SOVEREIGN METALS LIMITED

ABN 71 120 833 427

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2007

CORPORATE DIRECTORY

Directors

Mr Ian Middlemas – Non-Executive Chairman
Mr Peter Woodman – Managing Director
Mr Daniel Johnson – Executive Director
Mr Matthew Rimes – Non-Executive Director
Mr Mark Pearce – Non-Executive Director

Company Secretary

Mr Clint McGhie

Registered and Principal Office

Level 9, BGC Centre
28 The Esplanade
Perth WA 6000

Telephone: +61 8 9322 6322
Facsimile: +61 8 9322 6558

Share Register

Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000

Telephone: 1300 557 010
International: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Stock Exchange Listing

Australian Securities Exchange
Home Branch – Perth
2 The Esplanade
Perth WA 6000

ASX Code

SVM - Fully paid ordinary shares
SVMO - $0.20 options

Solicitors

Hardy Bowen Lawyers

Auditor

Pitcher Partners (Perth)

Bankers

Australia and New Zealand Banking Group Limited

DIRECTORS' REPORT

The Directors of Sovereign Metals Limited present their report on Sovereign Metals Limited ("Sovereign" or "the Company") for the half-year ended 31 December 2007.

INCORPORATION OF COMPANY

The comparative information in this financial report is for the six month period from the date of incorporation of 20 July 2006 to 20 January 2007.

DIRECTORS

The names of Directors in office at any time during the financial period or since the end of the financial period are:

Current Directors

Mr Ian Middlemas	Chairman (Non-Executive)
Mr Peter Woodman	Managing Director
Mr Daniel Johnson	Executive Director
Mr Matthew Rimes	Non-Executive Director
Mr Mark Pearce	Non-Executive Director

All Directors were in office from 1 July 2007 until the date of this report.

REVIEW AND RESULTS OF OPERATIONS

Review of Operations

During the half-year, the Company has continued to explore its portfolio of copper and gold properties located in northwest Queensland.

The Company undertook two drilling programs during the half-year within the Mount Isa Block.

<u>Rocklands SE Copper Project</u>

The Rocklands SE Copper Project (EPM 8588) is located in close proximity to the town of Cloncurry and is 5km to the south east from CuDeco's Rocklands Copper Project and contains numerous old workings on parallel structures over a 7km strike. The Rocklands SE Project is part of the Carpentaria Joint Venture with Xstrata Copper (51%) which is managed by Sovereign (49%).

Drilling by Xstrata Copper in 2005 recorded a best intercept of 55m at 0.37% Cu from 70 meters downhole in MGP005D. This intercept is open along strike to the north and south. Sovereign drill tested the strike extents of this mineralised intercept, given its significant width.

The Company received the initial batches of assay results from the Rocklands South East drilling program which consisted of angled 40m deep close spaced RC holes on lines several 100's of meters apart.

Highlights from the same cross section include:

- Hole MARC021 returned 28 m @ 0.47% Cu from surface
- Hole MARC023 returned 20 m @ 0.47% Cu from surface
- Hole MARC025 returned 36 m @ 0.33% Cu from 18m

DIRECTORS' REPORT (CONTINUED)

Review of Operations (continued)

The results from the section south of MGP005D indicate that there is an 80m true thickness of oxide copper mineralisation that averages approximately 0.3% copper. The significant thickness of low grade mineralisation that outcrops on the surface requires testing at depth and along strike to explore for an increase in grade.

There are also several other prospective targets that have been drill tested during the current program. Previous shallow open pit mining activities, geochemistry and geophysical anomalies suggest that copper mineralisation occurs over several sub parallel lines of mineralisation. Assays are still pending for a further thirty nine holes drilled last year.

Sovereign has commenced further drilling along strike from the recently discovered wide zones of oxide copper mineralisation which is expected to be completed in the first half of 2008. Several deeper holes are also planned to explore for higher grade shoots within the lower grade halo.

Undina South Project

Sovereign has also completed an initial air core drilling program at the Undina South Project 35kms to the east of Cloncurry. The drilling program has demonstrated that the outcropping Toolebuc Limestone on EPM 12458 is host to widespread, shallow vanadium and molybdenum mineralisation.

