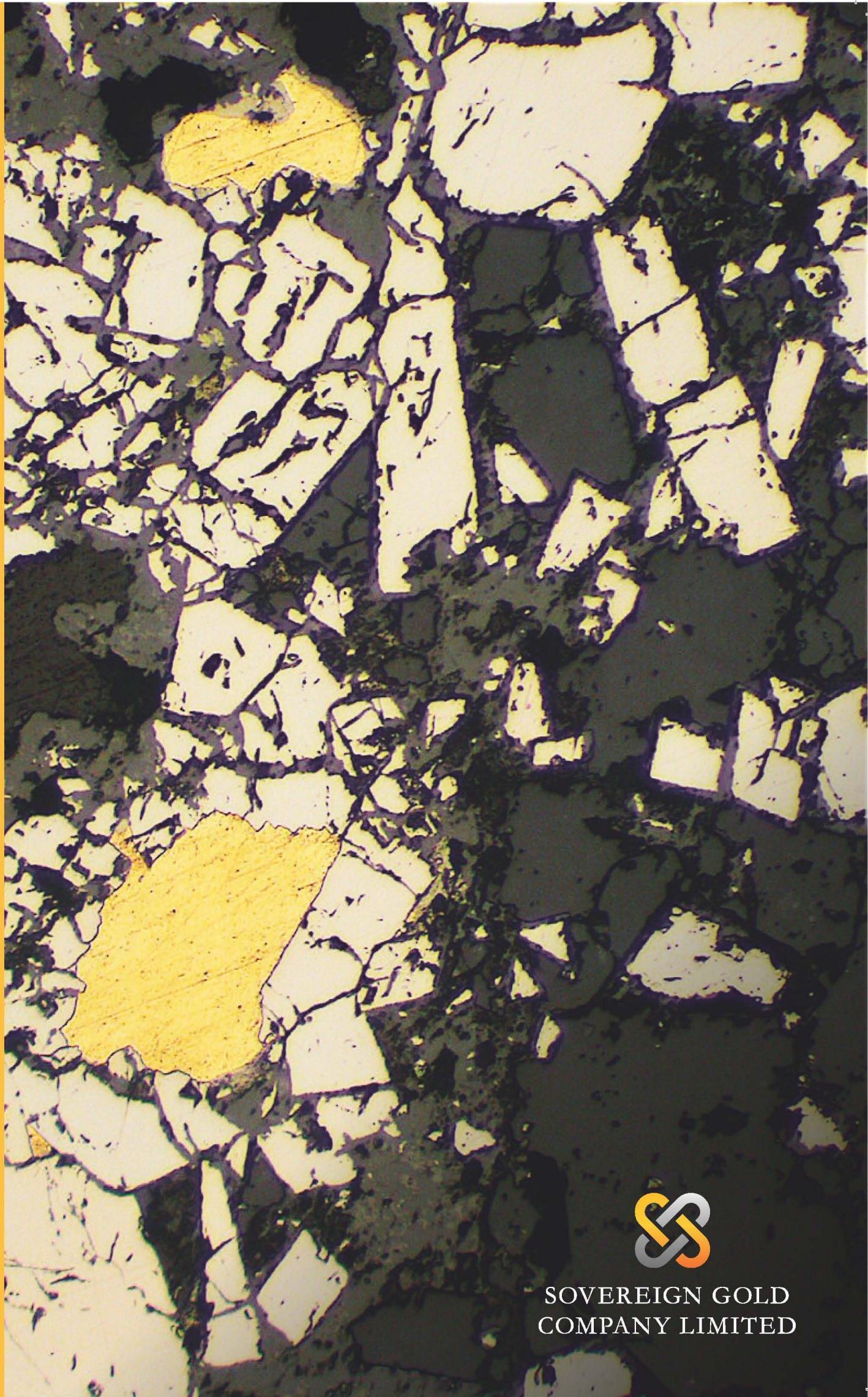


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ANNUAL REPORT 2012



SOVEREIGN GOLD  
COMPANY LIMITED



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## CORPORATE DIRECTORY

### Sovereign Gold Company Limited

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ABN 12 145 184 667

### Registered and Corporate Office

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### Auditors

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Telephone: +61 2 8839 3000

### Lawyers

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Sydney NSW 2000  
  
Telephone: +61 2 9253 9999

### Bankers

Australia & New Zealand Banking Group Limited  
Level 16,  
20 Martin Place  
Sydney NSW 2000  
  
Telephone: +61 2 9227 1818

St George Bank Limited  
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Sydney NSW 2200  
Telephone: +61 2 9236 2230

### Directors

John Dawkins, AO (Chairman)  
Michael Leu (Chief Executive officer)  
Peter Meers  
Rado Jacob Rebek

### Joint Company Secretaries

David Hughes  
Henry Kinstlinger

### Share Registry

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne VIC 3001  
Australia  
  
Telephone: 1300 850 505 (within Australia)

### ASX Code – SOC

Sovereign Gold Company Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting of Sovereign Gold Company Limited and its controlled entities.

Sovereign Gold Company Limited is a company limited by shares, incorporated and domiciled in Australia.

## CHAIRMAN'S REVIEW 2012

Dear Shareholders,

Sovereign Gold Company Limited (ASX:**SOC**) (**Sovereign Gold** the **Company**) achieved several significant milestones during 2012. Sovereign Gold has developed a unique business plan that distinguishes it from other explorers through forming a strategic joint venture partnership with Jiangsu Geology and Engineering (**SUGEC**). SUGEC is providing significant funding (\$11 million) to fast-track exploration programs over the next 24 months. This funding is spread across seven exploration licences and gives your Company the capability of a major explorer. Further, SUGEC will be purchasing a deep (600 metre) drilling diamond rig early 2013 to drill the 730 metres long gold structure they jointly discovered with Sovereign Gold's specialist Intrusion-Related Gold System exploration team. Recent shallow drilling of this structure established both wide and high grade gold intervals. This long interval of gold-bearing mineralisation occurs in the same dyke hosting the Martins Shaft lode. It is located 2.7km north-west of Martins Shaft and further confirms the large scale of the Rocky River-Uralla IRGS. SUGEC has subsequently found nearby large, parallel gold bearing structures. We keenly await the first deep drilling results by SUGEC along this structure.

Your Company has significantly reduced drilling costs. The Company's Hilux mounted diamond drill is currently drilling at 30% the contracted rate. This substantially reduces costs of drilling whilst expediting rapid mobilization between target sites. Drilling is the single largest cost in exploration but also the best method for rapidly adding value.

SUGEC has also discovered new copper deposits and IRGS during their extensive exploration this year.

The Company has also acquired 81% (69 million shares \$ 15.8 million value) of Precious Metals Resources Limited (ASX: **PMR**). PMR also has a strategic relationship with SUGEC who has entered in JVs and MOU's to spend \$10m on three exploration licences comprising the Halls Peak silver-lead-zinc-copper project. SUGEC provided significant funding for a VTEM helicopter survey that located extensive deep conductors that may be base metal deposits. PMR has 18 exploration licences (**ELs**) and exploration licence applications (**ELAs**) over prospective base and precious metal ground – many in close proximity to the Company's tenements. It also has a suite of quality tenements in the Broken Hill base metal province. This acquisition provides PMR with increased scale, resources and polymetal exploration opportunities. Both companies have significant cost synergies – common directors and management.

The Company continues to expand its exploration portfolio and has seven 100% owned exploration licences and exploration licence applications with high quality gold targets including ELA 4645 covering the advanced drill target area defined Swamp Oak Goldfield comprising 30 mines and prospects including the Highland Mary Mine and Rainbow Reefs. These mines and prospects have significantly bolstered the Company's growth pipeline and provide many targets for exploration, joint venture and development.

Your Directors are confident of another exciting year for the Company and we look forward to sharing its success with you, especially with two drill rigs operating and exploration being undertaken across multiple exploration licences.



John Dawkins AO  
Chairman

## REVIEW OF OPERATIONS

This Review of Operations covers the period to 31 December 2012.

### OVERVIEW

Sovereign Gold Company Limited (**Sovereign Gold**) is exploring large Intrusion-Related Gold Systems (**IRGS**) at the Rocky River-Uralla Goldfield in New South Wales and in the Eastern and Central Gold Belts of Peninsular Malaysia.

Sovereign Gold's Rocky River-Uralla Goldfield Project covers 2,940 square kilometres.

The project is located around the township of Uralla, 21km southwest of Armidale, New South Wales, Australia, with superb infrastructure logistics. It is close to major roads, rail, airport, labour source, university, power, and engineering.

Available production records indicate that the Rocky River – Uralla Goldfield yielded 5,193 kg (approximately 167,000 ounces) of gold mostly from Tertiary deep leads during the period 1858 – 1967.

Sovereign Gold's exploration objective is to locate the hard rock gold sources. Recent IRGS discoveries in the Tintina Gold Province in Alaska-Yukon, which is believed to be an analogous province to the New England Gold Belt, have been reported in the order of 52 million ounces.

### CORPORATE

4 January 2012	Director and Chief Geologist, Michael Leu was appointed acting CEO on 4 January 2012 following the resignation of Nick Raffan as a director and CEO.
28 March 2012	Chinese State Owned Enterprise Jiangsu Geology and Engineering Co Ltd of Nanjing China ( <b>SUGEC</b> ) entered into a cooperation and investment agreement to contribute \$4 million toward IRGS exploration on EL 7768 and EL 7491 before 31 March 2014 to earn 30% interest in each tenement. The program is underway.
18 April 2012	Sovereign Gold purchased a small footprint MAC 200 custom built wire line diamond drill rig mounted on a 4 wheel drive vehicle maximising the use of existing tracks for access where possible and reducing the cost of drilling of diamond core by approximately 70% of external contracted drilling services.
28 May 2012	Qinjing Qiu retired as a director of the Company at the annual general meeting.
10 July 2012	Sovereign Gold launched a takeover of Precious Metal Resources Limited (PMR) offering nine Sovereign Gold shares for every 10 PMR shares.
27 August 2012	PMR Takeover Offer successfully closed with Sovereign Gold acquiring 69,070,938 PMR Shares in exchange for 62,163,842 of its own shares. Following the takeover, Sovereign Gold holds approximately 81.26% of PMR. Sovereign Gold has 139,163,842 fully paid ordinary shares on issue.
26 November 2012	SUGEC agrees to increase its funding to Sovereign Gold by an additional \$7 million to contribute towards fast track IRGS exploration on EL 7700, EL 7701, EL 7766, EL 7769 and EL 7770 and provide a dedicated team of geologists, geochemists and geophysicists to work with Sovereign Gold on the projects to earn up to 30% interest in each tenement. PMR also received an extra \$8 million from SUGEC towards exploring EL 4474 and EL 5339 from the initial \$2 million exploration funding for EL 7679 which is already underway.
3 December 2012	44,875,000 shares and 7,250,000 options were released from escrow.

### Highlights

- Sovereign Gold has determined analogy to 32Moz Donlin Creek, Alaska IRGS system
- Unique strategic partnership with Chinese SOE
- Sovereign Gold holds an 81.26% interest in Precious Metal Resources Ltd (ASX: PMR)
- PMR is conducting exploration at Halls Peak, NSW, which is the inferred volcanic centre for extensive small but high grade Volcanic Massive Sulphide (VMS) deposits rich in copper, lead, zinc and silver, with variable but largely untested gold values
- PMR has identified a potential large SEDEX deposit under the Halls Peak project area

**EXPLORATION****Rocky River-Uralla Goldfield****Sovereign Gold–SUGEC Cooperation Agreements**

Sovereign Gold and SUGEC entered into cooperation agreements with respect to seven tenements prospective for gold in the Rocky River-Uralla Goldfield. SUGEC is funding up to \$11 million on Sovereign Gold tenements (and an additional \$10 million on three tenements held by Sovereign Gold's subsidiary, PMR).

The Sovereign Gold – SUGEC project area covers 2,040 square kilometres. SUGEC will be entitled to a 30% interest in each respective tenement upon meeting the associated expenditure commitment for that tenement.

**Sovereign Gold–SUGEC Project Summaries –Multiple Gold and Base Metal Targets****EL 7491**

Contains an extension of the newly discovered IRGS in EL 6483.

Following ground truthing of geophysical targets, Sovereign Gold has located several sites of gold-bearing alteration on structures in the same felsic dyke hosting the Martins Shaft gold lode. The large gold-bearing alteration zone is to the north-west of Martins Shaft.

Potentially hosts a bulk open-cuttable gold target that extends from surface.

Initial fieldwork conducted by SUGEC and Sovereign Gold's geoscientists in November 2012 sampled outcrop from a north-east trending alteration structure that showed anomalous gold over 730 metres with 8 samples averaging 1.37g/t gold (range 0.4 – 2.32g/t gold) over 197 metres. Samples contained up to 308 g/t silver. Diamond drilling commenced on 26th November 2012 on this large gold-bearing structure 2.7km northwest of Martins Shaft.

This very large structure over 730 metres long has the potential to host a major gold deposit.

Two shallow (maximum depth 20 metres) diamond drill holes have been completed that show alteration over several metres downhole. The holes were drilled under surface outcrop of mineralisation within felsic dykes and metasediments and encountered phyllitic altered felsic dyke associated with sheeted veining, pervasive alteration, brecciation and yellow limonite after sulphides. This alteration is strikingly similar to that encountered in Martins Shaft and repetitions of this type of gold lode are highly probable given that this 730 metre long mineralised structure cuts the same dyke hosting Martins Shaft.

SUGEC is supplying a deep (600 metres) diamond drill rig to continue on from the successful shallow scouting drilling program to confirm discovery of a large scale Martins Shaft style gold mineralisation. The two initial holes have proved the existence of both high grade (up to 12.35 g/t gold) and wide (up to 12 metres downhole) gold mineralisation at shallow depths ideal for open cut.

**EL 7768**

Prospective for IRGS, copper/base metals, antimony, molybdenum and tin.

Mineralisation includes Baxters Antimony Mine - drill intersections of antimony (Sb) up to 3.5m wide with grades up to 10.1% antimony (Sb).

Successful exploration completed to date in EL 7491 and EL 7768: Over 2,600 soil and stream sediment samples have been collected within EL 7491 and EL 7768 together with a detailed ground magnetic survey over both ELs. This work has resulted in the discovery of several geochemical and geophysical anomalies.

Shallow and deep drilling is planned following further infill, close-spaced geochemical and geophysical surveys.

**EL 7770**

Host to Volcanic-hosted Massive Sulphides (VMS) polymetallic (especially copper) mineralisation and exhalative gold mineralisation, as well as epigenetic structurally controlled gold mineralisation related to regional deformation and granite intrusions.

A number of Cyprus-type submarine exhalative copper-rich deposits occur within EL 7770. These include deposits such as Trough Gully and Fishers Copper Mine from which 2,572 tonnes and 2,643 tonnes of copper ore were produced respectively.

The copper-rich lenses can extend for over 150 metres along strike, are up to 4 metres wide and can extend 60m down dip. Grades were generally between 2% and 4.5% copper with some ore from Fishers Copper Mine averaging more than 15% copper.

The last exploration was in 1970-71 where a percussion drill hole intersected an interval of about 1.5m averaging 5.45% copper in an interval of around 4.5 metres downhole at 2.45% copper. Assays of mineralisation from Fishers Copper Mine showed the mineralisation contained about 30 grams/tonne silver and 1.5-3 grams/tonne gold. Several other copper deposits are known and require follow-up exploration (GS2009-0901 R00037944).

