



Kitgum Pader Base Metals Project, Northern Uganda

Landmark Farm-in and JV Agreement with Rio Tinto to Underpin Accelerated Nickel-Copper Exploration

Rio Tinto can fund up to US\$57M (A\$75M) of exploration expenditure and make US\$2M in cash payments to earn up to a 75% interest in Sipa's emerging nickel-copper project

HIGHLIGHTS

- **Earn-in and Joint Venture Agreement signed with Rio Tinto for the Kitgum-Pader Base Metals Project (the Project)** in Northern Uganda, including the Akelikongo nickel-copper discovery.
- Under the agreement, **Rio Tinto has the option to earn up to a 75% interest in the project by incurring exploration expenditure in the following stages and amounts:**
 - *US\$12M of exploration expenditure within 5 years including a minimum commitment of US\$2.0M, to earn 51% (Stage 1);*
 - *Additional US\$15M of exploration expenditure within a further 3-year period to earn a 65% interest (Stage 2);*
 - *Additional US\$30M of exploration expenditure or declaration of a JORC resource containing at least 250,000 tonnes of contained nickel or nickel equivalents within a further 3-year period to earn a 75% interest (Stage 3).*
- In addition, **Rio Tinto will make cash payments totalling US\$2M** to Sipa comprising: US\$0.25M (payable at execution, forming part of the project expenditure), US\$0.25M after 18 months and US\$1.5M at the start of Stage 2 (earn-in to 65%).
- Agreement conditional on due diligence being completed and satisfactory to Rio Tinto within three months of signing.
- **Sipa will initially manage exploration activities, which will commence immediately whilst due diligence is undertaken.**
- **The initial focus of exploration will be detailed gravity surveying over several regional prospective ultramafic intrusive complexes followed by drilling later in 2018.**
- The agreement with Rio Tinto will **potentially unlock the full potential of Akelikongo and the wider Kitgum Pader Project.**

Sipa Resources Limited (ASX: SRI) (**Sipa** or the **Company**) is pleased to announce that it has signed a landmark Earn-in and Joint Venture Agreement (**JVA**) with Rio Tinto Mining & Exploration Limited (**Rio Tinto**), a wholly-owned subsidiary of global miner Rio Tinto Plc, to acquire an interest in its **Kitgum Pader Base Metals Project** located in Northern Uganda (Figure 1).

The JVA will allow Sipa to accelerate nickel-copper exploration activities within the broader Kitgum Pader Project area, while also continuing to evaluate the Akelikongo discovery – which continues to emerge as one of the more significant magmatic nickel-copper discoveries to be made globally in the last few years.

Rio Tinto will contribute expertise and funding while Sipa will continue to manage exploration activities in the initial stages of the joint venture, leveraging off its extensive technical and logistical experience operating in Uganda.



Commenting on the agreement, Sipa's Managing Director, Lynda Burnett, said:

"This is a company-defining transaction for Sipa which vindicates our long-term focus on pursuing opportunities to discover new world-class base metal and gold-copper deposits within emerging mineral provinces with Tier-1 potential.

"Attracting a global major such as Rio Tinto to farm-in to the Kitgum Pader Project reflects both the enormous potential of the ground and the quality of the work which the Sipa exploration team has completed over the past five years.

"Sipa discovered both the Akelikongo nickel-copper system and the Pamwa lead-zinc-silver prospect in 2014 and 2015, and has made excellent progress since then despite the inevitable budgetary constraints which face a junior exploration company. The intrusive-hosted, chonolith-style mineralisation at Akelikongo has so far been defined over a strike length of at least 500m and remains open, with recent drilling having returned some significant thick zones of disseminated and semi-massive nickel sulphide mineralisation. The mineralisation exhibits strong similarities to some of the world's great intrusive-hosted nickel orebodies, such as Nova, Raglan and Voisey's Bay.

"The recent application of new geochemical and geophysical techniques has allowed us to further define and understand Akelikongo and surrounds. At the same time, our team has now proven that the Kitgum Pader Project contains multiple intrusive complexes that exhibit genetic similarities to Akelikongo, highlighting belt-scale nickel discovery potential.