Assay results based on 4m composite samples indicate the 100% owned project has the potential for the discovery of shallow, large tonnage, vanadium and molybdenum mineralisation.

Highlights include:

- Hole URB 20 returned 12 m @ 0.28% V205, 286 ppm MoO3 from 0m
- Hole URB 24 returned 12 m @ 0.37% V205, 351 ppm MoO3 from 8m
- Hole URB 32 returned 12 m @ 0.36% V205, 303 ppm MoO3 from 4m
- Hole URB 34 returned 12 m @ 0.37% V205, 360 ppm MoO3 from 0m
  (NB: All sampling was conducted on 4m composites)

An airborne radiometric survey flown in the 1990's returned a low order anomaly in the uranium channel where the Toolebuc limestone outcrops over a 1.7km by 1.1km area within Sovereign's EPM 12458. The Toolebuc limestone is an early Cretaceous sediment that outcrops on the margins of the Eromanga and Carpentaria basins.

Based on the assay information received, Sovereign believes the Undina South Project has potential to host large volumes of near surface mineralisation containing significant quantities of Vanadium Pentoxide, Molybdenum Tri-oxide and minor Uranium Oxide.

Sovereign has engaged a metallurgical consultant to prepare a test work program to determine the optimal processing route for this style of mineralisation, especially given the current price of Vanadium Pentoxide. Sovereign is also exploring for further occurances of shallow Toolbuc limestone on it properties in the Cloncurry district.

Tate River Gold Project

In July 2007, Sovereign signed an agreement with Fusion Resources Limited ("Fusion") to farmin to the Tate River Gold Project in Northern Queensland. Following a detailed review of the project and compilation of previous exploration data, Sovereign elected to proceed with the farmin under the terms of the agreement in September 2007.

DIRECTORS' REPORT (CONTINUED)

Review of Operations (continued)

Since electing to proceed with the joint venture Sovereign has undertaken exploration works including new mapping, soil surveys and rock chip sampling at the Golden Myall prospect within the Tate River Gold Project. Furthermore, an exciting new discovery has been made that has identified new silver-rich epithermal veins at the Piccaninny prospect. Sovereign is planning to drill both the Golden Myall and Piccaninny prospects in a combined 10,000m RC drilling program, which is scheduled to start in the next quarter.

Business Development

The Board continues to review opportunities for other acquisitions, joint ventures, or investments in the resource sector, both on and offshore, which may enhance Shareholder value.

Corporate

The following material corporate events occurred during or since the end of the half-year ended 31 December 2007:

(i) On 17 July 2007, Sovereign signed an agreement with Fusion Resources Limited ("Fusion"), to farmin to the Tate River Gold Project in Northern Queensland. The agreement provided for Sovereign to spend $50,000 to review the Tate River Gold Project within a two month period, following which it can elect to farmin to a joint venture with Fusion on the following terms:

a. Earn 50% by spending $1.45 million over two years;
b. Earn an additional 15% by spending a further $1 million over 18 months; and
c. Earn an additional 10% by spending a further $0.5 million over 12 months.

Fusion may elect to maintain its interest at each stage of the farmin once Sovereign has earned a 50% interest.

Sovereign made the election to farmin on the above terms on 7 September 2007.

(ii) Following shareholder approval at a general meeting held on 24 August 2007 the Company granted the following unlisted options to Directors and employees of the Company:

a. 1,250,000 $0.35 Incentive Options expiring on 30 June 2009;
b. 1,775,000 $0.50 Incentive Options expiring on 31 December 2009; and
c. 2,525,000 $0.65 Incentive Options expiring on 30 November 2010;

Further details of the Incentive Options are included in Note 4.

(iii) Appointed Dr Timothy Baker as the Company's Exploration Manager.