*"The strata in the central and southern portions of the permit host a number of massive sulphide mineral deposits. The mineralogy and stratigraphic associations clearly indicate them to have originated through submarine activity."*

*"Deposits of this type may vary in size from <1 million tonnes to over 100 million tonnes and represent an extremely worthwhile target. A review of the data would suggest that these deposits are far from adequately explored either in terms of detail mapping, by geophysical means or by drilling."*

*"Drilling has been carried out at only one prospect (Fishers) and potentially economic mineralisation in one hole (PDH6) was not followed up. The likely source of the mineralisation, and therefore potentially larger (mineralisation) bodies, is down dip to the east and a programme of detailed, geophysics and drilling is warranted to evaluate the potential for economic mineral deposits down dip from the known deposits."*

Blayden, Geological and Management Services Pty Ltd, 2007

EL 7770 contains over 22 gold prospects including 12 in the Limbri area that could potentially be indicative of larger, stratabound exhalative gold deposits.

*"...on the small gold workings in the Limbri area having an association with chert-jasper and speculated on a possible gold source being in part derived from submarine exhalations that deposited the siliceous sedimentary rocks. There was an inference that mineralisation could be potentially more extensive and substantial if it were essentially 'stratabound' in chert-jasper and not necessarily all of small narrow vein type."*

Ashley 2012 notes Gilligan and Brownlow, 1987

*"Detailed mapping and sampling of five diggings was undertaken with gold grades of up to 28 g/t being obtained from samples."*

Blayden, Geological and Management Services Pty Ltd, 2007

#### **EL 7766**

Sovereign Gold's specialist exploration team has identified two potential IRGS within EL 7766.

These comprise the Tilbuster and Puddledock hard rock gold deposits. Both these new IRGSs host repetitions of the geological setting of the Rocky River-Uralla Goldfield.

The forgotten gold lodes of the Tilbuster gold area have received virtually no exploration for 100 years and have never been drilled.

The Tilbuster hard rock gold deposits consist of a series of historic gold mines that extend north-easterly for 1,850 metres; these structurally controlled gold lodes occur over a maximum known width of 150 metres. Potential large gold-hosting target.

Recent assays of mineralisation from dumps around the Great Britain Mine (Tilbuster) returned grades up to 79.3 g/t Gold and 96.4 g/t Silver, while at the Zulu Reef, a trial crushing in 1895 of 8 tonnes yielded 38.25 grams/tonne gold.

The Tilbuster gold deposits display diagnostic IRGS geological, metallogenetic, structural and tectonic characteristics. These include: back-arc basin tectonic setting, metallogenesis (gold, arsenopyrite, stibnite plus silver and minor base metals -lead, zinc, chalcopyrite), alteration (frequently phyllitic, quartz-sericite-pyrite), location adjacent to a small potential 'gold-bringing' granite pluton and extensive past mining of alluvial gold.

There are several gold lodes that extend for 1,850 metres with the majority being parallel and controlled by joints in hydrothermally altered granite that have acted as the conduits for gold-bearing fluids. In other IRGSs that have been extensively drilled these structures are typically deep tapping, frequently extending vertically more than 400 metres. This widespread structurally controlled mineralisation is at 'grass roots' and presents multiple walk-up drill targets.

In the Tilbuster area most deposits are located in the Mount Duval Adamellite within a few hundred metres of its contact with the younger Tilbuster Granodiorite. The most significant occurrences are at the Great Britain Mine, the Zulu Reef and the Eureka Reef at Tilbuster, and the Little Nell and Mary Anderson mines to the south. The host granite exhibits extensive areas of hydrothermal alteration associated with the gold deposits near Tilbuster.

#### **EL 7700 and EL 7701**

Significant potential for gold (Au), molybdenum (Mo), tin (Sn), antimony (Sb), copper (Cu), lead (Pb) and zinc (Zn).

Large Gostwyck gold-bearing alteration structure over 1km long that comprises disseminated gold in granite and associated shear hosted mineralisation in the granite's roofing rocks. Several small gold prospects are associated with this mineralisation.

Sovereign Gold geologists believe that the Mount Butler area contains newly discovered structurally controlled sulphide alteration that is potentially the distal portion of a large epithermal system.

Parlour Mountain Leucomigmatite (granite): Large ring structures associated with a mineral bearing pluton. Base metals along a 1km long structure. Several small tin (Sn), molybdenum (Mo), copper (Cu), lead (Pb), zinc (Zn), silver (Ag) and bismuth (Bi) deposits along margin of granite.

EL 7701 contains the northern and western extension of the Parlour Mountain mineralisation. Hosts the Boorolong Molybdenite Mine that contains several small lodes grading 0.15% Mo and 0.07% Bi.

#### **Other project summaries**

##### **Martins Shaft EL 6483**

The gold mineralisation at Martins Shaft is very significant as this style of mineralisation was predicted from the application of Sovereign Gold's IRGS Model. The mineralisation comprises sheeted veins and disseminated gold mineralisation within a felsic dyke and confirms the potential of the large IRGS to host several primary hard rock gold deposits.

The felsic dyke has acted as a brittle host for magmatic fluids. It is clear from the presence of gold mineralisation and associated alteration that igneous textures are very conducive to the permeation/dissemination of gold-bearing fluids. Potential exists for multiple Martins Shaft-type deposits, of similar and larger size, within the large IRGS. Associated sulphide mineralisation consists of pyrite, arsenopyrite and stibnite. The airborne geophysical survey has identified potential gold-bearing anomalies associated with the large felsic dyke hosting Martin Shaft.

Sovereign Gold has completed the analysis of results of the Fixed Wing Geophysical Survey conducted by Thomson Aviation. The low level magnetic and radiometric survey has provided a very detailed structural image for identifying potential conduits for gold-bearing fluids. The radiometric survey has helped define the extent and alteration of individual dykes and dyke swarms.

Sovereign Gold's specialist IRGS exploration team has applied modern exploration methods to identify diagnostic IRGS characteristics and locate structural and magmatic controls on gold deposition.

The airborne geophysical survey has been very successful in establishing potential sites for the primary source of the gold deposited in the Rocky River-Uralla Goldfield. This has resulted in the identification of a number of new high priority targets that may eventually result in this large IRGS area being established as a major source of gold reserve and development.

The primary airborne magnetic and radiometric geophysical data was interpreted by Peter Gidley, Principal Geophysicist of Eureka Consulting.

The data has been examined using a range of specialist filters to process and display data enhancements to ensure the maximum amount of interpretive content. This state-of-the-art technology has revealed the existence of numerous potential gold-bearing targets for assessment and priority ranking for drilling.

Just one priority anomalous areas is presented here, a newly discovered fractionated IRGS-style concealed pluton and large areas of potassic alteration (the typical gold-related alteration) are associated with the gold mineralisation of the Goldsworth Mine and encompass a significant target area at least 4km N-S and E-W. The new pluton has the response of highly fractionated leucoquartzites - the mineral-bringing plutons in the New England area. Small fractionated stocks can be the causative plutons for gold deposition. The Ridgeway gold deposit (5.9Moz Au, Newcrest, Cadia, Orange, NSW) is associated with a small (50-100m diameter) pluton.

#### **Frasers Find**

During 2012 Sovereign Gold conducted an airborne magnetic and radiometric geophysical survey over the Rocky River-Uralla Goldfield and the data collected was examined at a detailed scale using a range of specialist filters to process and display data enhancements to ensure the maximum amount of interpretive content.

The state-of-the-art technology revealed the existence of numerous potential gold-bearing targets for assessment and possible drilling, especially for the Frasers Find and Diggers Shaft gold mineralisation that are potentially linked small parts of a very large gold mineralised target. The known mineralised structure at Frasers Find is at least 250 metres long and assayed up to 2.47 ounces of gold, 57.5 ounces of silver and 5.95% lead per tonne. The mapped gold mineralisation within this structure extends right to the sub-circular geophysical anomaly.

Drilling confirmed the Frasers Find mine was developed on a narrow, high grade gold vein that, more significantly, is part of large gold-bearing fracture zone that widens to the south-west towards a small circular, 'blind' (concealed) pluton indicated by the airborne geophysical survey.

This is potentially the causative gold-bringing pluton and the several large fractures radiating from it have acted as conduits for gold-bearing fluids. The small pluton has intruded and fractured the larger Uralla Granodiorite as evidenced in drill holes by a widening of the mineralised zone (consisting of narrow auriferous alteration veins) towards the deeper, primary, source of the gold fluids.

The very shallow drilling has intersected mineralisation with high Ag (silver), Pb (lead) and Zn (zinc) indicating this mineralisation represents the distal, low temperature end of the auriferous fluid plumbing – vector to the main, deeper, source of the gold mineralisation. This high level metallogenetic association also indicates the entire system is preserved at depth.

13 diamond holes were drilled. All holes were shallow and ranged from downhole depths of 13.4 metres to 55.80 metres.

#### **Assays from main mineralised narrow vein lode**

SGRDD033: This hole had the highest drill intersection – 25.1 g/t Au over 0.11 meters within a total intercept of 19.2 g/t Au over 0.16 metres downhole from 23.84 -24 metres;

SGRDD023: 19.1 g/t Au (14.25 g/t Au duplicate), 141 g/t Ag and 0.75% Pb over 0.6 metres (~40% length recovery from 11.1 - 11.7 metres downhole);

SGRDD029: 5.45 g/t Au over 0.25 metres including a narrow high grade sulphide portion of 10 g/t Au (8.78 g/t Au duplicate), 316 g/t Ag, 1.98% Pb and 0.35% Zn over 0.13 metres (from 27 – 27.25m downhole);

SGRDD030: 1.17 g/t Au over 0.82m including a narrow high grade sulphide portion of 5.64 g/t Au (4.08 g/t Au duplicate) over 0.08 metres (from 38.26 – 39.08m downhole); and

SGRDD031: encountered 0.61 g/t over 0.86 metres (from 42.04 – 42.9m downhole).

The narrow main mineralised intervals of SGRDD030 and SGRDD031 both contained quartz and sulphides and resembled the higher grade ore from the Frasers Find shaft. The low grade may be a result of coarse gold and small sample volume from narrow 37.5mm BQ core.

Low or zero core recovery of the main gold lode occurred in 8 of the diamond drill holes (SGRDD024, SGRDD025, SGDRR026, SGRDD027, SGRDD028, SGRDD032, SGRDD034, SGRDD035). This resulted either from encountering old workings, water loss-hole abandonment prior to target or brittle/soft nature of mineralisation. In many of the holes no or minimal core was recovered over a 1.5 metre drill run due the fractured, brecciated character of the mineralised lode combined with variable soft oxidation products of the sulphide matrix enclosing hard quartz.

Truck mounted augers were engaged to get shallow samples of the soft mineralisation in the decomposed granite that could not be recovered as core. Auger A2 sampled mineralisation of 3.78 g/t Au over 2.3m (from 7 - 9.3m downhole) including 5.56 g/t Au over 1m.

Drilling has traced a main narrow vein structure along 256 metres of strike (still open). Pitting has exposed mineralisation for 305 metres along strike.

Apart from the main higher grade narrow mineralised interval, a broader mineralised zone, as defined by sulphide alteration veins with anomalous gold, was present in each hole and widened to the south-west towards the predicted source of the gold. SGRDD033, closest to the potential causative blind pluton, encountered a wide mineralised zone over 27.35m downhole (from 11.75 - 39.1m) comprising narrow sulphide bearing alteration veins with anomalous gold. This hole also contained the highest gold grade (25.1 g/t). As expected, increasing hydraulic fracturing from magmatic hydrothermal fluids was discovered proximal to the potential deep gold feeder system.

Mature drilling of similar Intrusion-Related Gold System structures within Australia and overseas has shown these to be typically deep tapping structures that extend beyond 480 metres vertically (still open). This preliminary shallow drilling program has provided precision targeting for the planned deep drilling program in 2013.

#### **Diggers Shaft**

Sovereign Gold located a previously unrecorded gold mine shaft 1 km southwest from Frasers Find on EL 6483 in the Rocky River-Uralla Goldfield. This shaft was dedicated as the Diggers Shaft in honour of one of the last prospectors – Maurice Victor Charles Melvaine (D.C.M.) who passed away in 2010 aged at 90 years.

The Diggers Shaft's significance was not fully understood until after the discovery of Frasers Find, interpretation of airborne magnetic data and review of historical documents about the goldfield. Samples of sheeted veins collected from waste piles beside Diggers Shaft assayed up to 2.39 grams per tonne gold, 3.76 ounces per tonne silver and 0.85% per tonne lead.

#### **Melvaines Mine**

In early 2013 Sovereign Gold will commence diamond drilling at Melvaines Mine. The mineralization at Melvaines Mine and Martins Shaft comprise sheeted veins and disseminated gold mineralisation within a felsic dyke and confirms the potential of a large IRGS to host several primary hard rock gold deposits.

The newly discovered gold mine shaft, not in the records of Geological Survey of New South Wales, was located on the south side of Kentucky Creek, headwaters of the Rocky River. The gold bearing dyke hosting Melvaines Mine shed gold into Kentucky Creek.

The massive Donlin Creek Intrusion-Related Gold Deposit (32 million ounces gold) of Alaska is principally hosted by sheeted veins in dykes.

Kentucky Creek was incredibly rich in alluvial gold and it is apparent that the prospector who sunk this shaft loamed (method of methodically panning soil samples) his way up a tributary until he located the hard rock source. He then sunk a shaft by hand through solid rock. Much of the excavated material lies strewn around the collar of the shaft and samples were collected and assayed. It is clear the narrow sheeted vein style of the gold mineralisation defeated the old timer. The narrow veins assay up to 13 grams per tonne but were not wide enough to mine individually. Such deposits are now readily mineable with modern technology and current high gold prices. This drilling program aims to establish the scale.

#### **Vickers Prospect**

Vickers Prospect is located 1.85km north-east of the gold mineralisation at Martins Shaft. Seven shallow reverse circulation drill holes were completed at Vickers Prospect. The depth of most holes ranged from 51-69 metres. All holes intersected wide spread phyllitic alteration and some anomalous gold. As previously released to the ASX, the highest grades were 3.08 grams per tonne gold and 2.54 ounces per tonne silver over 1 metre downhole. Mineralisation is associated with the long conduit of the main magnetic linear.

Anomalous gold was encountered in some intervals of the other holes associated with silica flooding and variable sulphides (pyrite dominant, lesser arsenopyrite) and alteration veining.

### ***Goldsworth Mine***

Drilling at the Goldsworth Mine area, located on the 41km long magnetic linear, tested it along strike for 700 metres including below the historical mine workings.

Gold mineralisation was primarily present associated with sheeted quartz-sulphide veins and disseminated phyllitic alteration within the Uralla Granodiorite. Some dykes were encountered in drill holes but most mineralisation was associated with veining and alteration. As previously released to the ASX, drill results included 3 metres @ 2.14 grams per tonne gold from 102-105 metres downhole including 1 metre @ 5.14 grams/tonne gold from 103-104 metres.

