Quarterly Activities Report – March 2013

SOVEREIGN GOLD COMPANY LIMITED
Sovereign Gold Company Limited
ACN 145 184 667

Level 2, 131 Macquarie Street
Sydney NSW 2000
Tel: +61 2 9251 7177
Fax: +61 2 9251 7500

Contact
Michael Leu CEO

email: mleu@sovereigngold.com.au

Latest News
www.sovereigngold.com.au

Directors / Officers
John Dawkins AO
Michael Leu
Peter Meers
Jacob Rebek

ASX Symbol: SOC

Sovereign Gold Company is exploring for large Intrusion-Related Gold Systems in New South Wales.

Sovereign Gold's project area covers over 2,650 square kilometres.

The principal 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 sources.

Precious Metal Resources Ltd (ASX: PMR)

Sovereign Gold holds an 81.26% interest in 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.

Additionally, PMR has identified a potential large SEDEX deposit under the Halls Peak project area.

This quarterly operations report is dated 30th April 2013 and is for the three months ending 31st March 2013.

- Sovereign Gold acquired 93.91% of Gossan Hill Gold Ltd for cash and scrip for a total value of $657,344
- Gossan Hill has provided Sovereign with a JORC resource of 239k oz Gold and further multi-million oz gold potential
- Placement of 2.5 million shares at 20 cents per share to sophisticated, eligible and / or professional investors raising $500,000 before costs
- Sovereign Gold maintained its equity position of 81.2% in Precious Metal Resources Limited (Appendix A)
- SUGEC provides deep diamond drill rig (800 metres (HQ-NQ) downhole capacity

Gossan Hill Offer

Sovereign Gold closed its offer to acquire the issued capital of Gossan Hill Gold Limited (**Gossan Hill**) having received 93.91% acceptances for its offer. Sovereign Gold issued 1,878,125 of its shares plus cash of $187,813 as consideration for this transaction. Settlement was effected in April 2013.

Gossan Hill is an unlisted exploration company with numerous gold prospects in New South Wales.

The acquisition of Gossan Hill provides multiple benefits for the Company, including an expanded exploration footprint in New South Wales with an additional three quality project areas within 8 Exploration Licences.

Previous exploration has indicated significant resource upside at the Gossan Hill properties and in particular, the Hobbs Deposit should enable Sovereign Gold to rapidly deliver resource growth and leverage off its experience exploring for IRGS in New South Wales.

Gossan Hill principal prospects

The Gossan Hill prospects are all in New South Wales, centred on known gold occurrences, some with historic production. The prospects contain more than 20 individual quality targets to be tested.

Mt Adrah – Mt Adrah is believed to belong to the intrusion-related gold deposit category. It lies on the Gilmore Suture, north west of the old gold mining centre of Adelong. Mineralisation in the deposit is open at depth below 315m, and there are a number of near-by prospects yet to be tested by drilling for additional mineralisation of this type.

Bauloora – Potential large, untested low sulphidation epithermal gold mineralised system near Cootamundra. Drilling and detailed geological mapping are planned to test this prospect.

Peel Fault – East of Barraba in the New England district: a recent discovery of near-surface gold mineralisation in altered rocks in and adjacent to the fault zone, prospective for orogenic and intrusion-related gold mineralisation along the fault and covered by an extensive tenement holding.

Acquisition Provides Maiden 239k oz Gold JORC Resource[1]

The benefits of the acquisition of Gossan Hill provide an expanded exploration footprint in New South Wales with an additional three quality project areas within 8 Exploration Licences. This includes the Hobbs Deposit at Mt Adrah, which contains a JORC resource of 239,000 ounces Au at 1.13g/t Au to a depth of 120m at a cut-off of 0.5g/t Au. Metallurgical test work has shown gold recoveries of 92%.

[1] ASX: 13 March 2013

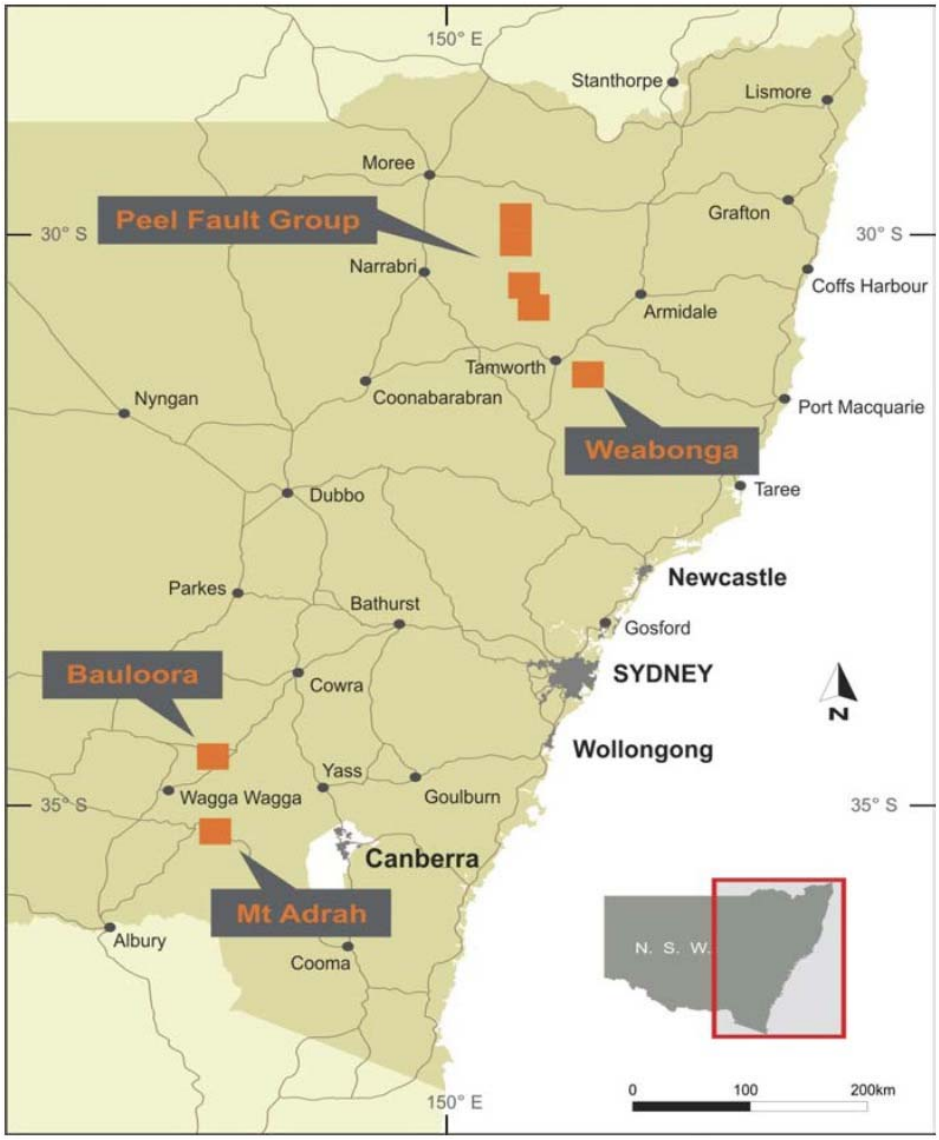


Figure 1 – Gossan Hill Project Areas (includes Weabonga, under application by Sovereign Gold)

Development of Exploration Target - Mt Adrah multi-million oz gold potential[2]

Sovereign Gold's principal geologists, Michael Leu and Jacob Rebek conducted an extensive review of the Mt Adrah Hobbs Gold Deposit (EL 6372) (acquired through the Gossan takeover) and have developed an initial exploration target of 1.5–2.5 million ounces with a grade range 1.13–1.45 g/t contained in 41.2–53.6 million tonnes [ET], based on a comparison of the Hobbs deposit to Rio Tinto's North Parkes mine.