Operating Results

The net operating loss after tax for the half-year ended 31 December 2007 was $1,724,836 (20 January 2007: $416,590). This loss is largely attributable to:

(i) The Consolidated Entity's accounting policy of expensing exploration and evaluation expenditure incurred by the Consolidated Entity subsequent to the acquisition of the rights to explore and up to the commencement of feasibility studies. During the half-year ended 31 December 2007, exploration expenditure totalled $1,376,031 (including non-cash share-based payment expenses of $245,660); and

DIRECTORS' REPORT (CONTINUED)

Operating Results (continued)

(ii) The Consolidated Entity's accounting policy of expensing the value (determined using the Black-Scholes option pricing model) of share options granted to Directors, employees, consultants and other advisors. The value is measured at grant date and recognised over the period during which the option holders become unconditionally entitled to the options. During the half-year ended 31 December 2007, non-cash share-based payment expenses (that were not classified as exploration costs) totalled $99,090.

It is noted that all of the options granted to Directors, employees, consultants and other advisors during the half-year had exercise prices above the respective share price of Sovereign at the time that the options were agreed to be granted.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Pitcher Partners, to provide the directors of Sovereign Metals Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page 16 and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors.

Peter Woodman
Managing Director
Perth, 7 March 2008

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Peter Woodman, who is a member Australian Institute of Mining and Metallurgy. Mr Woodman is an employee of Sovereign Metals Limited. Mr Woodman has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Woodman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Sovereign Metals Limited, I state that:

In the opinion of the Directors:

(a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

    (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and

    (ii) section 305 (true and fair view); and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Peter Woodman
Managing Director

Perth, 7 March 2008

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-year ended 31 Dec 2007 $	Half-Year Ended 20 Jan 2007 $
Revenue	**211,023**	**21,841**
Total revenue	**211,023**	**21,841**
Expenses		
Exploration and evaluation expenses	(1,376,031)	(297,092)
Business development expenses	(14,426)	(5,412)
Corporate and administrative expenses	(545,402)	(135,927)
Loss before income tax	**(1,724,836)**	**(416,590)**
Income tax expense	-	-
Loss for the period	**(1,724,836)**	**(416,590)**
Loss per share		
Basic loss per share (cents per share)	(4.46 cents)	(11.6 cents)
Diluted loss per share (cents per share)	(4.46 cents)	(11.6 cents)

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	31 Dec 2007	30 Jun 2007
		$	$
Current Assets			
Cash and cash equivalents		4,606,530	6,163,065
Trade and other receivables		111,147	33,336
Total Current Assets		4,717,677	6,196,401
Non-current Assets			
Property, plant and equipment		154,292	66,514
Exploration and evaluation assets		1,273,000	1,273,000
Total Non-current Assets		1,427,292	1,339,514
TOTAL ASSETS		6,144,969	7,535,915
Current Liabilities			
Trade and other payables		82,402	125,288
Provisions		28,288	5,006
Total Current Liabilities		110,690	130,294
TOTAL LIABILITIES		110,690	130,294
NET ASSETS		**6,034,279**	**7,405,621**
EQUITY			
Issued capital	4(a)	7,557,592	7,548,848
Reserves	4(b)	887,500	542,750
Accumulated losses		(2,410,813)	(685,977)
TOTAL EQUITY		**6,034,279**	**7,405,621**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 20 July 2006	**-**	**-**	**-**	**-**
Net loss for the period	-	-	(416,590)	(416,590)
Total recognised income and expense for the period	**-**	**-**	**(416,590)**	**(416,590)**
Issue of securities	7,720,502	542,750	-	8,263,252
Share issue costs	(146,254)	-	-	(146,254)
Balance at 20 January 2007	**7,574,248**	**542,750**	**(416,590)**	**7,700,408**
Balance at 1 July 2007	**7,548,848**	**542,750**	**(685,977)**	**7,405,621**
Net loss for the period	-	-	(1,724,836)	(1,724,836)
Total recognised income and expense for the period	**-**	**-**	**(1,724,836)**	**(1,724,836)**
Issue of securities	8,744	-	-	8,744
Share based payments	-	344,750	-	344,750
Balance at 31 December 2007	**7,557,592**	**887,500**	**(2,410,813)**	**6,034,279**

