

ANNUAL REPORT 2013



SOVEREIGN GOLD
COMPANY LIMITED

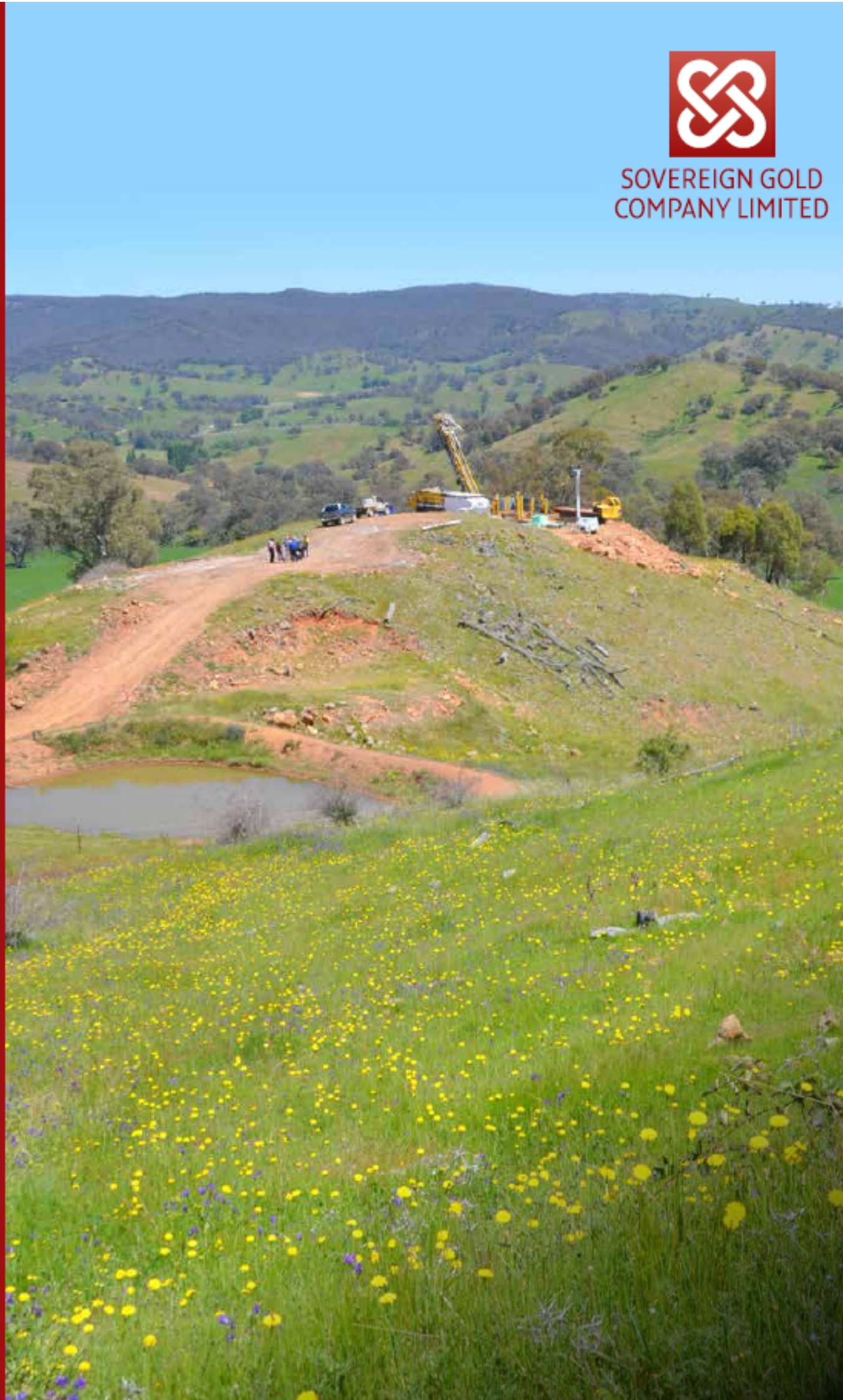


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CORPORATE DIRECTORY

Sovereign Gold Company Limited

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Peter Meers
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Julian Malnic

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Julian Rockett
Henry Kinstlinger

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ASX Code – SOC

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

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

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

CHAIRMAN'S REVIEW 2013

Dear Shareholders,

I am pleased to report that 2013 has been a watershed year for Sovereign Gold Company Limited (ASX:SOC) (**Sovereign Gold** or the **Company**). During the year, the Company has achieved significant positive results in its exploration efforts in projects on hand at the end of the previous financial year, as well as completing a significant acquisition of what the Directors consider has the potential to be a new world class Gold Project.

In April 2013 the Company announced the acquisition of a 93.91% interest in Gossan Hill Gold Limited (**Gossan Hill**) for approximately 1.88 million Sovereign Gold shares and \$188,000. At the time of acquisition Gossan Hill had a JORC gold resource of 239,000oz of gold at 1.13/t at the Mt Adrah Hobbs gold deposit (**Mount Adrah Gold Project**).

Subsequent to the acquisition of the Mount Adrah Gold Project, a significant exploration project was undertaken which confirmed the existence of the Hobbs pipe structure. A total of 8,085m was drilled across 9 holes into and around the Hobbs pipe with significant positive results, including Hole GHD001 which encountered mineralisation down to 886m with an average grade of 1.2/t of gold. In addition to this drill program, Gossan Hill also completed a number of further geological studies that identified several additional targets and reef structures in close proximity to the Hobbs pipe.

In November 2013, the Board commissioned independent geological consultants to develop an updated Mineral Resource estimate, which resulted in a more than three-fold expansion of the Mineral Resource estimate to 763,000 ounces of gold (434,000 oz Indicated; 329,000 oz Inferred), within a total Mineral Resource estimate of 20.5 Mt at 1.1g/t gold (at various cut-off grades). Given the positive results of exploration efforts to date, combined with the fact that the Mt Adrah Gold Project is well located to key infrastructure and employment, the Board is very excited about the prospect of Mt Adrah Gold Project progressing towards a world class gold project.

During the year ahead, the Board intends to expand on the exploration efforts at the Mt Adrah Gold Project to identify further exploration targets around the Hobbs pipe and seek to confirm the existence of additional pipes and reefs through further drill programs.

In 2012 your Board advised that Sovereign Gold has secured a significant funding commitment from Jiangsu Geology and Engineering (**SUGEC**) of up to \$21 million to be spent on exploring for gold in the Rocky River-Uralla goldfields and for gold and base metals in the Peel Fault area (owned by SOC's 76.5% subsidiary, Precious Metals Resources Limited (ASX: PMR) (**PMR**).

Results from the exploration efforts by SUGEC during 2013 have been encouraging with a gold-bearing structure being identified at in the Rocky-Uralla goldfield with a 1.55km strike length and drill intersections including 13.9m at 1.45g/t of gold and 11.8g/t of silver. Results from SUGEC's exploration work at Martin's Shaft have been similarly encouraging with several targets being identified that will be the focus of further exploration in the forthcoming year.

In addition to work across these two areas, Sovereign Gold has also continued to undertake further exploration across its other wholly owned exploration tenements.

During the year Sovereign Gold secured funding for its share of exploration programs totalling \$6.13m from a combination of placements of new shares and a convertible note facility. Additional funding was also provided by the sale of some of the Company's interest in PMR. Going forward, the Board believes that Sovereign Gold is well positioned to fund its planned future exploration programs.

Your Directors are confident of another exciting year for the Company and we look forward to sharing its success with you.



John Dawkins AO Chairman
25 March 2014

¹ See JORC statement Page 4 Review of Operations

REVIEW OF OPERATIONS

This Review of Operations covers the period to 31 December 2013.

Overview

Sovereign Gold Company Limited (**Sovereign Gold**) is exploring large Intrusion-Related Gold Systems (**IRGS**) at the Rocky River-Uralla Goldfield and Mount Adrah near Adelong in New South Wales.

Sovereign Gold's Rocky River-Uralla Goldfield Project covers 2,040 square kilometres. The project is located around the township of Uralla, 21km southwest of Armidale, New South Wales, Australia, with superb infrastructure logistics. It is close to major roads, rail, airport, labour source, university, power, and engineering.

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

The Mt Adrah project covers 690 square kilometres and is located around the township of Adelong in southern New South Wales.

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

Corporate

6 February 2013	Chinese State Owned Enterprise Jiangsu Geology and Engineering Co Ltd of Nanjing China (SUGEC) entered into further cooperation and investment agreements to contribute a further \$7 million toward IRGS exploration on a further five tenements prospective for gold in the Rocky River – Uralla goldfield to earn 30% interest in each tenement by 31 March 2014 subsequently extended to 31 December 2014.
12 February 2013	Placement of 2.5 million shares issued at 20 cents to sophisticated, eligible and / or professional investors raising \$500,000 before costs.
15 April 2013	Sovereign Gold acquired 93.91% of Gossan Hill Gold Limited (Gossan Hill), consideration being 1,878,125 of its shares plus \$187,813. Gossan Hill held 239,000 oz (116,000 oz Indicated; 123,000 Inferred) within a total Mineral Resource estimate of 6.5 Mt at 1.13 g/t at a cut-off of 0.5 g/t at the time of the acquisition.
19 July 2013	Sovereign Gold placed 1.5 million PMR shares to professional and sophisticated investors to raise \$525,000 to fund drilling costs for Mt Adrah.
16 August 2013	Sovereign Gold placed 8.15 million shares issued at 20 cents to institutional and sophisticated investors raising \$1.63 million before costs.

Highlights

- Sovereign Gold held 87% interest in Gossan Hill Gold Limited (**Gossan Hill**) at the close of the reporting period. Gossan Hill is conducting exploration at Adelong NSW and has Mineral Resource estimate of 763,000 ounces of gold (440,000 oz Indicated; 330,000 oz Inferred), within a total Mineral Resource estimate of 20.5 Mt at 1.1 g/t gold, at various cut-off grades.¹
- Continuing unique strategic partnership with Chinese SOE
- Sovereign Gold holds an 76.5% interest in Precious Metal Resources Ltd (ASX: **PMR**)
- PMR is conducting exploration at Halls Peak, NSW, which is the inferred volcanic centre for extensive small but high grade Volcanic Massive Sulphide (VMS) deposits rich in copper, lead, zinc and silver
- PMR has identified a potential large SEDEX deposit under the Halls Peak project area

¹ **With respect to the Mineral Resource:** The information is extracted from the report entitled "Hobbs Pipe – Mineral Resource Update Additional Information" created 27th December 2013 and is available to view on www.sovereigngold.com.au/investors.htm. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

9 October 2013	Gossan Hill entered into a share subscription and option agreement with ICP Limited, a Singapore listed company to subscribe for 40 million shares at 5 cents to raise \$2 million and hold a 3 year option for a further 40 million shares issued at 10 cents per share. Approval of Gossan Hill and ICP shareholders was given in February 2014.
27 November 2013	Simon Bird was appointed corporate advisor.
16 December 2013	Sovereign Gold entered into a Convertible Securities Agreement with Bergen Global Opportunity Fund, a US based institutional investor, to provide funding up to \$4 million over the next two years. 1.4 million shares issued within the terms of the agreement.
17 February 2014	Julian Malnic was appointed a director of Sovereign Gold following his appointment as CEO of Gossan Hill's Mt Adrah gold project.

Exploration

Mt Adrah Gold Project

The Mount Adrah Gold Project is a mesozonal to epizonal IRGS in a dilational zone located along the Gilmore Suture on the edge of a buried pluton, see Figure 1. The deposit is a structurally controlled micro-breccia within a diorite body that intrudes to the current topographic surface. The mineralization in Hobbs Pipe is predominantly monzodiorite-hosted disseminated gold in arsenopyrite and pyrite, and also native gold in stockwork quartz veins.

