



SOVEREIGN GOLD
COMPANY LIMITED

ACN 145 184 667

**Interim Financial Report
for the half-year ended 30 June 2013**

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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 31 December 2012 and any public announcements made by Sovereign Gold Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Sovereign Gold Company Limited

ACN 145 184 667
ABN 12 145 184 667

Registered and Corporate Office

Level 2
Hudson House
131 Macquarie Street
Sydney NSW 2000
Telephone: +61 2 9251 7177
Fax: +61 2 9251 7500
Website: www.sovereigngold.com.au

Auditors

K.S. Black & Co
Level 6
350 Kent Street
Sydney NSW 2000
Telephone: +61 2 8839 3000

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
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
Level 14, 182 George St
Sydney NSW 2200
Telephone: +61 2 9236 2230

Directors

Hon. John S Dawkins AO (Non-Exec Chairman)
Michael Leu (Chief Executive officer)
Peter J Meers
Rado Jacob Rebek

Joint Company Secretaries

Henry Kinstlinger
Julian Rockett

Share Registry

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

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.

Review of Operations

Corporate

During the reporting period, Sovereign Gold Company Limited (**Sovereign Gold**) acquired a majority interest (93.91% of the issued shares) in Gossan Hill Gold Limited (**Gossan Hill**), an unlisted gold exploration company. The acquisition was funded by the issue of 1.9 million Sovereign Gold shares at 25 cents plus \$187,813 cash. Following fundraising by Gossan Hill, Sovereign Gold's equity position in Gossan Hill at the date of this report is 87.14%. The acquisition provided multiple benefits for Sovereign Gold, including an expanded exploration footprint in New South Wales with an additional 3 quality project areas within 8 Exploration Licences.

The principal Gossan Hill project is the Mt Adrah Hobbs Gold Deposit on EL 6372, believed to belong to the IRGS deposit category. It lies on the Gilmore Suture, north west of the old gold mining centre of Adelong. Mineralisation in the deposit has been confirmed to 1,030m depth. There are a number of near-by prospects yet to be tested by drilling for additional mineralisation of this type.

Previous exploration of the Gossan Hill tenements had indicated significant resource upside and in particular, the Hobbs Deposit at Mt Adrah contained a JORC resource of 239,000 oz of gold at 1.13 g/t to a depth of 120 metres at a cutoff of 0.5 g/t Au. At the date of this Report, the JORC Resource had increased to 650,027 oz of gold (1.23 g/t) @ 0.75 g/t cut-off. Metallurgical tests show that gold recoveries were of the order of 92%.

The Hobbs Deposit Pipe 1 has an initial exploration target of 1.5 – 2.5 million oz of gold with a grade range 1.13 - 1.45 g/t contained in 41.2 – 53.6 tonnes but this target has been subsequently revised to 80-104 million tonnes at 1.23 g/t for 3.2 M to 4.6 M oz contained gold. The potential quantity and grade of exploration targets is conceptual in nature. Other than the declared Resource there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a further Mineral Resource.

Funding for the initial Gossan Hill exploration project was obtained from the sale of 1.5 million Precious Metal Resources Limited (**PMR**) shares reducing Sovereign Gold's equity position in PMR reducing to 79.5%.

Further exploration funding was raised in August 2013 by the placement of a further 8 million shares at 20 cents each to institutional and sophisticated investors.

In early April 2013 Sovereign Gold's cooperation partner, Jiangsu Geology and Engineering Company (SUGEC), as part of its \$21 million funding commitment to earn 30% by March 2014 on 10 tenements where Sovereign Gold has a majority interest, provided a large track mounted deep drilling rig with capacity to drill to 800 metres downhole for drilling on EL 7491 and EL 7768.

In February 2013 Sovereign Gold raised \$500,000 capital, before costs, following a placement of 2.5 million shares at 20 cents each to sophisticated and professional investors. A further \$1.6 million was raised in August 2013 through the issue of 8 million shares.