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-year Ended 31 Dec 2007 $	Half-Year Ended 20 Jan 2007 $
Cash flows from operating activities		
Payments to suppliers and employees	(1,690,303)	(666)
Refunds of GST received	56,406	-
Interest received	175,061	21,841
Net cash (used in)/ from operating activities	**(1,458,836)**	**21,175**
Cash flows from investing activities		
Payments for purchase of plant and equipment	(106,443)	-
Net cash used in investing activities	**(106,443)**	**-**
Cash flows from financing activities		
Proceeds from issue of shares	8,744	6,720,000
Net cash from financing activities	**8,744**	**6,720,000**
Net increase in cash and cash equivalents	**(1,556,535)**	**6,741,175**
Cash and cash equivalents at the beginning of the period	6,163,065	-
Cash and cash equivalents at the end of the period	**4,606,530**	**6,741,175**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Sovereign Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report was approved by the Board of Directors on 7 March 2008.

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report have been consistently applied to all the periods presented, unless otherwise stated.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

The comparative information in this financial report is for the six month period from the date of incorporation of 20 July 2006 to 20 January 2007.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007.

2. SEGMENT INFORMATION

The Company operates predominantly in one industry, the copper / gold exploration industry, and in one geographic location, namely Australia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

3. EXPLORATION AND EVALUATION ASSETS

The Company has mineral exploration costs carried forward in respect of the following area of interest:

	Consolidated 31 Dec 2007 $	Consolidated 30 Jun 2007 $
(a) Area of interest:		
Cloncurry-Mount Isa	1,273,000	1,273,000
	1,273,000	1,273,000
(b) Reconciliation:		
Opening carrying amount	1,273,000	-
Acquisition of mineral rights from Fusion Resources Limited:		
Consideration – 5,000,000 Ordinary Shares	-	1,000,000
– 2,500 Convertible Preference Shares	-	500
– 2,500,000 $0.20 Unlisted Options	-	272,500
Closing carrying amount	1,273,000	1,273,000

4. EQUITY SECURITIES ISSUED

	Consolidated 31 Dec 2007 $	Consolidated 30 Jun 2007 $
(a) Issued and paid up capital:		
38,690,237 (30 June 2007: 38,646,517) fully paid ordinary shares	7,557,092	7,548,348
2,500 (30 June 2007: 2,500) preference shares	500	500
	7,557,592	**7,548,848**
(b) Reserves:		
16,709,747 (30 June 2007: 16,749,467) listed $0.20 options	**-**	**-**
Share Based Payment Reserve		
4,250,000 (30 June 2007: 4,250,000) unlisted $0.20 options	463,250	463,250
750,000 (30 June 2007: 750,000) unlisted $0.25 options	79,500	79,500
1,250,000 (30 June 2007: nil) unlisted $0.35 options	160,000	-
1,775,000 (30 June 2007: nil) unlisted $0.50 options	96,088	-
2,525,000 (30 June 2007: nil) unlisted $0.65 options	88,662	-
	887,500	542,750
Total Reserves	**887,500**	**542,750**

(c) Movements in ordinary share capital were as follows:-

Date	Details	Number of Shares	Issue Price $	$
<u>**Half-year ended 31 December 2007**</u>				
1 July 07	**Opening balance**	**38,646,517**		**7,548,348**
	Exercise of options	43,720	0.20	8,744
31 Dec 07	**Closing Balance**	**38,690,237**		**7,557,092**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

4. EQUITY SECURITIES ISSUED (CONTINUED)

(d) Movements in convertible preference shares were as follows:-

Half-year ended 31 December 2007

There was no movement in convertible preference shares during the half-year ended 31 December 2007.

