED 29 September 2005

ERNST & YOUNG

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GPO Box M939
Perth WA 6843

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Auditor's Independence Declaration to the Directors of Sipa Resources Limited

In relation to our review of the financial report of Sipa Resources Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

V W Tidy
Partner
Perth
29 September 2005

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Sipa Resources Limited
Statement of Financial Performance - For The Financial Year Ended 30 June 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Gold sales revenue	2	-	25,704,482	-	-
Cost of mining operations	2	(515,911)	(24,146,123)	-	-
Gross profit		(515,911)	1,558,359	-	-
Other revenue from ordinary activities	2	3,180,655	328,050	29,388	-
Disposal of non-current assets		(1,760,325)	-	-	-
Exploration expenditure		(2,679,157)	(4,445,660)	-	-
Administrative expenses		(2,038,918)	(2,428,611)	(4,270,229)	(164,268)
(Loss) from ordinary activities before income tax expense/(benefit)		**(3,813,656)**	**(4,987,862)**	**(4,240,841)**	**(164,268)**
Income tax benefit/ (expense) relating to ordinary activities	**3**	-	**511,562**	-	-
Net loss attributable to members of Sipa Resources Limited	**14**	**(3,813,656)**	**(4,476,300)**	**(4,240,841)**	**(164,268)**
Share issue costs		**(50,265)**	-	**(50,265)**	-
Total expenses attributable to members of Sipa Resources Limited and recognised directly in equity.		**(50,265)**	-	**(50,265)**	-
Total changes in equity other than those resulting from transactions with owners as owners attributed to members of Sipa Resources Limited		**(3,863,921)**	**(4,476,300)**	**(4,291,106)**	**(164,268)**
		Cents	**Cents**		
Basic (loss)/earnings per share	15	(1.7)	(2.4)		
Diluted (loss)/earnings per share	15	(1.7)	(2.4)		

Notes to the financial statements are included on pages 28 to 49

Sipa Resources Limited
Statement of Financial Position as at 30 June 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
CURRENT ASSETS					
Cash assets	16(a)	4,052,450	2,957,198	-	-
Receivables	4	108,123	1,069,904	-	-
Inventories	5	528,849	532,389	-	-
Other prepayments		51,048	107,490	-	-
TOTAL CURRENT ASSETS		4,740,469	4,666,981	-	-
NON-CURRENT ASSETS					
Other financial assets	6	1,151,846	1,314,046	-	-
Receivables	7	42,520	79,867	1,999,996	2,551,702
Investments	8	243,000	153,000	243,009	153,009
Plant and equipment	9	1,160,838	1,200,413	-	-
TOTAL NON-CURRENT ASSETS		2,598,204	2,747,326	2,243,005	2,704,711
TOTAL ASSETS		7,338,673	7,414,307	2,243,005	2,704,711
CURRENT LIABILITIES					
Payables	10	499,483	618,331	3,000	2,600
Provisions	11	204,137	218,036	-	-
TOTAL CURRENT LIABILITIES		703,620	836,367	3,000	2,600
NON-CURRENT LIABILITIES					
Provisions	12	1,431,789	1,339,755	-	-
TOTAL NON-CURRENT LIABILITIES		1,431,789	1,339,755	-	-
TOTAL LIABILITIES		2,135,409	2,176,122	3,000	2,600
NET ASSETS		5,203,264	5,238,185	2,240,005	2,702,111
EQUITY					
Contributed equity	13	64,139,866	60,361,131	64,139,866	60,361,131
Accumulated losses	14	(58,936,602)	(55,122,946)	(61,899,861)	(57,659,020)
TOTAL EQUITY		5,203,264	5,238,185	2,240,005	2,702,111

Notes to the financial statements are included on pages28 to 49

Sipa Resources Limited
Statement of Cash Flows - For The Year Ended 30 June 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Cash flows from operating activities					
Proceeds from sale of gold		-	26,374,243	-	-
Interest received		246,599	323,505	29,388	-
Expenditure on exploration interests		(2,657,940)	(4,387,217)	-	-
Payments to suppliers and employees		(2,121,184)	(15,993,872)	(80,088)	(150,068)
Security deposits		37,347	(13,500)	-	-
Other income		488,704	4,545	-	-
Tax refunded/(paid)		901,531	(901,531)	-	-
Net cash flows (used in)/from operating activities	16(b)	(3,104,943)	5,406,173	(50,700)	(150,068)
Cash flows from investing activities					
Acquisition of plant, equipment and furniture		(25,482)	(374,048)	-	-
Proceeds received on disposal of plant, equipment and furniture		1,512	1,600	-	-
Proceeds on disposal of development		2,150,000	-	-	-
Payment for acquisition of development		(1,204,568)	-	-	-
Mine development expenditure		-	(2,176,164)	-	-
Net cash flows from/(used in) investing activities		921,462	(2,548,612)	-	-
Cash flows from financing activities					
Proceeds from issuance of shares		3,329,000	21,500	3,329,000	21,500
Share issue expenses		(50,265)	-	(50,265)	-
Return of capital payment		-	(7,380,026)	-	(7,380,026)
Advances (to)/from related entities		-	-	(3,228,035)	7,508,594
Net cash flows from/(used in) financing activities		3,278,735	(7,358,526)	50,700	150,068
Net increase/(decrease) in cash held		1,095,252	(4,500,965)	-	-
Cash at the beginning of the year		2,957,198	7,458,163	-	-
CASH AT THE END OF THE YEAR	16(a)	4,052,450	2,957,198	-	-

Notes to the financial statements are included on pages 28 to 49.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Accounting

This general-purpose financial report has been prepared in accordance with applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

1.2 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Sipa Resources Limited (the "Company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Sipa Resources Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity have been eliminated in full.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

The financial statements of controlled entities are prepared for the same reporting period as the parent entity using consistent accounting policies. All intercompany balances and transactions have been eliminated in full.

1.3 Deferred Development

Exploration and Evaluation

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each prospect area.

The consolidated entity has a policy of writing off all exploration expenditure in the financial year in which it is incurred, unless its recoupment out of revenue to be derived from the successful development of the prospect, or from sale of that prospect, is assured beyond reasonable doubt.

Mine Development

Mine development represents the accumulation of all development expenditure incurred by the entity in relation to areas of interest in which mining of a mineral resource has commenced.

Amortisation of costs is provided on the unit- of-production method with separate calculations being made for each resource. The unit-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable ore reserves.

