



Sipa Resources Limited

ABN - 26 009 448 980

Annual Report 2011

Sipa

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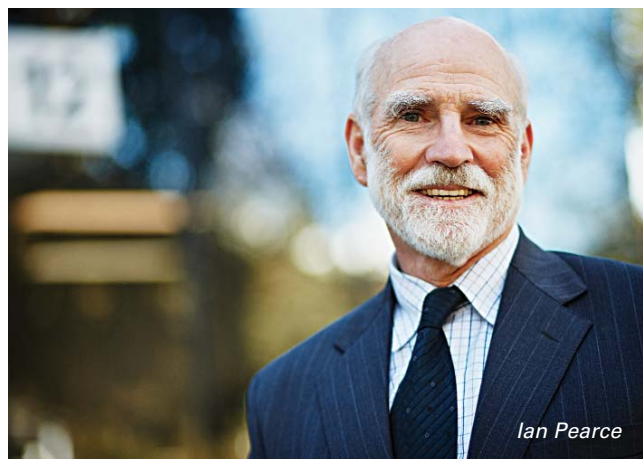


Chairman's Address

Sipa has successfully pursued the strategy outlined last year which was to commit shareholders funds to continue sole funding exploration. As the year progressed exploration has been concentrated on our 100% owned Thaduna Copper Project and our Woodline Gold Project where we own 100% of most of the ground. Both these projects have produced very encouraging results which Mike Doepel will describe in detail in his report. Although we have had the opportunity to joint venture these projects, the management and board of Sipra believe, with the prospectivity apparent at both projects, it to be in the shareholders interest to continue to sole fund exploration.

At both these projects there is very little outcrop and the majority of exploration is carried out under the cover of surface soil or sediments of varying type and thickness. This has required the use of geophysics and particularly systematic and iterative geochemistry. The geochemistry has required the taking of many thousands of soil and drilling samples in order to identify areas of anomalous concentrations of elements. At both projects this approach has been successful in identifying areas of potential primary mineralization and at Thaduna a large area of potentially economic secondary mineralization has also been identified.

Previously exploration in Australia has been concentrated on areas where the bedrocks are exposed and areas under cover have been largely ignored. Sipra's ability to understand geochemical data and large scale ore-forming processes, its expertise at determining the appropriate type of exploration and the persistence of the exploration team has resulted in the encouraging results we have reported at Woodline and Thaduna. At both properties initial exploration has indicated that, as well as the areas where recent exploration has been concentrated, there remain large areas with anomalies that with more intensive exploration also have the potential for discovery.



The results we have achieved this year has been the result of a very competent and committed exploration team supported by very willing and enthusiastic administration staff. I would like to thank Mike and his team for their efforts which I am confident will bring rewards to shareholders in the coming year.

P I B Pearce
Chairman
30 September 2011



Corporate Directory

Directors

Peter Ian Blair Pearce ACSM F AusIMM (Chairman)

Michael Glen Doepel MSc DIC M AusIMM
(Managing Director)

David John Williams LL.B, FAICD

Dalton Leslie Gooding B.BUS, FCA

Karen Lesley Field B Ec

Company Secretary

Tara Robson BA (Accounting), CPA (USA)

Registered Office

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Bankers

Bank of Western Australia Ltd

Level 17, BankWest Tower

108 St Georges Terrace

PERTH WA 6000

Auditors and Tax Advisors

Ernst & Young

11 Mounts Bay Road,

PERTH WA 6000

Share Registry

Computershare

Level 2, Reserve Bank Building

45 St George's Terrace,

PERTH WA 6000

Solicitors

Williams and Hughes

1st Floor, 25 Richardson Street,

WEST PERTH WA 6005

Website

www.sipa.com.au



L-R: David Williams, Tara Robson, Ian Pearce, Mike Doepel, Karen Field, Dalton Gooding.

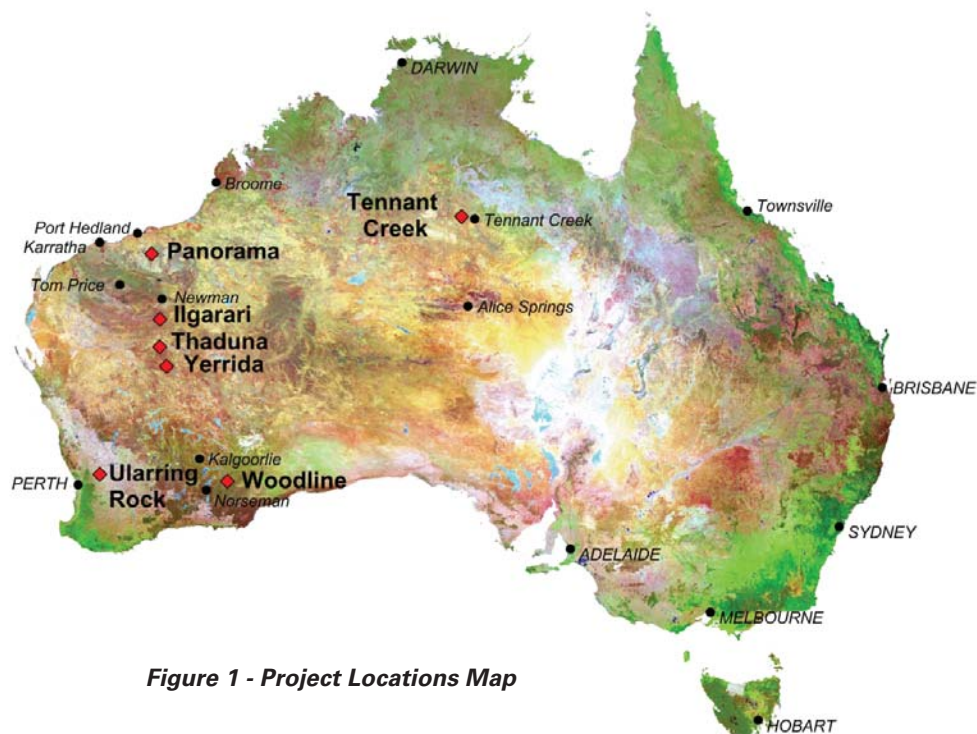


Figure 1 - Project Locations Map



Review of Operations

Introduction

- I believe we are the closest to the discovery of significant mineral deposits since our Waugh Gold Deposit discovery at the Paraburdoo Gold Project in late 2001.
- These very exciting developments are at our:
 - Enigma Prospect at the Thaduna Copper Project
 - Leucippus Prospect at the Woodline Gold Project
- They are the result of many years of *'systematic, methodical, iterative, thoughtful and persistent exploration'*.
- **Thaduna Copper Project**
We have identified many copper geochemical anomalies since 2004 and the 'systematic drill testing of them' has provided a number which have required deeper drilling. Recent deeper drilling of one of them, in particular, has discovered the:
 - Enigma Prospect, where a 'blanket' of secondary copper mineralisation has been identified:
 - over more than 1.25 kilometres in length, in 100 metre-spaced Aircore holes, on two 0.5 kilometre-spaced lines
 - 20 of 24 holes that intersected the copper finished in mineralisation, which averages at least 18m thick
 - grades range from 3.7% Cu over 8 metres, to thicknesses of 52 metres grading 0.3% Cu
 - our challenge now is to determine the lateral extent and thickness of the mineralisation and to find the primary sulphide source
- **Woodline Gold Project**
Like at Thaduna, systematic, shallow geochemical exploration over six years has outlined many gold anomalies. Encouraging gold mineralisation has been identified in RC holes in fresh rock at Socrates, Theofrastos and Heraclitus. Recent bottom-of-hole RAB results, also of gold in fresh rock, may now represent a 'breakthrough' at:
 - Leucippus, where one metre, bottom-of-hole, fresh rock results show:
 - three, consecutive 50m-spaced, holes returned 3.5g/t, 1.0g/t and 0.5g/t Au,
 - in a strongly anomalous corridor at least two kilometres long, and which is, very importantly, open to the northwest and west
 - Clearly, what is required at Enigma and Leucippus is:
 - a large programme of RC, and diamond, drilling at Enigma, to:
 - define the lateral extent and thickness of the secondary copper
 - find the primary sulphide source
 - more RAB drilling to define the extent of Leucippus, prior to deeper RC drilling
 - In addition, it is really important to stress, that at both Thaduna and Woodline, there are many copper and gold anomalies that have only been partially drill tested, and even more that require reconnaissance RAB drilling
 - Sipa also has exciting exploration projects at Tennant Creek in the Northern Territory, where only a little work has been conducted in 2011, because we have concentrated our efforts at Thaduna and Woodline



Review of Operations

COPPER PROJECTS

Thaduna Project

(Sipa 100% of 936 sq. km)

Thaduna is situated in PaleoProterozoic rocks in the Gascoyne Region of Western Australia, and along with Ilgarari to the north, and Yerrida to the south, form part of Sipa's search for copper deposits in Proterozoic rocks (see Figures 1 & 2).

We have been exploring at Thaduna for seven years, based on the belief that this Region is capable of hosting major copper deposits, like Mt Isa in Queensland (255 million tonnes grading 3.3% Cu), and Nifty in Northwestern Australia (150 million tonnes grading 1.3% Cu).

In part, our area selection was based on the presence of the old copper mines in the district – Thaduna and Green Dragon (on small tenements excised from our ground) and Rooney and Ricci Lee – all of which we believe may be the 'smoke' indicating the presence of something 'major' nearby.

Thaduna is hosted by sedimentary rocks ascribed to the approximately 2,200 million year old Yerrida Basin, which is bounded to the west by the similarly aged Bryah Basin, and to the north by the Archaean Marymia Dome composed of granite with greenstone enclaves.

The Bryah Basin hosts the newly discovered DeGrussa high grade copper-gold deposits (10.7 million tonnes grading 5.1% Cu and 1.7 g/t Au) and the Peak Hill, Labouchere-Fortnum gold, and the Horseshoe Lights copper-gold, deposits further to the west. As well the very large Magellan lead deposits, near our Yerrida Project to the south, are in the PaleoProterozoic rocks, whilst the Abbra polymetallic deposit to the northwest is hosted by younger NeoProterozoic rocks. The Marymia greenstones host the seven million ounce Plutonic and Marymia gold deposits.



Figure 2 - Thaduna Copper Project on Landsat Image.

One characteristic of 'Great Mineral Provinces' is that they host multiple commodity deposits, spread over long periods of geological time.

Exploration by Sipa over the last seven years at Thaduna has included geological mapping, detailed airborne magnetic/radiometric surveys, soil – vacuum – auger – RAB shallow geochemical sampling, deeper RAB and RC drilling, a 1,017 metre diamond core hole (part funded by the WA Government) and an airborne VTEM electromagnetic survey, along with trial ground electromagnetic and Induced Polarisation geophysical surveys.