The Hobbs deposit is believed to share similar geology of sub-cylindrical sub-vertical pipes such as Endeavour 26 North (see figures below).

The Hobbs Gold Deposit is located at a major dilational site along the Gilmore Suture. Several world scale porphyry gold mines are associated with splay structures off the Gilmore Suture such as the multi-million ounce North Parkes, Cadia and Ridgeway gold mines.

Exploration Targets:

The potential quantity and grade of exploration targets is conceptual in nature. There has been insufficient exploration to define a Mineral Resource (other than the 239k Inferred JORC resource previously declared, ASX: 13 March 2013) and it is uncertain if further exploration will result in the determination of a Mineral Resource.

[2] ASX: 18, March, 20 March and 11 April 2013

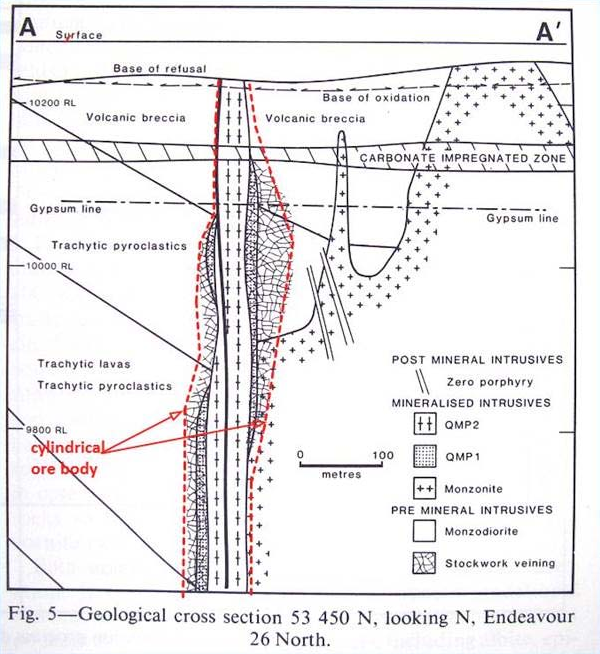
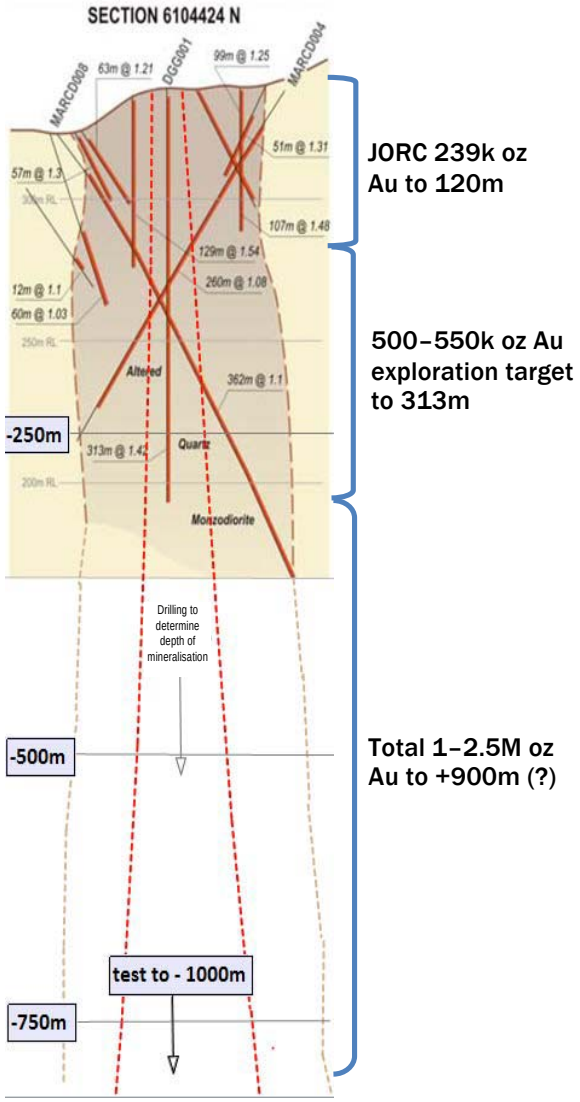


Fig. 5—Geological cross section 53 450 N, looking N, Endeavour 26 North.

Rio Tinto's Endeavour 26 North, vertical cylindrical mineralised intrusive bodies extend vertically for more than 1,000m.



Hobbs Deposit Conceptual Target – known mineralisation extends to 350m.

Diamond drilling program commenced[3]

Sovereign Gold commenced drilling at Melvaines Mine. Sovereign Gold is testing new gold targets to further prove the existence of multiple Martins Shaft-Style gold lodes in the large Intrusion-Related Gold System (**IRGS**) in New South Wales.

The gold mineralisation recently discovered at Martins Shaft is significant as this style of mineralisation was predicted from the application of Sovereign Gold's IRGS Model. The mineralisation at both Melvaines Mine and Martins Shaft comprise 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.

Melvaines Mine is located 4.3km southeast of Martins Shaft, further confirming the large scale of the Rocky River-Uralla Goldfield IRGS.

[3] ASX: 7 February 2013

Regional Exploration Continues

Sovereign Gold's JV partner SUGEC has supplied a deep (800 metres) drilling diamond rig to continue on from the successful shallow scouting drilling program on the newly discovered 730 metre long gold-bearing structure on EL 7491 that confirmed discovery of large-scale Martins Shaft-style gold mineralisation.

These holes have proved the existence of both high grade (up to 12.35g/t Au) and wide (12 metres downhole) gold mineralisation at shallow depths ideal for open-cut.

Sovereign drilling will systematically focus on multiple mineralisation 'plays' including 15 identified prospective gold lodes, 36 geophysical anomalies and several geochemical anomalies.

Drilling is the most effective way to add value to Sovereign Gold's large IRGS asset. Sovereign Gold owns a drill rig and is able to conduct rapid, low cost drilling around 30% of the contracted rate. Through being self-sufficient, Sovereign Gold substantially reduces costs of drilling whilst expediting rapid mobilization between target sites.