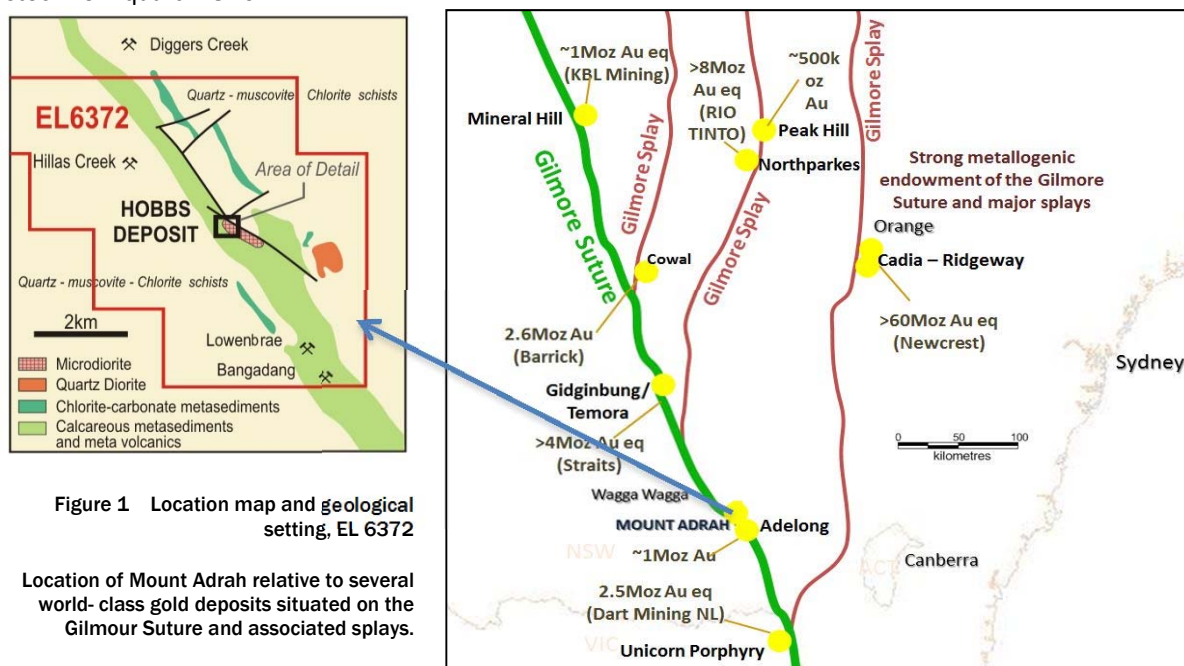


Figure 1 Location map and geological setting, EL 6372

Location of Mount Adrah relative to several world-class gold deposits situated on the Gilmore Suture and associated splays.

Sovereign Gold commissioned AMC Consultants Pty Ltd (**AMC**) to carry out a block model estimation and Mineral Resource estimate report for the Mount Adrah Hobbs Pipe deposit. The Mineral Resource estimate is 763,000 ounces of gold (434,000 oz Indicated; 329,000 oz Inferred), within a total Mineral Resource estimate of 20.5 Mt at 1.1 g/t gold, at various cut-off grades.²

² "Hobbs Pipe – Mineral Resource Update Additional Information" ASX announcement of 27 December 2013

Classification	Material	COG Au (g/t)	Tonnage (Mt)	Au (g/t)	Au (oz)
Indicated (Surface to 150 m depth)	Oxide	0.4	0.6	0.9	18,000
Indicated (Surface to 150 m depth)	Primary	0.9	3.0	1.0	96,000
Indicated (150 m to 700 m below surface)	Primary	0.9	8.5	1.2	330,000
Total Indicated			12.1	1.1	434,000
Inferred (Surface to 150 m depth)	Primary	0.5	0.2	0.6	39,000
Inferred (150 m to 700 m below surface)	Primary	0.9	8.2	1.1	290,000
Total Inferred			8.4	1.1	329,000
Total			20.5	1.1	763,000

Notes:

- 1 The Mineral Resource is reported in accordance with the JORC Code, 2012.
- 2 All Mineral Resource tonnes have been rounded to the nearest 100,000 tonnes.
- 3 Ounces have been rounded to two significant figures.
- 4 COG is an abbreviation for cut-off grade.
- 5 Top cut / top cap of 5 g/t gold has been used to reduce 8 composited samples to 5 g/t gold.
- 6 The Mineral Resource has been reported with a 0.4 g/t gold cut-off grade for oxide material and 0.5 g/t gold cut-off grade for primary material, from surface to a depth of 150 m below surface. From 150 m below surface to 700 m below surface a higher cut-off grade of 0.9 g/t gold has been used. The different cut-off grades used take into account potential for use of different mining methods and oxidation states of the mineralization. A mining concept study has commenced to better define possible mining methods.

At the end of 2012 the Mineral Resource was 239,000 oz (116,000 oz Indicated; 123,000 Inferred) within a total Mineral Resource estimate of 6.5 Mt at 1.13 g/t at a cut-off of 0.5 g/t. The increase in Mineral Resources was a result of an extensive drilling campaign and estimation by AMC. The Hobbs IRGS deposit is close to good infrastructure (power, transport and water) and is held within EL 6372, EL 7844, EL 8217, EL 8218 and EL 8219.

The increase in Mineral Resources was a result of an extensive drilling campaign and estimation by AMC.

Mount Adrah Concept Study

A conceptual mining study for the Mount Adrah Gold Project will be commenced to provide an indication of the viability and economic potential of the Mount Adrah Gold Project. This work will be constrained to the currently available data and assist in prioritising and planning for future exploration and development of the Mt Adrah Gold Project.

The study will investigate the optimal depth and configuration of a conceptual open-pit based on the existing Hobbs Pipe Mineral Resource. The depth of any potential open-pit will include consideration of potential underground mining.

The output of the conceptual mining study will be used as a basis from which to plan resource infill drilling and exploration step out drilling on the Hobbs Pipe 1 system, while also continuing to assess the potential for the Hobbs Middle East and Hobbs SE prospects, to add to the overall mine plan.

Drilling has confirmed potential for multiple parallel high-grade reefs in the immediate Hobbs Pipe vicinity.

White Deer Reef

Sovereign Gold, through subsidiary Gossan Hill, discovered a second high grade reef system proximal to the Hobbs Pipe deposit. The new system, named the White Deer Reef is represented by a quartz vein bearing significant visible gold, (drill hole GHD011) that returned 1.2 m @ 58.6 g/t Au from 624 metres down hole.



Visible gold in the White Deer Reef, GHD011 ~625m

The hole also intersected the interpreted continuation of the Castor Reef approximately 60m along strike to the SE of the 10m @ 17.7g/t Au intercept in hole GHD009 – a 40cm quartz vein with visible gold was encountered within an envelope of strong alteration at ~447m in GHD011. Likewise, the continuation of the White Deer Reef is interpreted as a strong quartz and alteration zone at ~720m in GHD009. In the case of both reefs, quartz float and historic workings indicate that they potentially have vertical extents in excess of 600m from the surface.



Castor Reef, GHD011 ~447m, visible gold highlighted in centre

Procyon Reef

A zone encountered before the Castor Reef in drill hole GHD009, at ~473m, yielded only 2m @ 0.68g/t Au. The intersection is considered a separate reef system, named the Procyon Reef given the intensity of veining, a sulphide-rich wide quartz vein and similar strong alteration. The samples from this zone have been resubmitted for Screen Fire Assay. The presence of this reef in drill hole GHD011 is being assessed.



Procyon Reef, ~473m in GHD009

Encouraging and significant stockwork veining and associated sulphide mineralisation, as well as Hobbs-style monzodiorite bearing sulphide mineralisation, was intersected in hole GHD010 at Hobbs Middle East. Whilst no significant gold assays have yet been received, a 12m zone contained 276ppm Mo (molybdenum) from 340m. Sovereign Gold believes that potential exists for significant mineralisation at Hobbs Middle East and work is underway to secure approval for drill pads that are better sited to test the mineralisation.



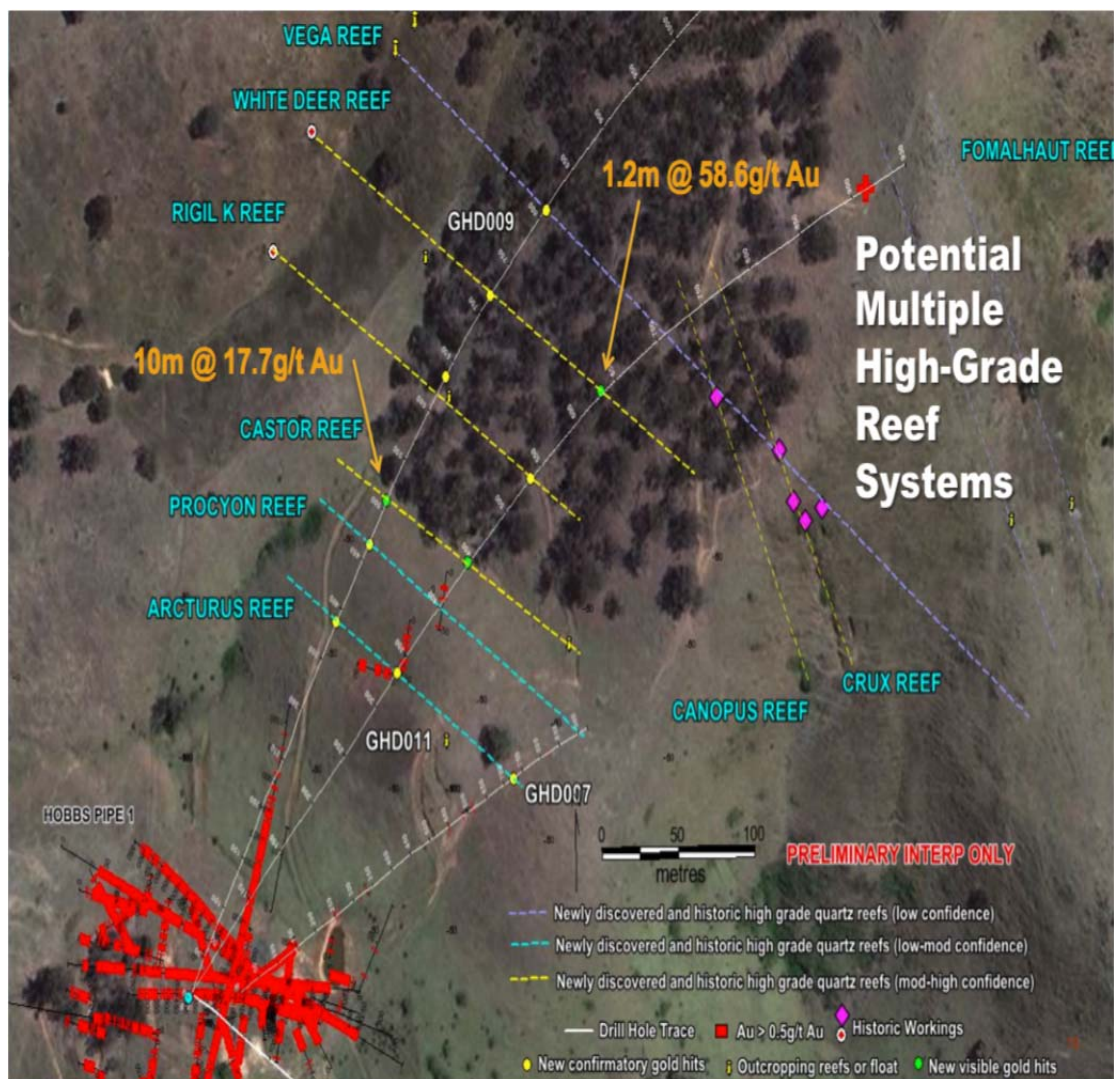
Example of strongly altered and mineralised metasediment, GHD010 ~490m

Arcturus Reef

A review of drilling the Company has undertaken to date has identified a number of potential additional reef structures, including in hole GHD004 where 2m @ 1.6g/t Au was returned from 80m. Additionally, 4m @ 1.2g/t from 724m in GHD007 was obtained where significant alteration and a major quartz vein system was intersected, now termed the Arcturus Reef which also appears to have been intersected in holes GHD009 and GHD011. Systematic evaluation and interpretation of known and potential high-grade reefs is ongoing. The current drill hole plan has a very preliminary interpretation of the reef structures based on currently available data and observations – this interpretation is likely to change and become more refined over time.



Arcturus Reef system, GHD007 ~724-729m



Current drill hole plan with preliminary interpretation of reef structures

Mount Adrah Hobbs Pipe – Recently Completed Hole Collar Information							
Hole ID	Easting (m)	Northing (m)	RL (m)	Grid	Collar Azimuth	Collar Inclination	Total Depth (m)
GHD009	583444	6104587	387	MGA94 Zone 55	29*	-60	1312.6m
GHD010	583448	6104593	387	MGA94 Zone 55	120	-55	740.3m
GHD011	583445	6104592	387	MGA94 Zone 55	41	-55	969.6m

*Collar Azimuth corrected from previously listed in JORC Table 1 of ASX Release 28th October 2013.

With respect to Exploration Results at Mount Adrah the information is extracted from the following reports entitled:

<i>Bonanza hit confirms multiple high-grade structures</i>	<i>21 November 2013</i>
<i>Mt Adrah New high grade gold discovery at Castor Prospect</i>	<i>28 October 2013</i>
<i>Extensive higher grade gold zone encountered at Hobbs Pipe</i>	<i>30 September 2013</i>
<i>886m gold intercept confirmed Hobbs Pipe 1</i>	<i>30 July 2013</i>
<i>Visible mineralisation throughout 1 kilometre drill hole</i>	<i>11 July 2013</i>

which are available to view on www.sovereigngold.com.au/investors.htm. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Rocky River-Uralla Goldfield

Sovereign Gold–Jiangsu Cooperation Agreements

In 2012 and 2013, Sovereign Gold and SUGEC entered into cooperation agreements with respect to seven tenements prospective for gold in the Rocky River-Uralla Goldfield. SUGEC is to fund up to \$11 million on Sovereign Gold tenements (and an additional \$10 million on three tenements held by Sovereign Gold's subsidiary, PMR).