Review of Operations

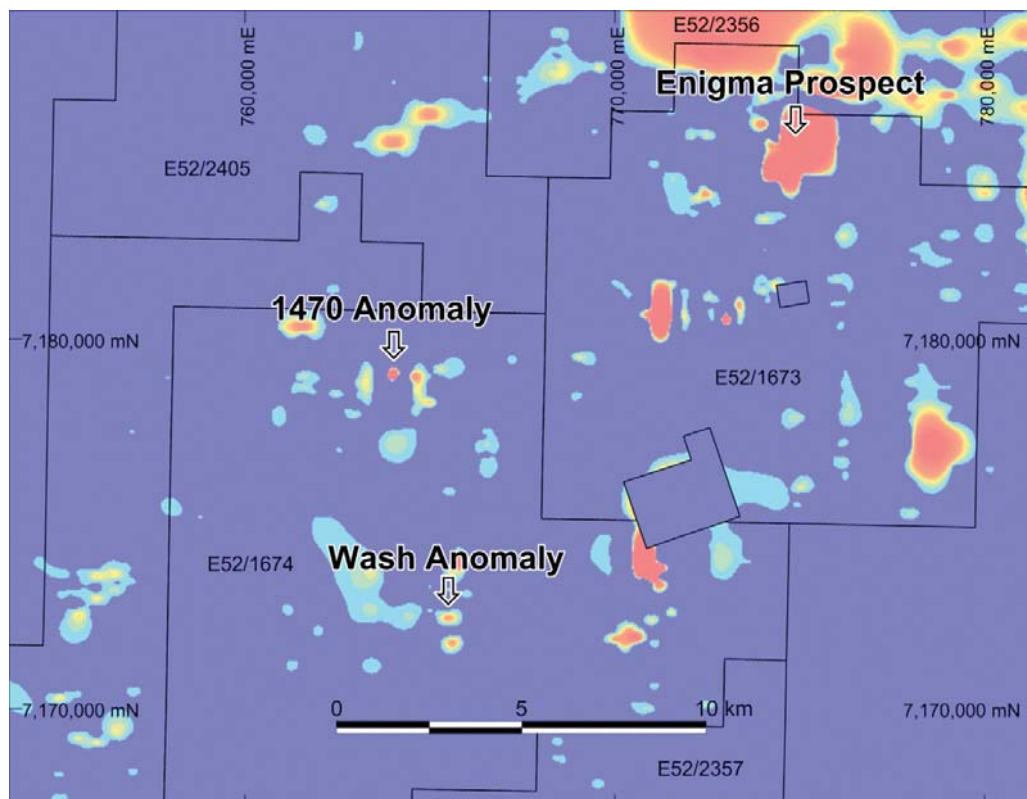


Figure 3 - Copper Image - part of Thaduna Project

Since the Project commenced, Sipa has:

- collected 3,976 shallow geochemical samples
- drilled 3,164 RAB/Aircore holes for 52,091 metres
- drilled 8 RC holes for 1,766 metres
- drilled one Diamond core hole for 1,017 metres

During the 2010/2011 year, and to time of writing, we have:

- collected 446 shallow geochemical samples
- drilled 2,060 RAB/Aircore holes for 36,966 metres
- drilled the deep Diamond drillhole

Very promising results have recently been received from the Enigma Prospect (Sipa ASX Announcements 19 August and 8 September 2011) in particular, and from the 1470 and Wash Copper Anomalies, along with encouraging results from a deep RC hole at Rooney, and several at Ricky Lee late last year. Figure 3 is a geochemical image showing copper distribution over part of the property, from shallow geochemical sampling, along with the location of Enigma, 1470 and Wash Anomalies.

It needs stressing that it is still early days at Thaduna and that there are still many copper geochemical anomalies to be drill tested, as well as large areas within the 1,000 square kilometre property to be systematically geochemically tested.



Review of Operations

The geology at Thaduna, whilst still poorly understood, comprises dominantly clastic sedimentary rocks folded into a southwesterly plunging syncline, bounded to the north by the Archaean Marymia Dome along the Goodin-Jenkin Fault (a basin bounding feature). Though outcrop is poor, the overall structure is outlined very well by our recent VTEM, and older GEOTEM, surveys, which emphasise the electrically conductive Johnson's Cairn black shale unit, both of which outline a synclinal closure just to the east of our ground. The shale is overlain to the west by the mafic-derived Thaduna Greywacke and underlain by coarse sandy clastics. Our deep diamond drill hole, which was sited on a discrete magnetic anomaly, intersected basaltic volcanics below 470 metres, previously unknown in this part of the Yerrida Basin. The old copper mines of the district are fault-controlled and are hosted by the Thaduna Greywacke. The Johnson's Cairn Shale hosts the old CRAE Johnson's Cairn Copper-Gold Prospect, which also has strongly anomalous Bi, Te, Ag, Sb, Mo & Ag.

Enigma, which was first detected in shallow RAB holes (< 20 metres deep) with up to 0.4% Cu on north-south line 77,4500 mE, was followed-up by deeper (average 35 metres) overlapping angled RAB holes that outlined a significant copper anomaly in deeply weathered rock over 900 metres on that line. Minor secondary copper mineralisation was identified in three of the central holes on that line. Figure 4 shows that lines 77,4500 mE and 77,5000 mE are at the western end of a six kilometre long northeasterly trending anomaly.

Deeper Aircore drilling was conducted in July 2011, and intersected a 'blanket' of secondary copper mineralisation on 77,4500 mE (see Figure 5), and secondary copper and ironstone on 77,5000 mE (see Figure 6), as well as very strongly anomalous in Au, Pt, As, Mo, Pb, Sb & Te in THR 3,145, a single hole, on 77,4000 mE, about 500 metres northwest of the main mineralisation.

The secondary copper mineralisation is dominantly malachite, but with significant azurite (both copper carbonates). Minor chalcopryite, a primary copper sulphide, was visually logged, as was native copper. Subsequent microscope (petrology and mineragraphy) work has identified chalcopryite, along with supergene chalcocite, bornite and covellite.

The host rocks identified to date are dominantly very deeply weathered, conglomeratic to fine grained, sedimentary rocks, with a significant silica-sulphide veining component. Visual, and chemical analysis, shows a strong silica-dolomite. The ironstones on the eastern line are mainly interpreted as gossan, based on visual observations and multi-element analytical data.

Enigma is a very large, and unusual, at least for Western Australia, occurrence of secondary copper. For instance, the original WMC 1980 Nifty secondary copper discovery of 30 million tonnes grading 1.1% was 1 kilometre long by 200 to 300 metres wide. Several of those could fit into the widely-drilled Enigma Prospect. Very importantly though, the primary source could be substantial.

Hole THR 2954, at the 1470 Anomaly, some 10 kilometres southwest of Enigma (see Figure 3), returned 30 metres grading 0.6% copper from 10 metres, including 4 metres at 2.4% copper from 24 metres. This hole extends a zone of significant copper reported in Sipa's December Quarter 2010 ASX Report (30 metres grading 0.5% copper from surface, including 6 metres grading 1% copper from 9 metres) to more than 100 metres of strike.

Hole THR 3003, at the Wash Anomaly some 15 kilometres south southwest of Enigma, returned 30 metres of 0.15% copper from 36 metres, associated with strong carbon and quartz alteration, in bleached greywacke.

In addition, at Rooney in late 2009/2010, 80 metres of carbonaceous, weakly sulphidic, lode returned strongly anomalous copper from 224 metres, being:

- 19 metres @ 0.4% copper (with anomalous silver, arsenic, tellurium, bismuth & molybdenum) including:
- 5 metres @ 1.3% copper from 225 metres.

This intersection was about 200 metres down dip of several previously reported shallow intersections, in narrower though similar lode, like 14 metres of 3.8% copper.

The next phases of exploration at Thaduna will include extensive RC (and some diamond) drilling at Enigma, as well as at the 1470, and Wash Anomalies and at Rooney.

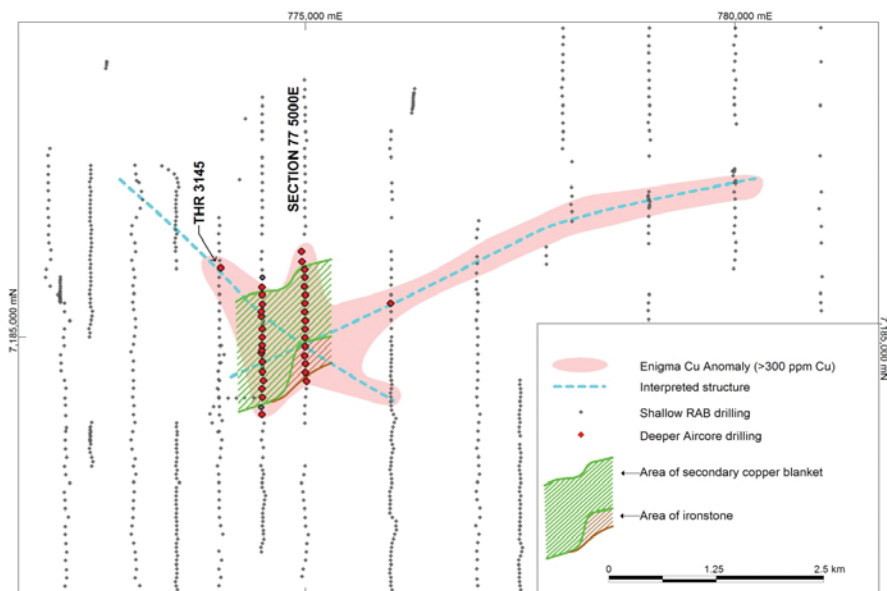


Figure 4 - Enigma Copper Anomaly

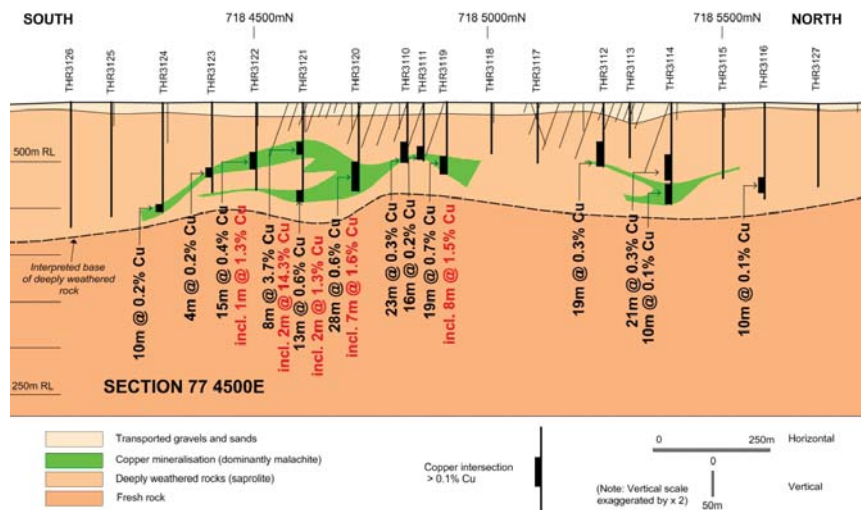


Figure 5 - Enigma Prospect Drill Section 77,4500mE

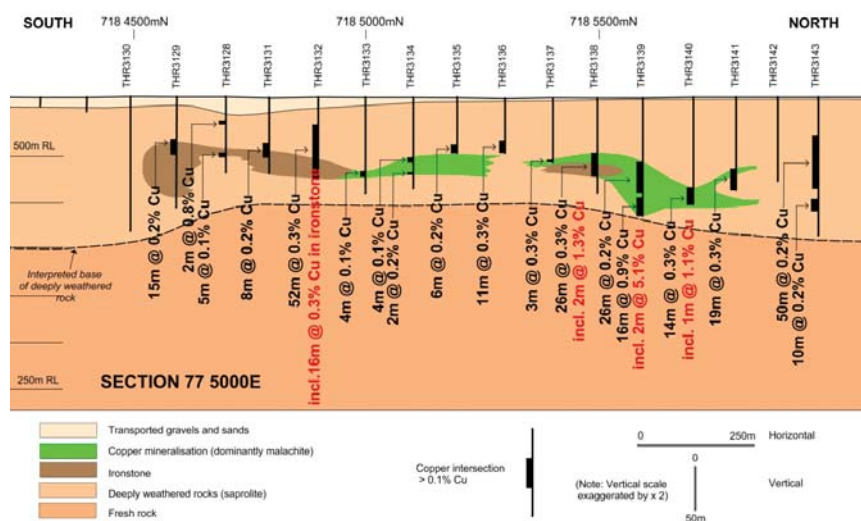


Figure 6 - Enigma Prospect Drill Section 77,5000mE



Review of Operations

Ilgarari Project

(Sipa 100% of 1,200 sq.km)

Ilgarari is situated in PaleoProterozoic rocks, approximately 1,300 million years old, of the Bangemall Group, about 100 kilometres south of Newman in Western Australia's Gascoyne Region.

It has been part of the focus of part of Sipa's Proterozoic copper search since 2007, with geological mapping, airborne magnetics/radiometrics, shallow geochemical sampling and RAB/Aircore drilling having been conducted.

Although little fieldwork was done this year, because of our Thaduna and Woodline focus, encouraging earlier results require follow-up, and more reconnaissance work is also required.

Yerrida Project

(Sipa 100% of 643 sq km)

The Yerrida Project is situated in the southern part of the Yerrida PaleoProterozoic Sedimentary Basin, just to the north of the Magellan Lead Mine, situated about 50 kilometres west of Wiluna, in Western Australia's Northeastern Goldfields Region. It forms part of Sipa's Proterozoic copper search.

Work to date includes compilation of past exploration data and the recent drilling of three, essentially stratigraphic, RC holes for some 600 metres total. Results are being assessed, prior to determining future work.