The net carrying value of each development is reviewed regularly and to the extent to which this value exceeds its recoverable amount that excess is written off in the financial year in which this is determined.

1.4 Plant and Equipment

Plant and equipment is carried at cost less depreciation at rates based upon its expected useful life using the straight-line method.

Depreciation

Depreciation is provided on plant and equipment, including freehold buildings. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in calculations of depreciation:

- Plant and equipment 2 – 15 years

1.5 Recoverable amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected cash flows have not been discounted to their present value.

1.6 Income Tax

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense or benefit for the year is matched with the accounting profit or loss after allowing for permanent differences.

To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related tax benefit or liability, calculated at current rates is disclosed as a future income tax benefit or provision for deferred income tax.

Future tax benefits from accumulated losses are not brought to account unless realisation of the asset is virtually certain. To the extent that future tax benefits resulting from timing differences exist, these are not brought to account unless realisation of the asset is beyond any reasonable doubt.

1.7 Cash and cash equivalents

For purposes of the statement of cashflows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

1.8 Employee Benefits

Provision is made for amounts expected to be paid to employees of a controlled entity in respect of their entitlement to annual leave and long service leave arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year arising from wage and salaries and annual leave have been measured at the rates of pay expected when the liability is expected to be settled. Long service leave entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Under the terms of the Directors' Retirement Scheme, approved by a meeting of shareholders, provision has been made for the retirement or loss of office of eligible non-executive Directors of Sipa Resources International.

Employee benefit expenses and revenues arising in respect of the following categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- Other types of employee benefits
  are recognised against profits on a net basis in their respective categories.

The value of the equity based compensation scheme described in note 25 is not being recognised as an employee benefits expense.

1.9 Investments

Investments are recorded at the lower of cost and recoverable amount.

1.10 Receivables

Trade receivables and other receivables are recorded at amounts less any allowance for doubtful debts and are issued on 30 day credit terms.

All intercompany loans are non-interest bearing with no set time for repayment.

1.11 Accounts Payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

1.12 Contributed Equity

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profits consistent with the statement of financial position classification of the related debt or equity instrument.

1.13 Inventories

Inventories of mine stores and consumables are valued at the weighted average costs. Obsolete or damaged inventories of such items are valued at net realisable value.

1.14 Revenue Recognition

Revenue from the sale of goods other than gold and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer. Gold is recognised at net market value upon delivery to the refinery.

Interest

Control of the right to receive the interest payment.

1.15 Provision for Rehabilitation

Rehabilitation costs necessitated by mining activities are accrued at the time of those activities on a unit-of-production basis. Estimates of future costs are reassessed at least annually. Changes in estimates of costs relating to producing areas are dealt with prospectively over the remaining mine life.

1.16 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) Where the amount of GST incurred on a purchase of goods and services is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and

(ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis.

The GST component of cash flows rising from investing and financing activities which is recoverable from, or payable to the taxation authorities is classified as operating cash flows.

1.17 Joint Venture Operations

The consolidated entity's interest in joint ventures has been brought to account by including in their respective classification categories the consolidated entity's share of joint assets, liabilities and expenses. Details of the consolidated entity's interests are shown in Note 19.

1.18 Earnings Per Share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

1.19 Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term at the interest rate implicit in the lease.

1.20 Comparative figures

Comparative figures are, where appropriate, reclassified as to be comparable with the figures presented for the current financial year.

2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
The (loss)/profit from ordinary activities has been determined after including the following items of revenue and expense.				
REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Gold sales	-	25,704,482	-	-
Total revenue from operating activities	-	25,704,482	-	-
Revenue from non-operating activities				
Interest received – other persons	246,599	323,505	29,388	-
Proceeds on disposal of non-current assets	2,440,909	-	-	-
Gold sales on clean-out	307,943			
Other income	185,204	4,545	-	-
Total revenue from non-operating activities	3,180,655	328,050	29,388	-
Total revenue from ordinary activities	3,180,655	26,032,532	29,388	-
EXPENSES AND LOSSES/(GAINS)				
Depreciation of plant and equipment	58,698	1,802,581	-	-
Amortisation of tenements	-	1,388,982	-	-
Amortisation of mining development costs	-	7,986,452	-	-
Amortisation of licence agreement	-	31,250	-	-
Auditors' remuneration – auditing financial report	32,383	47,400	-	-
Transfer to provision for annual leave	27,229	4,429	-	-
Transfer to provision for long service leave	(38,302)	31,250	-	-
Rental expenses on operating lease	111,807	132,717	-	-
Royalty to state government	-	535,608	-	-
Exploration expenditure	2,657,940	4,387,217	-	-
Write down to recoverable amount of investments	150,000	18,000	150,000	18,000
Net (gain) on disposal of non-current assets	(680,583)	-	-	-

		Consolidated		Company	
		2005	2004	2005	2004
		$	$	$	$
3.	**INCOME TAX**				
(a)	The prima facie income tax expense/benefit on pre-tax accounting profit/(loss) is reconciled to the income tax expense/ (benefit) provided in the financial statements as follows:				
	(Loss)/Profit from ordinary activities	(3,813,656)	(4,476,300)	(4,240,842)	(164,268)
	Income tax (benefit)/expense credit calculated at 30% of operating profit	(1,144,097)	(1,342,890)	(1,272,253)	(49,280)
	Prima facia tax on profit from wholly owned subsidiaries upon tax consolidation	-	-	128,156	(1,293,700)
	Add tax effect of:				
	- Writedown of intercompany receivables	-	-	-	5,400
	- Non-assessable income	(234,000)	(437)	(234,000)	(437)
	- Non-deductible costs	37,575	11,823	37,575	11,823
	- Losses transferred out	-	-		-
	- Future income tax benefit not brought to account	1,340,522	819,942	1,340,522	1,326,194
	Income tax (benefit)/expense	-	(511,562)	-	-
(b)	Future income tax benefits not brought to account as assets:				
	- Tax losses-revenue	2,105,162	687,233	2,105,162	687,233

The benefit will only be obtained if the consolidated entity:

(i) derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
(ii) continues to comply with the conditions for deductibility imposed by law; and
(iii) there are no changes in tax legislation affecting the Company realising the benefit.

(c) **Tax Consolidation**

Effective 1 July 2003, for the purposes of income taxation, the Sipa group formed a tax consolidated group. The head entity of the tax consolidated group is Sipa Resources Limited.