Exploration

Mt Adrah

In June 2013 deep diamond drilling at Mt Adrah Hobbs Pipe 1 commenced and shows a continuous homogenous 886m gold intercept which has been assayed @ 1.2 g/t Au. The Mt Adrah Hobbs Gold Deposit also sits on the same geo-structural system as Newcrest Mining's Cadia Ridgeway gold mine (which hosts 60 million ounces gold equivalent) and Rio Tinto's Endeavour gold mine (8Moz gold equivalent). The initial hole was completed in July 2013 at 1,030 metres.

Subsequently a further deep steeply inclined drill hole has been completed to test the width of the mineralisation of Pipe 1, with 110 metres width confirmed.

Peel Fault

In July 2013 PMR entered into a Farm-In and Joint Venture Agreement with Gossan Hill with respect to the Peel Fault Gold Project located north of Tamworth in north-eastern NSW, east of the towns of Manilla, Barraba and Bingara.

The Peel Fault Gold Project (ELs 6648, 7725, 7726, 7862 and 7863, and ELA 4760) is a major geological suture separating sedimentary rocks in the Tamworth Trough on the west from Ordovician and Cambrian deep ocean floor volcanics and sedimentary rocks to the east, including a suite of extensively serpentinised ultramafic rocks adjacent to the Fault. The Prospect area is north of Tamworth and very well located with respect to infrastructure, including transport, power and water. The land tenure in the tenements is predominantly freehold.

Under the terms of the Farm In and JV Agreement, Gossan Hill retains 30% interest in the Peel Fault Gold Project as PMR has to earn up to a 70% interest in the Peel Fault Gold Project through sole funding exploration expenditure of up to \$1 million in two tranches: the initial 35% interest through the staged development and expenditure of \$500,000 (over 2 years) and the remaining 35% through the expenditure of a further \$500,000 (over a further 18 months).

SUGEC IRGS JV

Diamond drilling continued on the 1.55km long gold-bearing structure, discovered with Sovereign Gold's co-operation partner, SUGEC, in EL 7491. This newly discovered mineralisation is part of the large Rocky River-Uralla IRGS and has confirmed the repetition of Martins Shaft style mineralisation. Geochemical sampling (soil and rock chips) and mapping programs have now located additional parallel-mineralised structures several hundred metres long.

A diamond drill hole has intersected 2.72g/t gold over 5m from 7-12 metres downhole including 7.8g/t gold over 1m and 12.35g/t gold over 0.5m. This hole has so far intersected two mineralised horizons over a total downhole width of 15.5 metres at 76.24-84.75 metres and 89.9-96.9 metres downhole demonstrating the width of mineralisation is increasing with depth from 4 metres true width in SGRDD036 to 11 metres true width over 76.24 to 96.9m downhole in ZK001.

The original discovery was made by locating within the dyke swarm, hosting Martins Shaft, several diagnostic characteristics (magnetic and radiometric geophysical characteristics, alteration and structure) that coincide with the closest analogue – the 32 million ounce Donlin Creek IRGS gold deposit in Alaska. This predictive success further supports proof of concept of the large IRGS potential in this area.

The deep drilling program is planned to include additional holes to test the full length of this 1.55km long mineralised structure that is exposed at surface and has potential for a large, low cost open cut operation.

Qualifying Statements

The information in this Report that relates to Exploration Information 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 2012 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.

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.

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 period ended 30 June 2013 and the Auditor's Review Report thereon.

Principal activities	The principal continuing activities of the Group during the reporting period were conducting gold exploration and development programs.
Review of operations	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 2 to 3 of this report.
Financial performance	The net consolidated operating loss of the Group for the six months ended 30 June 2013 was \$686,352 (2012: operating loss \$325,120). Net assets of the Group at 30 June 2013 were \$19.9 million.
Dividends	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.