Drilling Confirms Large Martins Shaft-style Gold Lode[4]

Four shallow holes in a 0.73 kilometre (730 metre) long gold-bearing structure confirmed discovery of large-scale Martins Shaft-style gold mineralisation. The holes have proved the existence of both high grade - up to 12.35 g/t Au (gold) - and wide (12 metres downhole) gold mineralisation at shallow depths ideal for open-cut; 2.72 g/t Au over 5m from 7-12m downhole including 7.8 g/t Au over 1m and 12.35 g/t Au over 0.5m; 1.07 g/t Au over 12m from 3-15m downhole including 4.93 g/t over 0.6m; 129.6 g/t Ag (silver) over 0.72m from 13.60-14.32 metres downhole including 453 g/t Ag (14.6 ounces) over 0.2m.

The gold mineralisation occurs within the same large felsic dyke system hosting Martins Shaft. It is situated 2.7km north-west of Martins Shaft and supports Sovereign Gold's target model of several satellite mineralised zones of 50,000 to 100,000^{ET} ounces Au along the mineralised structures in the field, with a global target of hosting 0.5 – 2 Moz^{ET} Au.

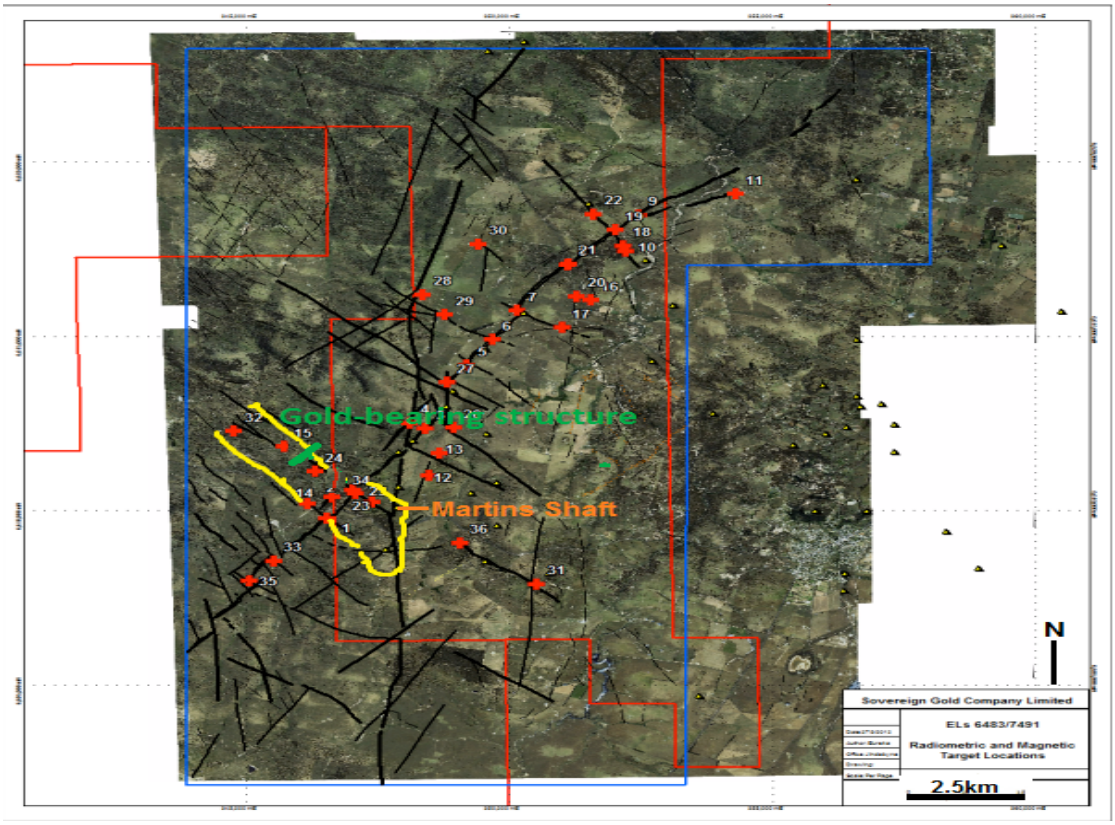


Figure 2: Location of Martins Shaft Gold lode within the large NW trending dyke (yellow outline) that extends 3.7km along strike and in places is over 1km wide. Future discoveries like that reported herein are expected.

The green line show location of the 730 metre long gold-bearing structure currently being drilled. Also shown are the locations of all 36 geophysical targets (✚) over satellite image in EL 6483 and EL 7491.
Major interpreted structures (potential gold-bearing fluid conduits) are indicated by black lines; historical gold mines/prospects are designated by yellow triangles (▲).

[4] ASX: 30 January 2013

Sovereign secures high grade Highland Mary Mine – average grade of 100g/t gold[5]

Sovereign Gold has received an offer of grant for a new Exploration Licence (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 and development.

ELA 4645 encompasses all of the historic exploration licence (**EL**) EL6620 in addition to some 288 km² of additional ground. Historical reports record that the Highland Mary mine at Weabonga shut down in 1916 in ore grading 3 oz/t at a depth of 110m, having produced 171kg of gold from about 1700 tonnes of ore (an average grade of 100g/t gold). Sampling of mullock dumps at the Rainbow workings at Weabonga returned two bonanza grade gold results (50g/t and 32g/t gold).

Significant past exploration expenditure has defined drill target areas.

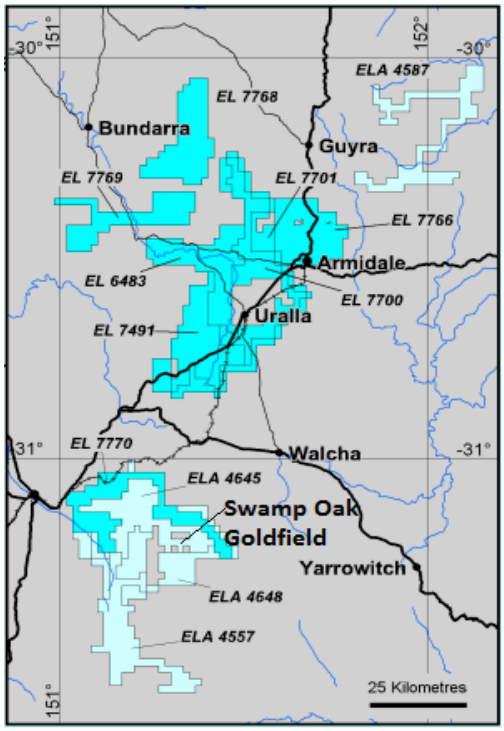


Figure 3: Swamp Oak Goldfield within ELA 4645 in relation to Sovereign Gold's portfolio of ELs and ELAs.