Review of Operations

GOLD & GOLD-COPPER PROJECTS

Woodline Project

(Sipa 100% of 487 sq. km, 70% of 249 sq. km with Comet Resources Limited & may earn 70% of 30 sq. km held by Image Resources NL)

Woodline is situated in Archaean granites and greenstones and Proterozoic metamorphic rocks in Western Australia's Southeastern Goldfields Region (see Figures 1 & 7). We have been exploring for gold and basemetals here since 2005, initially in the belief that the Archaean rocks are capable of hosting major gold deposits, like the 'Giant Golden Mile Deposits'. In late 2005, AngloGold Ashanti – Independence Group discovered the Tropicana Gold Deposits (now > 5 million ounces) in the Proterozoic Albany-Fraser Province metamorphic rocks, about 300 kilometres northeast of Woodline, thus adding a new dimension to the Project.

Exploration by Sipa, and by Newmont Exploration Pty Ltd, who Farmed-into the property between late 2005 and late 2009, has included geological mapping, detailed airborne magnetic/radiometrics, ground gravity, selective airborne electromagnetics and ground Induced Polarisation and has:

- taken 15,756 shallow geochemical samples
- drilled 3,052 RAB/Aircore drillholes for 102,603 metres
- drilled 77 RC holes for 8,981 metres

During the 2010/2011 year, and to time of writing, Sipa has:

- taken 2,620 shallow geochemical samples
- drilled 1,733 RAB/Aircore hole for 58,943 metres
- drilled 61 RC holes for 6,771 metres

Many extensive gold-in-calcrete geochemical anomalies have been detected from the shallow geochemical sampling, in both the Archaean and Proterozoic rocks, as shown on Figure 8. The most extensive of these are in the northeast trending metamorphic rocks and include Theofrastos, Heraclitus, Omaney and Cleanthes and possibly Leucippus. Archaean-hosted anomalies include Socrates and Adiemanthus.

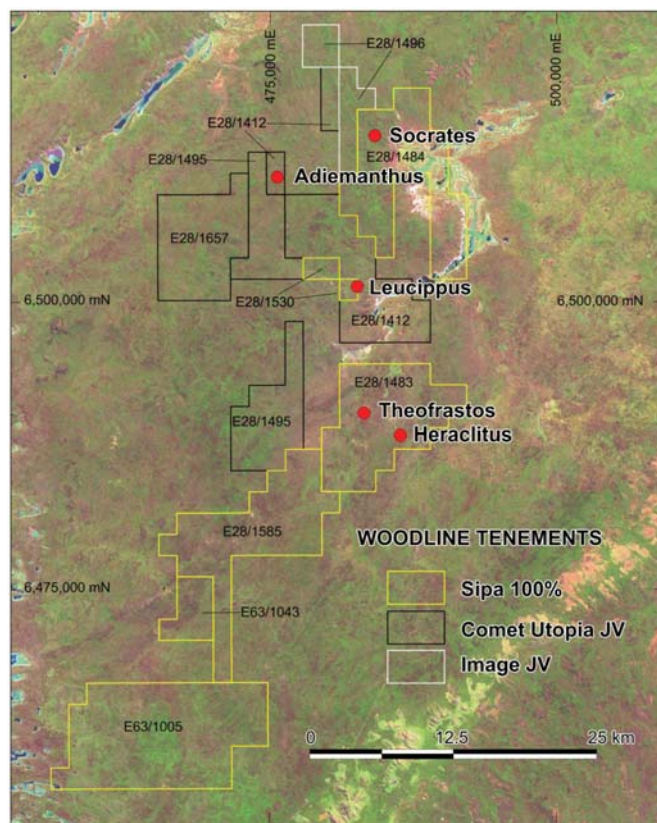


Figure 7 - Woodline Gold Project on Landsat Image.

Exploration drilling by Sipa since the start of 2010/2011, and to time of writing this Report, is documented above. Also very importantly, relogging by Sipa's Project Geologist of nearly all pre-existing RAB/Aircore holes, that had originally been logged by numerous Newmont and Sipa geologists, has given us a much better understanding of the geology, and potential for discovery, within the Project. Both RAB/Aircore and RC drilling by Sipa over the last 18 months has greatly enhanced the prospects of 'discovery' at Woodline. In particular:



Review of Operations

Sipa released to the ASX on 15 August 2011 results of critical bottom-of-hole, one metre samples – in contiguous holes spaced 50 metres apart at Leucippus - and which may represent a 'breakthrough at Woodline', which were:

- WDR1817 3.5 g/t Au, from 29 to 30 metres
- WDR1816 1.0 g/t Au, from 26 to 27 metres
- WDR1815 0.5 g/t Au, from 22 to 23 metres

The results were from vertical RAB drilling, and need to be understood in the context of more than 3,000 RAB holes drilled to date at Woodline.

The key results are from several holes at Leucippus, where:

- one metre bottom-of-hole samples are of hard fresh rock (beneath soft weathered rock from which gold has been 'depleted') where the RAB drill cannot penetrate further, and
- composite samples from the same drill holes of the soft weathered rock (but including the final metre) also contain anomalous gold.

The bottom-of-hole result of one metre @ 3.5 g/t Au is the 'highest value' ever recorded from 50 metre-spaced RAB drilling at Woodline. Furthermore, it is the first time that a 'plus 0.1 g/t Au anomaly' has extended across three consecutive 50 metre spaced holes, and the first time that consecutive 'plus 0.1 g/t Au results' have been recorded across two, 200-metre spaced lines, in an anomalous northwest-southeast trending zone at least two kilometres long as shown on Figure 9.

Another way to look at the bottom-of-hole results in holes WDR1815 to 1817, is that they are the highest, second highest and fifth highest gold result out of thousands of 50 metre-spaced bottom-of-hole results. Interestingly, these outstanding results are 'beside' an auger gold-in-calcrete anomaly, rather than 'directly coincident' with it (Figure 9).

In addition highly encouraging results have also been returned from Theofrastos, Heraclitus, Adiemanthus and Socrates.

More RAB/Aircore drilling at Leucippus and Adiemanthus is required, to extend and better-define these prospects prior to deeper RC drilling. More RC drilling is required at Theofrastos, Heraclitus and Socrates, as well as systematic reconnaissance RAB/Aircore drilling of numerous other gold-in-calcrete anomalies.

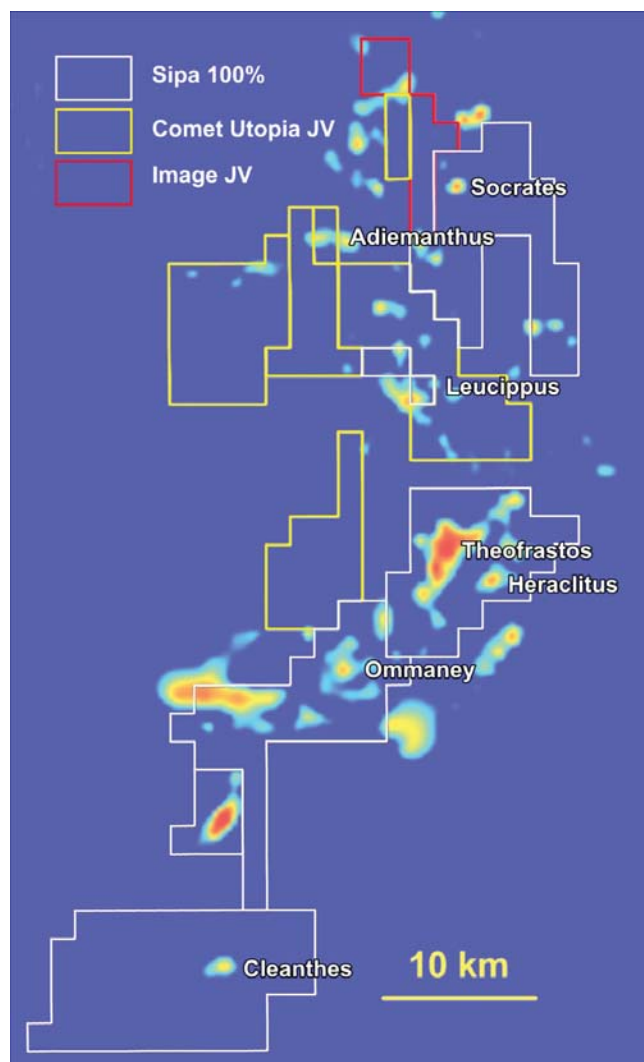


Figure 8 - Woodline - Gold in-Calcrete Image & Prospects



Review of Operations

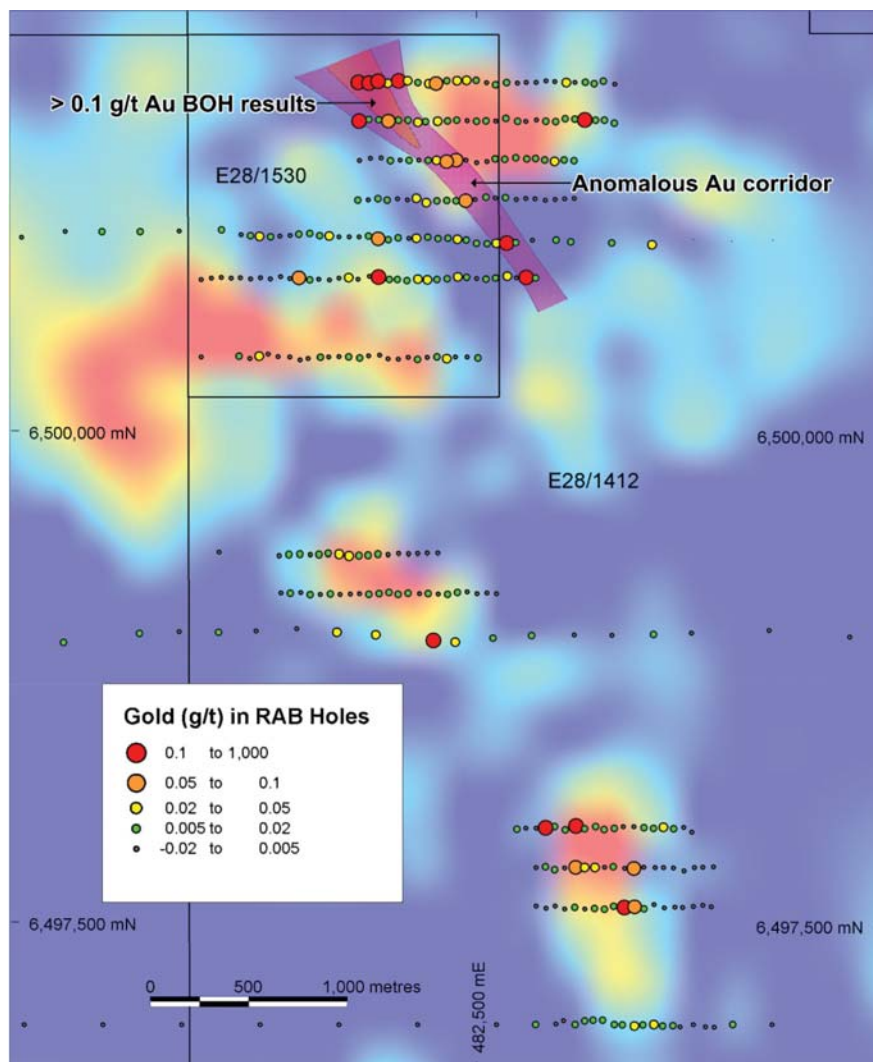


Figure 9 - Leucippus Prospect and Surrounds on Gold-in-Calcrete Image.

Review of Operations

Tennant Creek Gold-Copper Projects

Sipa's Tennant Creek Projects are located in Proterozoic, dominantly sedimentary, rocks that host the very high grade historic gold and gold-copper deposits of the Tennant Creek Goldfield – the largest of which was the Warrego Mine that produced 1.3 million ounces of gold, 91,500 tonnes of copper and 12,000 tonnes of bismuth from 4.75 million tonnes of ore grading 8 g/t Au, 2% Cu and 0.3% Bi.

Most of Sipa's ground is situated west of the Warrego Granite (see Figure 10), an intrusive rock, which is younger than the mineralisation of the Goldfield. This land is subject to Aboriginal Land Rights legislation and Sipa is the first explorer to gain access to these lands since the early 1970's.

