



SOVEREIGN GOLD
COMPANY LIMITED

ACN 145 184 667

**Interim Financial Report
for the half-year ended 30 June 2014**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by Sovereign Gold Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Sovereign Gold Company Limited

ACN 145 184 667
ABN 12 145 184 667

Registered and Corporate Office

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

Auditors

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

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: +61 2 9253 9999

Bankers

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

St George Bank Limited
Level 14, 182 George St
Sydney NSW 2200
Telephone: +61 2 9236 2230

Directors

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

Joint Company Secretaries

Henry Kinstlinger
Julian Rockett

Share Registry

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

ASX Code – SOC

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

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

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

Review of Operations

Corporate

On 4 February 2014 Julian Malnic was appointed CEO of Mount Adrah Gold Limited (**Mount Adrah**) a subsidiary company of Sovereign Gold Company Limited (**Sovereign Gold**). Julian Malnic was also appointed a director of Sovereign Gold on 17 February 2014 and he resigned on 22 July 2014 as a Sovereign Gold director.

In April 2014 the directors of Mount Adrah lodged a prospectus to raise up to \$3 million via a public offer. Subsequently on 16 June 2014, the directors of Mount Adrah withdrew the prospectus and all funds received were returned to the applicants.

On 9 April 2014 the directors of Sovereign Gold and Precious Metal Resources Limited (**PMR**) announced a corporate restructure designed to simplify the tenements of both Sovereign Gold and PMR. Sovereign Gold and PMR had separately entered into Joint Venture agreements and Memoranda of Understanding (**MoU**) with Jiangsu Geology and Engineering Co. Ltd. (**SUGEC**) of Nanjing, China whereby SUGEC is to provide up to \$21.5 million funding across the SUGEC Project Tenements.

	Joint Venture	MoU
Sovereign Gold	\$4.5 million	\$7 million
PMR	\$2 million	\$8 million
	\$6.5 million	\$15 million

Under the restructure PMR will transfer tenements EL4474, EL5339 and EL7679, which form the **PMR SUGEC Tenements**, to Sovereign Gold. The following steps are being implemented in order to rationalise the corporate structure and facilitate effective management time and focus on the various exploration project areas held by PMR and Sovereign Gold. They take effect on 1 September 2014:

1. Sovereign Gold to acquire the PMR SUGEC Tenements;
2. Sovereign Gold to relinquish control of PMR;
3. PMR would conduct a selective reduction of capital, whereby 64,000,000 shares in PMR, held by Sovereign Gold would be cancelled;
4. Sovereign Gold would then acquire the PMR SUGEC Tenements for consideration of 1 million Sovereign Gold Shares (in satisfaction of Listing Rule 10.7).

At the conclusion of the transactions, PMR will have 23 million shares on issue (currently 87 million) with Sovereign Gold reducing its holding in PMR from 67,570,938 shares (78.00%) to 3,570,938 shares (15.53%) allowing PMR to develop independently of Sovereign Gold.

The independent expert concluded that the transaction is fair and reasonable to the non associated shareholders of Sovereign Gold.

Following completion of the proposed transaction, Sovereign Gold's joint key focus would be the development of the SUGEC Project Tenements (EL4474, EL5339, EL7491, EL7679, EL7700, EL7701, EL7766, EL7768, EL7769, EL7770 and recently vended in EL6483) and the Mount Adrah tenements. Sovereign Gold will continue to hold ~3.6 million shares in PMR.

In June 2014 Sovereign Gold implemented a Share Purchase Plan (**SPP**) to eligible shareholders allowing them to purchase shares at the lower of 4 cents or 10% discount to the volume-weighted average price of Sovereign Gold shares traded on the ASX over the five trading days up to 23 July 2014. Hudson Investment Group Limited agreed to underwrite the first \$1 million of the share purchase plan. The SPP closed on 23 July 2014. \$177,800 was raised with the shortfall of \$822,200 contributed by the underwriters.

In early July 2014 Sovereign Gold acquired additional Mount Adrah shares and announced a takeover of the remaining Mount Adrah shares valued at 19.2 cents per share subject to the usual regulatory approvals. Consideration for the takeover is four Sovereign Gold shares for each Mount Adrah share. Sovereign Gold currently holds 99.5% share ownership of Mount Adrah.

Exploration: Mount Adrah

Recent drilling at the Mount Adrah Gold Project (MAGP), in southern NSW, tested peripheral high-grade gold reefs, both proximal and distal, to the main Hobbs Pipe resource (Figure 1). The initial program, using the Company's own Mac200 scout rig, comprised three short holes drilled at the Hobbs SE, Arcadia and Crown Reef prospects.

This was followed by a two-hole wedge drilling program to ascertain the geometry and extent of high-grade gold reef style mineralisation. This mineralisation is in close proximity to the Hobbs Pipe gold deposit which contains a Mineral Resource of 770,000 oz of gold, at various cut-off grades, with Indicated – 440,000 oz from 12.1 Mt at 1.1 g/t gold and Inferred – 330,000 oz from 8.4 Mt at 1.1 g/t.