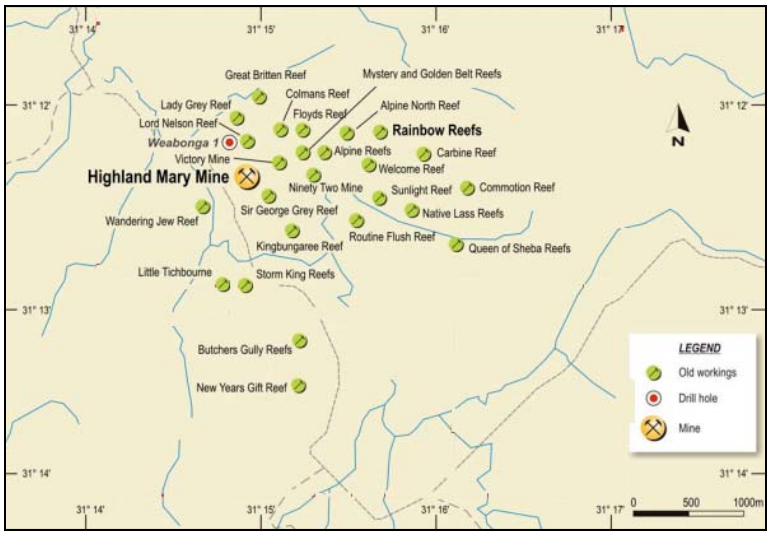
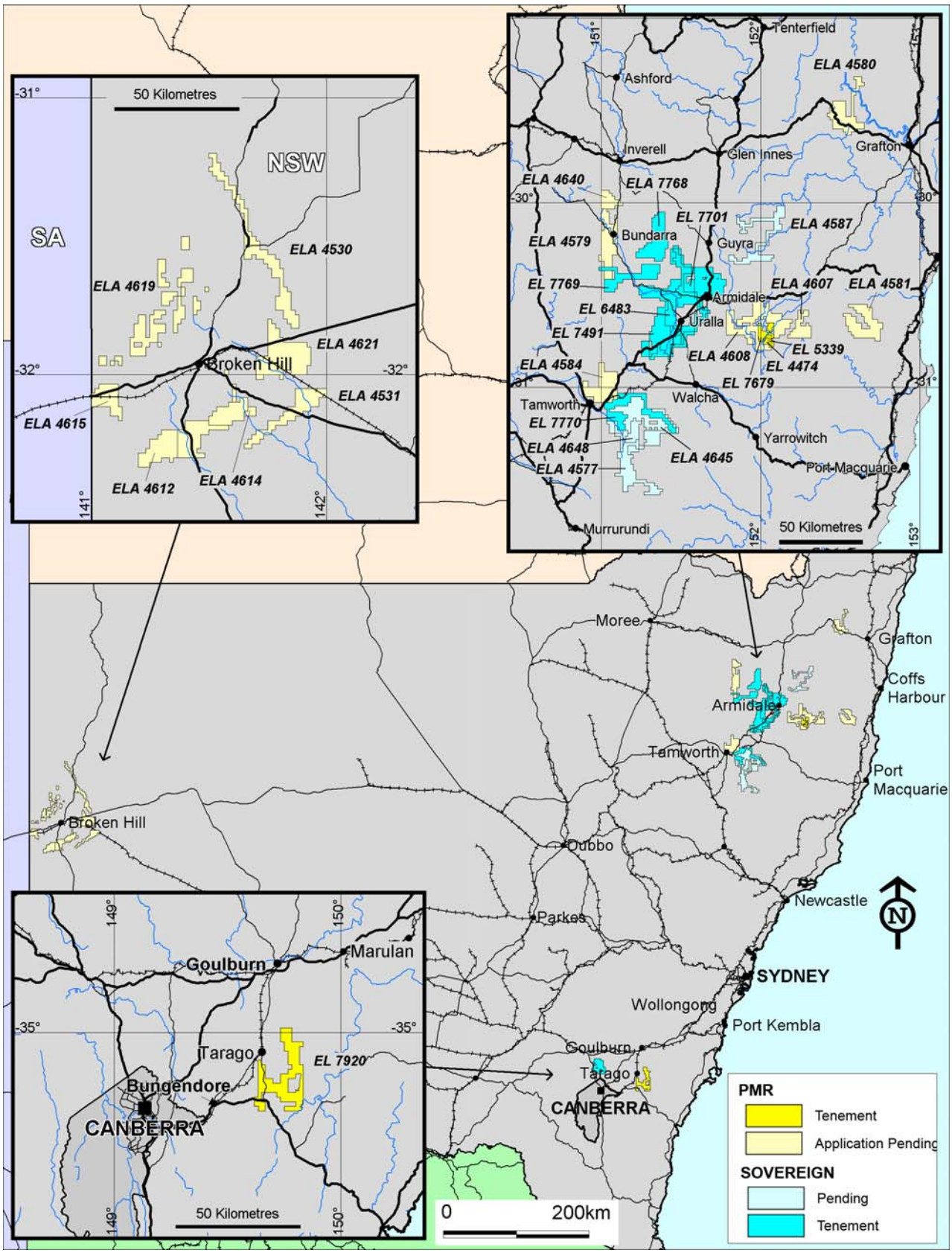


Figure 4: Weabonga area, Old Workings Locations in Swamp Oak Goldfield, including Highland Mary Mine and Rainbow Reefs

[5] ASX: 24 January 2013



Sovereign Gold and PMR Tenement Portfolio

Qualifying Statements

The information in this Report that relates to Exploration Information (other than the Gossan Hill Prospects) is based on information compiled by Michael Leu who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

Mr Leu is a qualified geologist and is a director of Sovereign Gold Company Limited.

Mr Leu 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 Resources. Mr Leu consents to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Qualifying Statements

The information in this Report that relates to Exploration Information relating to the Gossan Hill Prospects is based on information compiled by Michael Leu and Jacob Rebek who are members of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists together with Dr Andrew White, a Fellow of the Australian Institute of Geoscientists.

Mr Leu and Jacob Rebek are qualified geologist and are directors of Sovereign Gold Company Limited.

Dr White is a director of Gossan Hill Gold Limited.

Mr Leu, Jacob Rebek and Dr White have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources. They consent to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

JORC Code Compliant Public Reports

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

The source of these summaries is identified in this Quarterly Operations Report. The Code-compliant Public Reports or Public Reporting on which the summaries are based can be viewed on the ASX and the Company's website (www.sovereigngold.com.au) and the Company will provide these reports, free of charge, to any person who requests it.

References to Mines refer to geographical names, and no inference should be made that Sovereign Gold is operating any mines at this stage of its development.

True Widths

Downhole length, true width not known. All drill intersections are stated as downhole lengths, true width not yet determined.

Exploration Target Statements

The potential quality and grade is conceptual in nature, that there has been insufficient exploration to define full Mineral Resources and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Appendix A – Precious Metal Resources Limited (82.16%)

14.29 km² potential SEDEX deposit identified

During the March quarter, PMR received final processing and interpretation of the helicopter VTEM survey conducted over the Halls Peak tenements (EL 5339, EL 4474 and EL 7679) in 2012.

Four target types were identified:

- Large flat laying conductors which may represent flat lying sulphide bearing beds
- Vertical vent zones from depth located on faults and possibly copper bearing
- Point magnetic anomalies which are very conductive
- Surficial anomalies

Significant of these are the flat laying conductors, which may represent a major stratiform Zn-Pb-Ag deposit, generally classified as sedimentary exhalative (SEDEX) deposits (Figure 1).