West Warrego Joint Venture

(Sipa holds 70% of 295 sq. km with the Hosking-Allender- LeBrun Syndicate and may earn 80%)

Over the last four years Sipa has conducted limited detailed ground magnetic and gravity surveys (to better define dense magnetic bodies that host most of the old mines of the Goldfield) and drilled four diamond core, and four RC, holes.

All of these holes intersected bodies of the magnetic mineral magnetite, along with haematite and chlorite alteration, typical of the ore bodies of the district.

Many more magnetic 'highs' are shown by a wide-spaced NT Government airborne magnetic survey and, at the time of writing, Sipa is conducting a detailed airborne magnetic/radiometric survey, in order to outline additional drilling targets.

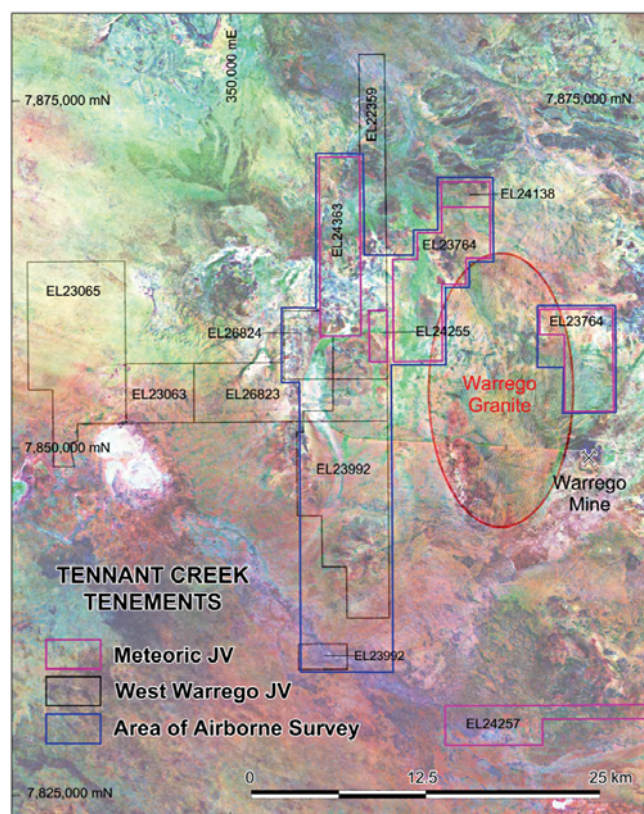


Figure 10 - Tennant Creek Gold-Copper Projects on Landsat Image.



Review of Operations

Meteoric Farm-in

(Sipa may earn a 70% interest in 151 sq. km from Meteoric Resources NL)

In May 2010 Sipa entered into a Farm-in Agreement with Meteoric Resources NL, whereby we may earn a 70% interest in tenements west, and east, of the Warrego Granite.

To date Sipa has finalised access agreements with Aboriginal Traditional Owners and compiled past exploration work. At the time of writing, a detailed airborne magnetic/radiometric survey is being conducted.

Ashburton Projects

On 14 February 2011, Sipa announced entering an agreement with Northern Star Resources NL to sell our Ashburton Gold Projects. That sale was completed in July 2011, and the key aspects are:

- Sipa to have a perpetual, uncapped Royalty to protect production upside
- should a major 'Carlin style Gold Camp' be discovered, Royalty could be in excess of \$25 million per annum at current gold price
- Northern Star is a successful gold miner operating in the northwestern area of the Project
- zero liability to Sipa, with Northern Star to assume all environmental and rehabilitation responsibilities
- frees up Sipa funds & personnel to concentrate on core Woodline & Thaduna Projects

Panorama Basemetals Project

(Sipa 40%, CBH Resources 60% over 45 sq. km)

No fieldwork, other than rehabilitation, has been conducted this financial year.

Ularring Rock Gold & Basemetals Project

(Sipa 20%, Mindax Limited 80% over 257 sq. km)

Mindax Limited continue to explore at Ularring Rock for copper-gold and uranium.



Statement of Corporate Governance Practices

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 "Corporate Governance Principles and Recommendations 2nd Edition" ("The ASX Principles"). A description of the Company's main corporate governance practices is set out below. All of these practices were in place for the whole of the financial year unless otherwise noted.

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 in a way which ensures that the interest of shareholders and stakeholders are promoted and protected. The Board operates in accordance with the broad principles set out in its charter which is available in the corporate governance 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 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.

Statement of Corporate Governance Practices

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 "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 considers that an independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement. This independence is assessed continually throughout the year. Broadly, independent directors are non-executives, who:

- Are not a substantial shareholder of the Company or otherwise associated with a substantial shareholder of the Company;
- Have not been employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Have not within the last three years been a principal of a material professional advisor or a material consultant to the Company;
- Is not a material supplier or customer of the Company or an officer of otherwise associated directly or indirectly with a material supplier or customer;
- Does not have a material contractual relationship with the Company or another Group member other than as a director. Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of the Company's expenditure or 10% of the advisors turnover is considered material.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of the Company's expenditure or 10% of the advisor's turnover is considered material.

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

COMMITTEES OF THE BOARD

- Audit Committee;
- Nomination & Compensation Committee; and
- Continuous Disclosure Committee

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. A copy of the charter can be found in the corporate governance information section of the Company's website at www.sipa.com.au. 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.

When considering the Audit Committee's review of financial reports, the Board receives a written statement, signed by the Managing Director and CEO, and the Chief Financial Officer, that the company's financial reports give a true and fair view, in all material respects, of the company's financial position and comply in all material respects with relevant accounting standards.

Statement of Corporate Governance Practices

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, both of whom are independent, non-executive Directors. 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 and their attendance at meetings are detailed in the Directors' Report.

Continuous Disclosure Committee

The Board has established a Continuous Disclosure Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective Continuous Disclosure policy exists within the governance structure of Sipa and that an ongoing effective compliance regime is maintained.

This primary responsibility of the Committee is to establish, regularly review and monitor a Continuous Disclosure Policy which:

- Ensures compliance with continuous disclosure requirements of the ASX Listing Rules, the Corporations Act 2001 and the procedures set down by the Board of Sipa including review and verification of the accuracy of all public releases to the ASX of material consequence, prior to release to the market;
- Prevents selective or inadvertent disclosure and;
- Establishes guidelines for the review of all public relations materials including briefings and communications in general

Copies of both the Charter and the Policy can be found at the website www.sipa.com.au.

The members of the Continuous Disclosure Committee are Mrs Karen Field (Chair), Mr Michael Doepel and Tara Robson, Company Secretary. Ms Robson 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.

Nomination and Compensation Committee

The Board has established a Nomination and Compensation committee, which operates under a charter approved by the Board. A copy of the charter can be found in the corporate governance information section of the Company's website at www.sipa.com.au.

The Board recognises that corporate performance is enhanced when there is a Board with the appropriate competencies to enable it to discharge its mandate effectively. The Committee's primary functions are to:

- Identify and evaluate the particular skills, experience and expertise that will best complement the Board's effectiveness;
- Review Board succession plans;
- Evaluate the Board's performance;
- Make recommendations for the appointment and removal of directors to the Board;
- Periodically review performance and succession planning for the Managing Director, senior executives and other key staff; and
- Review and make recommendations to the Board on remuneration packages and policies applicable to the senior executives and directors.

The members of the Nomination and Compensation Committee during the year were Mr P I B Pearce (Chairman) and Mrs K L Field. 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.

Statement of Corporate Governance Practices

REMUNERATION AND PERFORMANCE

Board remuneration and performance

Non-executive director compensation

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors' fees and payments are determined within an aggregate directors' fee pool limit, which is periodically recommended by the Nomination and Compensation Committee for approval by shareholders. The maximum currently stands at \$200,000. It is the discretion of the board to distribute this pool amongst the non-executive directors based on the responsibilities assumed. Further details of the compensation of non-executive directors for the period ending 30 June 2011 is detailed in the Remuneration Report.

Performance review

During previous years, the Nomination & Compensation Committee completed a performance review to ensure that individual directors and the board are functioning effectively in achieving their functions outlined in the Board Charter. As part of that review, the chairman conducted formal discussions with each director individually to discuss their performance and ideas for improvement of the operation of the Board. The consolidated results form the basis of discussion with the full board which collectively identifies ways to improve board performance and determine the necessary implementation plans, as appropriate. The Board annually considers its composition in relation to the skills that are necessary to meet Sipa's strategic objectives. Whilst it was not deemed necessary to conduct a full revision during the year, the composition in respect of skills was considered.

Executive compensation

The Nomination and Compensation Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the managing director (CEO) and the 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.

Executive compensation framework

The Company aims to reward the executive with a level and mix of compensation commensurate with their position and responsibilities within the company. It also strives to ensure the general level of compensation and benefits for persons holding similar positions in the mining industry in Western Australia is achieved and other such factors as the Board considers relevant. The Nomination and Compensation Committee is assisted in the process by the use of independent salary data.

There is no short term incentive component. The executive pay and reward framework has 3 components:

- Base pay;
- Long-term incentives through participation in the Sipa Resources Employee Share Option Plan; and
- Superannuation at the statutory rate.

Whilst the objective of the executive remuneration framework is to link the executive reward to 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 compensation 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 with the objective of ensuring that it is competitive when considering the market for a comparable role. The committee is able to obtain independent advice, at the Company's expense, as to the appropriateness of remuneration packages and uses this information to perform a peer analysis.

The committee meets as and when required to review and make recommendations to the Board regarding the compensation arrangements for the Directors, the Managing Director and other senior executives. Performance is measured against the Company objectives identified in the annual Strategy Session.

Statement of Corporate Governance Practices

During the year a performance evaluation was held for the Managing Director in conjunction with his contract renewal. In addition the performance of the Company Secretary was considered in determining her salary and long term incentive package.

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

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.

SHARE TRADING POLICY

The Company has implemented a share trading policy to outline permitted trading in Company securities by directors, employees and consultants.

SHAREHOLDER COMMUNICATIONS

The Company has developed a Shareholder Communications Policy.

A copy of the Code of Conduct, Share Trading Policy and Shareholders Communications Policy can be found at www.sipa.com.au.

RISK MANAGEMENT

The identification and effective management of material business risks is viewed as an essential part of the Company's approach to creating long-term shareholder value. Management, through the Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system.

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

The Board, in conjunction with the Audit Committee, is responsible for satisfying itself annually that the system of risk management and internal controls is sound and is operating adequately.

The Board is responsible for determining the company's risk tolerance, identifying areas of significant business risks, and ensuring that arrangements are in place to adequately manage those risks.

Management is responsible for identifying specific risks and the implementation of mitigating controls over those risks. The Managing Director is responsible to the board for ensuring that the risk management system is maintained in accordance with this policy. In conjunction with the Managing Director, the Company Secretary is responsible for the implementation and continuous program of risk assessment including those procedures necessary to provide assurance to the board that the risk management and internal control system is operating effectively to reduce financial reporting risks.

The Board also receives a written assurance from the Chief Executive Officer and Company Secretary that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the CEO and Company Secretary can only be reasonable rather than absolute. Sipa does not have an internal audit function as the size of the business does not warrant one.

There are no departures from the Corporate Governance Principles and Recommendations 2nd Edition other than noted above. Sipa has not early adopted the 2010 amendments.

Directors' Report

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Sipa Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

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.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

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

Mr Pearce is a mining engineer with some 35 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. Mr Doepel is a member of the Continuous Disclosure Committee.

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

Mr Gooding is a chartered accountant with over 30 years experience within the corporate and business sector including 14 years as a partner of Ernst & Young before starting his own practice of Gooding Partners (formerly 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:

- Avita Medical Limited (director since November 2002)
- Anatolia Energy Limited (formerly AWH Corporation Ltd) (director since November 2002 – 1 April 2011)
- Katana Capital Limited (director since November 2005)
- Brierty Limited (director since October 2007)

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 the commercial counsel of the West Perth law practice of Williams & Hughes Pty Ltd. Mr Williams is a member of the Audit Committee. During the past three years Mr. Williams has not served as a director for any other listed companies.