The Sovereign Gold – SUGEC project area covers 2,040 square kilometres. SUGEC will be entitled to a 30% interest in each respective tenement upon meeting the associated expenditure commitment for that tenement by March 2014.

Sovereign Gold geologists consider the Lachlan and New England Fold Belts of NSW to have the ideal setting for IRGS, a relatively newly recognised gold mineralisation style. IRGS are usually large tonnage; low-grade deposits associated with granitic style intrusions. Sovereign Gold geologists specialise in identifying the distinguishing diagnostic characteristics of IRGS.

Sovereign Gold geologists consider that the Rocky River-Uralla Project is a large IRGS.

The results to date at the Rocky River-Uralla Project include discover of a gold-bearing structure with a 1.55km strike length and drill intersections including 13.9m of 1.45 g/t Au and 11.8 g/t Ag.

Sovereign Gold–Sugec Project Summaries –Multiple Gold and Base Metal Targets

EL 7491

A 2,500m multiple hole diamond drilling program is ongoing on a 1.55km long gold-bearing structure in EL 7491 to establish a JORC compliant resource.

Following detailed geological mapping and geochemical and geophysical surveys a series of close-spaced north-east dominant mineralised structures and subsidiary semi-orthogonal structures that cut north-west trending felsic dykes were discovered.

Martins Shaft-style mineralisation has been intersected in the felsic dykes. Drilling has revealed brecciation and silica-sulphide flooding accompanied by tongues of mineralised felsic dykes in mineralised metasediments.

This extensive mineralised shear zone fault system may represent a high-level fracture fluid plumbing system developed above a potential IRGS pipe.

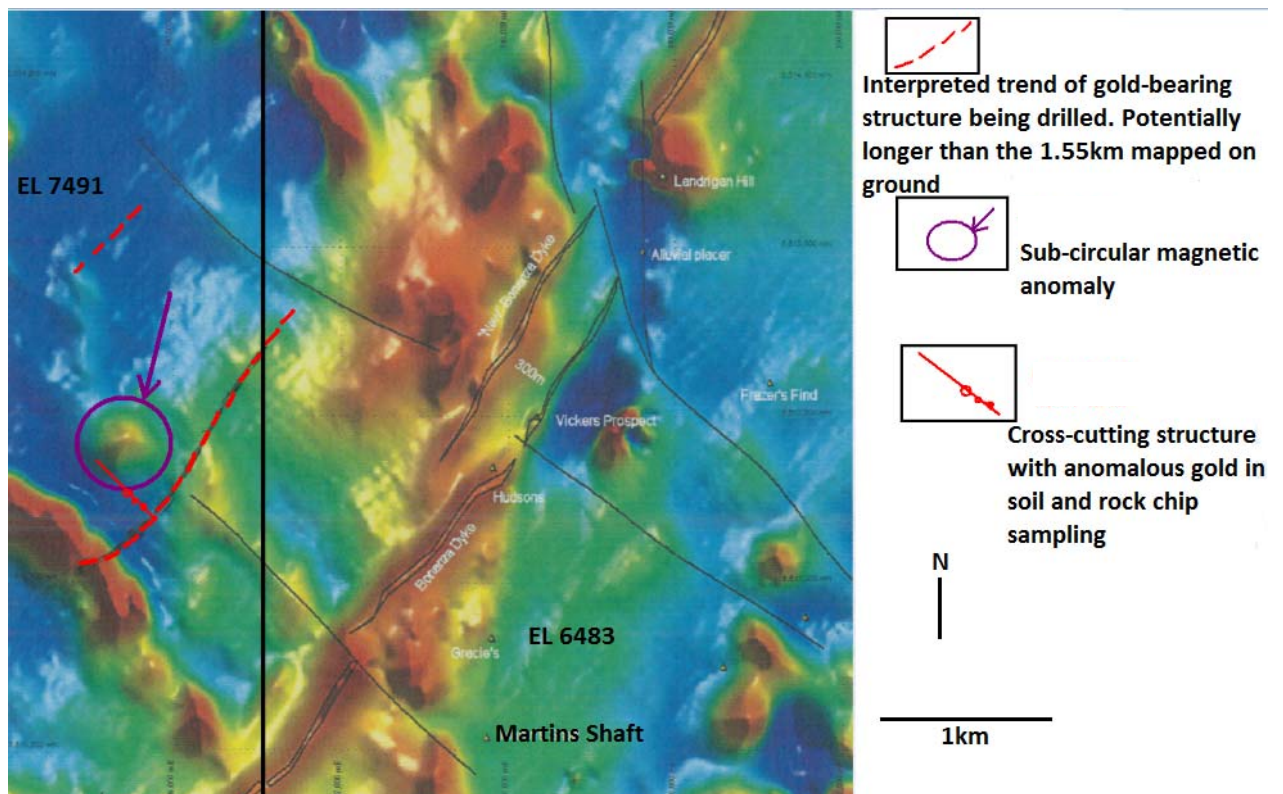
Results have been received for four holes (ZK0301, ZK0701, ZK0003 and ZK0901) which have been completed and assayed.

Diamond Drill Hole ZK0301, encountered intermittent gold mineralisation over 15.20m downhole from 35.20m-50.4m including:

- 3.43 metres @ 1.68g/t Au from 43.77-47.2m
- 2.25 metres @ 2.72g/t Au from 44.95-47.2m
- 1.35 metres @ 3.36g/t Au from 44.95-46.3m
- 0.74 metres @ 4.26g/t Au from 44.95-45.69m

Diamond Drill Hole ZK0701, encountered mineralisation over 20.04m downhole from 7.65m-27.69m including:

- 13.90 metres @ 1.45g/t Au, 11.88g/t Ag from 13.79m-27.69m
- 9.46 metres @ 1.75g/t Au, 15.44g/t Ag from 13.79m-23.25m
- 3.61 metres @ 2.61g/t Au, 13.79m-14.70m
- 2.34 metres @ 3.02g/t Au from 14.56m-16.90m
- 4.10 metres @ 1.30 g/t Au, 31.84g/t Ag from 17.40m-21.50m



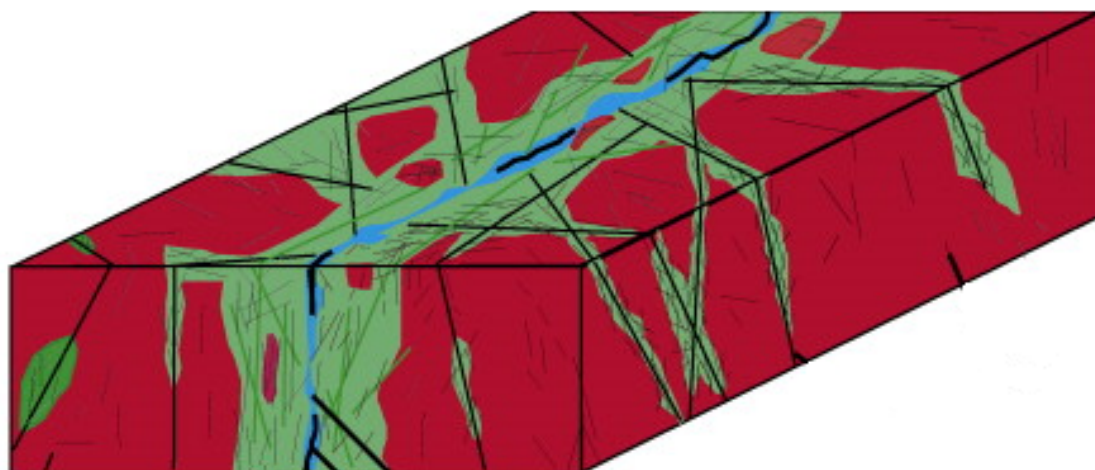
Reduction to Pole Magnetic image showing trace on gold-bearing structure being drilled and parallel structure (red dashed line). A sub-circular magnetic high (enclosed by purple circle) may represent the hornfelsed carapace ('cooked' metasediments with disseminated sulphides) above a blind pipe-like pluton.

Diamond Drill Hole ZK0003, encountered intermittent gold mineralisation over 23.45 metres downhole from 101.85m-125.30m including:

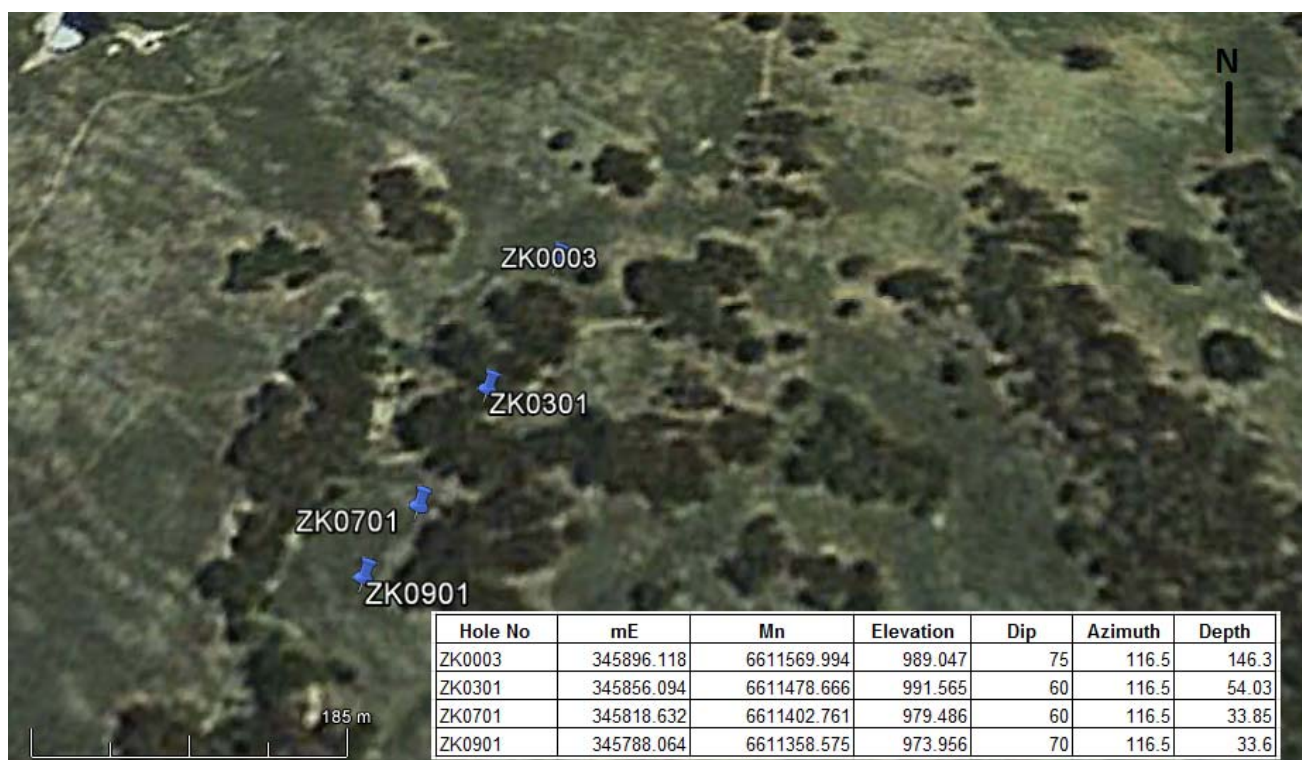
- 11.45 metres @ 0.71g/t Au from 101.85-113.3m
- 8.95 metres @ 0.80g/t Au from 101.85-110.80m
- 2.64 metres @ 1.03g/t Au from 108.16-110.80m
- Gold continued intermittently widespread downhole including 1.13g/t Au over 0.78m from 116.40-117.80m and 0.86g/t Au over 0.50m from 124.8-125.30m, indicating system is widening at depth.

Diamond Drill Hole ZK0901, encountered gold mineralisation over 21.70 metres downhole from 8.50m-30.20m including:

- 10.35 metres @ 71.86g/t Ag from 15.85-26.20m
- 5.48 metres @ 1.24g/t Au 57.39g/t Ag from 14.62-20.10m
- 2.35 metres @ 1.99g/t Au, 78.86g/t Ag from 15.85-18.20m
- 1.75 metres @ 2.35g/t Au, 97.56g/t Ag from 15.85-17.60m
- 0.80 metres @ 3.08g/t Au, 72.10g/t Ag from 15.85-16.65m
- Anomalous gold continued intermittently widespread downhole to 30.20m including 0.35 metres @ 1.22g/t Au from 29.85-30.20m.