Global SEDEX deposits include:

- Red Sea base metals (20 km²)
- Greenland Zinc deposits (6 km²)

Australian SEDEX deposits include:

- McArthur River (227 Mt)
- Mt Isa (150 Mt)
- Hilton (120 Mt)
- George Fisher (108 Mt)

The deep VTEM conductors at Halls Peak may be produced by highly mineralised zinc-lead-silver-copper lenses similar to those occurring in typical northern Australian SEDEX mineralised systems. These systems include world-class base metal mines including Mt Isa, McArthur River and Cannington.

The setting of the former mines at Halls Peak is shown in brown on Figure 1, where they clearly occur in the uppermost part of the mineralising SEDEX system. The high grade zinc-lead-silver lenses common in the lower parts of such systems would be expected to occur at much greater depth than these former mines and past drill holes, and are shown in red. The mineralisation model shown was produced in 2005 by an in-depth study of the SEDEX systems of northern Australia.

Past drilling and mining at Halls Peak has been too shallow to reach these high-grade lenses if they are present, instead intersecting either less mineralised beds within the overlying black shales, or high grade near surface mineralised fractures extending upwards from the deeper lenses. Such fractures may be produced by later mobilisation of earlier deposited and deeper mineralisation.

The copper-lead-zinc-silver mineralisation previously mined at Gibsons Mine, Faints Mine and bulk sampled by BHP at Khans Creek may represent such younger mineralisation.

Lower grade base metals lenses drilled and recently re-assayed by the company in the upper part of the Halls Peak SEDEX system are consistent with earlier and perhaps richer base metal lenses being present at depth.

PMR's VTEM survey at Halls Peak has shown a deep conductive zone in the deepest part of the Halls Peak SEDEX system where high-grade lenses are expected to occur (see Figure 2). This is consistent with this deep conductor being produced by base metal mineralisation.

SEDEX base metal deposits are formed when fluids carrying high concentrations of lead-zinc-silver-copper flow up large fractures (faults) in the earth and deposit their metals on the sides of these fractures and as fine crystals within the sea water. These crystals then settle on the sea floor as metal rich beds (bedded sulphides). They commonly conduct electricity, and are detected as conductive zones by a VTEM survey.

The conductive zones recorded at depths of around 400 metres by the VTEM helicopter survey extend beneath at least 14 square kilometres of the base metal field. The extent of the McArthur River SEDEX system, (Figure 2) confirms that this is the scale on which these systems develop. Although Halls Peak is geologically younger than the northern Australian systems, it appears to be comparable in extent, and the presence of base metals in its upper parts confirms the potential for similar deposits at depth.

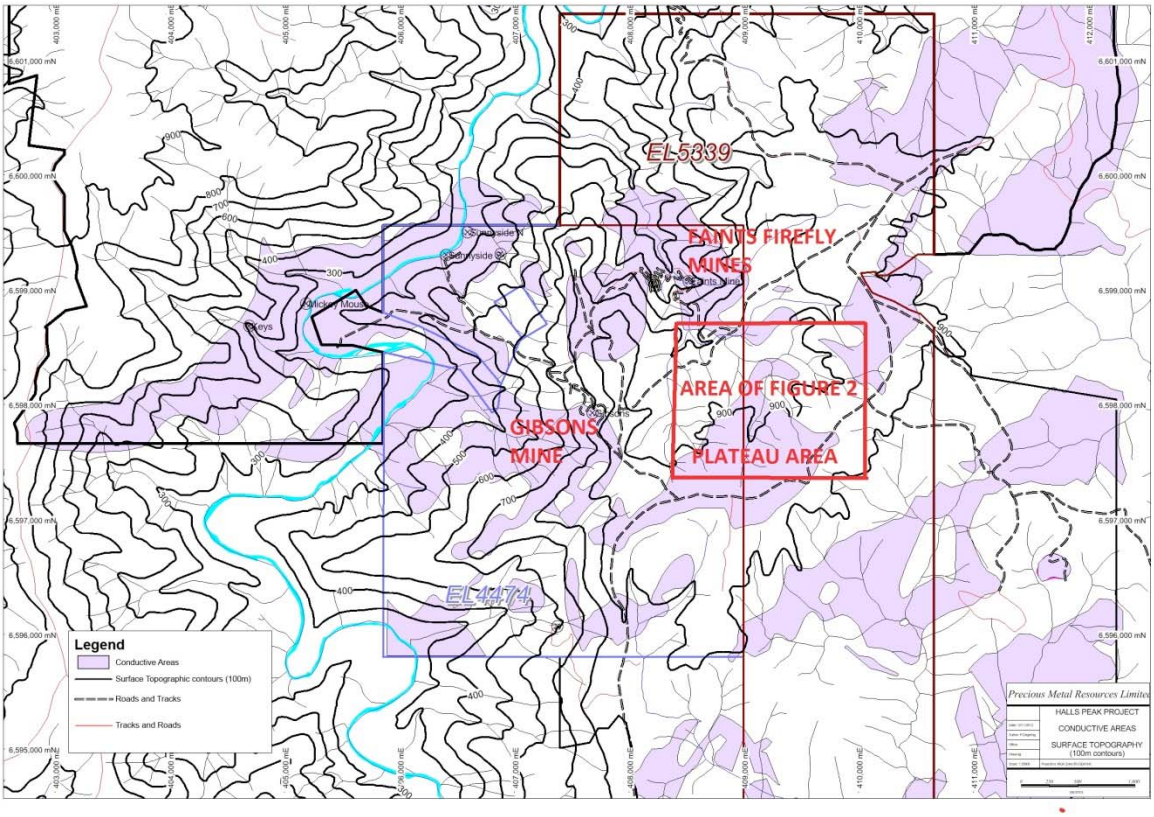


Figure 1. Location map, showing extent of conductive horizon measuring 14.29 km^2 in purple