"It is these attributes which make the project one of the most exciting greenfields nickel discoveries in recent years, and we are delighted that Rio Tinto have recognized this potential and will be funding the next stage of exploration."



Figure 1- Kitgum Pader Project Location



KEY TERMS OF THE EARN-IN AND JOINT VENTURE AGREEMENT:

The Agreement with Rio Tinto encompasses Sipa's entire Ugandan tenement package, within which the parties have agreed to form an (initially unincorporated) joint venture to explore, evaluate and, if feasible, develop one or more mines. Significant terms of the Agreement are summarised below:

- Rio Tinto has the option to sole fund a three-stage earn-in totalling up to US\$57 million (~A\$75 million), as follows:
 - Stage 1 requiring US\$12 million of expenditure within 5 years to earn an aggregated 51% interest:
 - Included in this amount is a payment of US\$0.25 million, payable to Sipa at execution of the JVA which forms part of the project expenditure;
 - Stage 2, requiring a further US\$15 million of expenditure within 3 years to earn a 65% interest;
 - Stage 3, requiring a further US\$30 million of expenditure or the declaration of a JORC resource containing at least 250,000 tonnes of contained nickel or nickel equivalents within 3 years.
- Cash payments to Sipa totalling up to US\$2 million (~A\$2.6 million), as follows:
 - US\$0.25 million, payable at execution and this amount forms part of the project expenditure;
 - US\$0.25 million, 18 months after the commencement of the JVA;
 - US\$1.5 million, at the commencement of Stage 2.
- Agreement conditional on due diligence being completed and satisfactory to Rio Tinto within three months of signing.
- Sipa to be initial JV Manager with Rio Tinto reserving the right to Manage after 18 months of the commencement of the JVA
- A Management Committee made up of two members from each Party will oversee key project-related decisions, including approving work programmes and budgets submitted by the Manager.
- Once the earn-in is completed, the parties will be responsible for contributing to project expenditure in proportion of their Participating Interest or face straight-line dilution. If a party's interest falls below 10%, it can elect to convert that interest to a 1.5% net smelter royalty, capped at US\$60 million.
- Rio Tinto (or an affiliate) to have exclusive marketing rights in relation to mines producing from the Project Area with an arm's length commission applying.



INITIAL EXPLORATION PROGRAMS AND FOCUS

Following the targeted litho-geochemical sampling and reconnaissance mapping in late 2017, several ultramafic intrusive complexes were identified as having similar geochemistry to the Akelikongo Suite of nickel and copper sulphide mineralised ultramafic intrusions. Figure 2