Conceptual Target: 1.55km long north-east trending shear structure (main fault zone shown in blue) surrounded by altered fractured zone (green). The main fault structure associated with and cut by oblique faults. Geochemical and rock chip mapping has located nearby (within 500m) parallel alteration structures with similar mineralisation. The structures are flooded with felsic dykes and sulphides that may be derived from a small pipe-like pluton at depth. The current target being drilled and the parallel and oblique structures occur from the surface and have potential for an open-cut gold resource.



Collar coordinates and parameters of Diamond Drill Holes ZK0003, ZK0301, ZK0701 and ZK0901

EL 7768

Prospective for IRGS, copper/base metals, antimony, molybdenum and tin. Mineralisation includes Baxters Antimony Mine - drill intersections of antimony (Sb) up to 3.5m wide with grades up to 10.1% antimony (Sb).

Soil and stream sediment samples have been collected within EL 7768 together with a detailed ground magnetic survey. This work has resulted in the discovery of several geochemical and geophysical anomalies.

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

Sovereign Projects and Investments

EL 8056 Weabonga

Sovereign Gold was granted a new Exploration Licence 8056 covering the advanced drill target area defined Swamp Oak Goldfield comprising 30 mines and prospects including the Highland Mary Mine and Rainbow Reefs south of its existing tenements in the Uralla area. These mines and prospects have bolstered the Company's growth pipeline and provide many targets for exploration and development.

This tenement encompasses all of the historic licence EL 6620 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.

EL 7770

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

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

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

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

EL 7766

Sovereign Gold's specialist exploration team has identified two potential IRGS within EL 7766, comprising the Tilbuster and Puddledock hard rock gold deposits. Both these new IRGSs host repetitions of the geological setting of the Rocky River-Uralla Goldfield.

The forgotten gold lodes of the Tilbuster gold area have received virtually no exploration for 100 years and have never been drilled. The Tilbuster hard rock gold deposits consist of a series of historic gold mines that extend north-easterly for 1,850 metres; these structurally controlled gold lodes occur over a maximum known width of 150 metres and has the potential of a large gold-hosting target.

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

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

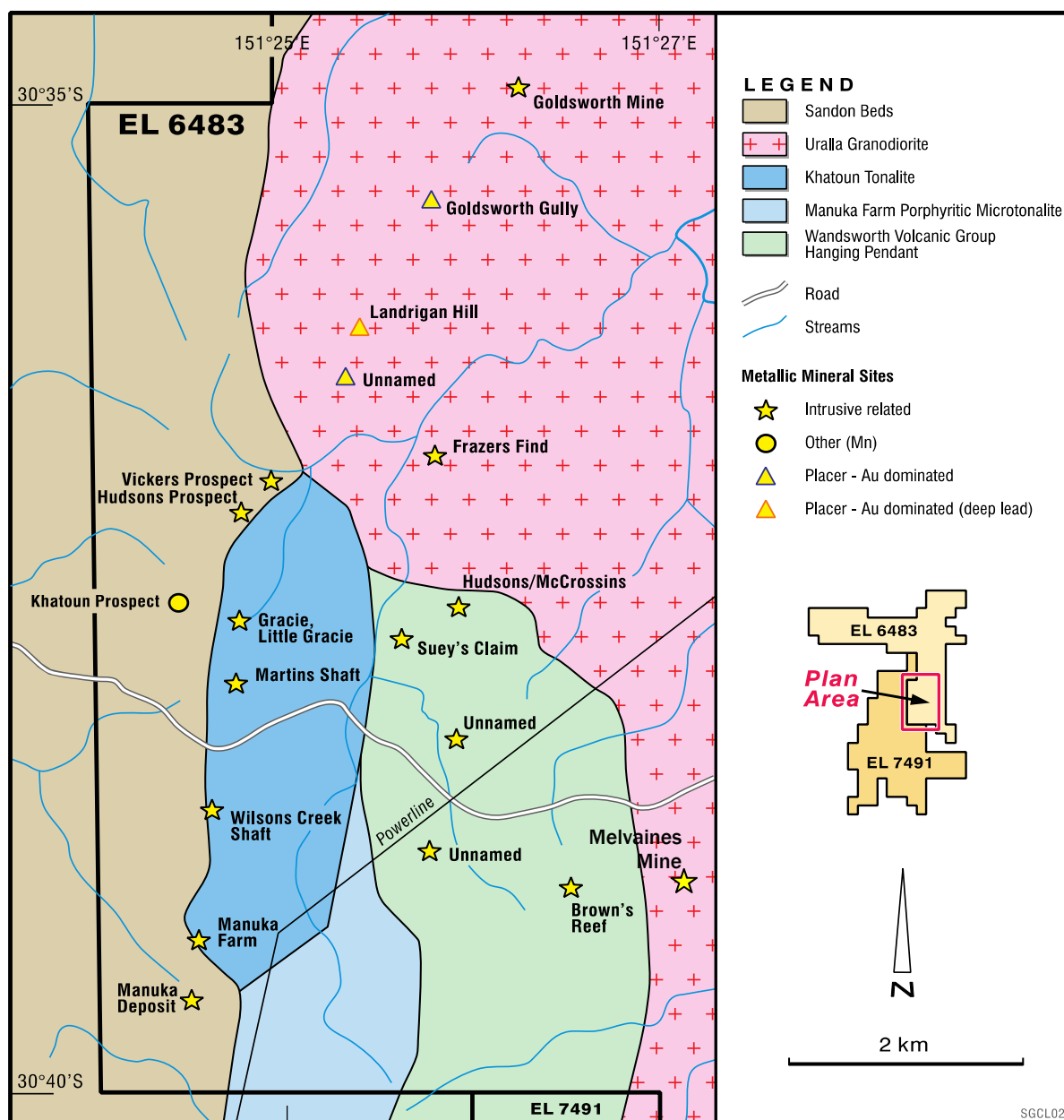
Martins Shaft EL 6483

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

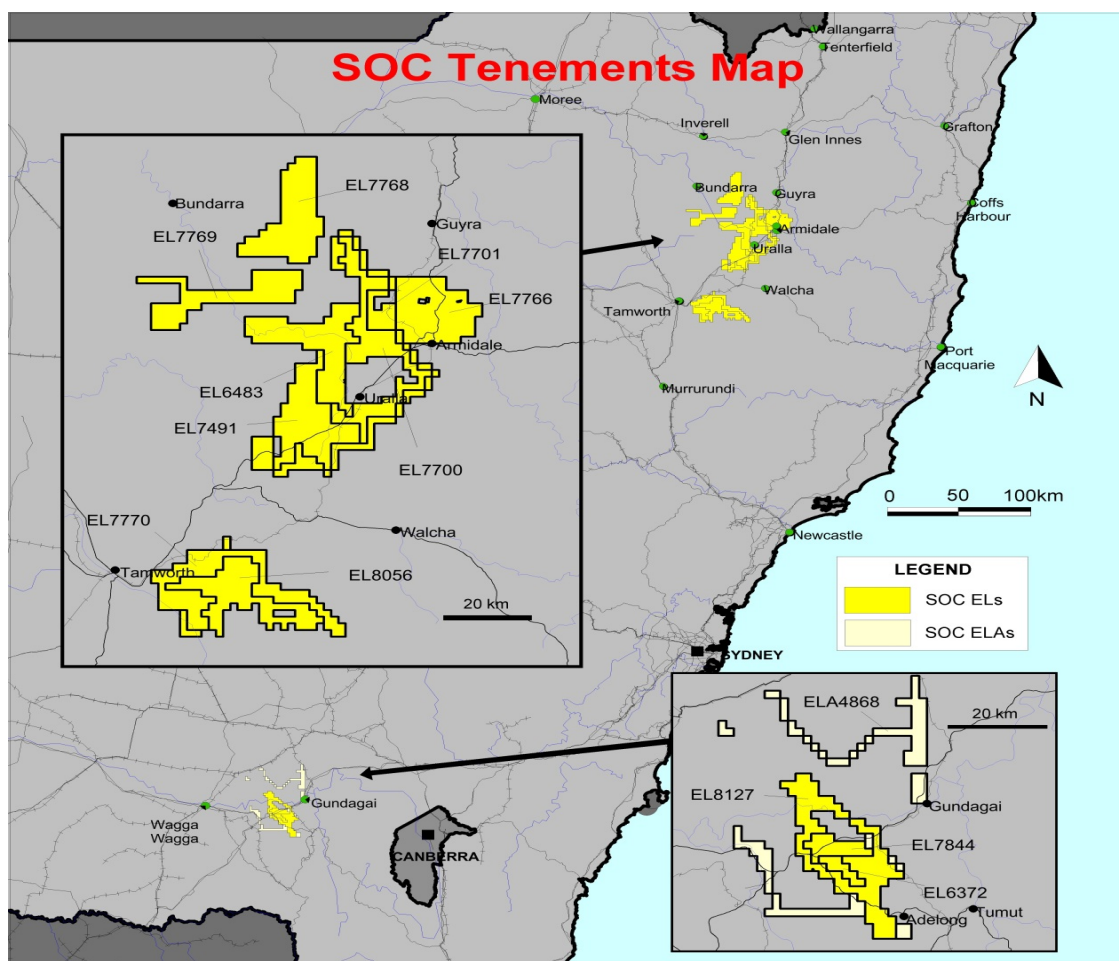
Sovereign Gold's specialist IRGS exploration team has applied modern exploration methods to identify diagnostic IRGS characteristics and locate structural and magmatic controls on gold deposition.

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

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



Sovereign Gold Rocky River-Uralla Goldfield Projects



Qualifying statements

Gossan Hill Gold – Mt Adrah

The information in this report that relates to Exploration Information is based on information compiled by Michael Leu, a Member 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 and Jacob Rebek, a Member of the Australian Institute of Geoscientists.

Mr Leu and Jacob Rebek are qualified geologists 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 mineralization and type of deposit under consideration and to the activity, which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources. Mr Leu, Jacob Rebek and Dr White consent to the inclusion in this report of the Exploration Information in the form and context in which it appears. All widths are down hole widths, true widths are unknown.

Rocky River–Uralla SUGEC J/V

The information in this report that relates to Exploration Information is based on information compiled by Michael Leu, 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 mineralization and type of deposit under consideration and to the activity, which they are undertaking to qualify as Competent Persons 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 report of the Exploration Information in the form and context in which it appears.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. All widths are down hole widths, true widths are unknown.

DIRECTORS' REPORT

Your directors present their report together with the financial statements on the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Sovereign Gold Company Limited (the **Company**) and the entities it controlled at the end of or during the year ended 31 December 2013.

Principal activities The principal continuing activities of the Group during the reporting period were conducting gold exploration and development programs.

Consolidated results The net loss of the Group for the year ended 31 December 2013 was \$1,640,205 (2012 loss: \$917,113). The loss arises largely due to exploration activities incurred during the year.

Total Shareholders' Funds as at 31 December 2013 are \$20.65 million (2012: \$19.42 million).

Additional information on the operations of the Group is disclosed in both the Chairman's review and the Review of Operations section of this report.

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 4 to 16 of this report.

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 the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

John S Dawkins AO	Non-Executive Chairman
Michael Leu	Chief Executive Officer
Peter J Meers	Non-Executive Director
Rado Jacob Rebek	Non-Executive Director
Julian Malnic	Non-Executive Director (appointed 17 February 2014)

Meetings of directors The number of Directors' Meetings and Directors' Committee Meetings held, and the number of meetings attended, by each of the Directors of the Company during the financial year were:

Directors	Directors Meetings		Remuneration Committee ¹		Audit Committee ²	
	Attended	Held Whilst in Office	Attended	Held Whilst in Office	Attended	Held Whilst in Office
John Dawkins AO (Chairman)	6	6	1	1	2	2
Michael Leu (CEO)	6	6	1	1	2	2
Peter Meers	5	6	1	1	2	2
Rado Jacob Rebek	6	6	1	1	2	2
Julian Malnic ³	0	0	0	0	0	0

¹ The Remuneration Committee is composed of the entire Board.

² The Audit Committee is composed of the entire Board.