Karen Lesley Field, B Ec– Independent Non-Executive Director

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 the Chair of the Continuous Disclosure Committee and a member of the Nomination and Compensation Committee. During the past three years Mrs Field has also served as a director of the following other listed companies:

- Mining and Civil Australia Limited (director from 11 June 2011)
- Perilya Limited (director from August 2007 – February 2010)

COMPANY SECRETARY

The company secretary is Ms Tara 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 role with listed entities since 1997. Prior to that Ms Robson was a senior audit manager with a major accounting practice.

Directors' Report

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	1,075,793	NIL	NIL
M G Doepel	5,059,130	3,500,000	NIL
D L Gooding	155,556	NIL	NIL
D J Williams	NIL	NIL	NIL
K L Field	NIL	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 Company in respect of the financial year ended 30 June 2011 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 2011 was \$5,714,585 (2010: Loss \$3,326,688).

	Consolidated	
	2011	2010
	\$	\$
Continuing Operations		
Revenue	396,271	459,934
Other income	213,808	552,321
Exploration expenditure	(4,421,139)	(2,864,480)
Administrative expenses	(1,903,525)	(1,470,463)
(Loss) before income tax and finance costs	(5,714,585)	(3,322,688)
Other comprehensive income- net fair value loss on available for sale financial assets	-	(4,000)
Total comprehensive loss for the period	(5,714,585)	(3,326,688)

The increase in the loss before income tax and finance costs is due primarily to the increase in exploration expenditure. During the year the Board approved increased financial resources necessary to aggressively target Sipa's main Projects. The increase in administrative expenses is a result of the \$506,096 expense associated with the issue of options during the year, which is an increase of \$477,884 over the previous financial year.

At 30 June 2011 the Groups cash balance was \$3,312,867 and there was no debt.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the consolidated entity.

Directors' Report

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.

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 14,350,000 unissued ordinary shares under options (14,350,000 at reporting date). Refer also to Note 14 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.

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

The Company has agreed to indemnify each of the Directors 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 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 and officers 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 Company 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.

Directors' Report

REMUNERATION REPORT (AUDITED)

The information in this section of the Directors' Report has been audited.

This report outlines the remuneration arrangements in place for directors and Key Management Personnel of Sipa Resources Limited (the Company) in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

The details of the key management personnel during the year are as follows:

Directors

P I Pearce	Chairman (non-executive)
M Doepel	Chief executive
D Williams	Director (non-executive)
D Gooding	Director (non-executive)
K Field	Director (non-executive)

Executives

T Robson	Company Secretary
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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 compensation

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors' fees and payments are determined within an aggregate directors' fee pool limit, which is periodically recommended by the Nomination and Compensation Committee for approval by shareholders. The maximum currently stands at \$200,000. It is the discretion of the board to distribute this pool amongst the non-executive directors based on the responsibilities assumed. The compensation of non-executive directors for the period ending 30 June 2011 is detailed in Table 1 on page 23 of this report.

Executive compensation framework

The Company aims to reward the executive with a level and mix of compensation commensurate with their position and responsibilities within the company. It also strives to ensure the general level of compensation and benefits for persons holding similar positions in the mining industry in Western Australia is achieved and other such factors as the Board considers relevant. The Board (through the Nomination and Compensation Committee) is assisted in the process by the use of independent salary data.

There is no short term incentive component. The executive pay and reward framework has 3 components:

- Base pay;
- Long-term incentives through participation in the Sipa Resources Limited Employee Share Option Plan details of which are set out on page 23; and
- Superannuation at the statutory rate.

Directors' Report

Whilst the objective of the executive remuneration framework is to link the executive reward to 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 compensation to the earnings of the company. 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 with the objective of ensuring that it is competitive when considering the market for a comparable role. It is reviewed annually.

Remuneration is not linked to the performance of the Company. The table below shows the performance of the Group as measured by share price.

As at 30 June	2011	2010	2009	2008	2007
Share price (cents per share)	\$0.057	\$0.082	\$0.066	\$0.062	\$0.12
Net loss per year ended	\$5,714,585	\$3,326,688	\$2,259,963	\$1,058,513	\$1,373,861

The fixed compensation of the key management personnel is detailed in Table 1 below.

Table 1: Remuneration of key management personnel for the year ended 30 June 2011

Table 1: Remuneration of key management personnel for the year ended 30 June 2011									
		Short-term benefits	Post-employment		Other long-term benefits	Share-based payment			
Name		Cash Salary and fees	9% Super Guarantee Levy	Retirement Provision*	Long Service Leave	Options	Total	% Performance Related	% Options
Non-executive directors									
P I B Pearce	2011	78,487	7,063	-	-	Nil	85,550	0%	0%
	2010	78,487	7,063	-	-	Nil	85,550	0%	0%
D L Gooding	2011	35,000	3,150	-	-	Nil	38,150	0%	0%
	2010	35,000	3,150	-	-	Nil	38,150	0%	0%
D J Williams	2011	35,000	3,150	-	-	Nil	38,150	0%	0%
	2010	35,000	3,150	-	-	Nil	38,150	0%	0%
K L Field	2011	35,000	3,150	-	-	Nil	38,150	0%	0%
	2010	35,000	3,150	-	-	Nil	38,150	0%	0%
Executive director									
M G Doepel	2011	265,319	23,879	-	21,695	143,596	432,794	0%	33.2%
	2010	246,917	22,222	-	4,816	12,831	281,970	0%	4.55%
Other key management personnel									
T A Robson	2011	70,422	-	-	-	50,000	120,422	0%	41.5%
	2010	68,952	-	-	-	1,438	70,390	0%	2.0%

* The Directors' Retirement Scheme, approved by a meeting of shareholders, was frozen in the year ended 30 June 2008 with no further provision being made.

Table 2: Compensation options: Granted and vested during the year

Long term incentives issued prior to 27 November 2008 are administered through participation in the Sipa Resources Limited Employee Incentive Scheme (the "Scheme") whilst those issued post 27 November 2008 are administered through participation in the Sipa Resources Employee Share Option Plan (the "ESOP"). The ESOP was revised in September 2010 and subsequently received member approval at the 25 November 2010 AGM in an effort to meet the conditions of the ASIC class order for an eligible scheme and for purposes of Listing Rule 7.1.

Directors' Report

Table 2: Compensation options: Granted and vested during the year (Continued)

Both the ESOP and the Scheme provide 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. In the event of an employee or key management personnel leaving the Company, the options held are terminated. The expenses recognised in profit and loss in the income statement in relation to share-based payments is disclosed in Note 3(c).

The Board feels that the expiry date and exercise price of issued options is sufficient to align the goals of directors and executives with those of the shareholder to maximise shareholder wealth, and as such, has not set any performance conditions for the directors or the executives of the Company with the exception of continued service.

Due to the size of the Company there is no policy in place in relation to key management personnel limiting their exposure in relation to the risk inherent in issued options. The Company's Share Trading Policy governs when Sipa employees, directors, contractors, and consultants may deal in the Company's securities and the procedures that must be followed for such dealings. A copy of the policy is located at sipa.com.au.

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

30 June 2011	Granted #	Vested #	Grant Date	Fair value per option at grant date (cents)	Exercise price per option (cents)	Expiry date	First exercise date	Last exercise date
Executive director								
M Doepel	2,000,000	2,000,000	25/11/10	6.9	21.00	24/11/14	25/11/10	24/11/14
	-	375,000	18/12/07	5.7	13.75	17/12/12	18/12/10	17/12/12
Executives								
T Robson	1,000,000	1,000,000	30/9/10	5.0	17.5	29/9/14	30/9/10	29/9/14
	3,000,000	2,375,000						
30 June 2011	Granted #	Vested #	Grant Date	Fair value per option at grant date (cents)	Exercise price per option (cents)	Expiry date	First exercise date	Last exercise date
Executive director								
M Doepel	-	375,000	18/12/07	5.7	13.75	17/12/12	18/12/09	17/12/12
Executives								
T Robson	-	125,000	8/5/07	4.1	10	7/5/12	8/5/10	7/5/12
	-	500,000						

Directors' Report

Table 3: Value of options awarded, exercised and lapsed during the year

	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year	Remuneration consisting of options for the year % \$
M Doepel	138,000	-	-	32.3
T Robson	50,000	-	-	41.5

For details on the valuation of the options, including models and assumptions used, please refer to note 14. There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

Further details relating to options are set out below:

Shares provided on exercise of remuneration options

There were no shares provided on exercise of remuneration options during the financial year ended 30 June 2011.

Lapsed Options

During the year 700,000 options expired without exercise. They had no value at the date of expiry.

Service Agreements

Compensation and other terms of employment for the Managing Director and key management personnel 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, 1/12/10 – 1/12/13.
- Base salary of \$275,000 and \$24,750 superannuation
- 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 annual remuneration package.

T A Robson, Company Secretary

- Base salary of \$112 per hour
- Termination notice of 1 month by either party

This is the end of the Remuneration Report

Directors' Report

DIRECTORS' ATTENDANCE AT MEETINGS

	Directors' Meetings	Audit Committee	Nomination and Compensation Committee	Continuous Disclosure Committee
Number of meetings held	8	2	2	-
Number of meetings attended				
P I B Pearce	8	N/A	2	N/A
M G Doepel	8	N/A	N/A	-
D L Gooding	8	2	N/A	N/A
D J Williams	7	2	N/A	N/A
K L Field	8	N/A	2	-

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	\$20,660
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Signed in accordance with a resolution of the directors.



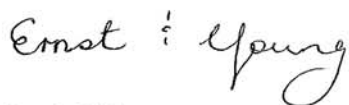
MG DOEPEL

Managing Director

DATED 22 September 2011

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

In relation to our audit of the financial report of Sipa Resources Limited for the financial year ended 30 June 2011, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that appears to be 'F Drummond'.

F Drummond
Partner
Perth
22 September 2011

Statement of Comprehensive Income

for the year ended 30 June 2011

		Consolidated	
	Note	2011	2010
		\$	\$
Continuing Operations			
Revenue	3	396,271	459,934
Other income	3	213,808	552,321
Exploration expenditure	3	(4,421,139)	(2,864,480)
Administrative expenses		(1,903,525)	(1,470,463)
Loss from continuing operations before income tax		(5,714,585)	(3,322,688)
Income tax expense		-	-
Net loss for the period		(5,714,585)	(3,322,688)
Other comprehensive loss			
Net fair value loss on available for sale financial assets		-	(4,000)
Other comprehensive loss for the period, net of tax		-	(4,000)
Total comprehensive loss for the period		(5,714,585)	(3,326,688)
Loss per share (cents per share)			
- Basic loss per share for the year	15	(1.50)	(1.05)
- Diluted loss per share for the year	15	(1.50)	(1.03)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

as at 30 June 2011

		Consolidated	
	Note	2011	2010
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	3,312,867	8,910,651
Term deposits reserved for rehabilitation	6	644,248	480,000
Trade and other receivables	7	165,355	254,688
Prepayments		22,065	82,219
Total Current Assets		4,144,535	9,727,558
Non-Current Assets			
Available-for-sale financial assets	8	26,000	26,000
Other financial assets	9	49,245	49,245
Property, plant and equipment	10	163,103	78,924
Total Non-Current Assets		238,348	154,169
TOTAL ASSETS		4,382,883	9,881,727
LIABILITIES			
Current Liabilities			
Trade and other payables	11	313,439	621,816
Provisions	12	363,096	291,512
Total Current Liabilities		676,535	913,328
Non-Current Liabilities			
Provisions	12	330,529	384,091
Total Non-Current Liabilities		330,529	384,091
TOTAL LIABILITIES		1,007,064	1,297,419
NET ASSETS		3,375,819	8,584,308
EQUITY			
Contributed equity	13	77,464,292	77,464,292
Accumulated losses		(75,230,811)	(69,516,226)
Asset revaluation reserve		(4,000)	(4,000)
Equity benefits reserve		1,146,338	640,242
TOTAL EQUITY		3,375,819	8,584,308

The above Balance Sheet should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the year ended 30 June 2011