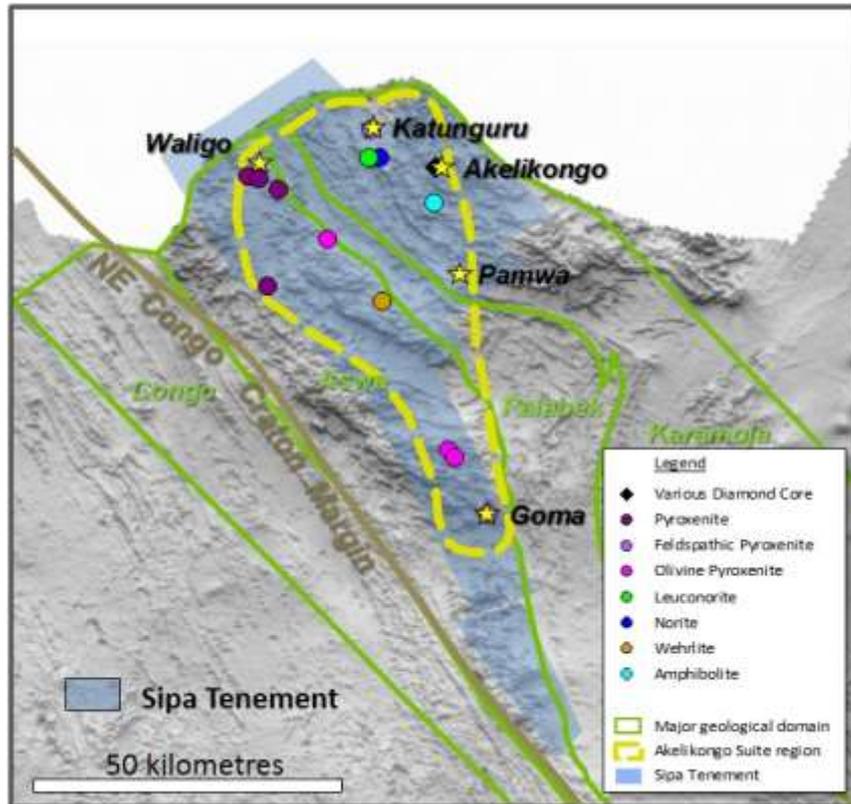


Figure 2: Location of litho-geochemical samples from ultramafic complexes and known prospects, outlining the priority area where “Akelikongo suite” intrusions have been identified.

These areas, including the already known prospects such as Goma and Katunguru, will be sampled further and detailed ground gravity will commence as soon as practical. This will be followed up later in 2018 with drilling of selected targets and at Akelikongo.

About Sipa

Sipa Resources Limited (ASX: SRI) is an Australian-based exploration company which is targeting the discovery of significant new gold-copper and base metal deposits in established and emerging mineral provinces with world-class potential.

In Northern Uganda, the 100%-owned Kitgum-Pader Base Metals Project contains two new mineral discoveries, Akelikongo nickel-copper sulphide and Pamwa lead-zinc-silver, both made by Sipa during 2014 and 2015.

The intrusive-hosted nickel-copper sulphide mineralisation at Akelikongo is one of the most significant recent nickel sulphide discoveries globally, exhibiting strong similarities to major intrusive-hosted nickel orebodies such as Nova, Raglan and Voisey’s Bay.

At Akelikongo, Sipa has delineated intrusive-hosted chonolith style nickel-copper sulphide mineralisation which is outcropping and plunges shallowly to the north-west for a distance of at least 500m and open to the north-west. In December 2016, strong zones of up to 7m of semi-massive sulphide interpreted to dip shallowly to the northwest were intersected with strong off-hole conductors associated with them. These intercepts occur beneath large thicknesses up 113m of disseminated nickel sulphide >0.25% Ni and



copper sulphide >0.1% Cu, with intercepts of 84.5m @ 0.37% Ni and 0.16% Cu (AKD017) and 43.7m @ 0.53% Ni and 0.18% Cu (AKCD006) including 7m @ 1.04% Ni, 0.35% Cu 0.05% Co. (ASX Release 1 December 2016 Table 1.)

In Australia, Sipa has a Farm-in and Joint Venture Agreement with Ming Gold at the Paterson North Copper Gold Project in the Paterson Province of North West Western Australia, where extensive primary copper-gold-silver-molybdenum and tungsten mineralisation was intersected at the Obelisk prospect in primary bedrock. The project is in an intrusion-related geological setting similar to other deposits in the Paterson and those in the Tintina and Tombstone Provinces of Alaska and the Yukon.

The Company's maiden drill program in August 2016 successfully delineated a major copper plus gold, silver, molybdenum and tungsten mineral system over a 4km strike length at the Obelisk prospect, within the Great Sandy tenement. The drilling confirmed that the anomaly is continuously developed over the entire strike length, including an 800 by 200m long zone where highly anomalous copper (greater than 500ppm Cu) and gold results up to 1.26g/t Au were returned. This represents an outstanding target for follow-up exploration. Drilling in late 2017 has further defined the strong hydrothermal alteration and importantly the presence of gold up to 22g/t Au and 2% copper in narrow, high-grade veins showing that the system has strong similarities to others in the district.

The Paterson Province is a globally recognized, strongly endowed and highly prospective mineral belt for gold and copper including the plus 25Moz world-class Telfer gold and copper deposits, the Magnum and Calibre gold and copper deposits, the Nifty copper and Kintyre uranium deposits and the O'Callaghans skarn-hosted tungsten deposit.

The information in this report that relates to Exploration Results was previously reported in the ASX announcement dated 20 October 2017, 12 October 2017, 1 December 2016, and 5 September 2016,. The Company is not aware of any new information or data that materially affects the information included in that relevant market announcement.

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