The Sipa group elected to re-calculate the tax cost bases of assets in certain subsidiary companies where a benefit has been identified. For the remainder of the group, Sipa elected to maintain existing tax values of assets. The Sipa group currently does not intend to enter into a Tax Sharing or Tax Funding Agreement.

		Consolidated		Company	
		2005	2004	2005	2004
		$	$	$	$
4.	**CURRENT ASSETS – RECEIVABLES**				
	Trade receivables	108,123	168,373	-	-
	Income tax	-	901,531	-	-
		108,123	1,069,904	-	-

The terms and conditions of the trade receivables are as follows: non-interest bearing and due in 30 days generally.

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$

5. CURRENT ASSETS - INVENTORIES

Mine stores - at cost	528,849	532,389	-	-
Total inventories at lower of cost and net realisable value	528,849	532,389	-	-

6. NON - CURRENT ASSETS – OTHER FINANCIAL ASSETS

Cash reserved for rehabilitation	1,151,846	1,314,046	-	-

Bankwest has given a guarantee to the Department of Minerals and Energy in respect of performance bonds totalling $900,311 for rehabilitation of Paraburdoo Gold Project Mining Leases tenements for which the bank has a lien on an equivalent amount within the company's cash at bank classified as other financial assets.

7. NON-CURRENT ASSETS – RECEIVABLES

Security deposits (a)	42,520	79,867	-	-
Advances to controlled entities: (b)				
- Sipa Resources (1987)Limited	-	-	7,137,141	6,637,142
- Sipa Exploration NL	-	-	4,878,778	2,683,668
- Sipa - Gaia NL	-	-	1,103,090	1,103,090
- Sipa Management Pty Ltd	-	-	1,673,150	880,224
- Ashling Resources NL	-	-	518,218	518,218
	42,520	79,867	15,310,377	11,822,342
Less: provision for diminution	-	-	(13,310,381)	(9,270,640)
	42,520	79,867	1,999,996	2,551,702

(a). The terms and conditions of the security deposits are they are non-interest bearing and refundable upon completion of performance obligation.

(b). Terms and conditions of advances to controlled entities can be found in note 21.

8. NON- CURRENT ASSETS – INVESTMENTS

Investments at cost comprise:	**Note**				
Shares:					
Shares in listed entities (a)		540,000	300,000	540,000	300,000
Shares in controlled entities – unlisted	17	-	-	9	9
Less: recoverable amount write down		(297,000)	(147,000)	(297,000)	(147,000)
Total Investments		243,000	153,000	243,009	153,009
(a) Quoted market value at balance date of investments listed on a prescribed stock exchange:					
Shares - Golden Cross Resources Ltd		96,000	153,000	96,000	153,000
Shares – Mindax Resources Limited		147,000	-	147,000	-
		243,000	153,000	243,000	153,000

Golden Cross Resources Ltd and Mindax Resources Limited are engaged in mineral exploration in Australia. Sipa owns less than 1.7% and 3.2% of each Company respectively.

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
9. NON-CURRENT ASSETS - PLANT AND EQUIPMENT					
Gross carrying amount at beginning of year		5,309,099	4,942,472	-	-
Additions		25,482	374,048	-	-
Disposals		(40,572)	(7,421)	-	-
Balance at end of year		5,294,009	5,309,099	-	-
Accumulated depreciation/amortisation					
Carrying amount at beginning of year		4,108,686	2,308,147	-	-
Depreciation/amortisation expense		58,698	1,802,581	-	-
Disposals		(34,213)	(2,042)	-	-
Balance at end of year		4,133,171	4,108,686	-	-
Net book value at beginning of year		1,200,413	2,634,325	-	-
Net book value at end of year		1,160,838	1,200,413	-	-
10. CURRENT LIABILITIES - PAYABLES					
Trade payables – unsecured		177,565	160,516	-	-
Accrued expenses		321,918	457,815	3,000	2,600
		499,483	618,331	3,000	2,600

Trade payables and accrued expenses are non-interest bearing and are usually settled in 30 days.

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
11. CURRENT PROVISIONS					
Employee benefits - annual leave		127,335	145,984	-	-
Employee benefits - Long service leave		76,802	72,052	-	-
	25	204,137	218,036	-	-
12. NON-CURRENT LIABILITIES - PROVISIONS					
Employee benefits - Long service leave	25	66,789	103,655	-	-
Provision for directors retirement benefit		115,000	-	-	-
Provision for rehabilitation		1,250,000	1,236,100	-	-
		1,431,789	1,339,755	-	-

(a) Provision for rehabilitation

A provision is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the rehabilitation of a mining site. Estimates of the rehabilitation obligations are based on anticipated technology and legal requirements and future cost, which have been discounted to their present value. In determining the rehabilitation provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to rehabilitation of such mines in the future.

(b) Movements in provision for rehabilitation

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Carrying amount at beginning of the financial year	1,236,100	1,316,160	-	-
Additional provision	236,541	-	-	-
Amounts utilised during the year	(222,641)	(80,060)	-	-
Carrying amount at end of the financial year	1,250,000	1,236,100	-	-

		Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
12.	**NON-CURRENT LIABILITIES – PROVISIONS (Continued)**				
(c)	**Movements in provision for Directors' retirement benefit**				
	Carrying amount at beginning	0	165,000	-	-
	Amounts provided for during the year	115,000	-	-	
	Amounts paid on retirement during the year	-	(165,000)	-	-
	Carrying amount at end of year	115,000	0	-	-
13.	**CONTRIBUTED EQUITY**				
(a)	**Issued and paid up capital**				
	Fully paid ordinary shares	64,139,866	60,361,131	64,139,866	60,361,131

		2005 No	2005 $	2004 No	2004 $
(b)	**Movements in shares on issue**				
	Balance at beginning of year	206,523,451	60,361,131	206,308,451	66,531,863
	Private placement	18,741,666	2,249,000	-	-
	Placement to Outokumpu Zinc Australia P/L	4,104,700	500,000	-	-
	Placement pursuant to Share Purchase Plan	9,000,093	1,080,000	-	-
	Issue of shares pursuant to exercise of options	-	-	215,000	21,500
	Return of capital (i)	-	-	-	(6,192,232)
	Less transaction costs	-	(50,265)	-	-
	Balance at end of financial year	238,369,910	64,139,865	206,523,451	60,361,131

(i) In accordance with the resolution of shareholders of 14 November 2002, the Company resolved to a return of capital of 5¢ for each ordinary share held. During the year ended 30 June 2004 the second instalment of 3¢ was paid resulting in a reduction of capital of $6,192,232.