Directors

The following persons were directors of Sovereign up to the date of this report, unless otherwise stated:

Hon. John S Dawkins AO	Non-Executive Chairman
Michael Leu	Chief Executive Officer
Peter J Meers	Non-Executive Director
Rado Jacob Rebek	Non-Executive Director

Subsequent Events

In August 2013, the Company conducted a capital raising by placing 8 million shares at 20 cents to institutional and sophisticated investors raising \$1.6 million gross before costs.

With the exception of this matter, at the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2013, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2013, 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.

Directors' Report (continued)

Sovereign Gold 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 Sovereign'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.

The Company has good relationships with the principal landowners where exploration activities are currently being undertaken. To-date, the Company has not been denied access for exploration purposes. However, some paddocks will become out of bounds during the lambing season which extends from early September to late October. This period is not expected to impinge on the current exploration program.

Should there ever be friction; the Company will attempt to settle the matter without a need to begin the arbitration process.

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.

JORC Code Compliant Public Reports

The Company advises that this Half-Yearly Report contains summaries of Exploration Results and Mineral Resources as defined in the 2012 Edition of the 'Australasian 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. These references can be viewed on the ASX website and Sovereign will provide these reports, free of charge, to any person who requests it:

Issue Date	Title of notice as Lodged with ASX
31 July 2013	Quarterly report
26 June 2013	Mt Adrah Hobbs gold deposit – weekly drilling report
24 June 2013	Mt Adrah drilling underway
13 June 2013	Mt Adrah Hobbs gold deposit conceptual exploration target clarified
5 June 2013	Drilling confirms mineralization widening with depth EL 7491
14 May 2013	Further wide Martins Shaft-type mineralisation in current deep drilling target
30 April 2013	Quarterly report
29 April 2013	Strike length doubled on current deep drilling target
22 April 2013	Drilling underway on EL 7491
12 April 2013	Gossan Hill offer closed
8 April 2013	Gossan Hill due diligence completed
4 April 2013	Diamond rig arrives on site to commence deep drilling
20 March 2013	Mt Adrah assessment indicates multi million oz gold potential: clarified

15 March 2013	Gossan Hill Gold acceptances reach 91%
14 March 2013	Shareholder letter
13 March 2013	Strategic acquisition spurs resource growth for gold junior
13 March 2013	Acquisition provides maiden 239K oz gold JORC resource
12 March 2013	Sovereign to acquire Gossan Hill Gold Ltd
7 March 2013	Deep drilling program April start
21 February 2013	Peel Fault gold application secured
20 February 2013	SEDEX investigation progressing
15 February 2013	Subsidiary commences SEDEX geological modelling
7 February 2013	Diamond drilling program to commence
6 February 2013	Corporate funding target achieved
4 February 2013	Broker presentations
31 January 2013	Quarterly report
30 January 2013	Drilling confirms large Matins Shaft style gold lode
29 January 2013	Subsidiary identifies large potential SEDEX deposit
24 January 2013	Secures high grade Highland Mary mine
21 January 2013	Diamond drilling underway