³ Julian Malnic was appointed a director on 17 February 2014

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

Experience and Expertise	Mr Dawkins' earliest exposure to the mining industry was when, as Minister for Trade in the Hawke Government, he was responsible for the administration of export controls on certain minerals until he proposed the abolition of these arrangements in order to improve the operation of the market. During his time in Government, Mr Dawkins served in a number of other portfolios including Minister for Finance (1983-1984), Minister for Employment, Education and Training (1987-1991) and Treasurer (1991-1993) in the Keating Government. Mr Dawkins brings to the Group a wealth of governance experience, including prominent roles in public and private institutions. He chairs the Australian Qualifications Framework Council and the Board of Governors of the Institute for International Trade at the University of Adelaide and co-chairs the unlisted Government Relations Australia Advisory Ltd and is a trustee director of CBUS Super.
Other Current Directorships of Listed Companies	Non-Executive Chairman of Australian Bauxite Limited; Non-Executive Chairman of Precious Metal Resources Limited; Non-Executive Chairman of ILH Limited; Non-Executive Chairman of Vocation Limited; Non-Executive Director of Tiara Coal Limited;
Former Directorships in the Last Three Years of Listed Companies	Director of Archer Exploration Limited; Director of MGM Wireless Limited
Special Responsibilities	Chairman of the Board Member of the Audit Committee Member of the Remuneration Committee
Interests in Shares and Options	100,000 Shares indirectly held.

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

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

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

Experience and Expertise	Peter Meers has broad business experience across a range of industries including consumer, commercial and investment banking, securities trading and origination, mining and exploration and building materials. Mr Meers held senior executive positions and portfolio management roles in agribusiness, mining, property and trade finance during a career spanning 25 years with ANZ Bank in Australia and Asia. Past directorships include appointment on company boards in Malaysia, Indonesia and Singapore.
Other Current Directorships of Listed Companies	Executive Chairman of Tiara Coal Limited; Non-Executive Director of Hudson Resources Limited; Non-Executive Director of Hudson Investment Group Limited; Non-Executive Director of Precious Metal Resources Limited;
Former Directorships in the Last Three Years of Listed Companies	Non-Executive Director of Terragali Resources Bhd. Executive Deputy Chairman of Australian Bauxite Limited Non-Executive Director of Archer Exploration Limited
Special Responsibilities	Member of the Audit Committee Member of the Remuneration Committee
Interests in Shares and Options	Indirect 10,000 shares held by a related party.

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

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

Julian Oliver Malnic
Non-Executive Director of Sovereign Gold Company Limited
Appointed on 17 February 2014

Experience and Expertise	Julian Malnic is a professional geologist and company builder whose career spans a wide range of industry activity including exploration (specialising in gold), mine assessment, corporate management and development, and industry media. In 1995, he founded Nautilus Minerals (listed on the Toronto and London exchanges) the world's first company to be granted exploration licences to newly discovered, high-grade seafloor massive sulphide deposits. In 2005 he founded Direct Nickel (DNi) after having identified the potential of precursor technologies for the Direct Nickel Process which it has successfully developed for treating nickel laterites. Until September 2012, he worked as Executive Chairman of DNi and led the DNi team in developing the DNi Process. The company has successfully tested a wide array of ore types, confirmed the process's efficient and wide spectrum capabilities, and forged strong technical and financial partnerships with Teck Resources Limited, PT Antam, and the CSIRO.
Other Current Directorships of Listed Companies	None
Former Directorships in the Last Three Years of Listed Companies	None
Special Responsibilities	Member of the Audit Committee Member of the Remuneration Committee
Interests in Shares and Options	None

Officers**Julian Rockett B.A., LL.B****Joint Company Secretary****Experience and Expertise**

Mr Rockett was appointed to the position of Joint Company Secretary on 1 August 2013. His background is in government services and previously worked at a Sydney commercial litigation practice. Mr Rockett the Company Secretary of Hudson Resources Limited, Hudson Investment Group Limited, Tiara Coal Limited and Joint Company Secretary of Australian Bauxite Limited, Raffles Capital Limited and Precious Metal Resources Limited. In addition Mr Rockett provides corporate legal counsel to a number of listed and non-listed corporate entities.

Henry Kinstlinger**Joint Company Secretary****Experience and Expertise**

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

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

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

Likely developments

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

Significant changes in nature of activities

Please refer to Review of Operations section of this report.

Matters subsequent to balance date

At the date of this report, apart from the appointment of Julian Malnic as a non-executive director in February 2014, there are no other matters or circumstances, which have arisen since 31 December 2013 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2013, of the Group;
- the results of those operations; or,
- the state of affairs, in financial years subsequent to 31 December 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.

Environmental code of practice for mineral exploration

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

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

Access to land

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

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

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

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

Type of land

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

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

Mineral exploration programs**Access**

The Company utilises existing tracks for access where possible.

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

Surface disturbances are kept to a minimum.

Drilling

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

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

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

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

Rehabilitation

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

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

REMUNERATION REPORT - AUDITED

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

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

Remuneration committee

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

The Committee meets as often as required but not less than once per year. Committee members attendance record can be found in the table of Directors Meetings disclosed on page 17.

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

Directors' and other key management personnel remuneration

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

- John Dawkins, AO Non-Executive Chairman
- Michael Leu Chief Executive Officer
- Peter Meers Non-Executive Director
- Rado Jacob Rebek Non-Executive Director
- Julian Malnic Non-Executive Director (appointed 17 February 2014)

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

- Henry Kinstlinger Joint Company Secretary
- Julian Rockett Joint Company Secretary
- Benjamin Amzalak Investor Relationship Officer
- Francis Choy Chief Financial Officer

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

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

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

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

Performance conditions

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

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

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

Directors and other Key Management Personnel of Sovereign Gold Company Limited

Consolidated 2013	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits		
	Salary and other fees	Travelling Allowance	Super- annuation	Long Service Leave	Share Based Payments	Total
Director	\$	\$	\$	\$	\$	\$
John Dawkins	27,273	-	-	-	-	27,273
Michael Leu	157,800	10,800	-	-	-	168,600
Peter Meers	61,364	-	-	-	-	61,364
Rado J Rebek	23,000	-	-	-	-	23,000
Total - Directors	269,437	10,800	-	-	-	280,237
Key Management Personnel						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	42,000	-	-	-	-	42,000
Francis Choy	-	-	-	-	-	-
David Hughes	-	-	-	-	-	-
Total - KMP	42,000	-	-	-	-	42,000

Parent Entity 2013	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits		
	Salary and other fees	Travelling Allowance	Super- annuation	Long Service Leave	Share Based Payments	Total
Director	\$	\$	\$	\$	\$	\$
John Dawkins	27,273	-	-	-	-	27,273
Michael Leu	157,800	10,800	-	-	-	168,600
Peter Meers	61,364	-	-	-	-	61,364
Rado J Rebek	2,800	-	-	-	-	2,800
Total - Directors	249,237	10,800	-	-	-	260,037
Key Management Personnel						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	42,000	-	-	-	-	42,000
Francis Choy	-	-	-	-	-	-
David Hughes	-	-	-	-	-	-
Total - KMP	42,000	-	-	-	-	42,000

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

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

* Nick Raffan Resigned 4 January 2012;

** Qinjing Qiu Resigned 28 May 2012

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

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

There are no other elements of Directors and Executives remuneration.

Services agreement

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

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

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

Share options granted to Directors and Other Key Management Personnel

3,750,000 employee share options were granted over unissued shares to directors and other key management personnel in 2010. All employee share options expired during the year. For details please refer to note 23 to the financial statements.

End of audited remuneration report

DIRECTORS' REPORT continued

Loans to Directors and Key Management Personnel

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

	Balance at the start of the year	Advance/ (Repayments)	Interest payable for the year	Balance at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
	\$	\$	\$	\$	\$	\$
Consolidated						
2013	752,250	-	60,300	812,550	812,550	20,100
2012	691,785	-	60,465	752,250	752,250	20,156
Parent Entity						
2013	478,271	-	37,800	516,071	516,071	12,600
2012	440,367	-	37,904	478,271	478,271	12,635

* Market interest rate 6% (2012: 6%). This represents the difference between interest charged at the latter and interest paid.

Terms and conditions of loans

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

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

Shares under option

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

Class	Date options granted	Expiry Date	Exercise Price	No. of Options
Options	16 December 2013	16 December 2016	\$0.249	1,800,000
				1,800,000

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

Shares issued on the exercise of options

No options have been exercised and 6,500,000 options expired during the financial year and in the period up to the date of this report. Please refer Note 23 for details.

Directors' and officers' indemnities and insurance

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

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

Proceedings on behalf of the Company

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

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

Auditors' independence declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* has been received and is set out of page 28.

Non-audit services

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

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

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

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

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

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

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Audit services:				
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
Audit and review services	50,520	26,195	27,505	26,195
Taxation and other advisory services:				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.				
Taxation	16,500	8,135	8,545	8,135
Advisory Services	1,225	-	1,225	-
	17,725	8,135	9,770	8,135

Auditor

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

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



Peter Meers
Director



Michael Leu
Chief Executive Officer

Signed at Sydney
25 March 2014

AUDITOR'S INDEPENDENCE DECLARATION

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

As lead auditor of Sovereign Gold Company Limited for the year ended 31 December 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 audit; and
- any applicable code of professional conduct in relation to the audit.

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

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney, 25 March 2014

CORPORATE GOVERNANCE STATEMENT

Sovereign Gold Company Limited (the **Company**) provides the following statement disclosing the extent to which the Company has followed the best practice recommendations set by the Australian Securities Exchange (**ASX**) Corporate Governance Council. Where the Company has not followed a recommendation, this fact has been disclosed together with the reasons for the departure.

Overview

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

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

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

Compliance with ASX Corporate Governance Council best practice recommendations

The ASX Listing Rules requires public listed companies to include in their annual report a statement regarding the extent to which they have adopted the ASX Corporate Governance Council best practice recommendations. This statement provides details of the Company’s adoption of the best practice recommendations.

Principle 1 – Lay Solid Foundations for Management and Oversight

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

Board responsibilities

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

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

The responsibilities of the board include:

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

Directors’ education

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

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

Continuing education is provided via the regular Board updates provided by the chief executive officer.

Role of Chairman

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

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

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

Role of Chief Executive Officer

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

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

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

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

Principle 2 – Structure the Board to Add Value

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

Composition of the Board

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

There is one Director who is the Chairman.

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

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

The Company does comply with recommendation 2.1 which provides that a majority of the board be independent directors.

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

The board's size and composition is subject to limits imposed by the Company's constitution which provides for a minimum of three directors and a maximum of ten. Details of the members of the Board, their experience, expertise, qualifications are set out in the Directors' Report on pages 17 to 28.

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

Name of Director	Position/Status	Term in Office
John Dawkins	Non-Executive Chairman – Independent	3 years 6 months
Michael Leu	Chief Executive Officer – Non-independent	3 years 7 months
Peter Meers	Non-Executive Director – Independent	3 years 7 months
Rado Jacob Rebek	Non-Executive Director – Non-independent	3 years 6 months
Julian Oliver Malnic	Non-Executive Director –Independent	1 month

The Board currently holds 6 scheduled meetings each year together with any ad hoc meetings as may be necessary. The Board met 6 times during the year and Directors attendance is disclosed on page 17 of the Directors' Report.

Access to independent professional advice

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

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

Nomination Committee

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

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

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

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

Board performance evaluation

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

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

Principle 3 – Promote Ethical and Responsible Decision making

Companies should actively promote ethical and responsible decision making.

Code of conduct

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

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

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

Policy on dealing in Company securities

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

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

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

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

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

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

Approach to diversity

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

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

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

The Company's diversity policy includes a requirement that:

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

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

	Females at 31 December 2013		Company Objective		Progress toward meeting objective	
	No.	%	No.	%	No.	%
Whole organisation	-	-	15	50	-	-
Senior Executives	-	-	1	50	-	-
Board	-	-	3	50	-	-

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

Principle 4 – Safeguard Integrity in Financial Reporting

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

Audit committee

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

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

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

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

These responsibilities include:

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

The audit committee has received confirmation in writing from the Chief Executive Officer and Chief Financial Officer that the Company's Financial Report for the financial year ended 31 December 2013 presents a true and fair view in all material respects of the Company's financial position and operational results and are in accordance with relevant accounting standards.

External auditors

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

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

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

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

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

Principle 5 – Make Timely and Balanced Disclosure

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

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

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

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

Principle 6 – Respect the Rights of Shareholders

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

Communication with shareholders

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

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

The Company will achieve this through the following avenues:

Regular mailings

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

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

Email update service

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

General meetings

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

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

The Company also posts corporate information on the Investor Section of its company website at www.sovereigngold.com.au.

Principle 7 – Recognise and Manage Risks

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

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

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

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

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

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

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

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

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

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

Principle 8 – Remunerate Fairly and Responsibly

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

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

The Committee has adopted a formal charter.

The main responsibilities of the Remuneration Committee will include:

- review and approve the Company's policy for determining executive remuneration and any amendments to that policy;
- review the on-going appropriateness and relevance of the policy;
- consider and make recommendations to the Board on the remuneration of executive Directors (including base salary, incentive payments, equity awards and service contracts);
- review and approve the design of all equity based plans;
- review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive Directors.