Although exploration is at a very early stage, it seems that the magnetic linear is defining a zone of intense hydrothermal alteration, marking a structure that has provided a pathway for hydrothermal fluids and gold mineralisation. Along with drilling at Martin Shaft, early results from Goldsworth have confirmed the existence of a large IRGS. There are untested targets over many kilometres that are either on/or immediately adjacent to the magnetic linear.

The magnetic linear at Goldsworth is highly anomalous with respect to gold; squirts of mineralisation are very encouraging and support deeper drilling to test the potential at Goldsworth. It is noteworthy that the zone of mineralisation appears widening at depth in places. The gold mineralisation intersected may potentially be derived from a larger, ‘blind’ (concealed) gold-bearing pluton that has intruded the structure hosting the magnetic linear. The source of the gold mineralisation lies open both vertically and laterally (over several kilometres).

The airborne geophysical survey has revealed the existence of a previously unrecognised fractionated pluton and large areas of felsic alteration – these features are frequently associated with gold mineralisation within IRGS.

### ***Gracie and Little Gracie Mines***

Several drill targets have been identified at the Gracie Mines including testing a zone of sheeted veins and the main lode along strike and at depth.

### ***Wilsons Creek***

The mineralisation at Wilsons Creek is associated with a shear zone breccia that is potentially kilometres long. A series of pits/shallow shafts on this structure establishes that it is at least 660 metres long.

The main mineralised shear zone extends through metasediments of the Sandon Beds and also impacts some late stage porphyritic quartz microdiorite dykes. Drilling demonstrated the main shear zone within the metasediments is generally less than one metre wide.

Widespread disseminated and sheeted vein alteration associated with gold in porphyritic quartz microdiorite dykes is significant as it indicates the potential for repetition of Martins Shaft-style mineralisation where gold-bearing magmatic fluids channelled by the long Wilsons Creek structure interact with intrusives.

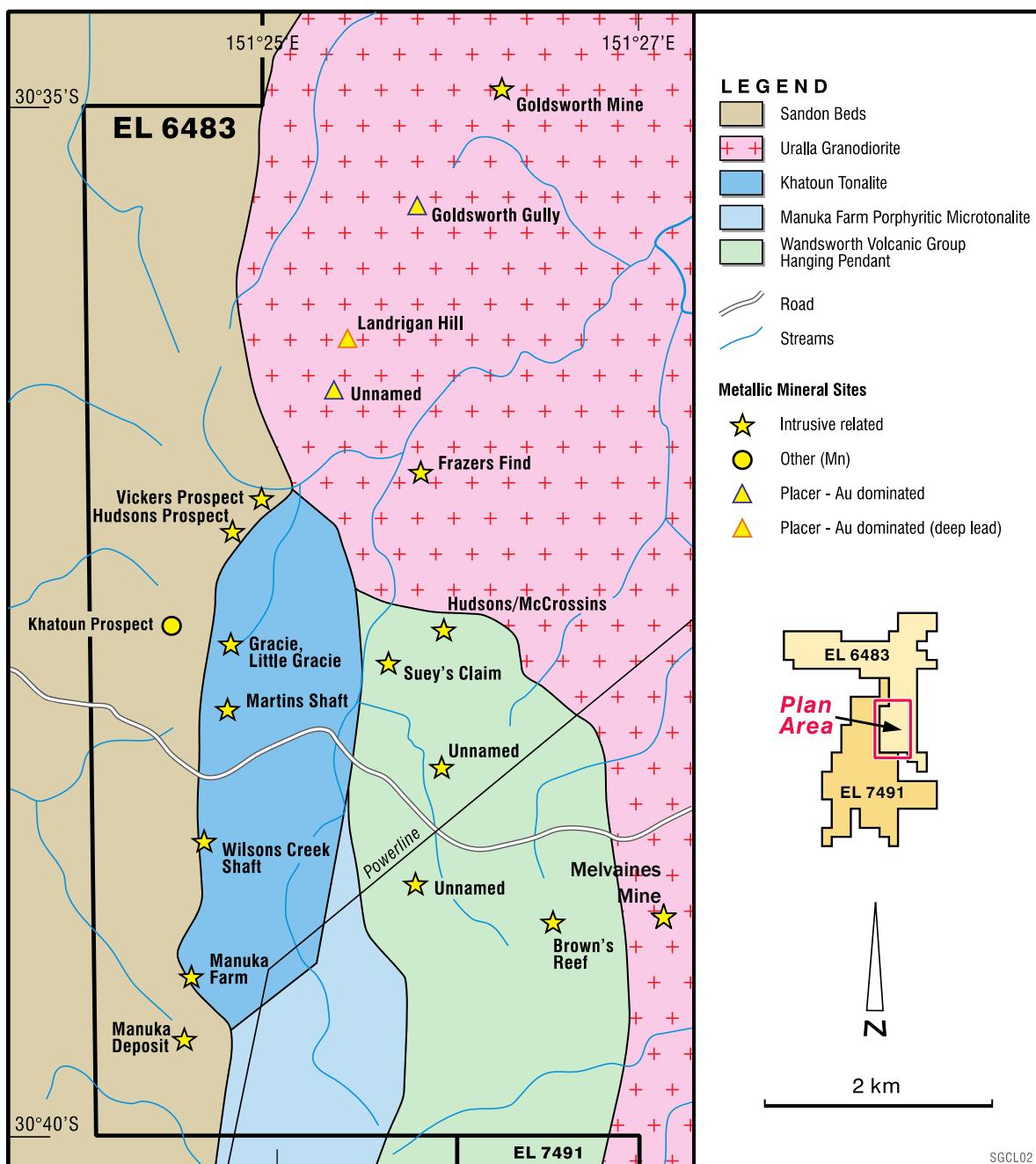
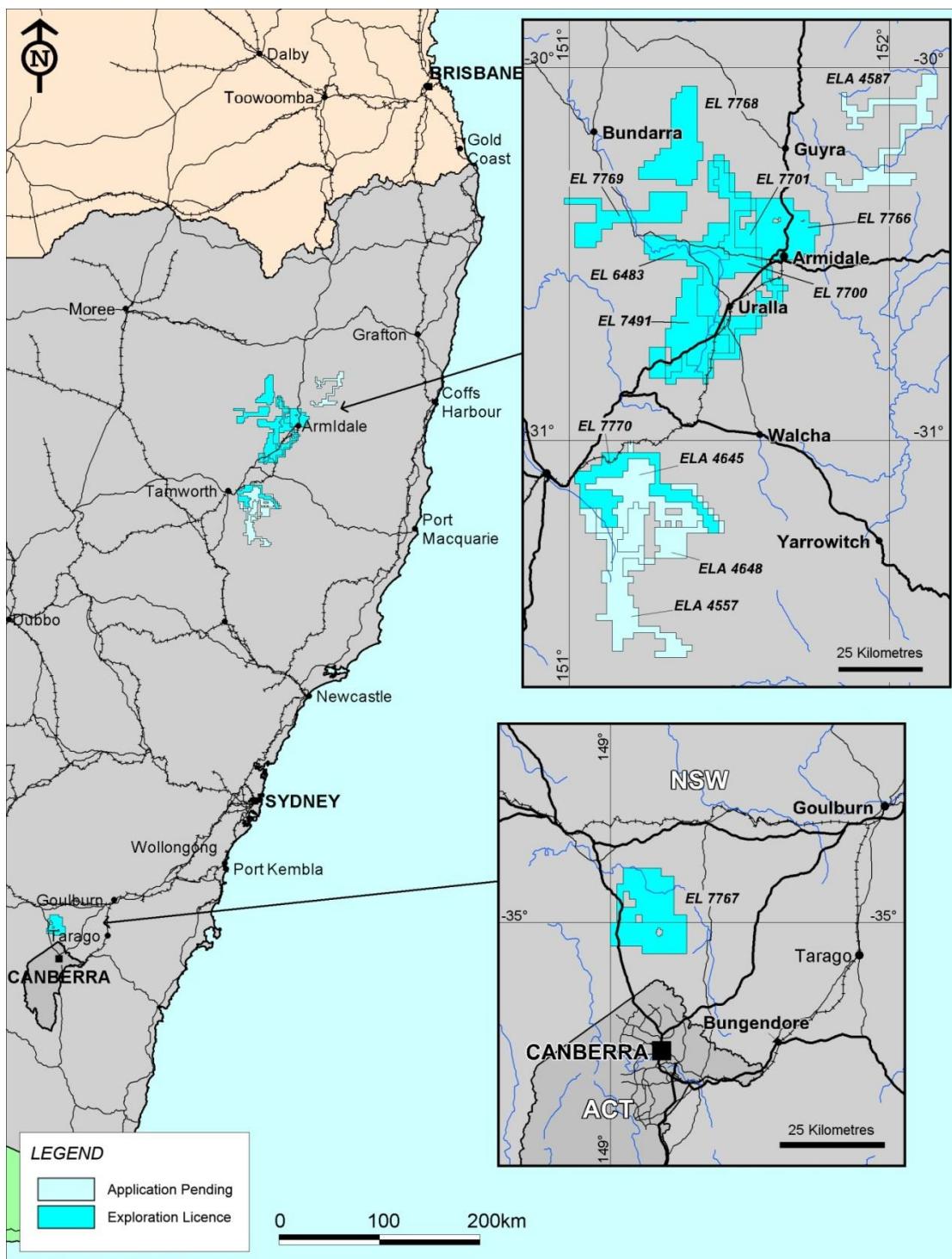


Figure 1 – Sovereign Gold Rocky River-Uralla Goldfield Projects



**Figure 2 – Sovereign Gold's Tenements**

## JORC CODE COMPLIANT PUBLIC REPORTS

The Company advises that this Annual Report contains summaries of Exploration Results and Mineral Results as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code").

The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based. This reference may be viewed on the ASX website and the Company will provide these reports, free of charge, to any person who requests it.

Issue Date	Title of Notice as lodged with ASX
21/12/2012	Updated Frasers Find drilling up to 25.1 gms gold per tonne
18/12/2012	Frasers Find up to 19.1 g/t gold & 141 g/t silver
06/12/2012	Gold-Bearing Structure in Martins Shaft Dyke Doubled in Length
25/10/2012	Further IRGS Systems Discovered on EL 7766
10/10/2012	Further Discoveries Following Airborne Survey
25/09/2012	EL 7770 New Cyprus-type Copper Deposits and Gold Targets
17/09/2012	Airborne Survey Targets Confirmed
10/09/2012	Frasers Find Exploration Progress
07/09/2012	Exploration Portfolio Expansion
28/06/2012	Geophysics confirms large gold system potential
25/05/2012	Frasers Find Drilling Underway
10/05/2012	2012 Drilling Target Snapshot No. 2
26/04/2012	Drilling Target Snapshot
17/04/2012	Sovereign Gold 2012 Drilling Program Commences
02/04/2012	Gold Mine Discoveries Continue
26/03/2012	Frasers Find Found - High gold and silver grades
16/03/2012	Martins Shaft 2011 Wrap Up
21/02/2012	Higher Gold Grades in Diamond Holes
14/02/2012	Higher Gold results from improved sampling

## DIRECTORS' REPORT

Your directors present their report together with the financial statements on the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Sovereign Gold Company Limited (the **Company**) and the entities it controlled at the end of or during the year ended 31 December 2012.

<b>Principal activities</b>	The principal continuing activities of the Group during the reporting period were conducting gold exploration and development programs.																	
<b>Consolidated results</b>	<p>The net loss of the Group for the year ended 31 December 2012 was \$917,113 (2011: loss \$1,047,356). The loss arises largely due to exploration activities incurred during the year.</p> <p>Total Shareholders' Funds as at 31 December 2012 are \$19.42 million (2011: \$4.21 million).</p> <p>Additional information on the operations of the Group is disclosed in both the Chairman's Review and the Review of Operations section of this report.</p>																	
<b>Review of operations</b>	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 4 to 13 of this report.																	
<b>Dividends</b>	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.																	
<b>Directors</b>	<p>The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:</p> <table border="0"> <tr> <td>John S Dawkins AO</td> <td>Non-Executive Chairman</td> </tr> <tr> <td>Michael Leu</td> <td>Chief Executive Officer</td> </tr> <tr> <td>Peter J Meers</td> <td>Non-Executive Director</td> </tr> <tr> <td>Rado Jacob Rebek</td> <td>Non-Executive Director</td> </tr> <tr> <td>Qinjing Qiu</td> <td>Non-Executive Director</td> </tr> <tr> <td>Nicholas Raffan</td> <td>Chief Executive Officer</td> </tr> <tr> <td></td> <td>Resigned on 28 May 2012</td> </tr> <tr> <td></td> <td>Resigned on 4 January 2012</td> </tr> </table>		John S Dawkins AO	Non-Executive Chairman	Michael Leu	Chief Executive Officer	Peter J Meers	Non-Executive Director	Rado Jacob Rebek	Non-Executive Director	Qinjing Qiu	Non-Executive Director	Nicholas Raffan	Chief Executive Officer		Resigned on 28 May 2012		Resigned on 4 January 2012
John S Dawkins AO	Non-Executive Chairman																	
Michael Leu	Chief Executive Officer																	
Peter J Meers	Non-Executive Director																	
Rado Jacob Rebek	Non-Executive Director																	
Qinjing Qiu	Non-Executive Director																	
Nicholas Raffan	Chief Executive Officer																	
	Resigned on 28 May 2012																	
	Resigned on 4 January 2012																	
<b>Meetings of directors</b>	The number of Directors' Meetings and Directors' Committee Meetings held, and the number of meetings attended, by each of the Directors of the Company during the financial year were:																	

Directors	Directors Meetings		Remuneration Committee <sup>3</sup>		Audit Committee <sup>4</sup>	
	Attended	Held Whilst in Office	Attended	Held Whilst in Office	Attended	Held Whilst in Office
John Dawkins AO (Chairman)	11	11	1	1	2	2
Nick Raffan <sup>5</sup>	-	-	-	-	-	-
Michael Leu (CEO)	11	11	1	1	2	2
Peter Meers	11	11	1	1	2	2
Rado Jacob Rebek <sup>2</sup>	10	11	1	1	2	2
Qinjing Qiu <sup>1</sup>	4	4	-	-	-	-

<sup>1</sup> Qinjing Qiu resigned on 28 May 2012.

<sup>2</sup> J. Rebek travels extensively on Company business.

<sup>3</sup> The Remuneration Committee is composed of the entire Board.

<sup>4</sup> The Audit Committee is composed of the entire Board.

<sup>5</sup> N. Raffan resigned on 4 January 2012.

**INFORMATION ON DIRECTORS AND MANAGEMENT****Directors****John Dawkins AO, BEc, RDA****Non-Executive Chairman of Sovereign Gold Company Limited****Appointed on 16 September 2010**

Mr Dawkins' earliest exposure to the mining industry was when, as Minister for Trade in the Hawke Government, he was responsible for the administration of export controls on certain minerals until he proposed the abolition of these arrangements in order to improve the operation of the market.

During his time in Government, Mr Dawkins served in a number of other portfolios including Minister for Finance (1983-1984), Minister for Employment, Education and Training (1987-1991) and Treasurer (1991-1993) in the Keating Government.

Mr Dawkins brings to the Group a wealth of governance experience, including prominent roles in public and private institutions. He chairs the Australian Qualifications Framework Council and the Board of Governors of the Institute for International Trade at the University of Adelaide and is on the unlisted Government Board of Relations Australia Advisory Ltd.