Tenement List

Application No	Licence No	Project	Location	Expiry Date	Area Sq kms
Sovereign Gold					
Micksture Pty Ltd					
	EL 7491	Rocky River-Uralla	Armidale	29-Mar-14	300
				sub-total	300
Biacil Holdings Pty Ltd					
	EL 6483	Biacil	Armidale	20-Nov-13	300
				sub-total	300
Uralla Gold Pty Ltd					
	EL 7700	Uralla Gold	Armidale-Uralla	1-Feb-15	300
	EL 7701	Uralla Gold	Armidale-Uralla	1-Feb-15	300
				sub-total	600
IRGS Southern Gold Pty Ltd					
ELA 4778		IRGS Southern Gold	Gundagai West		300
				sub-total	300
IRGS Northern Gold Pty Ltd					
	EL 7766	IRGS Northern Gold	Armidale	6-Jun-16	294
	EL 7768	IRGS Northern Gold	Armidale	6-Jun-16	300
	EL 7769	IRGS Northern Gold	Bundarra-Armidale	6-Jun-16	246
	EL 7770	IRGS Northern Gold	Tamworth	6-Jun-16	300
	EL 8056	IRGS Northern Gold	Weabonga	12-Feb-16	300
	EL 8067	IRGS Northern Gold	Weabonga	22-Mar-16	300
ELA 4760		IRGS Northern Gold	Bingara West		300
				sub-total	2340
SOC1 Pty Ltd					
	EL 8012	Nundle Gold	5.6km E of Nundle	21-Nov-14	300
				sub-total	300
SOC2 Pty Ltd					
ELA 4858		Bingara North	15 km N of Bingara		300
ELA 4859		King Solomon	18km SE of Barraba		300
				sub-total	600
Gossan Hill Gold Ltd (acquired in April 2013)			Holder		
	EL 6372	Mt Adrah	Tasman Goldfields NSW Pty Ltd	1-Feb-14	30
	EL 7844	Mt Adrah-Extended	Gossan Hill Gold Ltd	20-Sep-13	60
	EL 6648	Crow King	Gossan Hill Gold Ltd	18-Oct-14	27
	EL 7861	Bauloora	Gossan Hill Gold Ltd	10-Nov-13	90
	EL 7862	Manilla	Gossan Hill Gold Ltd	10-Nov-13	123
	EL 7863	Bingara	Gossan Hill Gold Ltd	10-Nov-13	57
	EL 7725	Adam Scrub	Gossan Hill Gold Ltd	16-Mar-15	48
	EL 7726	Bingara South	Gossan Hill Gold Ltd	16-Mar-15	69
				sub-total	636
TOTAL				TOTAL	5076

Directors' Report (continued)

Auditor's Independence Declaration

A copy of the independence declaration by the auditor K. S. Black & Co under section 307C is included on page 8 of this half year financial report.

Signed in accordance with a resolution of the Directors:



Michael Leu
Director/Chief Executive Officer



Peter J Meers
Director

Sydney
29 August 2013

Auditor's Independence Declaration

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 UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF SOVEREIGN GOLD COMPANY LIMITED

In connection with the review of Sovereign Gold Company Limited for the period ended 30 June 2013, 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 review; and
- any applicable code of professional conduct in relation to the review.

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

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney, 29 August 2013



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scheme approved
under Professional
Standards Legislation

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**Chartered
Accountants**

Independent Auditor's Review Report

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF SOVEREIGN GOLD COMPANY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year 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 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the half year ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Director's Responsibility for the Half-Year Financial Report

The Directors of Sovereign Gold Company Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls 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 a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of 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 company and consolidated entity's financial position as at 30 June 2013, and of their performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Sovereign Gold Company 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 enquires, 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Sovereign Gold Company Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



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Independent Auditor's Review Report (continued)

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

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 Gold Company Limited and Sovereign Gold Company Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney, 29 August 2013



Phone 02 8839 3000 Fax 02 8839 3055
www.ksblack.com.au



Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 12 to 23, are in accordance with the *Corporations Act 2001*, and:
 - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2013 and of its performance for the half-year ended on that date; and
 - ii comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
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.

Signed in accordance with a resolution of the Directors:



Michael Leu
Director/Chief Executive Officer



Peter J Meers
Director

Sydney
29 August, 2013

Statement of Comprehensive Income

for the Half-Year Ended 30 June 2013

	Notes	Consolidated 30 Jun 2013 \$	30 Jun 2012 \$
REVENUE			
Other income	3	549,079	68,898
Administration and exploration expenses	3	(1,257,751)	(388,807)
Finance expenses		(41,410)	(5,211)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX EXPENSE		(750,082)	(325,120)
Income tax expense		-	-
NET PROFIT/(LOSS) FOR THE PERIOD		(750,082)	(325,120)
Other Comprehensive Income		-	-
Other comprehensive income before income tax		-	-
Income tax expense		-	-
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(750,082)	(325,120)
Comprehensive income attributable to outside equity interest		63,730	-
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS OF PRESENT ENTITY		(686,352)	(325,120)
EARNINGS PER SHARE		Cents	Cents
Basic earnings/(losses) per share (cents per share)		(0.49)	(0.42)
Diluted earnings/(losses) per share (cents per share)		(0.46)	(0.38)

This Statement of Comprehensive Income is to be read in conjunction with the notes to the financial report.