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held.

On a show of hands one vote for every registered shareholder and on a poll, one vote for each share held by a registered shareholder.

(d) Share options

Employee Incentive Scheme Options

Information relating to the Sipa Employee Incentive Scheme Option Plan, including details of options issued, exercised and lapse during the financial year and options outstanding at the end of the financial year are set out in Note 25.

		Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
14.	**ACCUMULATED LOSSES**				
	Accumulated losses at the beginning of the financial year	**(55,122,946)**	(50,646,646)	**(57,659,020)**	(57,494,752)
	Net (Loss)/Profit	**(3,813,656)**	(4,476,300)	**(4,240,841)**	(164,268)
	Accumulated losses at the end of the financial year	**(58,936,602)**	(55,122,946)	**(61,899,861)**	(57,659,020)

15. EARNINGS PER SHARE

		2005	2004
	Basic earnings/(loss) per share (in cents)	(1.7)	(2.4)
	Diluted earnings/(loss) per share (in cents)	(1.7)	(2.4)
	Basic earnings per share		
	The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	$	$
	Earnings (a)	(3,813,656)	(4,476,300)
		No.	**No.**
	Weighted average number of ordinary shares (b)	229,845,682	206,449,202
(a)	Earnings used in the calculation of basic earnings per share reconciled to net profit in the statement of financial performance as follows:	$	$
	Net (loss) profit	(3,813,656)	(4,476,300)
(b)	The employee and vendor options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).		
	Diluted earnings per share		
	The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:		
	Earnings (a)	(3,813,656)	(4,476,300)
	Weighted average number of ordinary shares and potential ordinary shares (b), (c), (d)	No. 229,845,682	No. 206,449,202
(a)	Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:	$	$
	Net profit	(3,813,656)	(4,476,300)
(b)	Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:	**2005** No.	**2004** No.
	Weighted average number of ordinary shares used in the calculation of basic EPS	229,845,682	206,449,202
	Shares deemed to be issued for no consideration on respect of is NIL:		
	Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	229,845,682	206,449,202
(c)	The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary share used in the calculation of diluted EPS.		
	$0.10 December 2005 options	317,500	-
	$0.10 November 2006 options	200,000	-
	$0.25 November 2007 options	1,500,000	2,275,000
	$0.26 August 2007 options	-	200,000
	$0.235 July 2008 options	200,000	250,000
	$0.14 December 2009 options	1,850,000	-
		4,067,500	2,725,000
(d)	Weighted average number of converted lapsed or cancelled potential ordinary shares used in the calculation of diluted EPS are as follows:		
	Vendor options lapsed	-	5,000,000
	Employee options exercised	-	215,000
		-	5,215,000

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
16. STATEMENT OF CASH FLOWS				
a) Reconciliation of cash				
For the purposes of this statement of cash flows, cash includes:				
i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts	4,052,450	2,957,198	-	-
	4,052,450	2,957,198	-	-
b) Reconciliation of (loss)/profit from ordinary activities to net cash flows from operations:				
Net (Loss)/Profit	(3,813,656)	(4,476,300)	(4,240,841)	(164,268)
Depreciation of plant and equipment	58,698	1,802,581	-	-
Provision for rehabilitation	236,541	-	-	-
Amortisation of mining tenements	-	1,388,982	-	-
Write down of intercompany receivables	-	-	4,039,741	
Amortisation of development	-	7,986,452	-	-
Amortisation of licence agreement	-	31,250	-	-
(Profit)/Loss on disposal of non-current assets	(680,583)	3,778	-	-
Write down of investments	150,000	18,000	150,000	18,000
Changes in assets and liabilities				
Receivables	60,250	(531,649)	-	-
Inventories	3,540	2,277,371	-	-
Deferred Tax Asset	-	350,183	-	-
Prepayments	56,442	12,169	-	-
Provisions	(109,668)	(339,250)	-	-
Trade payables	(167,585)	(2,318,204)	400	(3,800)
Security deposits	37,347	(13,499)	-	-
Other financial assets	162,200	76,054	-	-
Income tax refunded	901,531	-	-	-
Deferred tax balances	-	(861,745)	-	-
Net cash flow from / (used in) operating activities	(3,104,943)	5,406,173	(50,700)	(150,068)

17. PARTICULARS OF CONSOLIDATED ENTITY

Contributions to Consolidated Loss	% Owned		Book Value of Investment		Contributions to Consolidated Net Profit/(Loss) after Income Tax	
	2005	2004	2005	2004	2005	2004
Parent entity			$	$	$	$
Sipa Resources Limited					(4,240,842)	(164,268)
Controlled entities of Sipa Resources Limited:-						
Sipa Gold Limited (C)	100	100	5	5	-	(189,621)
Sipa Resources (1987) Limited	100	100	-	-	(225,786)	(210,566)
Sipa Exploration NL	100	100	1	1	(2,687,165)	(3,065,247)
Sipa Management Pty Ltd	100	100	2	2	(763,216)	(773,826)
Sipa - Gaia NL	100	100	1	1	(231,787)	(612,499)
Ashling Resources NL (A)	100	100	1,588,493	1,588,493	304,200	(370)
Topjest Pty Limited (B)	100	100	100	100	-	-
Sipa -Wysol Pty Ltd (B)	100	100	2	2	(8,801)	540,097
			1,588,604	1,588,604	(7,853,397)	(4,476,300)
Less balances arising on consolidation			(1,588,604)	(1,588,604)	4,039,741	-
			-	-	(3,813,656)	(4,476,300)

(A) Share held by Sipa Resources (1987) Limited
(B) Shares held by Sipa Exploration NL
(C) Changed its name from Paradise Gold (WA) Ltd on 27 May 2005

The parent entity, Sipa Resources Limited, is a company limited by shares, incorporated and domiciled in Australia. All subsidiary companies are incorporated in Australia.