		Consolidated	
	Note	2011	2010
		\$	\$
Cash Flows From Operating Activities			
Payments to suppliers and employees		(1,236,360)	(1,525,728)
Expenditure on exploration interests		(4,790,596)	(3,084,024)
Reimbursement of exploration from other parties		30,543	699,287
Receipts from technical service revenue		21,195	184,583
Interest and other items of a similar nature received		446,630	342,179
Receipt of government grants and other miscellaneous		213,808	102,321
Net Cash (used in)/ provided by operating activities	16	(5,314,780)	(3,281,382)
Cash Flows From Investing Activities			
Payment for purchases of property, plant and equipment		(118,756)	(25,251)
Cash (added)/released from term deposits reserved for rehabilitation		(164,248)	361,001
Proceeds received on sale of tenement		-	450,000
Net cash provided by/(used in) investing activities		(283,004)	785,750
Cash Flows From Financing Activities			
Proceeds from issuance of shares		-	6,873,661
Share issue expenses		-	(92,221)
Net cash provided by/(used in) financing activities		-	6,781,440
Net (Decrease)/Increase In Cash And Cash Equivalents		(5,597,784)	4,285,808
Cash And Cash Equivalents At Beginning Of Year		8,910,651	4,624,843
Cash And Cash Equivalents At The End Of The Year	5	3,312,867	8,910,651

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2011

CONSOLIDATED	Note	Issued capital	Accumulated losses	Equity benefits reserve	Asset revaluation reserve	Total
		\$	\$	\$	\$	\$
At 30 June 2009		70,682,852	(66,193,538)	612,030	-	5,101,344
Loss for the period		-	(3,322,688)	-	-	(3,322,688)
Other comprehensive loss		-	-	-	(4,000)	(4,000)
Total income/expense for the period		-	(3,322,688)	-	(4,000)	(3,326,688)
Shares issued	13	6,873,661	-	-	-	6,873,661
Cost of issuing shares	13	(92,221)	-	-	-	(92,221)
Share-based payment	3	-	-	28,212	-	28,212
At 30 June 2010		77,464,292	(69,516,226)	640,242	(4,000)	8,584,308
Loss for the period		-	(5,714,585)	-	-	(5,714,585)
Other comprehensive loss		-	-	-	-	-
Total income/expense for the period		-	(5,714,585)	-	-	(5,714,585)
Share-based payment	3	-	-	506,096	-	506,096
At 30 June 2011		77,464,292	(75,230,811)	1,146,338	(4,000)	3,375,819

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Notes to the Financial Statements

for the year ended 30 June 2011

1 CORPORATE INFORMATION

The financial report of Sipa Resources Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 22 September 2011.

Sipa Resources Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the company are described in the Directors' report. The parent entity is Sipa Resources Limited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for available for sale financial assets that have been measured at fair value.

Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss after tax for the year ended 30 June 2011 of \$5,714,585 and experienced net cash outflows from operating activities of \$5,314,780. At 30 June 2011, the Group had net current assets of \$3,468,000. Whilst the Group has sufficient cash and assets to meet its ongoing working capital requirements in the next 12 months, the Directors recognise the need to raise additional funds via equity raisings and/or sale of exploration assets to fund future exploration activities.

The directors have reviewed the Group's financial positions and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing additional funds through the equity issue and/or sale of exploration assets.

Should the Group not achieve the matters set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

(b) Compliance statement

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

Changes in accounting policy and disclosures

From 1 July 2010 the Group has adopted all accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010, including:

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.

Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2011. These are outlined in the table below:

Reference	AASB 9
Title	Financial Instruments
Summary	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
Application date of standard	1 January 2013
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments, if any.
Application date for Group	1 July 2013

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	AASB 2009-11
Title	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]
Summary	These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. This Standard shall be applied when AASB 9 is applied.
Application date of standard	1 January 2013
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments, if any.
Application date for Group	1 July 2013
Reference	AASB 124 (Revised)
Title	Related Party Disclosures (December 2009)
Summary	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.
Application date of standard	1 January 2011
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments, if any.
Application date for Group	1 July 2011

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	AASB 1054
Title	Australian Additional Disclosures
Summary	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits
Application date of standard	1 July 2011
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments, if any.
Application date for Group	1 July 2011
Reference	AASB 2010-4
Title	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]
Summary	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.
Application date of standard	1 January 2011
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments, if any.
Application date for Group	1 July 2011

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	AASB 10
Title	Consolidated Financial Statements
Summary	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and Interpretation 112 <i>Consolidation – Special Purpose Entities</i>. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.
Application date of standard	1 January 2013
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments, if any.
Application date for Group	1 July 2013

Reference	AASB 11
Title	Joint Arrangements
Summary	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and SIC-13 <i>Jointly- controlled Entities – Non-monetary Contributions by Ventures</i>. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.
Application date of standard	1 January 2013
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments, if any.
Application date for Group	1 July 2013

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	AASB 12
Title	Disclosure of Interests in Other Entities
Summary	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.
Application date of standard	1 January 2013
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments, if any.
Application date for Group	1 July 2013
Reference	AASB 2011-9
Title	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]
Summary	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments).
Application date of standard	1 July 2012
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments
Application date for Group	1 July 2012
Reference	AASB 2011-4
Title	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]
Summary	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.
Application date of standard	1 July 2013
Impact on Group for Group	The Group has not yet determined the extent of the impact of the amendments
Application date for Group	1 July 2013

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	AASB 13
Title	Fair Value Measurement
Summary	AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.
Application date of standard	1 January 2013
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments
Application date for Group	1 July 2013

Reference	AASB 119
Title	Employee Benefits
Summary	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. Consequential amendments were also made to other standards via AASB 2011-10.
Application date of standard	1 January 2013
Impact on Group financial report	The Group has not yet determined the extent of the impact of the amendments
Application date for Group	1 July 2013

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sipa Resources Limited (the "Company" or "parent entity") and its subsidiaries ("the Group" or "Sipa") as at 30 June each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made no judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements except as follows:

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, using the assumptions detailed in note 14.

(e) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the method that exactly discounts estimated future cash receipts through the life of the financial asset) to the net carrying amount of the financial asset.

Technical services revenue

Revenue from the provision of labour services is recognised in the month the service is provided.

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of total lease expense.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(h) Term deposits reserved for rehabilitation

Term deposits reserved for rehabilitation, classified as other receivables short to medium term-term deposits with an original maturity of three to twelve months or less.

Bankwest has given a guarantee to the Department of Minerals and Energy in respect of performance bonds totalling \$644,248 for which the bank has a lien on an equivalent amount of the company's term deposits. Of this amount \$480,000 is for the rehabilitation of Paraburdoo Gold Project Mining Leases tenements sold to Northern Star Resources during the year. These bonds will be replaced by Northern Star Resources when the transfers are lodged with the department pending assessment by the Office of State Revenue.

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less any allowance for uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. Bad debts are written off when identified.

(j) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(k) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless that asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in the income statement unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) Interest in a jointly controlled asset

The Group has an interest in a joint venture that is a jointly controlled asset. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled asset involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled asset by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled asset.

(m) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, or interest in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries or interest in joint venture, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

(n) GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Plant and Equipment

Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Plant and equipment 2 – 15 years

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(p) 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.

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, and discounted cash flow analysis.

(r) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on held-to-maturity investments or loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. A significant or prolonged decline in market value is considered as objective evidence. Reversals of impairment losses for debt instruments are reversed through the income statement if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(s) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(u) Employee Benefits

Provision is made for amounts expected to be paid to employees of the Group in respect of their entitlement to annual leave and long service leave arising from services rendered by employees to the reporting date. Employee benefits due to be settled within one year arising from wage and salaries and annual leave have been measured at the amounts due to be paid when the liabilities are expected to be settled and included in current provisions. 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 in respect of services provided by employees up to the reporting date. Under the terms of the Directors' Retirement Scheme (applicable to non-executive directors only), 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 Limited. The amount payable under the Scheme is equal to one year's remuneration for each three years of completed service as a director of the Company up to a maximum benefit of 3 years remuneration.

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). Equity-settled transactions with employees and directors are administered through the Sipra Resources Employee Share Option Plan which was approved by shareholders.

The cost of these equity-settled transactions with participants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Sipra Resources Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled (other than for reason of forfeiture), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(w) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Earnings Per Share

Basic EPS is calculated as net profit/loss 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/loss 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;

Notes to the Financial Statements

for the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(y) Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. When the grant relates to an asset, the fair value of the grant is credited to deferred income and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

3 REVENUES AND EXPENSES

	Consolidated	
	2011	2010
	\$	\$
Revenue and Expenses from Continuing Operations		
(a) Revenue		
Technical service revenue	21,195	184,583
Interest revenue	375,076	275,351
	396,271	459,934
(b) Other income		
Profit on sale of tenements	-	450,000
Government drilling collaboration grants from State and Territory	141,857	102,321
Other	71,951	-
	213,808	552,321
(c) Other expenses		
<i>Exploration expenditure</i>		
Gross exploration expenditure	4,535,187	3,546,346
Less: exploration recouped from other parties	(114,048)	(681,866)
	4,421,139	2,864,480
<i>Employee benefits expense</i>		
Wages and salaries	1,197,717	1,133,562
Superannuation	119,869	107,384
Provision for annual leave	84,734	71,431
Provision for long service leave	19,059	22,240
Workers compensation insurance	4,225	6,641
Share-based payments expense	506,096	28,212
	1,931,700	1,369,470
<i>Employee benefits expense included in:</i>		
Exploration expenditure	864,078	662,887
Administrative expenses	1,067,622	706,583
	1,931,700	1,369,470
Depreciation of plant and equipment	34,577	28,767
Rental expenses on operating lease	129,700	127,606

Notes to the Financial Statements

for the year ended 30 June 2011

4 INCOME TAX

Consolidated
2011 **2010**
\$ **\$**

(a) Major components of income tax expense for the years ended 30 June 2011 and 2010 are:

Income Statement

Current income tax

Current income tax benefit	(1,550,035)	(979,558)
Under/over provision	(138,525)	8,327

Deferred income tax

Relating to origination and reversal of temporary differences	(12,129)	(8,542)
Deferred tax assets not recognised	1,700,689	979,773

Income tax expense reported in income statement	-	-
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Statement of changes in equity

Income tax expense reported in equity	-	-
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(b) A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2011 and 2010 is as follows:

Accounting loss before tax	(5,714,585)	(3,326,688)
At statutory income tax rate of 30% (2010: 30%)	(1,714,375)	(998,006)
Non-deductible items	152,211	9,906
Under/overprovision in prior year	(138,525)	8,327
Unrecognised/(recognised) tax losses	1,700,689	979,773
Income tax expense reported in income statement	-	-

Notes to the Financial Statements

for the year ended 30 June 2011

4 INCOME TAX (continued)

	Balance Sheet		Income Statement	
	2011	2010	2011	2010
	\$	\$	\$	\$
(c) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Other	(6,002)	(27,468)	21,466	20,049
	(6,002)	(27,468)		
Deferred tax assets				
Capital raising and formation costs	16,917	31,689	(14,772)	(14,772)
Provision for employee entitlements	151,796	146,389	5,407	11,471
Accruals	9,375	9,347	28	(8,206)
Carried forward losses	7,462,463	5,773,903	1,688,560	971,232
	7,640,551	5,961,328		
Unrecognised deferred tax assets	(7,634,549)	(5,933,859)	(1,700,689)	(979,773)
	6,002	27,468		
Net deferred tax asset	-	-		
Deferred tax expense			-	-

	Consolidated	
	2011	2010
	\$	\$
Tax losses not recognised	7,462,463	5,933,859

Directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable as at 30 June 2011. These benefits will only be obtained if:

- (i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (ii) the Consolidated Entity continues to comply with the conditions for the deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deduction for the loss.

(d) Tax Consolidation

The Company and its 100% owned subsidiaries formed a tax consolidated group effective 1 July 2003. The head entity of the tax consolidated group is Sipa Resources Limited. The Sipa group currently does not intend to enter into a Tax Sharing or Tax Funding Agreement. The group allocation method is used to allocate any tax expense incurred.

Notes to the Financial Statements

for the year ended 30 June 2011

	Consolidated	
	2011	2010
	\$	\$
5 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	601,114	402,857
Short-term deposits	2,711,753	8,507,794
	3,312,867	8,910,651

6 TERM DEPOSITS RESERVED FOR REHABILITATION

Term deposits reserved for rehabilitation	644,248	480,000
	644,248	480,000

Bankwest has given a guarantee to the Department of Minerals and Energy in respect of performance bonds totalling \$644,248 for which the bank has a lien on an equivalent amount of the company's term deposits. Of this amount \$480,000 is for the rehabilitation of Paraburdoo Gold Project Mining Leases tenements sold to Northern Star Resources during the year. These bonds will be replaced by Northern Star Resources when the transfers are lodged with the department pending assessment by the Office of State Revenue. The remaining amount represents guarantees provided by Bankwest in support of exploration program of works.