(e) Movements in options were as follows:-

Date	Details	Notes	Number of $0.20 Listed Options	Number of $0.20 Unlisted Options	Number of $0.25 Unlisted Options	Number of $0.35 Unlisted Options	Number of $0.50 Unlisted Options	Number of $0.65 Unlisted Options	Fair value $	$
Half-year ended 31 December 2007										
1 July 07	**Opening balance**		**16,753,467**	**4,250,000**	**750,000**	**-**	**-**	**-**		**542,750**
	Exercise of options		(43,720)	-	-	-	-	-	-	-
24 Aug 07	Issue of incentive options	(i)								
	- Peter Woodman	(ii)	-	-	-	750,000	-	-	0.128	96,000
			-	-	-	-	750,000	-	0.120	44,654
			-	-	-	-	-	1,500,000	0.132	57,527
	- Daniel Johnson	(iii)	-	-	-	500,000	-	-	0.128	64,000
			-	-	-	-	500,000	-	0.120	29,097
			-	-	-	-	-	500,000	0.132	18,920
	- Employees	(iv)	-	-	-	-	525,000	-	0.120	22,337
			-	-	-	-	-	525,000	0.132	12,215
31 Dec 07	**Closing Balance**		**16,709,747**	**4,250,000**	**750,000**	**1,250,000**	**1,775,000**	**2,525,000**		**887,500**

Notes

(i) Incentive options granted to certain directors, key employees and consultants of the Company following shareholder approval in accordance with Employment Agreements. The fair value is recognised over the period during which the option holders become unconditionally entitled to the options (ie the date of vesting of the options), the latest date for which is 24 September 2009. The associated expense has been included in corporate and administrative expenses in the income statement.

(ii) Following shareholder approval at a general meeting held on 24 August 2007 the Company granted the following unlisted options to Mr Peter Woodman, Managing Director:
a. 750,000 $0.35 Incentive Options expiring on 30 June 2009;
b. 750,000 $0.50 Incentive Options expiring on 31 December 2009 (vesting after 12 months service); and
c. 1,500,000 $0.65 Incentive Options expiring on 30 November 2010 (vesting after 18 months service);

(iii) Following shareholder approval at a general meeting held on 24 August 2007 the Company granted the following unlisted options to Mr Daniel Johnson, Executive Director:
a. 500,000 $0.35 Incentive Options expiring on 30 June 2009;
b. 500,000 $0.50 Incentive Options expiring on 31 December 2009 (vesting after 12 months service); and
c. 500,000 $0.65 Incentive Options expiring on 30 November 2010 (vesting after 18 months service);

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

4. EQUITY SECURITIES ISSUED (CONTINUED)

Notes (continued)

(iv) Following shareholder approval at a general meeting held on 24 August 2007 the Company granted the following unlisted options to key employees and consultants:
a. 525,000 $0.50 Incentive Options expiring on 31 December 2009; and
b. 525,000 $0.65 Incentive Options expiring on 30 November 2010.

5. CONTROLLED ENTITIES

Controlled entities are included in the consolidated financial statements. The parent entity does not guarantee to pay the deficiency of its controlled entity in the event of a winding up of the controlled entity. The financial year-end of the controlled entity is the same as that of the parent entity.

Name of controlled entity	Place of incorporation	% of Shares held 31 Dec 2007	% of Shares held 30 Jun 2007
Sovereign Cloncurry Pty Ltd	Australia	100	100

6. CONTINGENT ASSETS AND LIABILITIES

At the last annual reporting date, the Consolidated Entity did not have any contingent liabilities. There has been no material change in contingent assets and liabilities of the Consolidated Entity during the half year.

7. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half-year.

8. SUBSEQUENT EVENTS AFTER BALANCE DATE

There were no significant events occurring after balance date requiring disclosure.

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Sovereign Metals Limited

In relation to the half-year independent auditor's review for the six months to 31 December 2007, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the Corporations Act 2001

(ii) No contraventions of any applicable code of professional conduct

Pitcher Partners

PITCHER PARTNERS
Perth

Nicholas Hollens

NICHOLAS HOLLENS
Date 7 March 2008

PITCHER PARTNERS

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF SOVEREIGN METALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sovereign Metals Limited. The half-year financial report comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, for the company and the entities it controlled at the half-year or from time to time during the period, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Sovereign Metals Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sovereign Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

PITCHER PARTNERS

INDEPENDENT REVIEW REPORT cont'd
TO THE MEMBERS OF SOVEREIGN METALS LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sovereign Metals Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Pitcher Partners
PITCHER PARTNERS
Perth

Nicholas Hollens
NICHOLAS HOLLENS
Date 7 March 2008