18. COMMITMENTS FOR EXPENDITURE

(a) Exploration Expenditure Commitments

The consolidated entity has minimum statutory commitments as conditions of tenure of certain mining tenements. In addition it has commitments to perform and expend funds towards retaining an interest in formalised agreements with joint venture partners. If all existing areas of interest were maintained and on the terms in place at 30 June 2005, the Directors estimate the minimum expenditure commitment for the ensuing twelve months to be $5,328,854(2004: $4,993,634). However the Directors consider that the actual commitment is likely to be between $1,500,000 and $1,738,000 as these commitments are reduced continuously for such items as exemption applications to the Department of Industry and Resources, withdrawal from tenements, and other farm-out or joint venture transactions. In any event these expenditures do not represent genuine commitments as the ground can always be surrendered in lieu of payment of commitments. The consolidated entity's agreements with various joint venture partners at 30 June 2005 will ensure that commitments, totalling $3,590,845 (2004: $1,279,624) will be met by joint venture partners. This estimate may be varied as a result of the granting of applications for exemption.

(b) Operating Lease

A controlled entity Sipa Management Pty Ltd has obligations under the terms of the lease of its office premises for a term of (3) years from and including 1st day of March 2004. Lease payments are payable in advance by 12 equal monthly instalments due on the 1st day of each month . Under the lease agreement the lessor reserves the right to rent review on the 1st September 2005. The parent entity is guarantor.

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
Due not later than one year	66,100	68,450	-	-
Due later than one year and not later than five years	44,067	118,700	-	-
	110,167	187,150	-	-

(c) Commitment to Controlled Entities

The parent entity has advised its controlled entities that it will continue to provide funds to meet those entities' working capital requirements for at least the next twelve months.

19. INTERESTS IN JOINT VENTURES

The consolidated entity has an interest in the following Joint Ventures:

Joint Venture	**Principal Activities**	**Percentage Interest** (excluding minorities)	
		2005	**2004**
Ashburton Regional JV	Gold Exploration	20%	30%
Ashburton Sulphide Prospect	Gold Exploration	20%	20%
Rocklea	Gold Exploration	15.72%	15.38%
Mt Wall JV	Gold Exploration	14.4%*	14.4%*
Ularring Rock	Gold/Copper Exploration	100%+	100%+
Panorama	Copper/Zinc Exploration	100%+	100%
Coolgardie Nickel	Nickel/Basemetals/PGM Exploration	70%*	70%*
Coolgardie Miriam-Bouchers	Gold/Nickel Exploration	70%*	-
Devil's Playground	Gold Exploration	100%*	-
Scorpion Gibraltar	Gold/Nickel Exploration	100%*	-
Quinn Hills	Gold/Nickel Exploration	63.75%*	63.75%*
Chinaman Well	Basemetal Exploration	100%*	-
Stephens-Centennial	Basemetal Exploration	70%*	70%*
Palmer River	Gold Exploration	100%*	100%*
Bulga Downs (WA)	Gold Exploration	-	59.30%

All of the above joint ventures are for the purposes of exploration activities. There are no jointly held assets, liabilities or operations at this stage.

* Represents the percentage which the Company is earning. Current entitlement is Nil.

+ Position may be diluted by JV party earning an interest.

Refer also Note 23 for events subsequent to year end.

20. DIRECTOR AND EXECUTIVE DISCLOSURES

The names of the Directors who have held office during the financial year are:

Specified Directors

P I B Pearce	Chairman (Non-executive)
M G Doepel	Managing Director and Chief Executive Officer
D L Gooding	Director (Non-executive)
D J Williams	Director (Non-executive)
K L Field	Director (Non-executive)

All of the above persons were specified directors during all of the year ended 30 June 2005, except for K L Field who was appointed on 16 September 04.

Specified Executives

Executives (other than directors) with the greatest authority for strategic direction and management

T A Robson	Company Secretary
L Bettenay	Chief Geologist
D J Gore	Corporate Consultant

All of the above persons were specified executives during all of the year ended 30 June 2005.

Non-executive director remuneration

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.

The remuneration of non-executive directors for the period ending 30 June 2005 is detailed in Table 1 on page 44 of this report.

Executive and Executive director remuneration

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

- Ensure the general level of remuneration 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; 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 Limited Employee Incentive Scheme, and
- Superannuation at the statutory rate.

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. Base pay is based upon data available to the board to reflect the market for a comparable role. It is reviewed annually.

The fixed remuneration component of the 5 most highly remunerated senior managers is detailed in Table 2 on page 44 of this report.

Long term incentives are administered through participation in the Sipa Resources Limited Employee Incentive Scheme (the "Scheme"). The Scheme, which was approved by the shareholders, provides for free options to be issued to Participants, as determined by the directors in their absolute discretion based on various factors including length of service and the contribution that the participant will have to the long term performance of the Company. Each options is convertible into one ordinary share and all options vest as follows: not more than 25% of the options being exercisable before the first anniversary of the issue date, not more than 50% of the options being exercisable before the second anniversary of the issue date and not more than 75% of the options being exercisable by the third anniversary of the commencement date. The term of the options must not exceed 5 years. In the event of an employee leaving the Company, the options held are terminated. The exercise price fixed by the directors shall not be less than the last sale price for the shares quoted by the ASX on the date upon which the directors resolve to grant the options. Details of options granted as part of remuneration for the year ended 30 June 2005 is detailed in Table 3 on page 45 of this report.

Service Agreements

Remuneration and other terms of employment for the Managing Director and the specified executives are formalised in service agreements. Each of these agreements provide for the provision of cash salary and participation, when eligible, in the Sipa Resources Limited Employee Option Plan. Other major provisions are set out below.

M G Doepel, Managing Director

- Term of agreement, 1/12/04 – 1/12/07.
- Base salary of $217,300 and $19,557 superannuation for the financial year ended 30 June 2005.
- Termination notice of 3 months by either the company or the Managing Director.
- Payment of termination benefit on early termination by the employer other than for gross misconduct equal to the base salary times the number of days remaining in the contract divided by 365.

L F Bettenay, Chief Geologist (Appointed 1/7/03)

- Term of agreement, 1/7/03 – 30/06/08.
- Base salary of $153,750 and $13,838 superannuation for the financial year ended 30 June 2005.
- There is no stated time for the length of notice on termination.
- Payment of termination benefit on early termination by the employer other than for gross misconduct equal and prior to 1 July 2005 of 1.5 times the base salary. This amount reduces to 1 times the base salary for termination dates between 1 July 2005 and 1 July 2008. After that date the termination benefit is computed based on a formula of x times the base salary where x=.5 +(.1x years of service).