7 TRADE AND OTHER RECEIVABLES

Trade receivables (a)	22,147	14,047
Interest receivable (b)	20,007	91,561
Other receivables (c)	123,201	149,080
	165,355	254,688

(a) Trade receivables represent receivables due from other entities for exploration being conducted by the Group on behalf of the entities or reimbursement of expenses. They are non-interest bearing and due in 30 days generally. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No such allowance has been recognised as an expense for the current or previous year.

(b) Interest receivable represents interest due on the Group's term deposits.

(c) Other receivables are non-interest bearing and due in 30 days generally. An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. No such allowance has been recognised as an expense for the current or previous year.

Notes to the Financial Statements

for the year ended 30 June 2011

	Consolidated	
	2011	2010
	\$	\$
8 AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS		
At fair value		
Shares in listed entities (a),(b)	26,000	26,000
	26,000	26,000
(a) The fair value of listed available for sale investments has been determined directly by reference to published price quotations in an active market and classified as Level 1.		
(b) During the previous year, \$4,000 was recognised in the asset revaluation reserve due to a decline in share price.		
9 OTHER FINANCIAL ASSETS		
Security deposits (a)	49,245	49,245
	49,245	49,245
(a) The terms and conditions of the security deposits are they are non-interest bearing and refundable upon completion of performance obligations associated with completion of the lease term.		
10 PLANT AND EQUIPMENT		
At beginning of the year, net of accumulated depreciation	78,924	82,440
Additions	118,756	25,251
Disposals	-	-
Depreciation expense	(34,577)	(28,767)
At end of the year, net of accumulated depreciation	163,103	78,924
At beginning of year		
Cost	599,723	574,472
Accumulated depreciation	(520,799)	(492,032)
Net book value at end of year – June 2010	78,924	82,440
At end of year		
Cost	718,479	599,723
Accumulated depreciation	(555,376)	(520,799)
Net book value at end of year – June 2011	163,103	78,924
11 TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables – unsecured	238,958	380,192
Accrued expenses	74,481	241,624
	313,439	621,816

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

Notes to the Financial Statements

for the year ended 30 June 2011

12 PROVISIONS

	Annual Leave	Long Service Leave	Directors Retirement Benefit (a)	Total
<i>Consolidated</i>				
At 1 July 2010	151,879	225,391	298,333	675,603
Arising during the year	84,734	19,059	-	103,793
Utilised during the year	(85,771)	-	-	(85,771)
Balance at 30 June 2011	150,842	244,450	298,333	693,625
Current 2011	150,842	212,254	-	363,096
Non-Current 2011	-	32,196	298,333	330,529
	150,842	244,450	298,333	693,625
Current 2010	151,879	139,633	-	291,512
Non-Current 2010	-	85,758	298,333	384,091
	151,879	225,391	298,333	675,603

(a) 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 Limited. There is currently no anticipated date for payment but a constructive obligation exists. The Directors resolved to freeze the scheme with no further provisions being made, in the financial year ended 30 June 2008, or subsequently.

Consolidated
2011 **2010**
\$ **\$**

13 CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares

Issued and fully paid shares			77,464,292	77,464,292
	2011		2010	
Movements in shares on issue	No	\$	No	\$
Balance at beginning of year	379,501,180	77,464,292	303,127,163	70,682,852
Placement to sophisticated investors	-	-	26,461,111	2,381,500
Share Purchase Plan	-	-	49,912,906	4,492,162
Less transaction costs	-	-	-	(92,222)
Balance at end of financial year	379,501,180	77,464,292	379,501,180	77,464,292

During the year ended 30 June 2010, Sipa made a placement of 26,461,111 fully paid ordinary shares at 9 cents each to raise total proceeds of \$2,381,500 to provide working capital for exploration funding. In conjunction with the placement, the Company also announced a Share Purchase Plan ("SPP") whereby shareholders of record on 8 April 2010, could buy up to 166,667 shares, at 9 cents each for a total cost of up to \$15,000. A further 49,912,906 fully paid ordinary shares were issued pursuant to the SPP which raised a further \$4,492,162.

Notes to the Financial Statements

for the year ended 30 June 2011

13 CONTRIBUTED EQUITY AND RESERVES (continued)

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.

Share Options

Information relating to the Sipa Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 14.

Dividends

There were no dividends paid or proposed during the year ended 30 June 2011 (2010: Nil). The amount of franking credits available to the Company at 30 June 2011 is Nil (2010: Nil).

(b) Equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 14 for further detail of the plan.

(c) Asset revaluation reserve

This reserve records fair value changes on available-for-sale investments.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to increase cash. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date.

Management manages shareholder equity \$3,375,819 (2010: \$8,584,308) as capital. There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

14 SHARE BASED PAYMENT PLANS

Sipa Resources Employee Share Option Plan/Employee Incentive Option Scheme

Long term incentives are administered through one of the following plans:

- Sipa Resources Employee Share Option Plan 2010 (ESOP 2010) – for grants made since 1 July 2010
- Sipa Resources Employee Share Option Plan 2008 (ESOP 2008) – approved by shareholders in November 2008 but never used
- Sipa Resources Limited Employee Incentive Scheme (the "Scheme") – for grants made prior to 27 November 2008

Both the ESOP and the Scheme provide 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. In the event of an employee or key management personnel leaving the Company, the options held are terminated. The expenses recognised in the income statement in relation to share-based payments is disclosed in Note 3(c).

Notes to the Financial Statements

for the year ended 30 June 2011

14 SHARE BASED PAYMENT PLANS (continued)

(i) Options outstanding and movements in share options during the year

2011

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Lapsed/ cancelled during year	Balance at end of year	Exercisable at end of year
30/9/05	30/9/10	14 cents	200,000	-	(200,000)	-	-
1/12/05	30/11/10	14 cents	500,000	-	(500,000)	-	-
8/5/07	7/5/12	10 cents	3,600,000	-	-	3,600,000	3,600,000
18/12/07	17/12/12	13.75 cents	1,500,000	-	-	1,500,000	1,500,000
30/9/10	29/9/14	17.5 cents	-	7,250,000	-	7,250,000	7,250,000
25/11/10	24/11/14	21 cents	-	2,000,000	-	2,000,000	2,000,000
			5,800,000	9,250,000	(700,000)	14,350,000	14,350,000

2010

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Lapsed/ cancelled during year	Balance at end of year	Exercisable at end of year
22/12/04	21/12/09	14 cents	1,300,000	-	(1,300,000)	-	-
30/9/05	30/9/10	14 cents	450,000	-	(250,000)	200,000	200,000
1/12/05	30/11/10	14 cents	500,000	-	-	500,000	500,000
8/5/07	7/5/12	10 cents	4,350,000	-	(750,000)	3,600,000	3,600,000
18/12/07	17/12/12	13.75 cents	1,500,000	-	-	1,500,000	1,125,000
			8,100,000	-	(2,300,000)	5,800,000	5,425,000

There were no options exercised in the years ended 30 June 2011 or 2010.

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant 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 table lists the inputs to the model used for options issued during the year ended 30 June 2011:

Date of Grant	30/9/10	25/11/10
Dividend yield	0%	0%
Expected volatility	92.29%	82.79%
Historical volatility	92.29%	82.79%
Risk-free interest rate	4.8%	4.8%
Expected life of option	2 years	3 years
Fair value of options issued during the year ended 30 June 2011	\$0.05	\$0.069

There were no options issued during the year ended 30 June 2010.

(ii) Options exercised

No options were exercised during the financial years ended 30 June 2011 and 30 June 2010.

(iii) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 2.5 years (2010: 1.80 years)

Notes to the Financial Statements

for the year ended 30 June 2011

15 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company adjusted for the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2011	2010
Net loss attributable to the ordinary equity holders of the Company	(5,714,585)	(3,326,688)
Weighted average number of ordinary shares for basic earnings per share	379,501,180	317,081,056
Effect of dilution:		
Share Options	-	-
Weighted average number of ordinary shares adjusted for dilution	379,501,180	317,081,056

The options (14,350,000) (2010: 5,800,000) are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share as they are anti-dilutive for the periods presented. Details relating to the options are set out in Note 14.

16 RECONCILIATION OF LOSS TO NET CASH FLOWS FROM OPERATIONS

Net (Loss)	(5,714,585)	(3,326,688)
Depreciation of plant and equipment	34,577	28,767
Profit on sale of tenement	-	(450,000)
Cost of share based payments	506,096	28,212
Loss on write-down of available for sale financial assets	-	4,000
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	89,333	(36,707)
Decrease/(Increase)/decrease in prepayments	60,154	(29,527)
Increase in provisions	18,022	38,238
Increase/(decrease) in trade and other payables	(308,377)	462,323
Net cash flow (used in) operating activities	(5,315,780)	(3,281,382)

Notes to the Financial Statements

for the year ended 30 June 2011

17 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Sipa Resources Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	Equity Interest	
		2011 %	2010 %
Sipa Gold Limited	Australia	100	100
Sipa Resources (1987) Limited	Australia	100	100
Sipa Exploration NL	Australia	100	100
Sipa Management Pty Ltd	Australia	100	100
Sipa – Gaia NL	Australia	100	100
Ashling Resources NL	Australia	100	100
Topjest Pty Limited	Australia	100	100
Sipa –Wysol Pty Ltd	Australia	100	100

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

Consolidated	
2011	2010
\$	\$

18 KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation by Category: Key management personnel

Short-term employee benefits	519,228	499,356
Post employment benefits	40,392	38,735
Share based payments	188,000	14,269
	747,620	552,360

Shareholdings

The numbers of shares in the company held during the financial year by each director of Sipa Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011	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	1,025,793	-	50,000	1,075,793
M G Doepel	5,059,130	-	-	5,059,130
D L Gooding	155,556	-	-	155,556
D J Williams	-	-	-	-
K L Field	-	-	-	-
Executives				
T A Robson	3,800,000	-	-	3,800,000

Notes to the Financial Statements

for the year ended 30 June 2011

18 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2010	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	886,905	-	138,888	1,025,793
M G Doepel	4,892,463	-	166,667	5,059,130
D L Gooding	100,000	-	55,556	155,556
D J Williams	-	-	-	-
K L Field	-	-	-	-
Executives				
T A Robson	-	-	3,800,000	3,800,000

Option holdings of key management personnel

30 June 2011	Balance at 1/7/10	Granted as remuneration	Options exercised	Net change other	Balance at 30/6/11	Vested (Exercisable)	Unvested (Non- exercisable)
Directors							
P I B Pearce	-	-	-	-	-	-	-
M G Doepel	2,000,000	2,000,000	-	(500,000)#	3,500,000	3,500,000	-
D L Gooding	-	-	-	-	-	-	-
D J Williams	-	-	-	-	-	-	-
K L Field	-	-	-	-	-	-	-
Executives							
T A Robson	500,000	1,000,000	-	-	1,500,000	1,500,000	-
Totals	2,500,000	3,000,000	-	(500,000)	5,000,000	5,000,000	-

The options lapsed on 30/11/10 and had a fair value of nil at the date of expiry.

30 June 2010	Balance at 1/7/09	Granted as remuneration	Options exercised	Net change other	Balance at 30/6/11	Vested (Exercisable)	Unvested (Non- exercisable)
Directors							
P I B Pearce	-	-	-	-	-	-	-
M G Doepel	2,000,000	-	-	-	2,000,000	1,625,000	375,000
D L Gooding	-	-	-	-	-	-	-
D J Williams	-	-	-	-	-	-	-
K L Field	-	-	-	-	-	-	-
Executives							
T A Robson	700,000	-	-	(200,000)*	500,000	500,000	-
Totals	2,700,000	-	-	(200,000)	2,500,000	2,125,000	375,000

* The options lapsed on 21/12/09 and had a fair value of nil at the date of expiry.