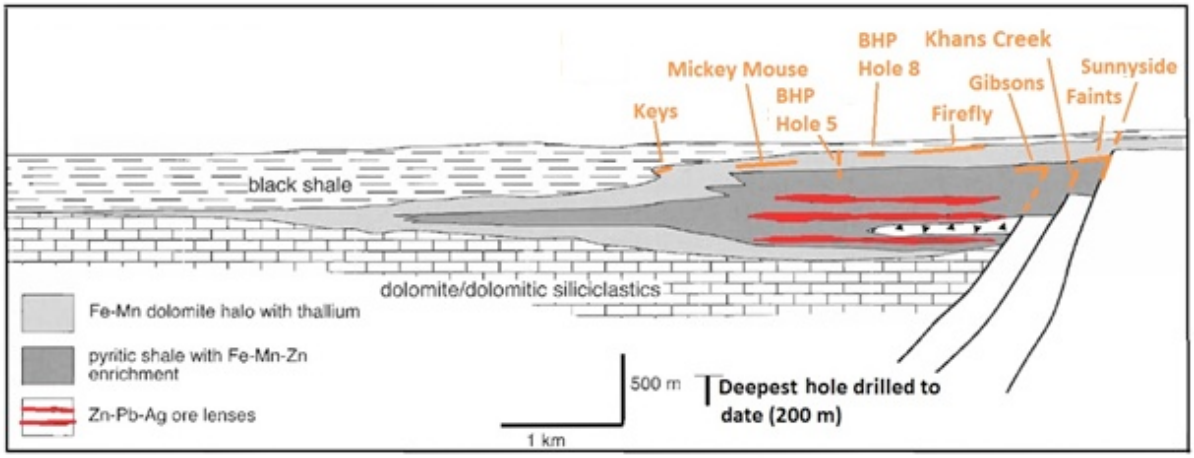


Figure 2. Setting of Halls Peak Mineralisation in a Typical Northern Australian SEDEX System – Schematic geologic cross section of a typical Proterozoic northern Australian stratiform Zn-Pb-Ag deposit, showing stacked mineral lenses and the related carbonate alteration halo adjacent to a synsedimentary fault system that focused metalliferous brine upflow.

It is clear that only shallower and less conductive base metal beds and veins were drilled at Halls Peak by past explorers. The deepest hole to date went to 200 metres and its inadequacy to evaluate the deeply buried parts of these SEDEX mineralised system is shown on Figure 1. It was obviously inadequate to test the conductive beds identified during the VTEM survey. Holes of at least 400 metres will be necessary.

A comparison of the typical SEDEX system above with the results obtained at Halls Peak by the VTEM survey below, demonstrates close similarities:

- Conductive red zones at the base of the VTEM (figure 3) may represent vent zones with mineralisation on rock fractures (faults) within the vent.
- The horizontal red zone on the VTEM possibly represents the zinc-lead-silver lenses shown on the model above.

- The non-conductive overlying blue zones on the VTEM include black shales with low grade mineralisation in parts, and are similar to "pyritic shale with Fe-Mn-Zn enrichment" on figure 2.

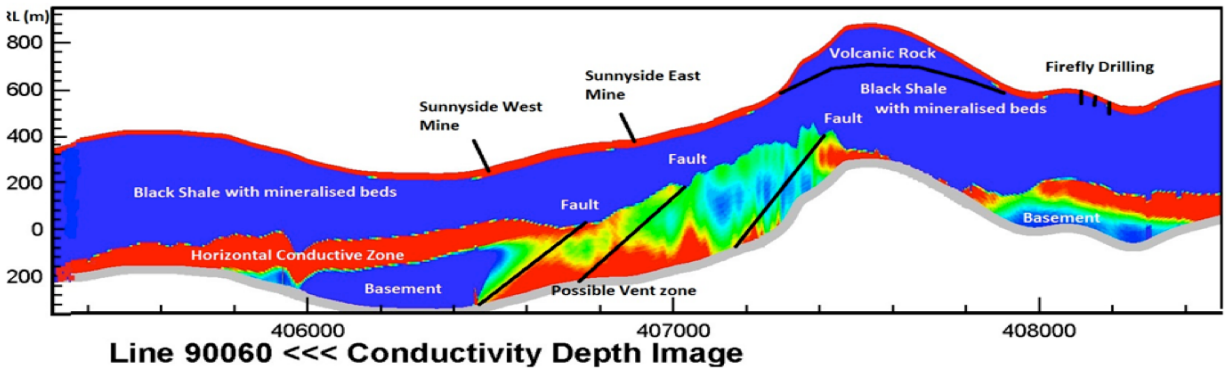
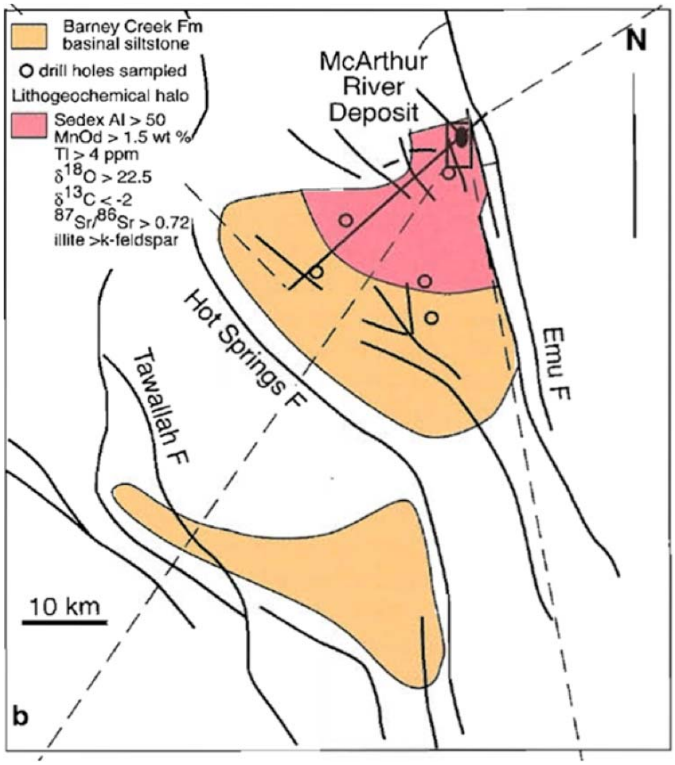


Figure 3. VTEM Section at Halls Peak, showing comparison with a Typical Northern Australian SEDEX System.

The occurrence of the Halls Peak SEDEX system is also similar to those in northern Australia. A comparison of mapped anomalies at Halls Peak with the SEDEX system containing the world class McArthur River deposit in the Northern Territory is shown below:



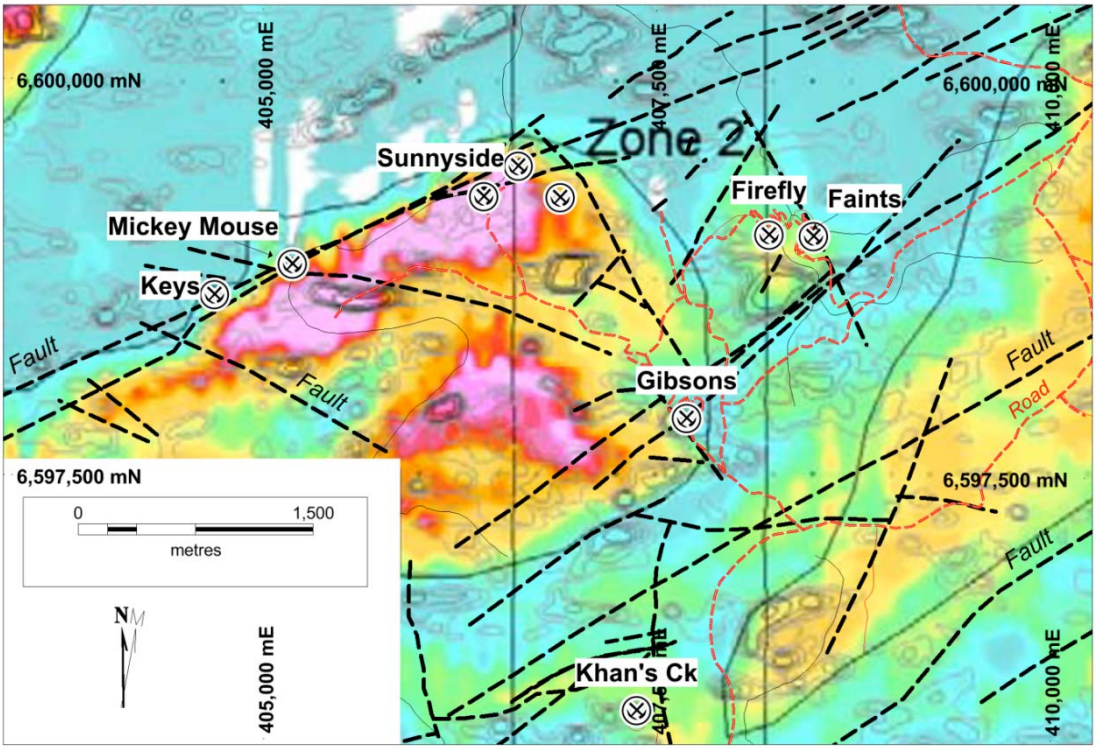


Figure 4. Comparison of McArthur River SEDEX System[Error! Bookmark not defined.] (upper figure in pink), and Halls Peak Interpreted SEDEX System (lower figure in red and yellow).

- The McArthur River SEDEX system in the Northern Territory is world class (pre-JORC geologic resource of 227 million tonnes at 9.2% zinc, 3.1% lead, 0.2% copper and 41 g/t silver). Mineralisation in the deeper parts of the Halls Peak SEDEX system is untested.
- Both are confined to a depressed area between major faults.
- The location of the former mines at Halls Peak on or near major faults suggests the mineralising fluids were vented from the faults.
- At McArthur River the base metals originate from a main vent zone located on the intersection of two major faults. At Halls Peak the conductors deepen towards the Sunnyside area, consistent with a similar vent on the intersection of mineralising faults.

Halls Peak was recognised as a SEDEX province in 2006 by Greg McKelvey, retired Vice President Exploration South America, Phelps Dodge Mining Co., USA. He concluded, "Halls Peak, known since 1896, is a classic Sed Ex massive sulphide system with potential to discover a large, Mt Isa sized deposit". "Mineralisation is in a large Sedimentary Exhalative System over 30 sq. km".

The VTEM survey was proposed by PMR to confirm the nature, extent and economic potential of this system and has located conductors which are consistent with the SEDEX model, supporting McKelvey's conclusions.

Exploration Licences 4474, and 5339 are each subject to cooperation and investment agreements with Jiangsu Geology and Engineering Co. Ltd. (**SUGEC**) of Nanjing China to contribute $4 million toward exploration on both EL 4474 and EL 5339. This is in addition to $2 million exploration funding which is well underway on the adjacent EL 7679, and under which the VTEM survey on this EL was carried out.

BHP data supports SEDEX hypothesis on PMR tenements (ASX 22 February 2013)

Fractures up which base metal bearing fluids have vented were shown by BHP drilling in 1969 to carry anomalous values of base metal mineralisation. This suggests that the conductive horizon, shown on the recent VTEM survey is present at a depth of 500 metres beneath the drill hole (figure 5), is a source of these base metals.

One such fracture was penetrated by hole BHP PDH 5, and cuttings from between 48 and 49 metres carried 0.2% zinc, 0.1% Copper and 0.1% lead within a 4 metre zone of anomalous mineralisation.

The spread of the base metals onto the surrounding sea floor is evidenced by two other drill holes, one also drilled by BHP in 1974, and the other by CRA in 1979. Both were located less than a kilometre from the fracture which vented the mineralisation and both terminated in pyrite-bearing black shales carrying anomalous base metals.

CRA's comments on these results were: "This drill hole shows a typical mineral zoning which might be expected above a base metal massive sulphide lens." (GS1979/142).

The nearby cored hole, CRA 78 HPC 1, penetrated pyritic mudstone (pyrite content estimated between 0.5 and 7%) over 36.4 metres, continuing from 83.5 metres to the base of the hole.

This zone, and the mineralisation intersected at the base of BHP PDH 8, may be represented on the Resistivity Depth Image (Figure 5) by the broad zone of yellow colour at shallow depth. This is apparently lying above the red conductor (possibly produced by base metal mineralisation) on the Conductivity Depth Image.

Mapping in the field by CRA confirmed the relatively flat lying nature of the rock beds throughout this area, and identified several areas in which gossans (weathered mineralised rocks), cropped out. These were classified into two types:

"Type 'A' gossans occur in the black shales and contained up to 0.5% lead, 0.2% zinc and 0.15% copper. These were considered derived from the oxidation of massive sulphide.

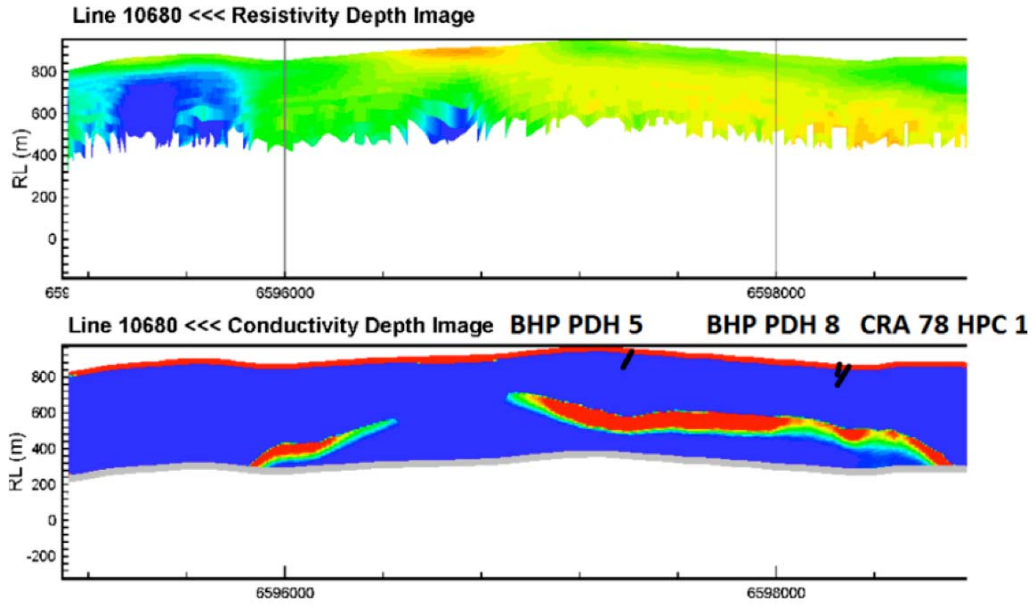


Figure 5. Resistivity and Conductivity Depth Images relative to the BHP and CRA drill holes

Type 'B' gossans also contain high lead, zinc and copper values, but they are believed to occur in fault zones and probably represent 'leakage' mineralisation which has migrated out of the black shale horizon. At one occurrence of the type 'B' gossan several 5mm galena [lead sulphide] crystals occur in milky quartz, giving support to this view.