Non-Executive Chairman of Australian Bauxite Limited;  
Non-Executive Director of Tiaro Coal Limited;  
Non-Executive Chairman of Precious Metal Resources Limited;  
Non-Executive Chairman of Integrated Legal Holdings Limited.

Director of Archer Exploration Limited;  
Director of MGM Wireless Limited

Chairman of the Board  
Member of the Audit Committee  
Member of the Remuneration Committee

500,000 ESOP Options;  
100,000 Shares indirectly held.

**Other Current Directorships of Listed Companies****Former Directorships in the Last Three Years of Listed Companies****Special Responsibilities****Interests in Shares and Options**

**Michael Leu B Sc. (Hons I), MAIG, MAusIMM**  
**Chief Executive Officer of Sovereign Gold Company Limited.**  
**Appointed on 10 August 2010**

	<p>Michael Leu is a geologist with over 30 years professional experience in exploration and mining across a range of mineral commodities within Australia and some Pacific and Asian countries. He has worked in industry (Freeport, Getty Oil, and Queensland Ores), as a private consultant and for seven years on the academic staff of Macquarie University.</p> <p>Michael Leu has extensive expertise in mineral exploration for epithermal and porphyry gold±Cu deposits; intrusion-related gold systems; metahydrothermal gold, greisen-hosted molybdenite, wolfram and tin; volcanic-hosted massive sulphides; chromite; uranium, alluvial gold and platinum and a range of industrial minerals.</p>
<b>Other Current Directorships of Listed Companies</b>	Managing Director of Precious Metal Resources Limited.
<b>Former Directorships in the Last Three Years of Listed Companies</b>	None
<b>Special Responsibilities</b>	Chief Geologist Member of the Audit Committee Member of the Remuneration Committee
<b>Interests in Shares and Options</b>	750,000 ESOP Options; 7,175,000 Shares directly held.

**Peter Meers, BA (Economics), FAIB**  
**Non-Executive Director of Sovereign Gold Company Limited**  
**Appointed on 10 August 2010**

	<p>Peter Meers has broad business experience across a range of industries including consumer, commercial and investment banking, securities trading and origination, mining and exploration and building materials.</p> <p>Mr Meers held senior executive positions and portfolio management roles in agribusiness, mining, property and trade finance during a career spanning 25 years with ANZ Bank in Australia and Asia.</p> <p>Past directorships include appointment on company boards in Malaysia, Indonesia and Singapore.</p>
<b>Other Current Directorships of Listed Companies</b>	Executive Chairman & CEO of Hudson Resources Limited; Executive Deputy Chairman of Tiaro Coal Limited; Executive Deputy Chairman of Australian Bauxite Limited; Non-Executive Director of Hudson Investment Group Limited; Non-Executive Director of Precious Metal Resources Limited; Non-Executive Director of Terragari Resources Bhd.
<b>Former Directorships in the Last Three Years of Listed Companies</b>	Non-Executive Director of Archer Exploration Limited
<b>Special Responsibilities</b>	Member of the Audit Committee Member of the Remuneration Committee
<b>Interests in Shares and Options</b>	500,000 ESOP Options; 40,010,000 Shares indirectly held.

**Rado Jacob Rebek, Cert App. Geo**  
**Non-Executive Director of Sovereign Gold Company Limited**  
**Appointed on 16 September 2010**

	Jacob Rebek is a geologist with forty years experience in exploration. From 1970 to 2003 he worked at CRA Exploration and Rio Tinto in various parts of Australia and overseas. His roles included that of Exploration Manager for Papua New Guinea in the 1970's, South Australia and Northern Territory from 1981 to 1984, Eastern Australia from 1987 to 1993 and Exploration Director for South America from 1997 to 2000. He worked in teams which discovered new zinc, copper and gold deposits. Since 2003 he worked for emerging companies, generating new projects. In 2006 he started working for Hudson Resources Limited as Chief Geologist.
<b>Other Current Directorships of Listed Companies</b>	Executive Director of Australian Bauxite Limited Executive Director of Tiaro Coal Limited
<b>Former Directorships in the Last Three Years of Listed Companies</b>	None
<b>Special Responsibilities</b>	Member of the Audit Committee Member of the Remuneration Committee
<b>Interests in Shares and Options</b>	500,000 ESOP Options.

**Qinjing Qiu**  
**Non-Executive Director**  
Appointed on 10 June 2011  
Resigned on 28 May 2012

**Nicholas Raffan**  
**CEO & Executive Director**  
Appointed on 16 September 2010  
Resigned on 4 January 2012

**Officers****David L Hughes****Joint Company Secretary**

Mr Hughes has acted as Company Secretary since 10 August 2010. He has held similar positions with other listed companies for over 30 years. He is currently Joint Company Secretary of the following listed public companies – Hudson Investment Group Limited, Hudson Resources Limited, Tiaro Coal Limited, Australian Bauxite Limited, Raffles Capital Limited and Empire Energy Group Limited. He is also Company Secretary for Latrobe Magnesium Limited.

**Henry Kinstlinger****Joint Company Secretary**

Henry Kinstlinger has, for the past thirty years, been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is currently the Joint Company Secretary of Australian Bauxite Limited, Precious Metal Resources Limited, and Raffles Capitals Limited. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.

**Francis Choy MCom MBA FCPA (HK)  
FCPA CA****Chief Financial Officer**

Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financing, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

**Likely developments**

Information on likely developments in the operations of the Group, known at the date of this report have been covered generally within the report.

**Significant changes in state of affairs**

During the year the Company made an off-market takeover bid of Precious Metal Resources Limited (“PMR”) which resulted in the Company acquiring approximately 81.26% of PMR. The offer provided a price premium for PMR shares allowing shareholders the opportunity to hold securities in a more diversified company.

Please refer to Review of Operations section of this report.

**Matters subsequent to balance date**

In March 2013, the Company launched a takeover of Gossan Hill Gold Limited.

The Company will issue up to 2 million Sovereign Gold Shares and up to \$200,000 cash as consideration for the offer.

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2012, of the Group;
- the results of those operations; or,
- the state of affairs, in financial years subsequent to 31 December 2012, of the Group.

## **Environmental regulations**

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

- The Company's operations in the State of New South Wales involve exploration activities. These operations are governed by the Environment Planning and Assessment Act 1979.
- The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.
- The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.
- To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

## **Environmental code of practice for mineral exploration**

The Company is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to gold exploration on the Company's exploration projects.

### **Access to land**

Prior to the commencement of any work, the Company makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted.

Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

The Company establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments.

The Company endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

### **Type of land**

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

### **Mineral exploration programs**

#### **Access**

The Company utilises existing tracks for access where possible.

Climatic conditions are considered when assessing areas to avoid access during extreme conditions such as during bush fire risk during hot, windy conditions and damage to tracks after heavy rain.

Surface disturbances are kept to a minimum.

#### **Drilling**

Drilling programs include rehabilitation and where possible holes are positioned in areas requiring little or no clearing.

Small, manoeuvrable drill rigs are used to minimise the need for track clearing and to reduce ground compaction.

Where required, topsoil is removed and stored separately so that it can be replaced during rehabilitation of the site.

Ground sheets are used where required to avoid oil/fuel spills contaminating the soil.

#### **Rehabilitation**

Drill sites are rehabilitated as soon as practicable and drill holes are filled and capped where necessary.

Landholders are asked to confirm at the end of each program that exploration has been conducted to their satisfaction and that sites have been rehabilitated.

## REMUNERATION REPORT - AUDITED

The information provided in this Remuneration Report has been audited as required by Section 308 (3c) of the *Corporations Act 2001*.

This report outlines the remuneration arrangements in place for Directors and Executives of the Company.

### Remuneration committee

The Remuneration Committee which presently consists of the whole Board will serve to determine the remuneration levels of any Executive Directors' remuneration (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The Committee meets as often as required but not less than once per year.

Options granted to directors and key management personnel do not have performance conditions. As such the Group does not have a policy for directors and key management personnel removing the "at risk" aspect of options granted to them as part of their remuneration.

### Directors' and other key management personnel remuneration

The following persons were Directors of the Company during the financial year unless otherwise stated.

- |                    |   |
|--------------------|---|
| • John Dawkins     | Non-Executive Chairman                                    |
| • Michael Leu      | Chief Executive Officer                                   |
| • Peter Meers      | Non-Executive Director                                    |
| • Rado Jacob Rebek | Non-Executive Director                                    |
| • Qinjing Qiu      | Non-Executive Director - Resigned 28 May 2012             |
| • Nicholas Raffan  | Former Chief Executive Director - Resigned 4 January 2012 |

The following persons were other key management personnel of the Company during the financial year:

- |                     |                               |
|---------------------|-------------------------------|
| • Henry Kinstlinger | Joint Company Secretary       |
| • David L Hughes    | Joint Company Secretary       |
| • Benjamin Amzalak  | Investor Relationship Officer |
| • Francis Choy      | Chief Financial Officer       |

Executive's remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors are also able to participate in an Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Remuneration of Non-Executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time.

### Performance conditions

The elements of remuneration as detailed within the Remuneration Report are dependent on the satisfaction of the individual's performance and the Group's financial performance.

The Board undertakes an annual review of its performance and the performance of the Board Committees.

Details of the nature and amount of each element of the remuneration of each Director of the Company and each specified executive of the Company and the Group receiving the highest remuneration are set out in the following tables. The remuneration amounts are the same for the Company and the Group.

**Directors and other Key Management Personnel of Sovereign Gold Company Limited**

Consolidated 2012	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Travelling Allowance				
<b>Director</b>						
John Dawkins	\$ 43,940	\$ -	\$ -	\$ -	\$ -	\$ 43,940
Michael Leu	166,200	10,800	-	-	-	177,000
Peter Meers	-	-	-	-	-	-
Rado J Rebek	-	-	-	-	-	-
Nick Raffan*	-	900	-	-	-	900
Qinjing Qiu**	-	-	-	-	-	-
Total - Directors	210,140	11,700	-	-	-	221,840
<b>Key Management Personnel</b>						
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	32,400	-	-	-	-	32,400
Francis Choy	-	-	-	-	-	-
Total - KMP	32,400	-	-	-	-	32,400

\* Nick Raffan Resigned 4 January 2012;

\*\* Qinjing Qiu Resigned 28 May 2012

Consolidated 2011	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Travelling Allowance				
<b>Director</b>						
John Dawkins	\$ 41,212	\$ -	\$ -	\$ -	\$ -	\$ 41,212
Nick Raffan	153,915	9,900	-	-	-	163,815
Michael Leu	154,500	10,800	-	-	-	165,300
Peter Meers	-	-	-	-	-	-
Rado J Rebek	-	6,300	-	-	-	6,300
Qinjing Qiu	-	-	-	-	-	-
Total - Directors	349,627	27,000	-	-	-	376,627
<b>Key Management Personnel</b>						
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-
Total - KMP	-	-	-	-	-	-

The amounts reported represent the total remuneration paid by entities in the Sovereign Gold Group of companies in relation to managing the affairs of all the entities within the Sovereign Gold Group.

There are no performance conditions related to any of the above payments.

There are no other elements of Directors and Executives remuneration.

**Services agreement**

The Company has entered into a Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative accounting, secretarial and compliance services.

The term of the Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Corporate Limited shall act in accordance with the directions of the Board.

The Company has entered into a geological services agreement with Michael Leu for fixed remuneration per day.

**Share options granted to Directors and Other Key Management Personnel**

3,750,000 employee share options were granted over unissued shares to directors and other key management personnel. For details please refer to note 23 to the financial statements.

**End of audited remuneration report**

## DIRECTORS' REPORT continued

### **Loans to Directors and Key Management Personnel**

Details of individuals with loans above \$100,000 during the year are set out below:

	Balance at the start of the year	Advance/ (Repayments)	Interest payable for the year	Balance at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
	\$	\$	\$	\$	\$	\$
<b>Parent Entity</b> <b>2012</b>	<b>440,367</b>	-	<b>37,904</b>	<b>478,271</b>	<b>478,271</b>	<b>12,635</b>
<b>Parent Entity</b> <b>2011</b>	-	420,000	20,367	440,367	440,367	6,789

\* Market interest rate 6% (2011: 7%). This represents the difference between interest charged at the latter and interest paid.

### **Terms and conditions of loans**

Secured interest bearing recourse loans are secured against the shares only. Loans are repayable should the Consultant leave the Company. None were written down during the year.

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

### **Shares under option**

Unissued ordinary shares of Sovereign Gold Company Limited under option at the date of this report are as follows:

Class	Date options granted	Expiry Date	Exercise Price	No. of Options
Employee Share Options	3 December 2010	15 September 2013	\$0.30	3,750,000
Performance Options *		15 September 2013	\$0.30	1,250,000
IPO Success Options	3 December 2010	15 September 2013	\$0.30	2,750,000
				<b>7,750,000</b>

\* Unallocated options under the Employee Share Option Plan, expiry date is on 15 September 2013.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

### **Shares issued on the exercise of options**

No options have been exercised and 750,000 options expired during the financial year and in the period up to the date of this report. Please refer Note 23 for details.

### **Directors' and officers' indemnities and insurance**

During the financial year the Company paid an insurance premium, insuring the Company's Directors, (as named in this report), Company Secretary, Executive officers and employees against liabilities not prohibited from insurance by the *Corporations Act 2001*.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

### **Proceedings on behalf of the Company**

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

#### **Auditors' independence declaration**

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* has been received and is set out on page 25.

#### **Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (K.S. Black & Co) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>Audit services:</b>				
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
Audit and review services	<b>26,195</b>	24,945	<b>26,195</b>	24,945
<b>Taxation and other advisory services:</b>				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.				
Taxation	<b>8,135</b>	7,745	<b>8,135</b>	7,745
Advisory Services	-	-	-	-
	<b>8,135</b>	7,745	<b>8,135</b>	7,745

#### **Auditor**

K.S. Black & Co continues in office in accordance with section 327 of the *Corporations Act 2001*.

This Director's Report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

John Dawkins AO  
Chairman

Michael Leu  
Chief Executive Officer

Signed at Sydney  
27 March 2013

Level 6  
350 Kent Street  
Sydney NSW 2000

# K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street  
North Parramatta NSW 2151

PO Box 2210  
North Parramatta NSW 1750

## AUDITOR'S INDEPENDENCE DECLARATION

### Declaration of independence to the Directors of Sovereign Gold Company Limited and Controlled Entities

As lead auditor of Sovereign Gold Company Limited for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sovereign Gold Company Limited and the entities it controlled during the year.

**KS Black & Co  
Chartered Accountants**



**Faizal Ajmat  
Partner**

Sydney, 27 March 2013



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scheme approved  
under Professional  
Standards Legislation

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**Chartered  
Accountants**

## CORPORATE GOVERNANCE STATEMENT

Sovereign Gold Company Limited (the **Company**) provides the following statement disclosing the extent to which the Company has followed the best practice recommendations set by the Australian Securities Exchange (**ASX**) Corporate Governance Council and where the Company has not followed all of the recommendations, those recommendations that have not been followed have been identified and reasons for not following them given.

### Overview

The Company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the “Principles of Good Corporate Governance and Best Practice recommendations” set by the ASX Corporate Governance Council.

However, given the current size of both the Company’s operations and the Board of Directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations.

Consistent with the ASX best practice recommendations, the Company’s corporate governance practices are regularly reviewed and are available on the Company’s website.