Table 1: Director remuneration for the year ended 30 June 2005

		Primary	Post-employment		Other	Equity	
Name		**Cash Salary and fees**	**Retirement Benefit**	**9% Super Guarantee Levy**		**Options**	**Total**
P I B Pearce	2005	80,000	Nil	7,200	Nil	Nil	87,200
	2004	79,325	Nil	7,139	Nil	Nil	86,464
M G Doepel	2005	214,650	Nil	19,318	Nil	6,000	239,968
	2004	212,000	Nil	19,080	Nil	6,000	237,080
D L Gooding	2005	35,000	Nil	3,150	Nil	Nil	38,150
	2004	35,000	Nil	3,150	Nil	Nil	38,150
D J Williams	2005	35,000	Nil	3,150	Nil	Nil	38,150
	2004	35,000	Nil	3,150	Nil	Nil	38,150
K L Field	2005	26,788	Nil	2,411	Nil	Nil	29,199
(Appt 16/9/04)	2004	Nil	Nil	Nil	Nil	Nil	Nil
W H Crawford	2005	Nil	Nil	Nil	Nil	Nil	Nil
(Retired 11/7/03)	2004	2,750	165,000	247	Nil	Nil	167,997
TOTALS	2005	391,438	Nil	35,229	Nil	6,000	432,667
	2004	364,075	165,000	32,766	Nil	6,000	567,841

Table 2: Remuneration of the specified executives for the year ended 30 June 2005

		Primary	Post-employment		Other	Equity	
Name		**Cash Salary and fees**	**Retirement Benefit**	**9% Super Guarantee Levy**	**Termination**	**Options**	**Total**
D J Gore (Resigned Company Secretary 6/4/04)	2005	43,510	Nil	3,916	Nil	7,600	55,026
	2004	136,154	Nil	12,254	Nil	6,000	154,408
T A Robson (Appt Company Secretary 6/4/04)	2005	58,240	Nil	Nil	Nil	1,600	59,840
	2004	10,593	Nil	Nil	Nil	Nil	10,593
L Bettenay	2005	151,875	Nil	13,669	Nil	5,850	171,394
	2004	147,692	Nil	13,292	Nil	3,850	164,834
P J Langworthy (Resigned 19/11/03)	2005	Nil	Nil	Nil	Nil	Nil	Nil
	2004	85,915	Nil	7,732	Nil	963	94,610
TOTALS	2005	253,625	Nil	17,585	Nil	15,050	286,260
	2004	380,354	Nil	33,278	Nil	10,813	424,445

Table 3: Options granted as part of remuneration for the year ended 30 June 2005 (in accordance with the Sipa Resources Limited Employee Incentive Scheme)

	Grant date	Grant Number	Vesting date	Value per option at grant date *	% of remuneration
T A Robson	21/12/04	200,000	50,000 on 21/12/04 50,000 on 21/12/05 50,000 on 21/12/06 50,000 on 21/12/07	3.2 cents	2.7%
L Bettenay	21/12/04	250,000	62,500 on 21/12/04 62,500 on 21/12/05 62,500 on 21/12/06 62,500 on 21/12/07	3.2 cents	1.2%
D J Gore	21/12/04	200,000	50,000 on 21/12/04 50,000 on 21/12/05 50,000 on 21/12/06 50,000 on 21/12/07	3.2 cents	2.9%

* From 1 July 2003, options granted as part of senior manager remuneration have been valued using a Binomial option pricing model, which take account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. The following weighted average assumptions used for grants made on 30 June 2005, 2004 and 2003 are:

Fair value of options:

	2005	2004	2003
Dividend yield	Nil	Nil	Nil
Expected volatility	49%	58%	58%
Historical volatility	49%	58%	58%
Risk-free interest rate	5.20%	4.93%	4.93%
Expected life of option	5 years	5 years	5 years

Share-based compensation – options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
21/7/03	20/7/08	23.5 cents	7.7 cents	25% on 21/7/03, 25% on 21/7/04, 25% on 21/7/05 and 25% on 21/7/06.
22/12/04	21/12/09	14 cents	3.2 cents	25% on 22/12/04, 25% on 22/12/05, 25% on 22/12/06 and 25% on 22/12/07.

Options are granted under the Sipa Employee Incentive Scheme which was approved by shareholders. The Scheme provides for free options to be issued to Participants, as determined by the directors in their absolute discretion based on various factors including length of service and the contribution that the participant will have to the long term performance of the Company. Each options is convertible into one ordinary share and all options vest as follows: not more than 25% of the options being exercisable before the first anniversary of the issue date, not more than 50% of the options being exercisable before the second anniversary of the issue date and not more than 75% of the options being exercisable by the third anniversary of the commencement date. The term of the options must not exceed 5 years. In the event of an employee leaving the Company, the options held are terminated. The exercise price fixed by the directors shall not be less than the last sale price for the shares quoted by the ASX on the date upon which the directors resolve to grant the options.

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Name	Number of options granted during the year	Number of options vested during the year
Directors		
M G Doepel	Nil	75,000
Specified Executives		
D J Gore	200,000	125,000
L Bettenay	250,000	112,500
T A Robson	200,000	50,000

Shares provided on exercise of remuneration options

There were no shares provided on exercise of remuneration options during the financial year ended 30 June 2005.

Option holdings of specified directors and specified executives

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
P I B Pearce	200,000	-	-	-	200,000	200,000
M G Doepel	400,000	-	-	-	400,000	325,000
D L Gooding	-	-	-	-	-	-
D J Williams	-	-	-	-	-	-
K L Field	-	-	-	-	-	-
Specified executives						
D J Gore	300,000	200,000	-	-	500,000	275,000
T A Robson	-	200,000	-	-	200,000	50,000
L Bettenay	200,000	250,000	-	-	450,000	112,500

Shareholdings of specified directors and specified executives

Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors				
P I B Pearce	300,000	-	141,667	441,667
M G Doepel	4,803,177	-	41,667	4,844,844
D L Gooding	-	-	-	-
D J Williams	-	-	-	-
K L Field	-	-	71,667	71,667
Specified executives				
D J Gore	100,000	-	-	100,000
T A Robson	-	-	-	-
L Bettenay	4,500	-	-	4,500

Other transactions with directors and specified executives

Mr D J Williams, a director of the company, is a partner in the legal firm of Williams and Hughes who provides legal advice to the company. All transactions with Williams and Hughes are at competitive market rates. The total services recognised as an expense for the year amounted to $48,566 (2004: $69,995).