The relationship of these gossans to the drill holes, and the base metal assay values reported from them are shown in Figure 6.

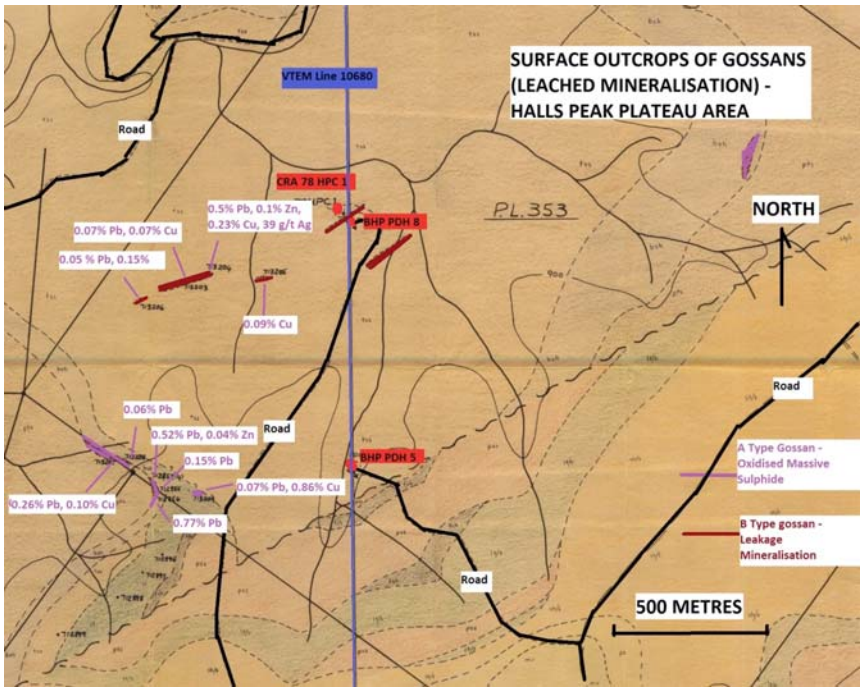


Figure 6. Gossan Grades, Plateau Area

The pyritic black shale beds in which holes BHP PDH 8 and CRA 78 HPC 1 were terminated are typical of the upper parts of SEDEX base mineral systems. In some provinces throughout the world large lenses of high grade mineralisation are present within such beds at depth. An interpretation of the conductive horizon (shown in red on the Conductivity Depth Image) as a base metal bearing bed is consistent with the expected place of base metal lenses within a SEDEX mineralising system.

JORC Code Compliant Public Reports

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

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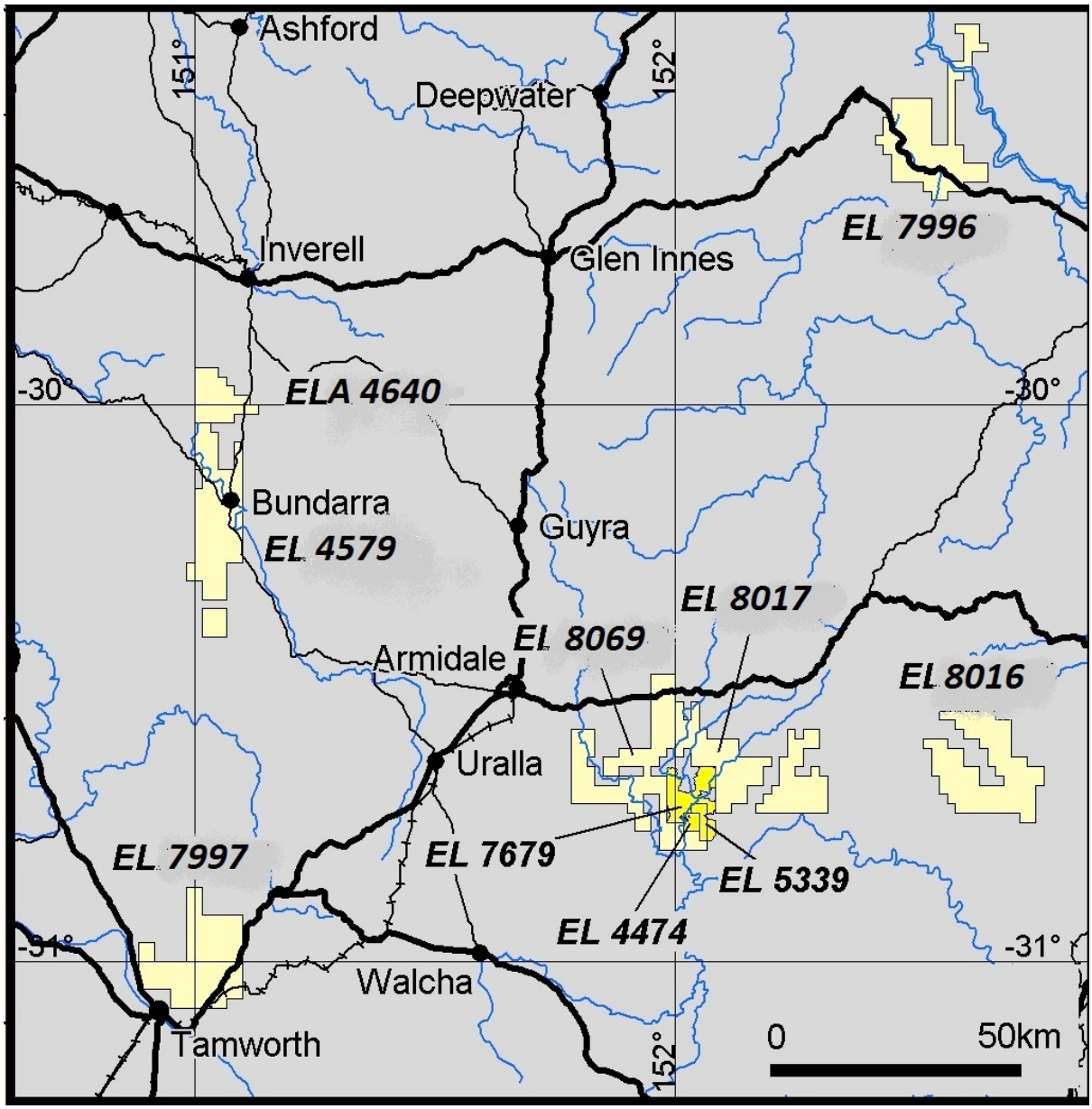
JORC STATEMENT

The information in this Appendix A that relates to mineral exploration is based on information compiled by Peter John Kennewell, who is a member of the Australasian Institute of Mining and Metallurgy. Peter John Kennewell is a director of Precious Metal Resources Limited, and 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, Identified Mineral Resources, and Ore Reserves". Peter John Kennewell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.



Location map of PMR (Armidale) licences and applications