The committee will meet as often as required but not less than once per year. The committee met once during the year and the committee members' attendance is disclosed in the table of directors meetings including the directors' report on page 17.

Executive Directors and executive remuneration

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

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

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

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

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

Non-Executive Directors

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

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

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

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2013

	Notes	Consolidated		Parent Entity	
		2013	2012	2013	2012
		\$	\$	\$	\$
Revenue	4	1,432,951	344,815	290,317	103,140
		1,432,951	344,815	290,317	103,140
Administration and exploration expenses	5	(3,213,928)	(1,296,526)	(928,142)	(693,267)
Finance costs		(90,013)	(15,223)	(63,208)	(11,030)
Profit/(Loss) before tax		(1,870,990)	(966,934)	(701,033)	(601,157)
Income tax expense	6(a)	-	-	-	-
Net Profit/(Loss) for the year		(1,870,990)	(966,934)	(701,033)	(601,157)
Other comprehensive Income					
Other comprehensive income for the year net of tax		-	-	-	-
Total comprehensive income for the year		(1,870,990)	(966,934)	(701,033)	(601,157)
Profit/(loss) attributable to minority equity interests		230,785	49,821	-	-
Total comprehensive income attributable to members of the Parent Entity		(1,640,205)	(917,113)	(701,033)	(601,157)
		2013	2012		
		Cents	Cents		
Basic (loss) /earnings per share (cents)	22	(1.12)	(0.94)		
Diluted (loss) /earnings per share (cents)	22	(1.11)	(0.87)		

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	Consolidated		Parent Entity	
		2013	2012	2013	2012
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	7	596,311	162,780	377,815	(11,576)
Trade and other receivables	8	1,532,340	1,668,558	637,292	500,105
Other current assets	9	112,445	-	112,445	-
Total current assets		<u>2,241,096</u>	<u>1,831,338</u>	<u>1,127,552</u>	<u>488,529</u>
Non-current assets					
Trade and other receivables	8	-	-	4,688,081	3,581,262
Mining tenements	10	8,783,827	3,550,454	-	-
Financial assets	11	800,000	70	17,019,455	15,821,709
Plant and equipment	12	35,519	33,648	23,271	32,610
Other non-current assets	9	13,003,760	14,098,166	-	-
Total non-current assets		<u>22,623,106</u>	<u>17,682,338</u>	<u>21,730,807</u>	<u>19,435,581</u>
Total Assets		<u>24,864,202</u>	<u>19,513,676</u>	<u>22,858,359</u>	<u>19,924,110</u>
LIABILITIES					
Current liabilities					
Trade and other payables	13	2,264,018	76,276	45,116	49,588
Employee benefits provision	14	14,312	5,279	-	-
Total current liabilities		<u>2,278,330</u>	<u>81,555</u>	<u>45,116</u>	<u>49,588</u>
Non-current liabilities					
Trade and other payable	13	1,921,806	70	1,100,000	140
Employee benefits provision	14	11,385	3,899	-	-
Total non-current liabilities		<u>1,933,191</u>	<u>3,969</u>	<u>1,100,000</u>	<u>140</u>
Total Liabilities		<u>4,211,521</u>	<u>85,524</u>	<u>1,145,116</u>	<u>49,728</u>
Net Assets		<u>20,652,681</u>	<u>19,428,152</u>	<u>21,713,243</u>	<u>19,874,382</u>
EQUITY					
Issued capital	15	23,683,142	21,161,248	23,683,142	21,161,248
Reserves		359,765	341,765	359,765	341,765
Accumulated losses		(4,062,620)	(2,422,415)	(2,329,664)	(1,628,631)
		<u>19,980,287</u>	<u>19,080,598</u>	<u>21,713,243</u>	<u>19,874,382</u>
Minority interest		672,394	347,554	-	-
Total Equity		<u>20,652,681</u>	<u>19,428,152</u>	<u>21,713,243</u>	<u>19,874,382</u>

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2013

Consolidated	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Minority Interest \$	Total Equity \$
Balance at 1 January 2013	21,161,248	341,765	(2,422,415)	347,554	19,428,152
Shares issued	2,812,471	-	-	-	2,812,471
Share issuing cost	(290,577)	-	-	-	(290,577)
Movement during the year	-	18,000	-	324,840	342,840
Loss for the year	-	-	(1,640,205)	-	(1,640,205)
Balance at 31 December 2013	23,683,142	359,765	(4,062,620)	672,394	20,652,681
Balance at 1 January 2012	5,382,756	341,515	(1,505,302)	-	4,218,969
Shares issued	15,820,698	-	-	-	15,820,698
Share issuing cost	(42,206)	-	-	-	(42,206)
Business Combination	-	250	-	347,554	347,804
Loss for the year	-	-	(917,113)	-	(917,113)
Balance at 31 December 2012	21,161,248	341,765	(2,422,415)	347,554	19,428,152
Parent Entity	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Minority Interest \$	Total Equity \$
Balance at 1 January 2013	21,161,248	341,765	(1,628,631)	-	19,874,382
Shares issued	2,812,471	-	-	-	2,812,471
Share issuing cost	(290,577)	-	-	-	(290,577)
Movement during the year	-	18,000	-	-	18,000
Loss for the year	-	-	(701,033)	-	(701,033)
Balance at 31 December 2013	23,683,142	359,765	(2,329,664)	-	21,713,243
Balance at 1 January 2012	5,382,756	341,765	(1,027,474)	-	4,697,047
Shares issued	15,820,698	-	-	-	15,820,698
Share issuing cost	(42,206)	-	-	-	(42,206)
Loss for the year	-	-	(601,157)	-	(601,157)
Balance at 31 December 2012	21,161,248	341,765	(1,628,631)	-	19,874,382

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

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2013

	Notes	Consolidated		Parent Entity	
		2013 \$	2012 \$	2013 \$	2012 \$
Cash flows from operating activities					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(5,014,820)	(2,563,670)	(1,427,252)	(592,626)
Interest paid		(35,699)	-	(34,907)	-
Interest received		15,215	81,562	737	59,047
Net cash used in operating activities	17	(5,035,304)	(2,482,108)	(1,461,422)	(533,579)
Cash flows from investing activities					
Payment for tenement prospects and interest		(993,750)	(200,320)	-	-
Payment for plant and equipment		(14,846)	(3,601)	-	(2,418)
Repayment from other parties		1,519,659	200,000	-	200,000
Advance to other parties		(112,590)	(843,027)	(112,590)	(80,715)
Advance to controlled entities		-	-	(1,106,959)	(966,614)
Net cash provided by/(used in) investing activities		398,473	(846,948)	(1,219,549)	(849,747)
Cash flows from financing activities					
Proceeds from issue of shares		2,342,940	2,120,086	2,342,940	-
Share issuing cost		(272,578)	(42,206)	(272,578)	(42,206)
Proceeds from share issued – controlled entities		2,000,000	-	-	-
Proceeds from convertible note		1,000,000	-	1,000,000	-
Net cash provided by/(used in) financing activities		5,070,362	2,077,880	3,070,362	(42,206)
Net increase /(decrease) in cash held		433,531	(1,251,176)	389,391	(1,425,532)
Cash and cash equivalents at beginning of the financial year		162,780	1,413,956	(11,576)	1,413,956
Cash and cash equivalents at end of the financial year	7	596,311	162,780	377,815	(11,576)

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2013

1 CORPORATE INFORMATION

The consolidated financial statements and notes of Sovereign Gold Company Limited (the **Company**) for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors and covers Sovereign Gold Company Limited as an individual parent entity as well as the consolidated entity consisting of Sovereign Gold Company Limited and its subsidiaries (the **Group**) as required by the *Corporations Act 2001*.

The consolidated financial statements and notes is presented in the Australian currency.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

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

Statement of Compliance

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

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Critical judgements

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

— Capitalisation of exploration costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

Historical cost convention

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

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

b. Principles of consolidation

Subsidiaries

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

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

Business combinations

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Goodwill

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

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

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

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

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

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

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

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

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

c. Segment reporting

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

d. Revenue recognition

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

Interest Revenue

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

Other Income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

e. Income tax

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

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

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

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

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

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

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

f. Goods and services tax (GST)

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.
- the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

g. Impairment of assets

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

h. Cash and cash equivalents

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

i. Trade and other receivables

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

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

j. Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

(ii) *Loans and receivables*

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

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

(iii) *Held-to-maturity investments*

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

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

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

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

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

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

(v) *Financial liabilities*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value

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

Impairment

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

Derecognition

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

k. Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. All other plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in equity. A revaluation surplus is credited to the asset revaluation reserve included within shareholder's equity unless it reverses a revaluation decrease on the same asset previously recognised in the Statement of Profit or Loss and Other Comprehensive Income. A revaluation deficit is recognised in the Statement of Profit or Loss and Other Comprehensive Income unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve. On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings. Independent valuations are performed regularly to ensure the carrying amounts of land and buildings do not differ materially from the fair value at the Statement of Financial Position date.

Land is not depreciated. Depreciation on other assets is calculated using the straight line, over their estimated useful lives, as follows:

- Plant and equipment 5 – 15 years (depreciation rate 6.7% to 20%)
- Buildings 30 years (depreciation rate 3.4%)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2 (m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

l. Tenement exploration, valuation and development costs

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

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

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

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

m. 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.

n. 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.

o. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**p. Contributed equity**

Ordinary shares are classified as equity.

q. 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.

r. 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.

s. New accounting standards for application

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

3. FINANCIAL RISK MANAGEMENT

a. General objectives, policies and processes

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

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

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

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

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

Further details regarding these policies are set out below.

b. Credit risk

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

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

	Consolidated		Parent Entity	
	2013	2012	2013	2012
		\$		\$
Current				
Cash and cash equivalents	596,311	162,780	377,815	(11,576)
Trade and other receivables	1,532,340	1,668,558	637,292	500,105
Non- Current				
Trade and other receivables	-	-	4,688,081	3,581,262
	2,128,651	1,831,338	5,703,188	4,069,791

c. Liquidity risk

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

3. FINANCIAL RISK MANAGEMENT continued

Maturity Analysis of Financial Liabilities	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
	\$	\$	\$	\$	\$	\$
Consolidated 2013 Financial Liabilities						
Current						
Trade and other payables	2,232,453	232,453	232,453	-	-	-
Accrued payable	31,565	31,565	31,565	-	-	-
Non-Current						
Other Liabilities	1,921,806	821,806	-	-	821,806	-
Total financial liabilities at amortised cost	4,185,824	1,085,824	264,018	-	821,806	-
Consolidated 2012 Financial Liabilities						
Current						
Trade and other payables	43,926	43,926	43,926	-	-	-
Accrued payable	32,350	32,350	32,350	-	-	-
Non-Current						
Other Liabilities	70	-	-	-	-	-
Total financial liabilities at amortised cost	76,346	76,276	76,276	-	-	-
Parent Entity 2013 Financial Liabilities						
Current						
Trade and other payables	33,986	33,986	33,986	-	-	-
Accrued payable	11,130	11,130	11,130	-	-	-
Non-Current						
Other Liabilities	1,100,000	-	-	-	-	-
Total financial liabilities at amortised cost	1,145,116	45,116	45,116	-	-	-
Parent Entity 2012 Financial Liabilities						
Current						
Trade and other payables	38,988	38,988	38,988	-	-	-
Accrued payable	10,600	10,600	10,600	-	-	-
Non-Current						
Other Liabilities	140	-	-	-	-	-
Total financial liabilities at amortised cost	49,728	49,588	49,588	-	-	-

3. FINANCIAL RISK MANAGEMENT continued**d. Interest rate risk**

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

Sensitivity Analysis

There is no bank borrowing at the balance date.