Statement of Financial Position

as at 30 June 2013

		Consolidated	
	Notes	30 Jun 2013	31 Dec 2012
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	211,767	162,780
Trade and other receivables		1,345,175	1,668,558
Other current assets		11,766	-
Total current assets		1,568,708	1,831,338
Non-current assets			
Trade and other receivables		-	-
Mining tenements	5	5,980,175	3,550,454
Financial assets		-	70
Plant and equipment		37,989	33,648
Deferred tax assets		13,074,584	14,098,166
Total non-current assets		19,092,748	17,682,338
Total Assets		20,661,456	19,513,676
LIABILITIES			
Current liabilities			
Trade and other payables	6	697,751	76,276
Employee benefits provision		12,457	5,279
Total current liabilities		710,208	81,555
Non-current liabilities			
Trade and other payable	6	-	70
Employee benefits provision		6,080	3,899
Total non-current liabilities		6,080	3,969
Total Liabilities		716,288	85,524
Net Assets		19,945,168	19,428,152
EQUITY			
Issued capital	7	22,075,987	21,161,248
Reserves		341,765	341,765
Accumulated losses		(3,108,767)	(2,422,415)
		19,308,985	19,080,598
Minority Interest		636,183	347,554
Total Equity		19,945,168	19,428,152

This Statement of Financial Position is to be read in conjunction with the notes to the financial report.

Statement of Changes in Equity

for the Half-Year Ended 30 June 2013

Consolidated	Notes	Issued Capital \$	Reserve \$	Accumulated Losses \$	Minority Interest \$	Total Equity \$
Balance at 31 December 2011		5,382,756	341,515	(1,505,302)	-	4,218,969
Loss for the period		-	-	(325,120)	-	(325,120)
Balance at 30 June 2012		5,382,756	341,515	(1,830,422)	-	3,893,849
Balance at 30 June 2012		5,382,756	341,515	(1,830,422)	-	3,893,849
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 period		-	-	(591,993)	-	(591,993)
Balance at 31 December 2012	7	21,161,248	341,765	(2,422,415)	347,554	19,428,152
Balance at 31 December 2012		21,161,248	341,765	(2,422,415)	347,554	19,428,152
Shares issued		969,531	-	-	-	969,531
Share issuing cost		(54,792)	-	-	-	(54,792)
Movement for the period		-	-	-	288,629	288,629
Loss for the period		-	-	(686,352)	-	(686,352)
Balance at 30 June 2013	7	22,075,787	341,765	(3,108,767)	636,183	19,945,168

This Statement of Changes in Equity is to be read in conjunction with the notes to the financial report.

Statement of Cash Flows

for the Half-Year Ended 30 June 2013

	Notes	Consolidated	
		30 Jun 2013	30 Jun 2012
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		2,729	15,728
Payment for exploration and evaluation expenditures		(995,812)	(564,081)
Payments for administration expenses		(613,722)	(149,891)
Interest paid		(3,485)	-
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		(1,610,290)	(698,244)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for tenements		-	-
Payments for plant and equipment		(11,231)	(1,182)
Advance to other parties		(242,000)	(446,827)
Repayment from other parties		1,467,300	200,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES		1,214,069	(248,009)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements		500,000	-
Share issuing costs		(54,792)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		445,208	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		48,987	(946,253)
Cash and cash equivalents at the beginning of the reporting period		162,780	1,413,956
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4	211,767	467,703

This Statement of Cash Flow is to be read in conjunction with the notes to the financial report.

Notes to the Financial Statements

for the Half-Year Ended 30 June 2013

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Reporting Entity

Sovereign Gold Company Limited (**the Company**) is a company domiciled in Australia. The consolidated financial report of the Company as at and for the six months ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the **consolidated entity**).