Notes to the Financial Statements

for the year ended 30 June 2011

18 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Other transactions with key management personnel

Mr D J Williams, a director of the company, was a director of the legal practice Williams and Hughes Pty Ltd who provides legal advice to the company. All transactions with Williams and Hughes are at competitive market rates and performed primarily by staff of Williams and Hughes Pty Ltd. The total services recognised as an expense for the year amounted to \$19,267 (2010: \$21,694).

19 COMMITMENTS FOR EXPENDITURE

(a) Operating Lease – Group as Lessee

The Company has obligations under the terms of the lease of its office premises for a term of 5 years, plus a further 5 year option, from and including 1st day of June 2006. The option was exercised in May 2011. Lease payments are payable in advance by 12 equal monthly instalments due on the 1st day of each month. Under the lease agreement the lessee provides for a rent review based on CPI each anniversary date.

	Consolidated	
	2011	2010
	\$	\$
Due not later than one year	159,367	120,500
Due later than one year and not later than five years	680,000	-
	839,367	120,500

(b) 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 on the terms in place at 30 June 2011, the Directors estimate the minimum expenditure commitment for the ensuing twelve months to be \$2,287,000 (2010: \$3,333,345). However the Directors consider that the actual commitment is likely to be less 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. This estimate may be varied as a result of the granting of applications for exemption.

(c) Commitment to Controlled Entities

The Company 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.

(d) Remuneration Commitments

A remuneration commitment arises for Mr Doepel in the event of early termination of his employment contract other than for gross misconduct equal to the annual remuneration package. Mr Doepel's current annual remuneration package is \$299,750. The contract expires on 1 December 2013.

Notes to the Financial Statements

for the year ended 30 June 2011

20 INTERESTS IN JOINT VENTURES

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

Joint Venture	Principal Activities	Percentage Interest	
		2011	2010
Ashburton Regional JV	Gold Exploration	-	100%
Ashburton Sulphide Prospect	Gold Exploration	-	20%
Rocklea 78.47%	Gold Exploration	-	
Mortlock River JV (formerly Ularring Rock)	Gold/Copper Exploration	49%	49%
Panorama	Copper/Zinc Exploration	40%	40%
West Warrego Gold Project	Gold	70%	70%
Woodline	Gold/Base Metal Exploration	100%	100%
Comet Utopia JV	Gold/Base Metal Exploration	70%(b)	Nil
Sipa – Image Woodline	Gold/Base Metal Exploration	Nil (a)	Nil (a)

All of the above joint ventures are for the purposes of exploration activities and holding of tenement interests.

(a) The Company has a right to earn a 60% interest. The Company needs to spend a further \$337,088 to earn this interest.

(b) During the year, the Company earned a 70% in the Comet Utopia JV which holds tenements surrounding the Sipu Woodline Project.

21 SEGMENT INFORMATION

For management purposes, the Company is organised into one main operating segment, which involves mining exploration for gold and other minerals. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

All of the Company's revenues are derived in Australia and all of the Company's non current assets are located in Australia. Technical services revenue is derived from one customer.

22 FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Company's and Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company and the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Notes to the Financial Statements

for the year ended 30 June 2011

22 FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and trade and other receivables.

Cash and cash equivalents (including term deposits reserved for rehabilitation)

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. Cash is held with recognised financial institutions with AA credit rating.

Trade and other receivables

As the Group operates primarily in exploration activities, its trade receivables are limited to receivables from joint venture parties. The Group chooses to joint venture only with reputable partners and therefore reduces the exposure to credit risk in relation to trade receivables. At the balance sheet date there were no significant concentrations of credit risk.

Other receivables consist primarily of GST refundable from the ATO and interest due on the Group's term deposits. Given the acceptable credit ratings of both parties, management does not expect any either party to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2011	2010
	\$	\$
Cash and cash equivalents	3,312,867	8,910,651
Term deposits reserved for rehabilitation	644,248	480,000
Trade and other receivables	165,355	254,688
Other financial assets	49,245	49,245
	4,171,715	9,694,584

Impairment losses

None of the Group's other receivables are past due (2010: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The Company does anticipate a need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments (undiscounted) and excluding the impact of netting agreements:

Notes to the Financial Statements

for the year ended 30 June 2011

22 FINANCIAL RISK MANAGEMENT (continued)

Consolidated

30 June 2011	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Trade and other payables	313,439	313,439	313,439	-	-	-
	313,439	313,439	313,439	-	-	-
30 June 2010						
Trade and other payables	621,816	621,816	621,816	-	-	-
	621,816	621,816	621,816	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group and the Company is not exposed to significant currency risk as at balance sheet date the Group and the Company holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposit at interest rates maturing over 90 day rolling periods.

Profile

At the reporting date Group had the following mix of financial assets held at Australian Fixed and Floating interest rates. There were no financial liabilities exposed to interest rate risk.

	Consolidated	
	2011	2010
	\$	\$
Floating rate instruments		
Cash and cash equivalents	601,114	403,151
	601,114	403,151
Fixed rate instruments		
Cash and cash equivalents	2,711,753	8,507,500
Term deposits reserved for rehabilitation	644,248	480,000
	3,356,001	8,987,500

Notes to the Financial Statements

for the year ended 30 June 2011

22 FINANCIAL RISK MANAGEMENT (continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates for financial instruments with short term maturity at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The Group's exposure to variable rate instruments is in cash and cash equivalents. A 100 basis point favourable and unfavourable change in interest rates will affect comprehensive income by \$6,011 and \$(6,011) (2010 \$89,107 and \$(89,107)) respectively.

Fair values

Fair values versus carrying amounts

Due to their short term nature, the carrying amounts of financial assets and liabilities approximate fair value.

Other Market Price Risk

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investments are solely in equity instruments. These instruments are classified as available-for-sale and carried at fair value with fair value changes recognised directly in equity, unless they are impaired, until derecognised.

The following table details the breakdown of the investment assets and liabilities held by the Group:

	Consolidated	
	2011	2010
	\$	\$
Shares in listed entities	26,000	26,000
	26,000	26,000

Sensitivity analysis

The Group's equity investments are listed on the Australian Stock Exchange. A 7.75% increase in stock prices at 30 June 2011 would have increased equity by \$2,000 (2010: \$3,900); an equal change in the opposite direction would have increased the net loss by the same amount. 7.75% is representative of the fluctuation of the ASX All Ordinaries Index for the period 1 July 2010 to 30 June 2011 (2010:15%)

Commodity Price Risk

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

Notes to the Financial Statements

for the year ended 30 June 2011

23 AUDITORS' REMUNERATION

	Consolidated	
	2011	2010
	\$	\$
The auditor of Sipa Resources Limited is Ernst & Young.		
<i>Amounts received or due and receivable by Ernst & Young for:</i>		
- an audit or review of the financial report of the entity and		
- any other entity in the consolidated entity	48,502	47,363
- other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	20,660	23,205
	69,162	70,568

There were no payments made or due to any other audit firms other than Ernst & Young for any audit or other accounting service.

24 CONTINGENT ASSETS AND LIABILITIES

During the year Sipa sold its 100% interest in the Ashburton Gold Project to Northern Star Resources Limited. Under the terms of the agreement, Northern Star will pay Sipa a 1.75% gross royalty on all gold production from the tenements, except the Merlin tenements, which will earn a 0.75% gross royalty on all gold production from the Merlin tenements. No contingent asset has been recognised as it is not probable at 30 June 2011 economic benefits will be received by the company.

25 INFORMATION RELATING TO SIPA RESOURCES LIMITED

	2011	2010
	\$	\$
Current assets	2,511,565	8,199,316
Total assets	2,537,574	8,225,320
Current liabilities	-	-
Total liabilities	-	-
Retained earnings	(76,073,058)	(69,879,214)
Total equity	2,537,574	8,225,320
Loss of the parent entity	6,193,844	3,258,462
Total comprehensive income of the parent entity	6,193,844	3,262,462
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	NIL	NIL
Details of any contingent liabilities of the parent entity	NIL	NIL
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	NIL	NIL

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) subject to the achievement of matters set out in note 2(c) of the financial report there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable. there are reasonable grounds to believe that the consolidated entitycompany will be able to pay its debts as and when they become due and payable.
- (d) 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 year ending 30 June2011

On behalf of the Board



M G DOEPEL

Managing Director

PERTH, WESTERN AUSTRALIA

DATED 22 September 2011

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

Report on the financial report

We have audited the accompanying financial report of Sipa Resources Limited, which comprises the consolidated balance sheet as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of 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.

Opinion

In our opinion:

- a. the financial report of Sipa Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

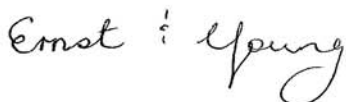
We have audited the Remuneration Report included on pages 4 to 7 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Sipa Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our audit opinion expressed above, attention is drawn to the following matter. As a result of the matters as described in Note 2(a) there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, likely belonging to F Drummond.

F Drummond
Partner
Perth
22 September 2011

Additional Statutory Information

The following information is provided in accordance with the listing requirements of the ASX Limited. All information is current as of 13 September 2011 unless otherwise noted.

TOP 20 SHAREHOLDERS AS AT 19 SEPTEMBER 2011	SHARES	%
1. Mr Terrence William Kahler + Mrs Suzanne Kahler <Kahler Super Fund A/C>	14,350,001	3.78
2. Rodiv NSW P/L <Rodiv Pension Fund A/C>	13,174,907	3.47
3. Michael Glen Doepel	5,059,130	1.33
4. Mr Laurence Charles Kirk	5,000,000	1.32
5. Basin Beach Investments Pty Ltd	4,016,616	1.06
6. Ron Stanley Holdings Pty Ltd	4,000,000	1.05
7. Mr Kenneth Gwyn Robson	3,800,000	1.00
8. T S & J D Nominees Pty Ltd	3,550,000	0.94
9. Wythenshawe Pty Ltd	3,281,241	0.86
10. HSBC Custody Nominees (Australia) Limited	3,206,203	0.84
11. JP Morgan Nominees Australia Limited <Cash income a/c>	3,132,467	0.83
12. DBS Vickers Securities (Singapore) Pte Ltd <Client Account>	2,830,272	0.75
13. Mr Ronald Graham Stanley	2,609,833	0.69
14. Ombord Pty Ltd <The Poulos Hotel S/Fund A/C>	2,500,000	0.66
15. Mr David Parker + Mrs Helen Parker <Parker Family A/C>	2,150,000	0.57
16. Mr Terrence William Kahler + Mrs Suzanne Kahler <Kahler Super Fund A/C>	2,099,999	0.55
17. Calm Holdings Pty Ltd <Clifton Super Fund A/C>	2,000,000	0.53
18. Nefco Nominees Pty Ltd	1,960,000	0.52
19. Technica Pty Ltd	1,958,418	0.52
20. Transbow Ltd	1,899,461	0.50

The 20 largest Shareholders hold 21.76% of the issued capital of the Company.

The names of substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

Mr Terrence William Kahler + Mrs Suzanne Kahler <Kahler Super Fund A/C>	20,000,000	5.27
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Additional Statutory Information

Distribution of shareholder's holdings

ORDINARY SHARES HELD	SHAREHOLDERS
1 - 1,000	24124
1,001 - 5,000	299275
5,001 - 10,000	571551
10,001 - 100,000	1,8071,732
100,001 - and over	656712
	3,5743,494

There are 361351 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.

Additional Statutory Information

Statement of Mining Tenements – 27 September 2011

PROJECTS	TENEMENTS	INTEREST
ILGARARI	E52/2010, E52/2017, E52/2439, E52/2369	100%
PANORAMA JV	M45/587, P45/2600-2604, P45/2607, P45/2609-2614, P45/2616	40%
STRATHALBYN JV	EPM15673, EPM15486	20%
TENNANT CREEK	EL24138, EL23764, EL24255, EL24257, EL24363	0% *
THADUNA	E52/1673-1674, E52/1858, E52/2356-2357, E52/2405	100%
MORTLOCK RIVER (Formerly Ularring Rock)	E70/2518-2521, E70/2668	49%
WEST WARREGO JV	EL22359, EL23063, EL23065, EL23992, EL26822, EL26823-26824	70%
WOODLINE	E28/1483-1484, E28/1530, E28/1585, E28/1729, E63/1005, E63/1043	100%
WOODLINE – IMAGE JV	E28/1496	0% *
WOODLINE – COMET JV	E28/1412, E28/1495, E28/1657	70%

* Interest being earned.