21. RELATED PARTY TRANSACTIONS

(a) Transactions within the wholly-owned group

The wholly-owned group includes the ultimate parent entity in the wholly-owned group, Sipa Resources Limited and wholly owned controlled entities.

During the financial year a controlled entity of the parent entity provided management services at cost to entities within the consolidated entity.

Details of write-downs of receivables in respect of transactions with entities in the wholly-owned group are disclosed in note 7 to the financial statements.

Amounts receivable from and payable to entities in the wholly-owned group are disclosed in note 7 to the financial statements. The loans are non-interest bearing.

(b) Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities is disclosed in note 17 to the financial statements.

22. SEGMENT INFORMATION

The consolidated entity operates in one business segment being mining exploration for gold and other minerals. The consolidated entity operates in one geographical segment being Australia.

23. EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance, other than that referred to elsewhere in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years except as follows:

The Mount Olympus gold treatment plant located in the Ashburton Region of Western Australia was sold to Austindo Resources Corporation NL for $2,575,000. Proceeds were received in September 2005. The financial effect of the transaction will be reported during the financial year ended 30 June 2006 in accordance with AIFRS. There is no anticipated difference on the net profit for the year between the AIFRS amount and the amount that would have been recognised under AGAAP.

24. FINANCIAL INSTRUMENTS

(a) Interest rate risk	Interest Rate %	Floating Interest $	Non -Interest Bearing $	Total $
2005				
Financial assets				
Trade receivables		-	108,123	108,123
Cash	5.6	4,052 450	-	4,052,450
Listed shares		-	243,000	243,000
Other	5.3	1,151,846	-	1,151,846
		5,204,296	351,123	5,555,419
Financial liabilities				
Trade payables			499,483	499,483
Net financial assets		5,204,296	(148,360)	5,055,936

24. **FINANCIAL INSTRUMENTS (Continued)**

(b) Interest rate risk

	Interest Rate %	Floating Interest $	Non -Interest Bearing $	Total $
2004				
Financial assets				
Trade receivables		-	168,373	168,373
Cash	4.4	2,957,198	-	2,957,198
Listed shares		-	153,000	153,000
Other	3.5	1,314,046	-	1,314,046
		4,271,244	321,373	4,592,617
Financial liabilities				
Trade payables		-	618,331	618,331
Net financial assets		4,271,244	(296,958)	3,974,286

(b) Credit rate risk

The carrying amount of financial assets recorded in the Statement of Financial Position net of any allowances for losses represents the maximum exposure to credit risk.

(c) Net fair value

The net fair value of financial assets and liabilities at balance date approximate their carrying value.

(d) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect to each class of financial assets, financial liability and equity instruments are disclosed in Note 1 to the financial statements.

	Note	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
25. EMPLOYEE BENEFITS					
The aggregate employee benefit liability recognised and included in the financial statements is as follows:					
Provisions for employee benefits:					
Current	11	204,137	218,036	-	-
Non-current	12	66,789	103,655	-	-
		270,926	321,691	-	-
Number of employees at end of financial year		16	20		-

Sipa Employee Incentive Option Scheme

The Employee Incentive Scheme provides for free options to be issued to Participants, as determined by the directors in their absolute discretion based on various factors including length of service and the contribution that the participant will have to the long term performance of the Company. Each options is convertible into one ordinary share and all options vest as follows: not more than 25% of the options being exercisable before the first anniversary of the issue date, not more than 50% of the options being exercisable before the second anniversary of the issue date and not more than 75% of the options being exercisable by the third anniversary of the commencement date. The term of the options must not exceed 5 years. The number of participants varies during the year. In the event of an employee leaving the Company, the options held are terminated. The exercise price fixed by the directors shall not be less than the last sale price for the shares quoted by the ASX on the date upon which the directors resolve to grant the options. Options granted under the plan carry no dividend or voting rights.

(i) Options outstanding

2005

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Exercised during year (ii)	Lapsed/ cancelled during year	Balance at end of year
20/12/00	20/12/05	10 cents	317,500	-	-	-	317,500
15/11/01	15/11/06	10 cents	200,000	-	-	-	200,000
14/11/02	14/11/07	24.5 cents	2,100,000	-	-	(600,000)	1,500,000
21/7/03	20/7/08	23.5 cents	200,000	-	-	-	200,000
22/12/04	21/12/09	14 cents	-	1,850,000	-	-	1,850,000
			2,817,500	1,850,000	-	(600,000)	4,067,500

2004

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Exercised during year	Lapsed/ cancelled during year	Balance at end of year
20/12/00	20/12/05	10 cents	532,500	-	215,000	-	317,500
15/11/01	15/11/06	10 cents	200,000	-	-	-	200,000
1/8/02	1/8/07	26 cents	200,000	-	-	(200,000)	-
14/11/02	14/11/07	24.5 cents	2,275,000	-	-	(175,000)	2,100,000
21/7/03	20/708	23.5 cents	-	250,000	-	(50,000)	200,000
25/11/03	25/11/08	24.5 cents	-	175,000	-	(175,000)	-
			3,207,500	425,000	215,000	(600,000)	2,817,500

(ii) Options exercised

No options were exercised during the financial year ended 30 June 2005.

Exercised During Financial Year Ended 30 June 2004

Number of Options	Date Issued	Exercise Date	Expiry Date	Exercise Price	Proceeds from shares issued $	Fair value of shares at issue date $ per share/ total	Fair value of shares at distribution date $ per share/ total
100,000	20/12/00	31/07/03	20/12/05	10 cents	10,000	$0.245/ $24,500	$0.07/ 7,000
100,000	20/12/00	27/01/04	20/12/05	10 cents	10,000	$0.22/ $22,000	$0.07/ 7,000
15,000	20/12/00	11/02/04	20/12/05	10 cents	1,500	$0.155/ $2,325	$0.07/ 1,050
215,000					21,500		

The fair value of shares issued on the exercise of options is the weighted average price at which the Company's shares were traded on the ASX on the day prior to the exercise of options.

(iii) Lapsed or Terminated Options

During the financial year ended 30 June 2005, the following options were terminated:

Number of Options	Date Issued	Date Terminated	Expiry Date	Exercise Price
550,000	14/11/04	20/12/04	13/11/07	24.5 cents
50,000	14/11/04	28/06/05	13/11/07	24.5 cents
600,000				

During the financial year ended 30 June 2004, the following options were terminated:

Number of Options	Date Issued	Date Terminated	Expiry Date	Exercise Price
200,000	1/08/02	2/12/03	1/08/07	26 cents
50,000	21/07/03	2/12/03	20/07/08	23.5 cents
175,000	25/11/03	29/06/04	25/11/08	24.5 cents
175,000	14/11/02	29/06/04	13/11/07	24.5 cents
600,000				

Employee options currently on issue represent less than 1.7% of the issued capital.