### Compliance with ASX Corporate Governance Council best practice recommendations

The ASX Listing Rules requires public listed companies to include in their annual report a statement regarding the extent to which they have adopted the ASX Corporate Governance Council best practice recommendations.

This statement provides details of the Company’s adoption of the best practice recommendations.

### Principle 1 – Lay Solid Foundations for Management and Oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

#### Board responsibilities

The Board of directors is accountable to shareholders for the performance of the group. In carrying out its responsibilities, the board undertakes to serve the interest of shareholders honestly, fairly and diligently.

The Board’s responsibilities are encompassed in a formal charter published on the Company’s website. The charter is reviewed annually to determine whether any changes are necessary or desirable.

The responsibilities of the board include:

- Reporting to shareholders and the market;
- Ensuring adequate risk management processes exist and are complied with;
- Reviewing internal controls and external audit reports;
- Ensuring regulatory compliance;
- Monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company auditors;
- Reviewing the performance of senior management;
- Monitoring the Board composition, Director selection and Board processes and performance;
- Validating and approving corporate strategy;
- Reviewing the assumptions and rationale underlying the annual plans; and
- Authorising and monitoring major investment and strategic commitments.

#### Directors’ education

The Company issues a formal letter of appointment for new directors setting out the terms and conditions relevant to that appointment and the expectations of the role of the director.

The Company also provides a formal induction process which provides key information on the nature of the business and its operations.

Continuing education is provided via the regular Board updates provided by the divisional chief executives.

**Role of Chairman**

The Chairman is appointed by fellow board members and acts as the link between the board and the Chief Executive Officer (**CEO**).

He acts as the link between the board and the Company, establishing and maintaining an effective working relationship with the CEO. The Chairman sets the tone for the board, including the establishment of a common purpose. He is responsible for chairing board meetings and shaping the agenda in relation to goals, strategy, budget and executive performance.

The Chairman ensures all board members contribute and reach consensus in making decisions. He also assists in the selection of board committee members. The Chairman provides direction to the board in matters of corporate governance.

**Role of Chief Executive Officer**

The Board delegates responsibility for implementing the strategic direction and for managing the day to day operations of the Company to the CEO.

There are clear lines of communication established between the Chairman and CEO to ensure that the responsibilities and accountabilities of each are clearly understood.

The CEO has a formal service contract in place setting out duties, responsibilities, and rights, conditions of service and termination entitlements. Performance is assessed against pre-determined objectives on an annual basis or more frequently if required.

The assessment and monitoring of the CEO is the responsibility of the Chairman. The Chairman provides an initial assessment and recommendation to the Board. The matter is then considered by the Board and their views are communicated to the CEO by the Chairman.

**Principle 2 – Structure the Board to Add Value**

Companies should have a board of an effective composition, size and commitment to efficiently discharge its responsibilities and duties.

**Composition of the Board**

The Board of Directors is comprised of one Executive director and three Non-Executive directors, all of whom have a broad range of skills and experience.

There is one director who is the Chairman.

In determining independence the board has regard to the guidelines of directors' independence in the ASX Corporate Governance Council and Best practice Recommendations and other best practice guidelines.

Each director's independent status is regularly assessed by the Board.

The Company does not comply with recommendation 2.1 which provides that a majority of the board be independent directors.

At this stage of the Company's development, the board considers it is neither appropriate nor cost effective for there to be a majority of independent directors.

This matter continues to be under review and as circumstances allow, consideration will be given to the appropriate time to move to adopting the ASX Corporate Governance Guidelines.

The board considers that its composition provides for the timely and efficient decision making required for the Company in its current circumstances.

The board's size and composition is subject to limits imposed by the Company's constitution which provides for a minimum of three directors and a maximum of ten. Details of the members of the Board, their experience, expertise, qualifications are set out in the Directors' Report on pages 15 to 18.

The position/status and term in office of each director at the date of this report is as follows:

Name of Director	Position/Status	Term in Office
John Dawkins	Non-Executive Chairman – Independent	2 years 6 months
Michael Leu	Chief Executive Officer – Non-independent	2 years 7 months
Peter Meers	Non-Executive Director – Non-independent	2 years 7 months
Rado Jacob Rebek	Non-Executive Director – Non-independent	2 years 6 months

The Board currently holds 6 scheduled meetings each year together with any ad hoc meetings as may be necessary. The Board met 11 times during the year and Directors attendance is disclosed on page 14 of the Directors' Report.

#### **Access to independent professional advice**

All directors are required to bring an independent judgement to bear on Board decisions.

To facilitate this, the Board has adopted a procedure which allows each Director the right of access to all relevant Company information and to the Company's Executives. The directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of these resources is co-ordinated through the Chairman of the board.

#### **Nomination Committee**

The role of the Nomination Committee is undertaken by the full Board.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reasons, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisors may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

For directors retiring by rotation the Board assesses that Director before recommending re-election.

The Company has not adopted recommendation 2.4 in that it has not formed a separate nomination committee. The Board considers that the Company and the board are currently not at sufficient size to justify the establishment of a separate nomination committee.

#### **Board performance evaluation**

The Company has processes in place to review the performance of the board and its committees and individual directors. Each year the board of directors will give consideration to broad corporate governance matters, including the relevance of existing committees and to reviewing its own and individual directors' performance. The Chairman is responsible for monitoring the contribution of individual directors and consulting with them in any areas of improvement.

Individual Directors use an approved form to assess the performance of the Board and the Chairman.

#### **Principle 3 – Promote Ethical and Responsible Decision making**

Companies should actively promote ethical and responsible decision making.

##### **Code of conduct**

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the consolidated entity.

The Company has established a code of conduct applicable to all Directors and employees. The requirement to comply with the code is mandatory and is communicated to all employees. The code sets out standards of conduct, behaviour and professionalism.

The shareholder communications strategy, the securities trading policy, the continuous disclosure policy collectively form a solid ethical foundation for the Company's ethical practices.

### **Policy on dealing in Company securities**

The Company has a policy on how and when the Directors and employees may deal in the Company's securities.

In addition to these legal and regulatory restrictions, Sovereign Gold has adopted a robust trading policy whereby trading in Company shares are prohibited under certain circumstances, and short-term trading is discouraged.

The purpose of this policy is to ensure that the Directors and employees deal in the Company's securities in a manner which properly reflects their fiduciary duty, and that they do not transact in those securities whilst in possession of price sensitive information.

This policy requires that all Directors and Senior Executives to disclose their share trade intentions to the Managing Director or Chairman prior to dealing in the Company's securities.

The Company maintains compliance standards and procedures to ensure that the policy is properly implemented. In addition there is also an internal review mechanism to assess compliance and effectiveness.

Details of both the Company's Code of Conduct and Share Trading Policy which, among other things, describes 'closed periods' and 'prohibited periods' that describes when trading is restricted. These policies have been lodged with the ASX and are contained on the Company's website under Corporate Governance.

### **Approach to diversity**

The Board recognises the benefits of diversity within the organisation generally and recognises the organisational strengths, improved problem solving ability and the greater opportunities for innovation and success that diversity delivers to modern organisations.

The Company has established a diversity policy which set out the beliefs, goals and strategies of the Company and makes reference to all the characteristics that makes individuals different from each other. The policy sets out the positive steps taken to ensure that current and prospective employees are not discriminated against, either directly or indirectly on such characteristics as gender, age, disability, marital status, sexual orientation, religion, ethnicity or any other area of potential difference. The Company is committed to gender diversity at all levels of the organisation. Gender equality is a key component of the Company's diversity strategy. The implementation of this policy aims to reflect both the circumstances of the Company and the industry in which it operates.

As the Company is in an early development stage, its' diversity policy prepares the Company for growth into the future.

The Company's diversity policy includes a requirement that:

- the Board establish measurable objectives for achieving gender diversity;
- the Board assess annually the objectives set for achieving gender diversity; and
- the Board assess annually the progress made towards achieving the objectives set.

The following table shows the current representation of female employees in the organisation workforce including, including female representation goals, and progress towards achieving the relevant goals.

	Total employees and officers at 31 December 2012		Females at 31 December 2012		Company Objective		Progress toward meeting objective	
	No.	%	No.	%	No.	%	No.	%
Whole organisation	6	100	-	-	14	50	-	-
Senior Executives	-	-	-	-	1	50	-	-
Other positions	-	-	-	-	3	50	-	-
Board	6	100	-	-	3	50	-	-

A copy of the Company's diversity policy has been posted on the Company's website.

**Principle 4 – Safeguard Integrity in Financial Reporting**

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

**Audit committee**

The audit committee consists of the full Board. The structure of the audit committee does not comply with recommendation 4.2 which recommends that the audit committee consists of only Non-Executive Directors and the committee should have an independent Chairperson who is not the Chairperson of the Board.

The Board considers that given its current size and structure it is neither appropriate nor cost effective for the establishment of a separate audit committee.

The committee met twice during the year. The audit committee has adopted a formal charter which sets out the responsibilities of the audit committee.

Details of the Formal Charter have been posted on the Company's website.

These responsibilities include:

- Reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Monitoring corporate risk management practices;
- Review and approval of the Group's accounting policies and procedures;
- Reviewing the external audit plans;
- Reviewing the nomination, performance and independence of the external auditors; and
- Organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The audit committee has received confirmation in writing from the Chief Executive Officer and Chief Financial Officer that the Company's Financial Report for the financial year ended 31 December 2012 presents a true and fair view in all material respects of the Company's financial position and operational results and are in accordance with relevant accounting standards.

**External auditors**

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit. In fulfilling its responsibilities, the Board will receive regular reports from management and the external auditors at least once a year, or more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board.

K. S. Black & Co were approved as auditors on 10 August 2010.

The Australian accounting bodies' statement on professional independence requires mandatory rotation of audit partners for listed companies every five years.

K.S. Black & Co confirms that they conform with the requirements of the statement.

K.S. Black & Co are required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

**Principle 5 – Make Timely and Balanced Disclosure**

The Company promotes timely and balanced disclosure of any material matters concerning the Company.

The Company has adopted a policy on information disclosure. It focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary in consultation with the Chairman, is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

A copy of the company's continuous disclosure policy is posted on the company's website.

## Principle 6 – Respect the Rights of Shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

### Communication with shareholders

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company has adopted a shareholder communications policy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

The Company will achieve this through the following avenues:

#### Regular mailings

The Company provides shareholders with copies of all announcements made to the ASX by mail on request. Copies are also available via an electronic link to the ASX web site, ensuring that all shareholders are kept informed about the Company.

Shareholders also have the option of receiving a hard copy of the Annual Report each year.

#### Email update service

An email update service has been established and is available to the general public as well as shareholders at the Company's website or upon request.

#### General meetings

All shareholders are invited to attend the Annual General Meetings which are to be held at the Company's Head Office in Sydney. The full Board and senior executives will be present and available to answer questions from the floor, as are the External Auditor and a representative from the Company's legal advisors.

A copy of the company's shareholder communication policy is posted on the Company's website.

The Company also posts corporate information on the Investor Section of its company website at [www.sovereigngold.com.au](http://www.sovereigngold.com.au).

## Principle 7 – Recognise and Manage Risks

Companies should establish a sound system of risk oversight and management and internal control.

The Board oversees the establishment, implementation and review of the Company's Risk Management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

Management is required to provide monthly status reports to the Board which identify potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment.

The Board regularly assess the Company's performance in light of risks identified by such reports.

Management are also required to design, implement and review the Company's risk management and internal control system. The Board reviews the effectiveness of the implementation of the Company's risk, management and internal control system on a regular basis.

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requested the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

The Chief Executive Officer and Chief Financial Officer have stated in writing to the Board that:

- The Company's financial reports present a true and fair view in all material respects of the Company's financial position and operating results and are in accordance with relevant accounting standards.

- 
- The integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
  - The company's risk management and internal compliance and control system is operating efficiently in all material respects.

The Board requires this declaration to be made bi-annually.

#### **Principle 8 – Remunerate Fairly and Responsibly**

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

The role of the remuneration committee is undertaken by the whole Board.

The Committee has adopted a formal charter.

The main responsibilities of the Remuneration Committee will include:

- review and approve the Group's policy for determining executive remuneration and any amendments to that policy;
  - review the on-going appropriateness and relevance of the policy;
  - consider and make recommendations to the Board on the remuneration of executive Directors (including base salary, incentive payments, equity awards and service contracts);
  - review and approve the design of all equity based plans;
  - review and approve the total proposed payments under each plan; and
  - review and approve the remuneration levels for non-executive Directors.
- The committee will meet as often as required but not less than once per year.

The committee met once during the year and the committee members' attendance is disclosed in the table of directors meetings including the directors' report on page 14.

#### **Executive Directors and executive remuneration**

The remuneration committee reviews and approves the policy for determining executive's remuneration and any amendments to that policy.

Executive remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice.

Remuneration packages include basic salary, superannuation and the rights of participation in the Company's Share Option Plan and Employee Share Purchase Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of effectively managing the Company's operation.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

#### **Non-Executive Directors**

Remuneration of Non-Executive Directors will be determined by the Board based on relevant comparative independent expert advice and the maximum amount approved by shareholders from time to time.

Directors have the right to participate in the Company's Share Option Plan and Employee Share Purchase Plan.

Further information on directors and executive remuneration is included in the Remuneration Report which forms part of the Directors' Report.

The Company does not comply with recommendation 8.2 in relation to the composition of the remuneration committee in that it does not consist of a majority of independent directors.

The Board considers that as this stage of the Company's development it is neither appropriate nor cost effective to adopt the ASX Corporate Governance Guidelines.

This matter continues to be under review. A copy of the charter adopted by the remuneration committee is posted on the Company's website.