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

	Carrying Amount	+1% Profit/ (Loss)	-1% Profit/ (Loss)
Consolidated 2013	\$	\$	\$
Cash and cash equivalents	596,311	5,963	(5,963)
Tax charge of 30%		(1,789)	1,789
After tax increase/(decrease)	<u>596,311</u>	<u>4,174</u>	<u>(4,174)</u>
Consolidated 2012			
Cash and cash equivalents	162,780	1,628	(1,628)
Tax charge of 30%		(488)	488
After tax increase/(decrease)	<u>162,780</u>	<u>1,140</u>	<u>(1,140)</u>
Parent Entity 2013			
Cash and cash equivalents	377,815	3,778	(3,778)
Tax charge of 30%		(1,133)	1,133
After tax increase/(decrease)	<u>377,815</u>	<u>2,645</u>	<u>(2,645)</u>
Parent Entity 2012			
Cash and cash equivalents	(11,576)	(116)	116
Tax charge of 30%		34	(34)
After tax increase/(decrease)	<u>(11,576)</u>	<u>(82)</u>	<u>82</u>

The above analysis assumes all other variables remain constant.

e. Currency risk

In 2013, the consolidated entity and parent entity were not exposed to foreign currency risk (2012: nil)

f. Capital risk management

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

4. REVENUE

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenue				
Interest income	89,687	240,906	38,533	96,140
Other income				
Profit on disposal of investment	800,830	-	112,113	-
Other	542,434	103,909	139,671	7,000
	1,432,951	344,815	290,317	103,140

5. EXPENSES

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
(Loss)/profit before income tax includes the following specific expenses:				
Directors fees and employee oncosts	406,563	260,772	42,424	28,788
Consulting and professional fee	205,924	162,312	139,154	90,112
Exploration expense not capitalised	380,264	123,303	3,553	1,112

6. INCOME TAX

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
a. Income tax expense				
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
Total income tax expense	-	-	-	-
Deferred tax expense				
Increase/(decrease) in deferred tax expense	-	-	-	-
b. Numerical reconciliation of income tax expense to prima facie tax payable				
(Loss) / Profit before income tax expense	(1,870,990)	(966,934)	(701,033)	(601,157)
Income tax expense (benefit) calculated @ 30% (2012:30%)	(561,297)	(290,080)	(210,310)	(180,347)
Temporary differences not brought to account	(1,622,888)	(511,917)	(55,357)	(39,026)
Tax losses not brought to account	2,184,185	801,997	265,667	219,373
Income tax expense/(benefit) at effective tax rate of 30% (2012: 30%)	-	-	-	-

6. INCOME TAX continued**c. Unrecognised deferred tax assets and liabilities**

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Deferred tax assets and liabilities have not been recognised in the balance sheet for the following items:				
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	-	-	-	-
Other deductible temporary differences	(176,254)	(547,520)	(184,524)	(130,088)
Deferred tax asset in respect of exploration activities not brought to account	(1,870,990)	(966,934)	(701,033)	(601,157)
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	(5,233,373)	(1,593,728)	-	-
	(7,280,617)	(3,108,182)	(885,557)	(731,245)
Potential benefit/(expense) at 30% (2012: 30%)	2,184,185	932,455	265,667	219,373

7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash at bank and in hand	402,458	2,662	377,815	(11,576)
Cash held in trust - tenement guarantee	193,853	160,118	-	-
	596,311	162,780	377,815	(11,576)
Weighted average interest rates	2.33%	2.59%	2.37%	1.28%

a. Reconciliation to cash at the end of the year

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

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash and cash equivalents	596,311	162,780	377,815	(11,576)
Balances per Statement of Cash Flows	596,311	162,780	377,815	(11,576)

b. Interest Rate Exposure

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

8. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Current				
Receivables - other parties	812,551	1,442,738	516,071	478,271
Receivable – other	112,589	-	112,589	-
Receivable – tenement deposit	404,658	200,070	-	-
Receivables - GST	202,542	25,750	8,632	21,834
	1,532,340	1,668,558	637,292	500,105
Non - Current				
Receivable - controlled entities	-	-	4,688,081	3,581,262

a. Impaired receivables and receivables past due.

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

b. Receivable - other parties

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

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

A non-secured deposit was placed with a related entity. The interest bearing deposit is fully repaid during the year.

None were written down during the year.

Receivable – Other

These amounts relate to share placement fund in transit. The fund was received after balance date.

Receivables - GST

These amounts relate to receivables for GST paid.

c. Interest rate risk

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

d. Fair value and credit risk**Current trade and other receivables**

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

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

8 TRADE AND OTHER RECEIVABLES continued**Non-current trade and other receivables**

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

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Consolidated				
Controlled Entities receivables	-	-	-	-
Parent Entity				
Controlled entities receivables	4,688,081	4,688,081	3,581,262	3,581,262

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

9. OTHER CURRENT ASSETS

	Consolidated		Parent Entity	
Current	2013	2012	2013	2012
	\$	\$	\$	\$
Accrued convertible note interest	97,917	-	97,917	-
Prepayments	14,528	-	14,528	-
	112,445	-	112,445	-

Non-Current

Goodwill:

Carrying value

Accumulated impairment losses

Net carrying amount

13,003,760	14,098,166	-	-
-	-	-	-
13,003,760	14,098,166	-	-

Goodwill

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Balance at the beginning of the year	14,098,166	-	-	-
Movement through business combination	(1,094,406)	14,098,166	-	-
Impairment losses	-	-	-	-
Balance at end of the year	13,003,760	14,098,166	-	-

Impairment disclosures

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

10. MINING TENEMENTS

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Mining tenements	8,783,827	3,550,454	-	-
	8,783,827	3,550,454	-	-

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

For details please refer tenement schedule of this report.

11. FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Investment in other entities and others	800,000	70	17,019,455	15,821,709

12. PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Plant and equipment - at cost	62,727	47,881	46,699	46,699
Less: Accumulated depreciation	(27,208)	(14,233)	(23,428)	(14,089)
Total plant and equipment	35,519	33,648	23,271	32,610

Reconciliations

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

Consolidated entity

Carrying amount at beginning at year	33,648	39,333	32,610	39,333
Additions	14,846	3,601	-	2,418
Depreciation	(12,975)	(9,286)	(9,339)	(9,141)
Carrying amount at end of year	35,519	33,648	23,271	32,610

13. TRADE AND OTHER PAYABLES

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Current				
Trade payables	232,453	43,926	33,986	38,988
Accrued payables	31,565	32,350	11,130	10,600
Controlled entity share placement fund received	2,000,000	-	-	-
	2,264,018	76,276	45,116	49,588
Non-Current				
Convertible note	1,100,000	-	1,100,000	-
Advance from related entity	821,806	-	-	-
Other payable	-	70	-	140
	1,921,806	70	1,100,000	140

14. EMPLOYEE BENEFITS PROVISIONS

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Current				
Staff leave entitlement	14,312	5,279	-	-
Non-Current				
Staff leave entitlement	11,385	3,899	-	-

15. ISSUED CAPITAL

Consolidated and Parent Entity		Consolidated and Parent Entity	
2013	2012	2013	2012
Number of Shares	Number of Shares	\$	\$
153,109,851	139,163,842	23,683,142	21,161,248

a. Movements in ordinary share capital during the year:**Consolidated and parent entity**

Date	Details	No. of shares	Issue price \$	\$
31 December 2012	Balance	139,163,842		21,161,248
28 February 2013	Share placement	2,500,000	0.20	500,000
30 April 2013	Off market takeover	1,878,125	0.25	469,531
31 August 2013	Share placement	8,000,000	0.20	1,600,000
31 August 2013	Share issued in lieu of payment	151,750	0.20	30,350
18 December 2013	Share issued with convertible note	1,416,134	0.15	212,590
	Share issuing costs			(290,577)
31 December 2013	Balance	153,109,851		23,683,142

b. Performance Options

No options were granted or exercised in 2013 (2012: Nil).

c. Terms and Conditions

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

d. Options

There were 1,800,000 unissued ordinary shares under option at the end of the financial year.

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

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

Name of Entity	Class of Shares	Equity Holding		Country of Incorporation
		2013 (%)	2012 (%)	
Biacil Holdings Pty Ltd	Ordinary	100	100	Australia
Micksture Pty Ltd	Ordinary	100	100	Australia
Uralla Gold Pty Ltd	Ordinary	100	100	Australia
IRGS Northern Gold Pty Ltd	Ordinary	100	100	Australia
IRGS Southern Gold Pty Ltd	Ordinary	100	100	Australia
MAS Gold Pty Ltd	Ordinary	100	100	Australia
Pahang Minerals Pty Ltd	Ordinary	100	100	Australia
SOC1 Pty Ltd	Ordinary	100	100	Australia
SOC2 Pty Ltd	Ordinary	100	100	Australia
Hudson SPC Pty Ltd	Ordinary	100	100	Australia
SUGEC Resources Limited	Ordinary	89.4	-	Australia
Gossan Hill Gold Limited*	Ordinary	72.1	-	Australia
Tasman Goldfields NSW Pty Ltd*	Ordinary	72.1	-	Australia
Precious Metal Resources Limited (ASX: PMR)	Ordinary	76.5	81.26	Australia
PMR 1 Pty Ltd	Ordinary	76.5	81.26	Australia
PMR 3 Pty Ltd	Ordinary	76.5	81.26	Australia
PMR 4 Pty Ltd	Ordinary	76.5	81.26	Australia
PMR 5 Pty Ltd	Ordinary	76.5	81.26	Australia
Peel Gold Pty Ltd*	Ordinary	76.5	-	Australia
Peel Gold North Pty Ltd*	Ordinary	76.5	-	Australia

* Controlled entities acquired and incorporated to hold exploration tenements.

b. Acquisition of Controlled Entities

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

The acquisition results in Sovereign Gold obtaining control of PMR.

	Fair Value
	\$
	'000
Purchase consideration:	
Shares issued - Sovereign Gold off market takeover PMR (net of share issuing costs)	15,779
Cash and cash equivalents	52
Trade and other receivables	1,182
Mining tenements	476
Trade and other payables	(18)
Provisions	(11)
	(1,681)
	14,098

16. INVESTMENT IN CONTROLLED ENTITIES continued**Acquisition of Controlled Entities**

On November 2013, the controlled entity acquired 76.5% interest in Peel Gold Pty Ltd. The acquisition resulted in PMR obtaining control of Peel Gold Pty Ltd and Peel Gold North Pty Ltd.

Purchase consideration:	\$
Shares issued 2m @ 40c (Net of share issuing costs)	800,000
Less:	
Identifiable assets acquired and liabilities assumed	2
Goodwill	<u>799,998</u>

On 15 April 2013, the controlled entity (SOC) acquired 93.91% interest in Mount Adrah Gold Limited (formerly Gossan Hill Gold Limited). The acquisition resulted in SOC obtaining control of Mount Adrah Gold Limited.

Purchase Consideration	
1,878,125 SOC share plus \$187,813 (net of share issuing costs)	1,216,344
Less:	
Identifiable assets acquired and liabilities assumed	666,653
Goodwill	<u>549,691</u>

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

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
(Loss)/Profit for the year	(1,640,205)	(917,113)	(701,033)	(601,157)
Capitalised exploration expenditure	(3,347,705)	(1,393,478)	-	-
Change in operating assets and liabilities:				
(Increase)/Decrease in trade and other receivables	(146,252)	(300,549)	70,215	(29,488)
(Increase)/Decrease in other current assets	(97,917)	99,000	(97,917)	99,000
(Increase)/Decrease in other operating assets	-	-	(728,215)	-
Increase/(Decrease) in trade and other creditors and provisions	196,775	30,032	(4,472)	(1,934)
(Increase) in deferred tax assets	-	-	-	-
Increase in deferred tax liabilities	-	-	-	-
Net cash used in operating activities	(5,035,304)	(2,482,108)	(1,461,422)	(533,579)

18. OPERATING SEGMENT

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

19. COMMITMENTS**Exploration expenditure commitments**

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Minimum tenement exploration expenditure	3,731,625	2,497,000	-	-
Tenement lease payment	110,340	101,500	-	-
	3,841,965	2,598,500	-	-

19 COMMITMENTS continued

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately \$3.8 million over the remaining term of the tenements.

Service agreements

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

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

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

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

20. CONTINGENT LIABILITIES

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

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

21. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, apart from the appointment of Julian Malnic as a non-executive director on 17 February 2014, there are no other matters or circumstances which have arisen since 31 December 2013 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2013, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2013, of the Group.