The market price of the Company's shares at 30 June 2005 was 7.6 cents (2004: 9.5 cents).

	Consolidated 2005	Consolidated 2004	Company 2005	Company 2004
26. REMUNERATION OF AUDITORS				
Amounts received or due and receivable by Ernst & Young				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	32,383	43,900	-	-
– other services in relation to the entity and any other entity in the consolidated entity				
– tax compliance	97,285	115,290	-	-
	129,668	159,190		
Amounts received or due and receivable by auditors other than Ernst & Young for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	-	-		-
– an audit or review of the financial report of subsidiary entities	-	3,500		-
	129,668	162,690		-

27. CONTINGENT ASSETS AND LIABILITIES

At the date of this report, there are no contingent assets or liabilities.

28. IMPACT OF ADOPTING AASB EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earning as at 1 July 2004.

The Company Secretary and the Financial Controller have been responsible for managing the transition to AIFRS. They have analysed all of the AIFRS and have identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity. Sipa has not quantified all of the financial effects of adopting AIFRS due to the fact that management has been focussing their attention on new deals and exploration alliances, in order to further Sipa's opportunities to become a successful mineral exploration company. Management anticipates that the transition to AIFRS will be completed by the second quarter of 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

Effect of AIFRS upon Sipa Resources Limited Financial Reporting

As at the date of this financial report, the following has been identified as the key differences between existing Australian GAAP and AIFRS:

Exploration and Evaluation

Sipa's existing policy of accounting for exploration and evaluation activity through application of the successful efforts approach will comply with AASB 6 'Exploration for and Evaluation of Mineral Resources'. Therefore no difference is expected to result either from the carryforward amount or from impairment testing, as at the date of transition and at 30 June 2005, in both the consolidated entity and the parent entity. The financial effect has not yet been quantified due to the abovementioned reasons.

Provisions for Rehabilitation

AIFRS requires that the present value of rehabilitation obligations associated with Sipa projects be recognised as a non-current liability and the cost of future rehabilitation be capitalised as part of the relevant project. The capitalised cost is amortised over the life of the project and the provision is accreted periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as interest expense. Rehabilitation expense is expected to be marginally lower as at the date of transition in the consolidated entity accounts, with no effect anticipated in the parent entity. Sipa currently has no current mining operations, and accordingly no capitalised cost is expected as at 30 June 2005 after the transition to AIFRS. Sipa has not yet quantified the effect of the transition to AIFRS due to the abovementioned reasons.

Financial Instruments

Sipa will be taking advantage of the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. This allows the group to apply previous Australian GAAP to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB 139, and AASB 132, recognition and measurement of all financial instruments at fair value is required. Sipa will soon be quantifying the effect of adopting this standard, from its application date of 1 July 2005.

Impairment of Assets

Under the AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. The financial effect of this change in accounting policy has not yet been reliably estimated, due to the reasons provided above.

Share based Payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005.

This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation. If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated and parent entity retained profits at 1 July 2004 would have been $124,276 lower with a corresponding increase in the share-based payment reserve. For the year ended 30 June 2005, the consolidated and parent entity employee benefits expense would have been $70,742 higher, with a corresponding increase in the share-based payment reserve.

Income Tax

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. Sipa will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that effect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The effect of adopting this standard has not yet been quantified due to the late release of UIG 1052 'Tax Consolidation Accounting', the effect of which management will need to fully consider.

Sipa Resources Limited
Directors' Declaration

In accordance with a resolution of the directors of Sipa Resources Limited, I state that:

1) In the opinion of the directors:

   a) The financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      i) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

      ii) Complying with Accounting Standards and 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.

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

Signed in accordance with a resolution of the directors.

P I B PEARCE
Director

PERTH, WESTERN AUSTRALIA

DATED 29 September 2005

ERNST & YOUNG

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Independent audit report to members of Sipa Resources Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Sipa Resources Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Audit opinion

In our opinion the financial report of Sipa Resources Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of Sipa Resources Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

V W Tidy
Partner
Perth
29 September 2005

Additional information in accordance with the listing requirements of the ASX Limited.

SHAREHOLDING AT 15 SEPTEMBER 2005

(a) There are no Substantial Shareholders shown on the Company's Register.

(b) Distribution of shareholder's holdings

ORDINARY SHARES HELD	SHAREHOLDERS
1 - 1,000	490
1,001 - 5,000	1,141
5,001 - 10,000	716
10,001 - 100,000	1,630
100,001 - and over	364
	4,341

There are 1,814 Shareholders who hold less than a marketable price.

(c) Stock Exchange listing.

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

(d) Income tax

Sipa Resources Limited is taxed as a public company.

(e) Voting rights

On show of hands one vote for every registered shareholder and on a poll, one vote for each share held by a registered shareholder.

Top 20 Shareholders as at 15 September 2005:

NAME	SHARES	%
Mr Ronald Graham Stanley	8,072,750	3.39
Toga Developments Pty Ltd	7,000,000	2.94
Wythenshawe Pty Ltd	6,221,241	2.61
Beta Technology Limited	5,203,363	2.19
Michael Glen Doepel	4,844,844	2.03
Pine Street Pty Ltd	4,368,737	1.83
Outokumpu Zinc Australia Pty Limited	4,104,700	1.72
Mr John Carroll	3,760,493	1.58
ANZ Nominees Limited	3,238,793	1.36
Mr Graham Yen	2,500,000	1.05
Mr Philip Lewis	2,390,000	1.00
Lewcorp Pty Limited	2,250,000	0.94
DBS Vickers Securities (Singapore) Pte Ltd	2,249,772	0.94
Mr. William Hernstadt	1,950,000	0.82
Mr Robert Ivan Pavy & Mrs Carole Diane Pavy	1,905,000	0.80
Transbow Ltd	1,899,461	0.80
Makal Pty Ltd	1,550,000	0.65
A J Hunter Pty Ltd	1,500,000	0.63
Aberv Pty Ltd	1,481,667	0.62
TS & JD Nominees Pty Ltd	1,450,000	0.61

The 20 largest Shareholders hold 28.5% of the issued capital of the Company.