Statement of Compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated financial report was approved by the Board of Directors.

Estimates

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*.

Historical cost convention

These financial statements have been prepared under the historical cost convention except for where noted in these accounting policies.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sovereign Gold Company Limited ("parent entity") as at reporting date and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the parent entity has the power to govern the financial and operating policies, 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 parent entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the parent entity. They are de-consolidated from the date that control ceases.

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

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity entities 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 consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS continued**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(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 environment.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

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 the fee in respect of other products or service provided is receivable.

(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. 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.

NOTES TO THE FINANCIAL STATEMENTS continued**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(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 and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Cash and cash equivalents

For the purpose of the Statement of Cash Flow, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than three months.

(h) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 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 consolidated entity will not be able to collect all amounts due according to the original terms receivables.

(i) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

NOTES TO THE FINANCIAL STATEMENTS continued**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(j) Tenement exploration, evaluation 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 are written off 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 amortized 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.

Costs associated with the development of resources are expensed as incurred if their recoverability is unlikely or unable to be determined.

(k) 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).

(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.

NOTES TO THE FINANCIAL STATEMENTS continued**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) 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS continued

3. REVENUE AND EXPENSES

Specific Items

Profit/(loss) before income tax expense/(benefit) includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

	Consolidated	
	30 Jun 2013	30 Jun 2012
	\$	\$
Other income		
Interest income	47,245	61,898
Fee Income	11,600	7,000
Others	490,234	-
	549,079	68,898
Administrative and exploration expenses		
Consulting and professional fee	84,686	26,375
Exploration expenditure not capitalised	111,938	80,936
Other administrative expenses	1,061,127	281,496
	1,257,751	388,807

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2013	31 Dec 2012
	\$	\$
Cash at bank and In hand	30,477	2,662
Cash held in trust-tenement guarantee and deposit	181,290	160,118
	211,767	162,780

5. MINING TENEMENTS

Capitalised exploration expenditure	5,980,175	3,550,454
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The ultimate recoupment of costs carried forward for exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS continued

6. TRADE AND OTHER PAYABLES

	Consolidated	
	30 Jun 2013	31 Dec 2012
	\$	\$
Current		
Trade payables	12,531	43,926
Advance from other entity	653,120	-
Accruals	32,100	32,350
	697,751	76,276
Non-Current		
Trade and other payable	-	70

7. ISSUED CAPITAL

	Consolidated		Consolidated	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	Number of	Number of	\$	\$
	Shares	Shares		
Ordinary Shares				
Issued	143,541,967	139,163,842	22,075,987	21,161,248

(a) Movements during the period

Balance at beginning of the period	139,163,842	77,000,000	21,161,248	5,382,756
Share placement	2,500,000	-	500,000	-
Share Issued-off market takeover	1,878,125	62,163,842	469,531	15,820,698
Share issue costs	-	-	(54,792)	(42,206)
Balance at the end of the period	143,541,967	139,163,842	22,075,987	21,161,248

(b) Options

There have been no options issued or granted over unissued shares during the reporting period.

(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.

NOTES TO THE FINANCIAL STATEMENTS continued**8. COMMITMENTS****Exploration expenditure commitments**

	Consolidated 30 Jun 2013	31 Dec 2012
	\$	\$
Minimum tenement exploration expenditure	3,840,125	2,497,000
Tenement lease and rent payment	172,940	101,500
	4,013,065	2,598,500

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements total approximately \$4.01 millions over remaining term of 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.

9. CONTINGENT LIABILITIES

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

10. SEGMENT REPORTING

The consolidated entity operates one business being the mining and exploration of gold, minerals and related development projects in Australia.

11. EVENTS SUBSEQUENT TO BALANCE DATE

In August 2013, the Company conducted a capital raising by placing 8 million shares at 20 cents to institutional and sophisticated investors raising \$1.6 million gross before costs.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2013, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2013, of the consolidated entity.