22. EARNINGS PER SHARE**Earnings Per Share**

	Consolidated	
	2013	2012
	Cents	Cents
Basic (loss)/earnings per share	(1.12)	(0.94)
Fully diluted (loss)/earning per share	(1.11)	(0.87)
	2013	2012
	\$	\$
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	(1,640,205)	(917,113)
	2013	2012
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share:	146,222,166	97,721,281
Adjustments for calculation of diluted earnings per share:		
Options issued	1,800,000	7,750,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	148,022,166	105,471,281

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

- John Dawkins Non-Executive Chairman
- Michael Leu Chief Executive Officer
- Peter Meers Non-Executive Director
- Rado Jacob Rebek Non-Executive Director
- Julian Malnic Non-Executive Director (appointed 17 February 2014)

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

- Henry Kinstlinger Joint Company Secretary
- Julian Rockett Joint Company Secretary
- Benjamin Amzalak Investor Relationship Officer
- Francis Choy Chief Financial Officer

- c. Compensation of Key Management Personnel

	Consolidated		Parent Entity	
Directors	2013	2012	2013	2012
	\$	\$	\$	\$
Short term employee benefits	280,237	221,840	260,037	221,840
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	280,237	221,840	260,037	221,840

Other Key Management Personnel

Short term employee benefits	42,000	32,400	42,000	32,400
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	42,000	32,400	42,000	32,400

23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**Directors and other Key Management Personnel of Sovereign Gold Company Limited**

Consolidated 2013	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits		
	Salary and other fees	Travelling Allowance	Super- annuation	Long Service Leave	Share Based Payments	Total
Director	\$	\$	\$	\$	\$	\$
John Dawkins	27,273	-	-	-	-	27,273
Michael Leu	157,800	10,800	-	-	-	168,600
Peter Meers	61,364	-	-	-	-	61,364
Rado J Rebek	23,000	-	-	-	-	23,000
Total - Directors	269,437	10,800	-	-	-	280,237
Key Management Personnel						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	42,000	-	-	-	-	42,000
Francis Choy	-	-	-	-	-	-
Total - KMP	42,000	-	-	-	-	42,000

Parent Entity 2013	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits		
	Salary and other fees	Travelling Allowance	Super- annuation	Long Service Leave	Share Based Payments	Total
Director	\$	\$	\$	\$	\$	\$
John Dawkins	27,273	-	-	-	-	27,273
Michael Leu	157,800	10,800	-	-	-	168,600
Peter Meers	61,364	-	-	-	-	61,364
Rado J Rebek	2,800	-	-	-	-	2,800
Total - Directors	249,237	10,800	-	-	-	260,037
Key Management Personnel						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	42,000	-	-	-	-	42,000
Francis Choy	-	-	-	-	-	-
Total - KMP	42,000	-	-	-	-	42,000

23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

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

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

* Nick Raffan Resigned 4 January 2012;

** Qinjing Qiu Resigned 28 May 2012

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

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

There are no other elements of Directors and Executives remuneration.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**d. Employee Share Option Plan**

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

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

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

e. Shareholdings and Option Holdings of Key Management Personnel

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

Shares held in Sovereign Gold Company Limited - 2013

Directors	Balance at beginning of year	Changes during the year	Balance at end of year
John Dawkins	100,000	-	100,000
Michael Leu	7,175,000	-	7,175,000
Peter Meers ¹	40,010,000	-	40,010,000
Rado Jacob Rebek	-	-	-

Other Key Management Personnel

Henry Kinstlinger	20,000	-	20,000
Julian Rockett	-	-	-
Benjamin Amzalak	-	-	-
David Hughes ²	30,000	(30,000)	-

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

² Mr David Hughes retired as joint company secretary as at 31 July 2013.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**Shares held in Sovereign Gold Company Limited - 2012**

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

Other Key Management Personnel

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

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

² Mr Qiu resigned on 28 May 2012.

Options held in Sovereign Gold Company Limited – 2013

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

23. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**Options held in Sovereign Gold Company Limited – 2012**

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

¹ All options at year end are vested and exercisable

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

³ Nicholas Raffan resigned as a director on 4 January 2012

24. REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Audit services:				
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
Audit and review services	50,520	26,195	27,505	26,195
Taxation and other advisory services:				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.				
Taxation	16,500	8,135	8,545	8,135
Advisory Services	1,225	-	1,225	-
	17,725	8,135	9,770	8,135

25. SHARE BASED PAYMENTS

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

	Consolidated		Parent Entity	
	2013	2012	2013	2012
		Number		Number
Vested and exercisable at beginning of the year	6,500,000	7,250,000	6,500,000	7,250,000
Granted during the year	-	-	-	-
Expired during the year	(6,500,000)	(750,000)	(6,500,000)	(750,000)
Vested and exercisable at end of year	-	6,500,000	-	6,500,000

Option expenses

Share options granted

Expense recognised as costs

Deducted from equity

Fair Value per option at grant time

Share based payments 2013	Employee Share Option	Success Option	Total
Grant date	3/12/2010	3/12/2010	
Expiry date	15/09/2013	15/09/2013	
Exercise price	\$0.30	\$0.30	
Balance at beginning of year	3,750,000	2,750,000	6,500,000
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	(3,750,000)	(2,750,000)	(6,500,000)
Balance at end of year	-	-	-

Vested and Exercisable at end of year

Weighted average exercise price 30 cents

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

Weighted average exercise price 30 cents

26. RELATED PARTY TRANSACTIONS**a. Parent Entities**

The parent entity within the Group is Sovereign Gold Company Limited. The ultimate Australian parent entity is Hudson Resources Limited which at 31 December 2013 owns 26.13% (2012: 28.74%).

b. Subsidiaries

Interests in subsidiaries are disclosed in note 16

c. Key Management Personnel Compensation

Key management personnel compensation information is disclosed in note 23.

d. Transactions with Related Parties

The following transactions occurred with related parties during the year ended 31 December 2013:

<i>Administration Fee</i>	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
	1,405,625	411,000	440,000	411,000

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

e. Outstanding Balance

	Consolidated		Parent Entity	
	2013	2012	2013	2012
	\$	\$	\$	\$
Receivable				
Current				
Advance to other party	812,550	752,250	516,071	478,271
Advance to related entity	-	690,488	-	-
Non-current				
Advance to controlled entities	-	-	4,216,226	3,109,406
Payable				
Non-current				
Advance from controlled entities	-	-	-	-
Advance from related party	821,806	-	-	-

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

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

A non-secured deposit was placed with Hudson Corporate Limited. The interest bearing deposit was fully repaid during the year.

An interest bearing advance was borrowed from Hudson Corporate Limited during the year.

None were written down during the year.

26. RELATED PARTY TRANSACTIONS continued**f. Guarantees**

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

g. Terms and Conditions

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

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards which as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and;
 - (b) give a true and fair view of the financial position as at 31 December 2013 and of the performance for the year ended on that date of the Company and the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 31 December 2013, comply with section 300A of the *Corporations Act 2001*.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporation Act 2001*.
5. This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Peter Meers
Director



Michael Leu
Chief Executive Officer

Signed at Sydney
25 March 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOVEREIGN GOLD COMPANY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sovereign Gold Company Limited (the company) and Sovereign Gold Company Limited and Controlled Entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

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

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration report in the Directors' Report is in accordance with Australian Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

INDEPENDENT AUDITOR'S REPORT

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Sovereign Gold Company Limited would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

- (a) the financial report of Sovereign Gold Company Limited and Sovereign Gold Company Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the company and consolidated entity also comply with IFRS as disclosed in note 1.

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

In our opinion, the remuneration disclosures that are contained on pages 23 to 26 of the Directors' Report comply with S300A of the Corporations Act 2001.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney, 25 March 2014

SHAREHOLDER INFORMATION

As at 28 February 2014

A. Substantial Holders

Those shareholders who have lodged notice advising substantial shareholding under the Corporations Act 2001 are as follows:

Shareholder	No. of Shares	% held
Hudson Resources Limited	40,000,000	26.13
Raffles Capital Limited	27,375,000	17.88

B. Distribution of Equity Securities

Range	Total Holders	Units	% of Issued Capital
1 – 1,000	19	2,062	0.00
1,001 – 5,000	92	326,293	0.21
5,001 – 10,000	266	2,504,264	1.64
10,001 – 100,000	330	13,244,539	8.65
100,001 – and above	87	137,032,693	89.50
Rounding			0.00
Total	794	153,109,851	100.00

C. Unmarketable Parcels

	Minimum Parcel size	Holders	Units
Minimum \$500.00 parcel at \$0.13 per unit	3,847	66	118,979

D. Twenty Largest Shareholders

The names of the twenty largest holders of quotes equity securities aggregated are listed below:

Rank	Name	Units	% of Issued Capital
1	Hudson Resources Limited	40,000,000	26.13
2	Raffles Capital Limited	27,375,000	17.88
3	Michael Roby Leu	7,175,000	4.68
4	Mr Li Ren	6,000,000	3.92
5	Mayfair Capital Pty Ltd	5,026,325	3.28
6	Russell Lay	4,095,534	2.67
7	Mr Geng Du Lou	4,000,000	2.61
8	Code Nominees Pty Ltd <Mata>	3,884,234	2.54
9	Mr Antonius Budi Setiawan	2,700,000	1.76
10	Mr Bruce Dennis	2,250,000	1.47
11	Mr Bruce Dennis <Boyle Invest P/L Family A/C>	2,250,000	1.47
12	Sakura Capital Ltd	2,175,917	1.42
13	National Nominees Limited	1,956,435	1.28
14	Tempranillo Investments Pty Ltd	1,875,000	1.22
15	<Running With Bulls Sf A/C>	1,795,000	1.17
16	Mr Benjamin Amzalak	1,595,000	1.04
17	Mrs Susanna Jane Tan	1,500,000	0.98
18	Ms Nominees Pte Ltd	1,377,778	0.90
19	Dr Leon Eugene Pretorius	1,240,333	0.81
20	Sing Capital Pty Ltd	1,125,000	0.73
Total:	Top 20 holders of ordinary shares (Total)	119,396,556	77.96
	Total remaining holders balance	33,713,295	22.04

SHAREHOLDER INFORMATION continued**E. Unquoted Securities**

Class	Exercise Price	Expiry Date	No. of Securities	No. of Holders	Name (where holder holds more than 20%)	% held
Options	\$0.2491	16-Dec-16	1,800,000	1	Bergen Global Opportunity Fund II, LLC	100%

F. Voting Rights

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

G. Tenement Schedule

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

Tenement No.	Location	Square Kms	Registered Owner/ Applicant/ Assignee	% Interest
EL 6483	Rocky River-Uralla	300	Biacil Holdings Pty Ltd	100%
EL 7700	Armidale-Uralla	300	Uralla Gold Pty Ltd	100%
EL 7701	Armidale-Uralla	300	Uralla Gold Pty Ltd	100%
EL 7766	Armidale	294	IRGS Northern Gold Pty Ltd	100%
EL 7769	Bundarra-Armidale	246	IRGS Northern Gold Pty Ltd	100%
EL 7770	Tamworth	300	IRGS Northern Gold Pty Ltd	100%
EL 8056	Weabonga	300	IRGS Northern Gold Pty Ltd	100%
EL 6372	Mt Adrah	30	Tasman Goldfields NSW Pty Ltd	72.1%
EL 7844	Mt Adrah-Extended	60	Mount Adrah Gold Ltd	72.1%
EL 8217	Mt Adrah-Extended 2	300	Mount Adrah Gold Ltd	72.1%
EL 8218	Mt Adrah-Extended 3(North)	174	Mount Adrah Gold Ltd	72.1%
EL 8219	Mt Adrah-Extended 3(South)	126	Mount Adrah Gold Ltd	72.1%
EL 4474	Halls Peak	12	PMR1 Pty Ltd	76.5%
EL 5339	Halls Peak	15	PMR1 Pty Ltd	76.5%
EL 8017	Halls Peak North	309	PMR1 Pty Ltd	76.5%
EL 8069	Halls Peak West	300	PMR1 Pty Ltd	76.5%
EL 7998	South Southwest Broken Hill	165	PMR3 Pty Ltd	76.5%
EL 7999	Southwest Broken Hill	153	PMR3 Pty Ltd	76.5%
EL 8000	South East Broken Hill	30	PMR3 Pty Ltd	76.5%
EL 8015	Broken Hill South South East	300	PMR3 Pty Ltd	76.5%
EL 8023	East Broken Hill	300	PMR3 Pty Ltd	76.5%
EL 8024	South Broken Hill	300	PMR3 Pty Ltd	76.5%
EL 8080	Broken Hill North2	81	PMR3 Pty Ltd	76.5%
EL 8145	North West Broken Hill	300	PMR3 Pty Ltd	76.5%
EL 8147	Timbarra	297	PMR5 Pty Ltd	76.5%
EL 8146	Timbarra	252	PMR5 Pty Ltd	76.5%
ELA 4897	Teatree Creek	300	Peel Gold Pty Ltd	76.5%
EL 8227	King Solomon	285	Peel Gold Pty Ltd	76.5%
EL 7726	Bingara South	69	Peel Gold North Pty Ltd	76.5%
EL 8161	Spring Creek	300	Peel Gold North Pty Ltd	76.5%

EL 8211	Bingara North	300	Peel Gold North Pty Ltd	76.5%
EL 6648	Crow King	27	Mount Adrah Gold Ltd	76.5%
EL 7725	Adam Scrub	48	Mount Adrah Gold Ltd	76.5%
EL 7862	Manilla	123	Mount Adrah Gold Ltd	76.5%
EL 7863	Bingara	57	Mount Adrah Gold Ltd	76.5%
EL 7768	Bundarra	300	Sugec Resources Ltd	70%*
EL 7491	Uralla	300	Sugec Resources Ltd	70%*
EL 7679	Halls Peak	96	Sugec Resources Ltd	53.5%**

* Subject to Farm-in, 70% interest held by SOC

** Subject to Farm-in, 70% interest held by PMR

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COMPANY LIMITED

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