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2012

	Notes	Consolidated		Parent Entity	
		2012 \$	2011 \$	2012 \$	2011 \$
<b>Revenue</b>	4	<b>344,815</b>	184,501	<b>103,140</b>	184,501
		<b>344,815</b>	184,501	<b>103,140</b>	184,501
Administration and exploration expenses		(1,296,526)	(1,225,537)	(693,267)	(789,718)
Finance costs		(15,223)	(6,320)	(11,030)	(6,320)
Share based payment expenses	5	-	-	-	-
<b>Profit/(Loss) before tax</b>		<b>(966,934)</b>	(1,047,356)	<b>(601,157)</b>	(611,537)
Income tax expense	6(a)	-	-	-	-
<b>Net Profit/(Loss) for the year</b>		<b>(966,934)</b>	(1,047,356)	<b>(601,157)</b>	(611,537)
Other comprehensive Income		-	-	-	-
Other comprehensive income for the year net of tax		-	-	-	-
Total comprehensive income for the year		<b>(966,934)</b>	(1,047,356)	<b>(601,157)</b>	(611,537)
Profit/(loss) attributable to minority equity interests		<b>49,821</b>	-	-	-
<b>Total comprehensive income attributable to members of the Parent Entity</b>		<b>(917,113)</b>	(1,047,356)	<b>(601,157)</b>	(611,537)
Basic (loss) /earnings per share	22	Cents <b>(0.94)</b>	Cents (1.42)		
Diluted (loss) /earnings per share	22	Cents <b>(0.87)</b>	Cents (1.28)		

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

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	Consolidated		Parent Entity	
		2012 \$	2011 \$	2012 \$	2011 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	<b>162,780</b>	1,413,956	(11,576)	1,413,956
Trade and other receivables	8	<b>1,668,558</b>	761,477	<b>500,105</b>	661,477
Other current assets	9	-	99,000	-	99,000
Total current assets		<b>1,831,338</b>	2,274,433	<b>488,529</b>	2,174,433
<b>Non-current assets</b>					
Trade and other receivables	8	-	-	<b>3,581,262</b>	2,534,233
Mining tenements	10	<b>3,550,454</b>	1,956,726	-	-
Financial assets	11	<b>70</b>	-	<b>15,821,709</b>	671
Plant and equipment	12	<b>33,648</b>	39,333	<b>32,610</b>	39,333
Intangible assets	9b	<b>14,098,166</b>	-	-	-
Total non-current assets		<b>17,682,338</b>	1,996,059	<b>19,435,581</b>	2,574,237
<b>Total Assets</b>		<b>19,513,676</b>	4,270,492	<b>19,924,110</b>	4,748,670
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	13	<b>76,276</b>	51,523	<b>49,588</b>	51,523
Employee benefits provision	14	<b>5,279</b>	-	-	-
Total current liabilities		<b>81,555</b>	51,523	<b>49,588</b>	51,523
<b>Non-current liabilities</b>					
Trade and other payable	13	<b>70</b>	-	<b>140</b>	100
Employee benefits provision	14	<b>3,899</b>	-	-	-
Total non-current liabilities		<b>3,969</b>	-	<b>140</b>	100
<b>Total liabilities</b>		<b>85,524</b>	51,523	<b>49,728</b>	51,623
<b>Net assets</b>		<b>19,428,152</b>	4,218,969	<b>19,874,382</b>	4,697,047
<b>EQUITY</b>					
Issued capital	15	<b>21,161,248</b>	5,382,756	<b>21,161,248</b>	5,382,756
Reserves		<b>341,765</b>	341,515	<b>341,765</b>	341,765
Accumulated losses		<b>(2,422,415)</b>	(1,505,302)	<b>(1,628,631)</b>	(1,027,474)
Minority interest		<b>347,554</b>	-	-	-
<b>Total equity</b>		<b>19,428,152</b>	4,218,969	<b>19,874,382</b>	4,697,047

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

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2012

Consolidated	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Minority Interest \$	Total Equity \$
<b>Balance at 1 January 2012</b>	<b>5,382,756</b>	<b>341,515</b>	<b>(1,505,302)</b>	-	<b>4,218,969</b>
Shares issued	15,820,698	-	-	-	15,820,698
Share issuing cost	(42,206)	-	-	-	(42,206)
Business combination	-	250	-	347,554	347,804
Loss for the year	-	-	(917,113)	-	(917,113)
<b>Balance at 31 December 2012</b>	<b>21,161,248</b>	<b>341,765</b>	<b>(2,422,415)</b>	<b>347,554</b>	<b>19,428,152</b>
<b>Balance at 1 January 2011</b>	<b>3,366,559</b>	<b>341,515</b>	<b>(457,946)</b>	-	<b>3,250,128</b>
Shares issued	2,450,000	-	-	-	2,450,000
Share issuing cost	(433,803)	-	-	-	(433,803)
Loss for the year	-	-	(1,047,356)	-	(1,047,356)
<b>Balance at 31 December 2011</b>	<b>5,382,756</b>	<b>341,515</b>	<b>(1,505,302)</b>	-	<b>4,218,969</b>
Parent Entity	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Minority Interest \$	Total Equity \$
<b>Balance at 1 January 2012</b>	<b>5,382,756</b>	<b>341,765</b>	<b>(1,027,474)</b>	-	<b>4,697,047</b>
Shares issued	15,820,698	-	-	-	15,820,698
Share issuing cost	(42,206)	-	-	-	(42,206)
Loss for the year	-	-	(601,157)	-	(601,157)
<b>Balance at 31 December 2012</b>	<b>21,161,248</b>	<b>341,765</b>	<b>(1,628,631)</b>	-	<b>19,874,382</b>
<b>Balance at 1 January 2011</b>	<b>3,366,559</b>	<b>341,765</b>	<b>(415,937)</b>	-	<b>3,292,387</b>
Shares issued	2,450,000	-	-	-	2,450,000
Share issuing cost	(433,803)	-	-	-	(433,803)
Loss for the year	-	-	(611,537)	-	(611,537)
<b>Balance at 31 December 2011</b>	<b>5,382,756</b>	<b>341,765</b>	<b>(1,027,474)</b>	-	<b>4,697,047</b>

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

## STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2012

	Notes	<b>Consolidated</b>		<b>Parent Entity</b>	
		<b>2012</b> \$	<b>2011</b> \$	<b>2012</b> \$	<b>2011</b> \$
<b>Cash flows from operating activities</b>					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		<b>(2,563,670)</b>	(3,162,760)	<b>(592,626)</b>	(940,216)
Interest paid		-	-	-	-
Interest received		<b>81,562</b>	161,273	<b>59,047</b>	161,273
<b>Net cash used in operating activities</b>	17	<b>(2,482,108)</b>	(3,001,487)	<b>(533,579)</b>	(778,943)
<b>Cash flows from investing activities</b>					
Payment for tenement prospects and interest		<b>(200,320)</b>	(70,000)	-	-
Payment for plant and equipments		<b>(3,601)</b>	(41,030)	<b>(2,418)</b>	(41,030)
Repayment from other parties		<b>200,000</b>	287,500	<b>200,000</b>	287,500
Advance to other parties		<b>(843,027)</b>	(620,000)	<b>(80,715)</b>	(620,000)
Advance to controlled entities		-	-	<b>(966,614)</b>	(2,292,544)
<b>Net cash used in investing activities</b>		<b>(846,948)</b>	(443,530)	<b>(849,747)</b>	(2,666,074)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		<b>2,120,086</b>	2,450,000	-	2,450,000
Share issuing cost		<b>(42,206)</b>	(433,803)	<b>(42,206)</b>	(433,803)
<b>Net cash used in financing activities</b>		<b>2,077,880</b>	2,016,197	<b>(42,206)</b>	2,016,197
<b>Net increase /(decrease) in cash held</b>		<b>(1,251,176)</b>	(1,428,820)	<b>(1,425,532)</b>	(1,428,820)
Cash and cash equivalents at the beginning of the year		<b>1,413,956</b>	2,842,776	<b>1,413,956</b>	2,842,776
<b>Cash and cash equivalents at the end of the year</b>	7	<b>162,780</b>	1,413,956	<b>(11,576)</b>	1,413,956

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2012

## 1. CORPORATE INFORMATION

The financial report of Sovereign Gold Company Limited (the **Company**) for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors and covers Sovereign Gold Company Limited as an individual parent entity as well as the consolidated entity consisting of Sovereign Gold Company Limited and its subsidiaries (the **Group**) as required by the *Corporations Act 2001*.

The financial report is presented in the Australian currency.

Sovereign Gold Company Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

The Company was incorporated as an unlisted public company on 10 August 2010 and successfully listed on the ASX on 3 December 2010.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

#### *Statement of Compliance*

Compliance with Australian Accounting Standards Board (**AASB**'s) ensures that the financial report of Sovereign Gold Company Limited also complies with International Financial Reporting Standards (**IFRS**).

#### *Critical accounting estimates*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Options valuation

Refer to Note 25 for estimates and assumptions used to calculate the valuation of options.

#### *Critical judgements*

Management have made the following judgements when applying the Group's accounting policies:

- Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates if any one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

### *Historical cost convention*

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

### b. Principles of consolidation

#### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sovereign Gold Company Limited (the **parent entity**) as at reporting date and the results of all subsidiaries for the year then ended. Sovereign Gold Company Limited and its subsidiaries together are referred to in this financial report as the **Group**.

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 the entity's activities generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The financial performance of those activities is included only for the period of the year that they were controlled.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) The consideration transferred;
- (ii) Any non-controlling interest; and
- (iii) The acquisition date fair value of any previously held equity interests over the acquisition date fair value of net assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Refer to note 16 in for information on the goodwill policy adopted by the Group for acquisitions.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**c. Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

**d. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

*Interest Revenue*

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

*Other Income*

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable. All revenue is stated net of the amount of goods and services tax (**GST**).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****e. Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Sovereign Gold Company Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

**f. Goods and services tax (GST)**

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

- where 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis except for 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****g. Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**h. Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

**i. Trade and other receivables**

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

**j. Financial instruments***Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

*Classification and subsequent measurement*

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

### (i). *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

### (ii). *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

### (iii). *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

### (iv). *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

### (v). *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**k. Tenement exploration, valuation and development costs**

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**l. Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**m. Restoration and rehabilitation provisions**

Both for close down and restoration and for environmental clean-up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****n. Employee benefits****(i). Wages, salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**(ii). Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**o. Contributed equity**

Ordinary shares are classified as equity.

**p. Share based payments**

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

**q. Earnings per share (EPS)**

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

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**r. New accounting standards for application**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

### **3. FINANCIAL RISK MANAGEMENT**

#### **a. General objectives, policies and processes**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function also reviews the risk management policies and processes and reports their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility.

Further details regarding these policies are set out below.

#### **b. Credit risk**

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The maximum exposure to credit risk at balance date is as follows:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b> \$	<b>2011</b> \$	<b>2012</b> \$	<b>2011</b> \$
<b>Current</b>				
Cash and cash equivalents	<b>162,780</b>	1,413,956	<b>(11,576)</b>	1,413,956
Trade and other receivables	<b>1,668,558</b>	761,477	<b>500,105</b>	661,477
<b>Non- Current</b>				
Trade and other receivables	-	-	<b>3,581,262</b>	2,534,233
	<b>1,831,338</b>	2,175,433	<b>4,069,791</b>	4,609,666

#### **c. Liquidity risk**

Liquidity risk is the risk that the group may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. There is no bank borrowing at the balance date. It is the policy of the board of directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

**3. FINANCIAL RISK MANAGEMENT continued**

Maturity Analysis of Financial Liabilities	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
	\$	\$	\$	\$	\$	\$
<b>Consolidated 2012</b>						
<b>Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	43,926	43,926	43,926	-	-	-
Accrued payable	32,350	32,350	32,350	-	-	-
<b>Non-Current</b>						
Other Liabilities	70	-	-	-	-	-
Total financial liabilities at amortised cost	76,346	76,276	76,276	-	-	-
<b>Consolidated 2011</b>						
<b>Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	37,773	37,773	37,773	-	-	-
Accrued payable	13,750	-	-	-	-	-
<b>Non-Current</b>						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	51,523	37,773	37,773	-	-	-
Parent Entity 2012	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
	\$	\$	\$	\$	\$	\$
<b>Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	38,988	38,988	38,988	-	-	-
Accrued payable	10,600	10,600	10,600	-	-	-
<b>Non-Current</b>						
Other Liabilities	140	-	-	-	-	-
Total financial liabilities at amortised cost	49,728	49,588	49,588	-	-	-
Parent Entity 2011	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
	\$	\$	\$	\$	\$	\$
<b>Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	37,773	37,773	37,773	-	-	-
Accrued payable	13,750	-	-	-	-	-
<b>Non-Current</b>						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	51,523	37,773	37,773	-	-	-

### 3. FINANCIAL RISK MANAGEMENT continued

#### d. Interest rate risk

The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. There is no bank borrowing at the balance date, therefore there is no material exposure to interest rate risk.

##### Sensitivity Analysis

There is no bank borrowing at the balance date.

The following tables demonstrate the sensitivity to a reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on fluctuation on deposit interest rate). There is no impact on the Group's equity.

	Carrying Amount	+1% Profit/ (Loss)	-1% Profit/ (Loss)
<b>Consolidated 2012</b>	\$	\$	\$
Cash and cash equivalents	162,780	1,628	(1,628)
Tax charge of 30%	-	(488)	488
After tax increase/(decrease)	<b>162,780</b>	<b>1,140</b>	<b>(1,140)</b>
<b>Consolidated 2011</b>			
Cash and cash equivalents	1,413,956	14,139	(14,139)
Tax charge of 30%	-	(4,242)	4,242
After tax increase/(decrease)	<b>1,413,956</b>	<b>9,897</b>	<b>(9,897)</b>
<b>Parent Entity 2012</b>			
Cash and cash equivalents	(11,576)	(116)	116
Tax charge of 30%	-	34	(34)
After tax increase/(decrease)	<b>(11,576)</b>	<b>(82)</b>	<b>82</b>
<b>Parent Entity 2011</b>			
Cash and cash equivalents	1,413,956	14,139	(14,139)
Tax charge of 30%	-	(4,242)	4,242
After tax increase/(decrease)	<b>1,413,956</b>	<b>9,897</b>	<b>(9,897)</b>

The above analysis assumes all other variables remain constant.

#### e. Currency risk

In 2012, the consolidated entity and parent entity were not exposed to foreign currency risk (2011: nil)

#### f. Capital risk management

The group considers its capital to comprise its ordinary share capital and reserves. In managing its capital, the group's primary objectives are to pay dividends and maintain liquidity. These objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives, or what is considered capital in the year.

**4. REVENUE**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenue</b>	\$	\$	\$	\$
Interest income	<b>240,906</b>	178,553	<b>96,140</b>	178,553
<b>Other income</b>				
Other	<b>103,909</b>	5,948	<b>7,000</b>	5,948
	<b>344,815</b>	184,501	<b>103,140</b>	184,501

**5. EXPENSES**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
(Loss)/profit before income tax includes the following specific expenses:				
Directors fees and employee oncosts	<b>260,772</b>	-	<b>28,788</b>	-
Consulting and professional fee	<b>162,312</b>	129,913	<b>90,112</b>	93,913
Exploration expense not capitalised	<b>123,303</b>	504,018	<b>1,112</b>	500,322

**6. INCOME TAX**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>a. Income tax expense</b>				
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
Total income tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
Increase/(decrease) in deferred tax expense				
<b>b. Numerical reconciliation of income tax expense to prima facie tax payable</b>				
(Loss) / Profit before income tax expense	<b>(966,934)</b>	(1,047,356)	<b>(601,157)</b>	(611,537)
Income tax expense (benefit) calculated @ 30% (2011:30%)	<b>(290,080)</b>	(314,207)	<b>(180,347)</b>	(183,461)
Temporary differences not brought to account	<b>(511,917)</b>	(569,974)	<b>(39,026)</b>	(33,956)
Tax losses not brought to account	<b>801,997</b>	884,181	<b>219,373</b>	217,418
Income tax expense/(benefit) at effective tax rate of 30% (2011: 30%)	-	-	-	-

## 6. INCOME TAX continued

### c. Unrecognised deferred tax assets and liabilities

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Deferred tax assets and liabilities have not been recognised in the balance sheet for the following items:				
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	-	-	-	-
Other deductible temporary differences	(112,660)	(113,188)	(130,088)	(113,188)
Deferred tax asset in respect of exploration activities not brought to account	(1,401,794)	(1,047,356)	(601,157)	(611,537)
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	(1,593,728)	(1,786,726)	-	-
	<u>(3,108,182)</u>	<u>(2,947,270)</u>	<u>(731,245)</u>	<u>(724,725)</u>
Potential benefit/(expense) at 30% (2011: 30%)	<u>801,997</u>	<u>884,181</u>	<u>219,373</u>	<u>217,418</u>

## 7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash at bank and in hand	2,662	1,413,956	(11,576)	1,413,956
Cash held in trust - tenement guarantee	<u>160,118</u>	-	-	-
	<u>162,780</u>	<u>1,413,956</u>	<u>(11,576)</u>	<u>1,413,956</u>
Weighted average interest rates	2.59%	4.90%	1.28%	4.90%

### a. Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash and cash equivalents	162,780	1,413,956	(11,576)	1,413,956
Balances per Statement of Cash Flows	<u>162,780</u>	<u>1,413,956</u>	<u>(11,576)</u>	<u>1,413,956</u>

### b. Interest Rate Exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 3.

## 8. TRADE AND OTHER RECEIVABLES

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>Current</b>				
Receivables - other parties	<b>1,442,738</b>	645,695	<b>478,271</b>	645,695
Other receivables	<b>225,820</b>	115,782	<b>21,834</b>	15,782
	<b>1,668,558</b>	761,477	<b>500,105</b>	661,477
<b>Non - Current</b>				
Controlled entities receivables	-	-	<b>3,581,262</b>	2,534,233

### a. Impaired receivables and receivables past due.

None of the current or non-current receivables are impaired or past due but not impaired.

### b. Receivable - other parties

The Company advanced \$420,000 to a consultant. The interest bearing full recourse loan is secured by shares and has a fixed term for repayment.

The controlled entity further advanced a secured recourse loan of \$250,000 to a consultant. The advance is interest bearing and secured by shares.

A non-secured deposit was placed with a related entity. The interest bearing deposit is payable on demand.

None were written down during the year.

### Other receivables

These amounts relate to receivables for GST paid and tenement securities deposits paid.

### c. Interest rate risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

### d. Fair value and credit risk

#### Current trade and other receivables

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

#### Non-current trade and other receivables

The fair values and carrying values of non-current receivables are as follows:

	<b>2012</b>		<b>2011</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	\$	\$	\$	\$
<b>Consolidated</b>				
Controlled Entities receivables	-	-	-	-
<b>Parent Entity</b>				
Controlled entities receivables	<b>3,581,262</b>	<b>3,581,262</b>	2,534,233	2,534,233

The above controlled entities receivables have no terms of repayment and are not interest bearing

**9. OTHER CURRENT ASSETS**

**a. Prepayments**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
Prepayments	-	99,000	-	99,000
	-	99,000	-	99,000

**b. Intangible Asset**

Goodwill:				
Cost		<b>14,098</b>	-	-
Accumulated			-	-
Impairment losses			-	-
Net carrying amount		<b>14,098</b>	-	-

**Consolidated Group**

Year ended 31 December 2012

	<b>Goodwill</b>	
	\$'000	
Balance at the beginning of the year	-	
Acquisitions through business combination	14,098	
Impairment losses	-	
Closing value at 31 December 2012	<b>14,098</b>	

**Impairment disclosures**

The entity acquired is in the early stages of exploration. Impairment does not exist as the carrying amount of the investment does not exceed its recoverable amount. This recoverable amount has been calculated by reference to the quoted price for the listed securities at year end.

**10. MINING TENEMENTS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
Mining tenements	<b>3,550,454</b>	1,956,726	-	-
	<b>3,550,454</b>	1,956,726	-	-

The recoverability of the carrying amount of evaluation and exploration assets is dependent upon successful development and commercial exploitation, or alternatively the sale of the respective areas of interest.

For details please refer tenement schedule of this report.

**11. FINANCIAL ASSETS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
Investment in other entities and others (Note16)	<b>70</b>	-	<b>15,821,709</b>	671

**12. PLANT AND EQUIPMENT**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
Plant and equipment - at cost	<b>47,881</b>	44,281	<b>46,699</b>	44,281
Less: Accumulated depreciation	<b>(14,233)</b>	(4,948)	<b>(14,089)</b>	(4,948)
Total plant and equipment	<b>33,648</b>	39,333	<b>32,610</b>	39,333

**Reconciliations**

Reconciliations of the carrying amount of each class of plant and equipment at the beginning and end of the current financial year are set out below:

**Consolidated entity**

Carrying amount at beginning at year	<b>39,333</b>	3,134	<b>39,333</b>	3,134
Additions	<b>3,601</b>	41,030	<b>2,418</b>	41,030
Depreciation	<b>(9,286)</b>	(4,831)	<b>(9,141)</b>	(4,831)
Carrying amount at end of year	<b>33,648</b>	39,333	<b>32,610</b>	39,333

**13. TRADE AND OTHER PAYABLES**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>Current</b>				
Trade payables	<b>43,926</b>	37,773	<b>38,988</b>	37,773
Accrued payables	<b>32,350</b>	13,750	<b>10,600</b>	13,750
	<b>76,276</b>	51,523	<b>49,588</b>	51,523
<b>Non-Current</b>				
Trade and other payable	<b>70</b>	-	<b>140</b>	100

**14. EMPLOYEE BENEFITS PROVISIONS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>Current</b>				
Staff leave entitlement	<b>5,279</b>	-	-	-
<b>Non-Current</b>				
Staff leave entitlement	<b>3,899</b>	-	-	-

**15. ISSUED CAPITAL**

	<b>Consolidated and Parent Entity</b>		<b>Consolidated and Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>Number of Shares</b>	<b>Number of Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares Issued	<b>139,163,842</b>	77,000,000	<b>21,161,248</b>	5,382,756

**a. Movements in ordinary share capital during the year:**

**Consolidated**

<b>Date</b>	<b>Details</b>	<b>No. of shares</b>	<b>Issue price \$</b>	<b>\$</b>
31 December 2011	Balance	77,000,000		5,382,756
August 2012	Share issued-SGCL off market takeover PMR	62,163,842	0.2545	15,820,698
	Share issuing costs	-		(42,206)
31 December 2012	Balance	<b>139,163,842</b>		<b>21,161,248</b>

**b. Performance Options**

No options were granted in 2012 (2011: Nil).

**c. Terms and Conditions**

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

**d. Options**

There were 6,500,000 unissued ordinary shares under option at the end of the financial year.

There were 1,250,000 options approved for granting relevant to the Company's Employee Share Option Plan but have not been allocated.

Information relating to the Group's options issued for services rendered is set out in note 25.

**16. INVESTMENT IN CONTROLLED ENTITIES****a. Entities in Group**

Name of Entity	Class of Shares	Equity Holding 2012 (%)	Country of Incorporation	2011 (%)
Biacil Holdings Pty Ltd	Ordinary	<b>100</b>	Australia	100
Micksture Pty Ltd	Ordinary	<b>100</b>	Australia	100
Uralla Gold Pty Ltd	Ordinary	<b>100</b>	Australia	100
IRGS Northern Gold Pty Ltd	Ordinary	<b>100</b>	Australia	100
IRGS Southern Gold Pty Ltd	Ordinary	<b>100</b>	Australia	100
MAS Gold Pty Ltd	Ordinary	<b>100</b>	Australia	100
Pahang Minerals Pty Ltd	Ordinary	<b>100</b>	Australia	100
SOC1 Pty Ltd*	Ordinary	<b>100</b>	Australia	-
SOC2 Pty Ltd*	Ordinary	<b>100</b>	Australia	-
Hudson SPC Pty Ltd*	Ordinary	<b>100</b>	Australia	-
Precious Metal Resources Limited (ASX: PMR) Δ	Ordinary	<b>81.26</b>	Australia	-
PMR 1 Pty Ltd Δ	Ordinary	<b>81.26</b>	Australia	-
PMR 3 Pty Ltd Δ	Ordinary	<b>81.26</b>	Australia	-
PMR 4 Pty Ltd Δ	Ordinary	<b>81.26</b>	Australia	-
PMR 5 Pty Ltd Δ	Ordinary	<b>81.26</b>	Australia	-

**b. Acquisition of Controlled Entities**

On 28 August 2012 the Company acquired 81.26% interest in Precious Metal Resources Limited and its controlled entities (**PMR**) via an off-market takeover.

The acquisition results in Sovereign Gold obtaining control of PMR

	Note	Fair Value \$ '000
Purchase consideration:		
Shares issued - Sovereign Gold off market takeover PMR (net of share issuing costs)	15 (a)	15,779
Less:		
Cash and cash equivalents		52
Trade and other receivables		1,182
Mining tenements		476
Trade and other payables		(18)
Provisions		(11)
Identifiable assets acquired and liabilities assumed		<b>(1,681)</b>
Goodwill		14,098

**17. RECONCILIATION OF PROFIT/ (LOSS) TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
<b>(Loss)/Profit for the year</b>	<b>(917,113)</b>	<b>(1,047,256)</b>	<b>(601,157)</b>	<b>(611,537)</b>
Capitalised exploration expenditure	(1,393,478)	(1,786,726)	-	-
Change in operating assets and liabilities:				
(Increase)/Decrease in trade and other receivables	(300,549)	(90,152)	(29,488)	(97,491)
(Increase)/Decrease in other current assets	99,000	-	99,000	-
(Increase)/Decrease in other operating assets	-	-	-	-
Increase/(Decrease) in trade and other creditors and provisions	30,032	(77,253)	(1,934)	(69,915)
(Increase) in deferred tax assets	-	-	-	-
Increase in deferred tax liabilities	-	-	-	-
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(2,482,108)</b>	<b>(3,001,387)</b>	<b>(533,579)</b>	<b>(778,943)</b>

**18. OPERATING SEGMENT**

The Group operates one operating segment being the mineral, exploration and development of resources in Australia.

**19. COMMITMENTS**

**Exploration expenditure commitments**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
Minimum tenement exploration expenditure	2,497,000	680,000	-	-
Tenement lease payment	101,500	-	-	-
	<b>2,598,500</b>	<b>680,000</b>	<b>-</b>	<b>-</b>

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately \$2,598,500 over the remaining term of the tenements.

**Service agreements**

The Company has entered into a service agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative accounting, compliance and secretarial services.

The term of the Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Corporate Limited shall act in accordance with the Directions of the Board.

The Company has entered into a geological services agreement with Michael Leu for a fixed remuneration per day.

There are no other material commitments as at the date of this report.

## 20. CONTINGENT LIABILITIES

There are no other material contingent liabilities as at the date of this report.

No material losses are anticipated in respect of any of the above contingent liabilities.

## 21. EVENTS SUBSEQUENT TO BALANCE DATE

In March 2013, the Company launched a takeover of Gossan Hill Gold Limited.

The Company will issue up to 2 million Sovereign Gold Shares and up to \$200,000 cash as consideration for the offer.

At the date of this report there are no other matters or circumstances which have arisen since 31 December 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2012, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2012, of the Group.

## 22. EARNINGS PER SHARE

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>Cents</b>	<b>Cents</b>
Basic (loss)/earnings per share	(0.94)	(1.42)
Fully diluted (loss)/earning per share	(0.87)	(1.28)
	<b>2012</b>	<b>2011</b>
	\$	\$
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	<b>(917,113)</b>	<b>(1,047,356)</b>
	<hr/>	<hr/>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share:	<b>97,721,281</b>	73,500,000
Adjustments for calculation of diluted earnings per share:		
Options issued	<b>7,750,000</b>	8,500,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<b>105,471,281</b>	82,000,000

### 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

- a. The following persons were Directors of the Company during the financial year unless otherwise stated.

• John Dawkins	Non-Executive Chairman		
• Michael Leu	Chief Executive Officer		
• Peter Meers	Non-Executive Director		
• Rado Jacob Rebek	Non-Executive Director		
• Qinjing Qiu	Non-Executive Director	- Resigned 28 May, 2012	
• Nicholas Raffan	Executive Director	- Resigned 4 January, 2012	

- b. The following persons were other key management personnel of the Company during the financial year:

• Henry Kinstlinger	Joint Company Secretary
• David L Hughes	Joint Company Secretary
• Benjamin Amzalak	Investor Relationship Officer
• Francis Choy	Chief Financial Officer

- c. Compensation of Key Management Personnel

Directors	Consolidated		Parent Entity	
	2012 \$	2011 \$	2012 \$	2011 \$
Short term employee benefits	<b>221,840</b>	376,627	<b>221,840</b>	376,627
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<b>221,840</b>	376,627	<b>221,840</b>	376,627
<b>Other Key Management Personnel</b>				
Short term employee benefits	<b>32,400</b>	-	<b>32,400</b>	-
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<b>32,400</b>	-	<b>32,400</b>	-

**23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**

**Directors and other Key Management Personnel of Sovereign Gold Company Limited**

Consolidated 2012	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Travelling Allowance				
<b>Director</b>						
John Dawkins	\$ 43,940	\$ -	\$ -	\$ -	\$ -	\$ 43,940
Michael Leu	166,200	10,800	-	-	-	177,000
Peter Meers	-	-	-	-	-	-
Rado J Rebek	-	-	-	-	-	-
Nick Raffan*	-	900	-	-	-	900
Qinjing Qiu**	-	-	-	-	-	-
Total - Directors	210,140	11,700	-	-	-	221,840
<b>Key Management Personnel</b>						
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	32,400	-	-	-	-	32,400
Francis Choy	-	-	-	-	-	-
Total - KMP	32,400	-	-	-	-	32,400

\* Nick Raffan Resigned 4 January 2012;

\*\* Qinjing Qiu Resigned 28 May 2012

Consolidated 2011	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Travelling Allowance				
<b>Director</b>						
John Dawkins	\$ 41,212	\$ -	\$ -	\$ -	\$ -	\$ 41,212
Nick Raffan	153,915	9,900	-	-	-	163,815
Michael Leu	154,500	10,800	-	-	-	165,300
Peter Meers	-	-	-	-	-	-
Rado J Rebek	-	6,300	-	-	-	6,300
Qinjing Qiu	-	-	-	-	-	-
Total - Directors	349,627	27,000	-	-	-	376,627
<b>Key Management Personnel</b>						
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-
Total - KMP	-	-	-	-	-	-

The amounts reported represent the total remuneration paid by entities in the Sovereign Gold Group of companies in relation to managing the affairs of all the entities within the Sovereign Gold Group.

There are no performance conditions related to any of the above payments.

There are no other elements of Directors and Executives remuneration.

### 23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

#### d. Employee Share Option Plan

The company has adopted an Employee Share Option Plan (**ESOP**) for its employees. A person is an employee of the company if that person is an Executive Director, Non-executive Director or considered by the Board to be employed by the company or a related party of the company.

The purpose of the ESOP is to provide an opportunity for all eligible employees of the company to participate in the growth and development of the company through participation in the equity of Sovereign Gold Company Ltd.

Sovereign Gold Company Ltd believes it is important to provide incentives to employees in the form of options which provide the opportunity to participate in the share capital of Sovereign Gold Company Ltd. The company expects to apply the proceeds of exercise of the Options to working capital needs, asset or business acquisitions and general corporate purposes. All options to be issued must be consistent with any applicable Listing Rules and having regard to regulatory constraints under the Corporations Act 2001, ASIC policy or any other law applicable to Sovereign Gold Company Ltd.

#### e. Shareholdings and Option Holdings of Key Management Personnel

	Ordinary Shares (Number)		
Directors	Direct Interest	Indirect Interest	Employee Share Options
John Dawkins	100,000	-	500,000
Michael Leu	7,175,000	-	750,000
Peter Meers	-	40,010,000	500,000
Rado Jacob Rebek	-	-	500,000

#### Shares held in Sovereign Gold Company Limited - 2012

Directors	Balance at beginning of year	Changes during the year	Balance at end of year
John Dawkins	100,000	-	100,000
Michael Leu	4,875,000	2,300,000	7,175,000
Peter Meers <sup>1</sup>	40,010,000	-	40,010,000
Rado Jacob Rebek	-	-	-
Qinjing Qiu <sup>2</sup>	6,000,000	(6,000,000)	-

#### Other Key Management Personnel

Henry Kinstlinger	20,000	-	20,000
David L Hughes	30,000	-	30,000
Benjamin Amzalak	-	-	-
Francis Choy	-	-	-

<sup>1</sup> Mr Meers has indirect interest in 40,000,000 ordinary shares by virtue of his position as Director of Hudson Resources Limited and an indirect interest in 10,000 odinary shares held by a related party

<sup>2</sup> Mr Qiu resigned on 28 May 2012.

**23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**

**Shares held in Sovereign Gold Company Limited - 2011**

Directors	Balance at beginning of year	Changes during the year	Balance at end of year
John Dawkins	100,000	-	100,000
Michael Leu	4,875,000	-	4,875,000
Peter Meers <sup>1</sup>	40,010,000	-	40,010,000
Rado Jacob Rebek	-	-	-
Qinjing Qiu <sup>2</sup>	-	6,000,000	6,000,000

**Other Key Management Personnel**

Henry Kinstlinger	20,000	-	20,000
David L Hughes	30,000	-	30,000
Francis Choy	-	-	-

<sup>1</sup> Mr Meers has indirect interest in 40,000,000 ordinary shares by virtue of his position as Director of Hudson Resources Limited and an indirect interest in 10,000 odinary shares held by a related party

<sup>2</sup> Mr Qiu resigned on 28 May 2012.

**Options held in Sovereign Gold Company Limited – 2012**

Nature	Balance at beginning of year	Changes during the year	Balance at end of year <sup>1</sup>
<b>Directors</b>			
John Dawkins	ESOP 500,000	-	500,000
Nicholas Raffan <sup>3</sup>	ESOP 750,000	(750,000)	-
Michael Leu	ESOP 750,000	-	750,000
Peter Meers	ESOP 500,000	-	500,000
Rado Jacob Rebek	ESOP 500,000	-	500,000
<b>Other Key Management Personnel</b>			
Henry Kinstlinger	ESOP 500,000	-	500,000
David L Hughes	ESOP 250,000	-	250,000
Benjamin Amzalak <sup>2</sup>	ESOP 500,000	-	500,000
Francis Choy	ESOP 250,000	-	250,000
			<u><u>3,750,000</u></u>

**23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**

**Options held in Sovereign Gold Company Limited – 2011**

	Nature	Balance at beginning of year	Changes during the year	Balance at end of year <sup>1</sup>
<b>Directors</b>				
John Dawkins	ESOP	500,000	-	500,000
Nicholas Raffan <sup>3</sup>	ESOP	750,000	-	750,000
Michael Leu	ESOP	750,000	-	750,000
Peter Meers	ESOP	500,000	-	500,000
Rado Jacob Rebek	ESOP	500,000	-	500,000
<b>Other Key Management Personnel</b>				
Henry Kinstlinger	ESOP	500,000	-	500,000
David L Hughes	ESOP	250,000	-	250,000
Benjamin Amzalak <sup>2</sup>	ESOP	500,000	-	500,000
Francis Choy	ESOP	250,000	-	250,000
				<u>4,500,000</u>

<sup>1</sup> All options at year end are vested and exercisable

<sup>2</sup> Benjamin Amzalak has additional indirect interest in 250,000 success option registered to a related party of Mr Amzalak.

<sup>3</sup> Nicholas Raffan resigned as a director on 4 January 2012

**24. REMUNERATION OF AUDITORS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b> \$	<b>2011</b> \$	<b>2012</b> \$	<b>2011</b> \$
<b>Audit services:</b>				
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
Audit and review services	<b>26,195</b>	24,945	<b>26,195</b>	24,945
<b>Taxation and other advisory services:</b>				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.				
Taxation	<b>8,135</b>	7,745	<b>8,135</b>	7,745
Advisory Services	-	-	-	-
	<b>8,135</b>	7,745	<b>8,135</b>	7,745

**25. SHARE BASED PAYMENTS**

	<b>Number of instruments</b>	<b>Vesting conditions</b>	<b>Expiry Date</b>
Employee share options were granted to Directors, officers and consultants exercisable at any time prior to expiry	3,750,000	Vested and exercisable	15 September 2013
Initial Public Offer - success options	2,750,000	Vested and exercisable	15 September 2013

The number and weighted average exercise price of share options is as follows:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012 Number</b>	<b>2011 Number</b>	<b>2012 Number</b>	<b>2011 Number</b>
Vested and exercisable at beginning of the year	<b>7,250,000</b>	7,250,000	<b>7,250,000</b>	7,250,000
Granted during the year	-	-	-	-
Expired during the year	<b>(750,000)</b>	-	<b>(750,000)</b>	-
Vested and exercisable at end of year	<b>6,500,000</b>	7,250,000	<b>6,500,000</b>	7,250,000

*Option expenses*

Share options granted	-	-	-	-
Expense recognised as costs	-	-	-	-
Deducted from equity	-	-	-	-
Fair Value per option at grant time	-	-	-	-

**25. SHARE BASED PAYMENTS continued**

<b>Share based payments</b>	<b>Employee</b>	<b>Success Option</b>	<b>Total</b>
<b>2012</b>	<b>Share Option</b>		
Grant date	03/12/2010	03/12/2010	
Exercise date	15/09/2013	15/09/2013	
Exercise price	\$0.30	\$0.30	
Balance at beginning of year	4,500,000	2,750,000	7,250,000
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	(750,000)	-	(750,000)
Balance at end of year	<u>3,750,000</u>	<u>2,750,000</u>	<u>6,500,000</u>
Vested and Exercisable at end of year	<u>3,750,000</u>	<u>2,750,000</u>	<u>6,500,000</u>
<b>Weighted average exercise price 30 cents</b>			

<b>Share based payments</b>	<b>Employee</b>	<b>Success Option</b>	<b>Total</b>
<b>2011</b>	<b>Share Option</b>		
Grant date	03/12/2010	03/12/2010	
Exercise date	15/09/2013	15/09/2013	
Exercise price	\$0.30	\$0.30	
Balance at beginning of year	4,500,000	2,750,000	7,250,000
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	-	-	-
Balance at end of year	<u>4,500,000</u>	<u>2,750,000</u>	<u>7,250,000</u>
Vested and Exercisable at end of year	<u>4,500,000</u>	<u>2,750,000</u>	<u>7,250,000</u>
<b>Weighted average exercise price 30 cents</b>			

**26. RELATED PARTY TRANSACTIONS**

**a. Parent Entities**

The parent entity within the Group is Sovereign Gold Company Limited. The ultimate Australian parent entity is Hudson Resources Limited which at 31 December 2012 owns 28.74% (2011: 51.95%).

**b. Subsidiaries**

Interests in subsidiaries are disclosed in note 16

**c. Key Management Personnel Compensation**

Key management personnel compensation information is disclosed in note 23.

**26. RELATED PARTY TRANSACTIONS continued**

**d. Transactions with Related Parties**

The following transactions occurred with related parties during the year ended 31 December 2012:

***Administration Fee***

***Consolidated and parent entity***

The Company paid an administration fee to Hudson Corporate Limited (**HCL**), a wholly owned subsidiary of Hudson Investment Group Limited, of \$411,000 (2011: \$339,000) as payment of sharing rent, administration, accounting, secretarial and compliance costs incurred by HCL on behalf of subsidiaries within the Group.

**e. Outstanding Balance**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Receivable</b>	\$	\$	\$	\$
<b>Current</b>				
Advance to other party	<b>752,250</b>	640,695	<b>478,271</b>	640,695
Advance to other entity	<b>690,488</b>	-	-	-
<b>Non-current</b>				
Advance to controlled entities	-	-	<b>3,109,406</b>	2,534,233
<b>Payable</b>				
<b>Non-current</b>				
Advance from controlled entities	-	-	-	-
Advance from related party	-	-	-	-

The Company advanced \$420,000 to a consultant. The interest bearing full recourse loan is secured by shares and has a fixed term for repayment.

The controlled entity further advanced a secured recourse loan of \$250,000 to a consultant. The advance is interest bearing and secured by shares.

A non-secured deposit was placed with Hudson Corporate Limited. The interest bearing deposit is payable on demand.

None were written down during the year.

**f. Guarantees**

No guarantees were given or received from related parties during the year.

**g. Terms and Conditions**

All transaction were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms or repayment of loans between the controlled entities and that no interest is charged on outstanding balances.

## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards which as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and;
  - (b) give a true and fair view of the financial position as at 31 December 2012 and of the performance for the year ended on that date of the Company and the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included on pages 20 to 22 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 31 December 2012, comply with section 300A of the *Corporations Act 2001*.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.
5. This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**John Dawkins, AO**  
Chairman

Signed at Sydney  
27 March 2013



**Michael Leu**  
Chief Executive Officer

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SOVEREIGN GOLD COMPANY LIMITED

#### **Report on the Financial Report**

We have audited the accompanying financial report of Sovereign Gold Company Limited (the company) and Sovereign Gold Company Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of Directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124: Related Party Disclosures, under the heading "Remuneration Report" in the Directors' report and not in the financial report.

#### **Director's Responsibility for the Financial Report and the Remuneration Report contained in the Directors' Report**

The Directors of Sovereign Gold Company Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report comprising the financial statement and notes, complies with IFRS.

The Directors of the company are also responsible for the remuneration report contained in the Directors' Report in accordance with s300A of the Corporations Act 2001.

#### **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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration report in the Directors' Report is in accordance with Australian Auditing Standards.

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 judgement, 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 control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 and the remuneration disclosures contained in the Directors' report.



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SOVEREIGN GOLD COMPANY LIMITED (Cont'd)

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 confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Sovereign Gold Company Limited would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

#### **Auditor's Opinion**

In our opinion:

(a)

the financial report of Sovereign Gold Company Limited and Sovereign Gold Company Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

(i)

giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2012 and of their performance for the year ended on that date; and  
complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the company and consolidated entity also comply with IFRS as disclosed in note 1.

#### **Auditor's opinion on the Remuneration Report contained in the Directors' Report.**

In our opinion, the remuneration disclosures that are contained on pages 20 to 22 of the Directors' Report comply with S300A of the Corporations Act 2001.

**KS Black & Co  
Chartered Accountants**



**Faizal Ajmat**  
**Partner**

Sydney, 27 March 2013



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**Chartered  
Accountants**

## SHAREHOLDER INFORMATION

as at 28 February 2013

### A. SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares	% of Shareholding
HUDSON RESOURCES LIMITED	40,000,000	28.27%
RAFFLES CAPITAL LIMITED	37,125,000	26.23%
CODE NOMINEES PTY LTD <MATA>	12,493,761	8.83%
MICHAEL ROBY LEU	7,175,000	5.07%

### B. DISTRIBUTION OF FULLY PAID ORDINARY SHARES

#### (i) Schedule of holdings

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	10	2,059	0.00%
1,001 - 5,000	56	193,333	0.14%
5,001 - 10,000	221	2,125,717	1.50%
10,001 - 100,000	175	6,707,819	4.74%
100,001 and above	38	132,484,914	93.62%
<b>Total</b>	<b>500</b>	<b>141,513,842</b>	<b>100.00%</b>

#### (ii) Distribution schedule of holdings

Minimum \$ 500.00 parcel at \$ 0.19 per unit	Minimum Parcel Size	Holders	Units
	2,632	27	35,945

### C. TWENTY LARGEST SHAREHOLDERS (aggregated)

Rank	Name	Units	% of Units
1	HUDSON RESOURCES LIMITED	40,000,000	28.27%
2	RAFFLES CAPITAL LIMITED	37,125,000	26.23%
3	CODE NOMINEES PTY LTD <MATA>	12,493,761	8.83%
4	MICHAEL ROBY LEU	7,175,000	5.07%
5	MR LI REN	6,000,000	4.24%
6	RUSSELL LAY	4,696,470	3.32%
7	MR GENG DU LOU	4,000,000	2.83%
8	MR ANTONIUS BUDI SETIAWAN	2,700,000	1.91%
9	MR BRUCE DENNIS	2,250,000	1.59%
10	MR BRUCE DENNIS <BOYLE INVEST P/L FAMILY A/C>	2,250,000	1.59%
11	MR BENJAMIN AMZALAK	2,150,000	1.52%
12	MRS YUSTINA ANITA SETIAWAN	1,845,000	1.30%
13	MR MATTHEW DAVID CRITCHLEY	1,692,347	0.81%
14	SING CAPITAL PTY LTD	1,579,451	1.11%
15	MS NOMINEES PTE LTD	1,500,000	1.06%
16	HUDSON CORPORATE LTD	1,335,875	1.32%
17	MR ALISTAIR MELVILLE-ROSS	750,000	0.53%
18	MR LIP KOON HWANG	500,000	0.35%
19	PHILLIP SECURITIES PTE LTD	286,270	0.22%
20	JOHN SLADE	250,000	0.18%
<b>Total</b>		<b>130,579,174</b>	<b>92.28%</b>
<b>Total Remaining Holders Balance</b>		<b>10,934,668</b>	<b>7.72%</b>

**SHAREHOLDER INFORMATION continued****D. UNQUOTED SECURITIES (other than options issued under an Employee Share Option Plan)**

Class	Exercise Price	Expiry Date	No. of Securities	No. of Holders	Name (where holder holds more than 20%)	% held
Success Options	\$0.30	29-Nov-13	2,750,000	6	N/A	N/A

**E. VOTING RIGHTS**

There are no restrictions on voting rights. On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

**F. TENEMENT HOLDINGS**

Through its 100% owned subsidiaries, Sovereign Gold Company Limited holds the tenement interests, as described:

Tenement No.	Location	Square Kms	Registered Owner/Applicant/ Assignee	% Interest
EL 7491*	Uralla	300	Micksture Pty Ltd	100
EL 6483	Uralla	300	Biacil Holdings Pty Ltd	100
EL 7700	Uralla	300	Uralla Gold Pty Ltd	100
EL 7701	Uralla	300	Uralla Gold Pty Ltd	100
EL 7767	Murrumbateman	300	IRGS Southern Gold Pty Ltd	100
EL 7766	Uralla	294	IRGS Northern Gold Pty Ltd	100
EL 7768*	Uralla	300	IRGS Northern Gold Pty Ltd	100
EL 7769	Uralla	246	IRGS Northern Gold Pty Ltd	100
EL 7770	Uralla	300	IRGS Northern Gold Pty Ltd	100
ELA 4645	Uralla	300	IRGS Northern Gold Pty Ltd	100
ELA 4648	Uralla	300	IRGS Northern Gold Pty Ltd	100
EL 8012	Tamworth	300	SOC1 Pty Ltd	100
ELA 4587	Guyra	300	SOC2 Pty Ltd	100

\* Jiangsu Geology and Engineering Company are currently undertaking exploration on EL 7768 and EL7491.

Jiangsu may earn up to 30% of the exploration licenses, provided they achieve exploration funding targets of \$4 million before March 2014.

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**SOVEREIGN GOLD  
COMPANY LIMITED**

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