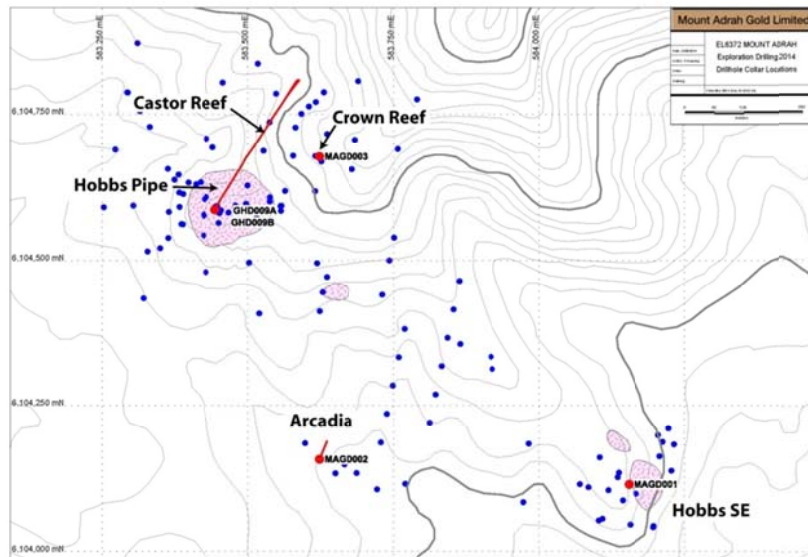


Figure 1. Collar locations are shown in red, including drill traces of non-vertical holes. Previous collar locations are shown in blue. The red-hatched areas represent known monzodiorite outcrop. Contour line spacing is 10m.

Prospect	Hole ID	Easting MGA94 Zone 55	Northing MGA94 Zone 55	RL (m)	Dip (degrees)	Azimuth (degrees)	Total Depth
Hobbs SE	MAGD001	584155	6104115	332	90	0	42.5
Arcadia	MAGD002	583622	6104158	300	60	22.5	66
Crown Reef	MAGD003	583622	6104678	408	90	0	57
Castor Reef	GHD009A	583444	6104587	387	60	29.5	524.3
Castor Reef	GHD009B	583444	6104587	387	60	29.5	522.6

Table 1 – Collar locations and drill hole parameters for exploration holes

Exploration Drilling (MAGD001-3)

Hobbs Southeast (MAGD001)

- Hobbs Southeast prospect is located 800m SE of the Hobbs Pipe deposit
- The prospect is on a rounded knoll with extensive but irregular outcropping monzodiorite, lithologically similar to Hobbs Pipe, also carrying some gold values
- A breccia of unaltered monzodiorite and hornfels was intersected, with minor sections of silica and sericite alteration, similar to the Hobbs Pipe style
- 1m @ 2.6 g/t Au from 14m was the peak value recorded, corresponding with the most altered section of the core
- Results indicate potential for an underlying auriferous monzodiorite pipe

Arcadia (MAGD002)

- Arcadia prospect is located 400m south of the Hobbs Pipe deposit
- Targeted a sheared quartz vein hosted in hornfels

- 1m @ 14.7 g/t Au from 6m, associated with shear-hosted quartz veins
- Result illustrates additional potential for higher grade peripheral reefs to contribute to resources

Crown Reef (MAGD003)

- Crown Reef prospect is located 100m northeast of the Hobbs Pipe on Mount Adrah
- The prospect is characterised by brecciated quartz reefs in quartz-muscovite schist
- 7m @ 1.0 g/t Au from 21m, in veined and altered hornfels
2m @ 1.1 g/t Au from 33m, in hornfels-hosted quartz reefs
6m @ 0.9 g/t Au from 43.1m, in hornfels-hosted quartz reefs
- Represents mineralization within the 'waste rock' volume modelled in open cut mining scenarios considered for the upper section of the Hobbs Pipe Resource

Prospect	Hole ID	Depth from (m)	Depth to (m)	Interval (m)	Grade (g/t Au)
Hobbs SE	MAGD001	14	15	1	2.6
Arcadia	MAGD002	6	7	1	14.7
Crown Reef	MAGD003	21	28	7	1.0
Crown Reef	MAGD003	33	35	2	1.1
Crown Reef	MAGD003	43	49	6	0.9

Table 2 – Summary of assay results from Exploration Drilling

Wedge Drilling - Castor and Procyon Reefs

Previous drilling by Mount Adrah intersected three reefs in two zones of high-grade gold mineralisation peripheral to (and north of) the main Hobbs Pipe Resource. Table 3 lists the high-grade intersections and depths for Mount Adrah diamond hole GHD009. The Company recently completed two wedge holes from the parent hole GHD009, wedged from 450m downhole, to determine the orientation and continuity of these reefs.

- Wedge holes successfully intersected three reefs within a downhole distance of 56m; one Procyon Reef and two Castor Reefs
- Strong nugget effect observed, with visible gold in GHD009B at Procyon Reef
- Orientation of the three reefs now determined from drill hole correlation and structural analysis
- New orientation allows for plausible correlation of gold mineralisation in adjacent drill holes

Second half of the core is currently being re-assayed (screen fire), over the visually mineralised intervals, to get a better statistical determination of the likely grade of the reefs.

Reef	Hole ID	Depth from	Depth to	Interval (m)	Grade (g/t Au)
Procyon	GHD009	472	474	2	6.3
	GHD009A	472.5	474.5	2	1.5 including 3.2 over 0.5m from 473.1-473.6m
	GHD009B	472.7	474.6	1.9	1.0*
Castor 1	GHD009	506	508	2	28.4
	GHD009A	507.5	509.5	2	1.1 including 3.3 over 0.5m from 508.4-508.9m
	GHD009B	504	506	2	0.02*
	GHD009B	510	511	1	0.95
Castor 2	GHD009	514	516	2	59.4
	GHD009A	516	518	2	0.1*
	GHD009B	512.8	516.1	3.3	2.3 including 4.1 over 0.6m from 515.0-515.6m

Table 3 – Summary of screen fire assay results from wedge drilling – Castor and Procyon Reefs

*The nuggetty nature of gold within these reef systems has proved problematic for sampling. For example, the sample of Procyon Reef from GHD009B (473.4 – 474.1m) that was sent for assay returned a value of 1.96 g/t Au. However, the grade is potentially much higher as visible gold was observed (Figure 2) in the half core that was retained in the core trays.

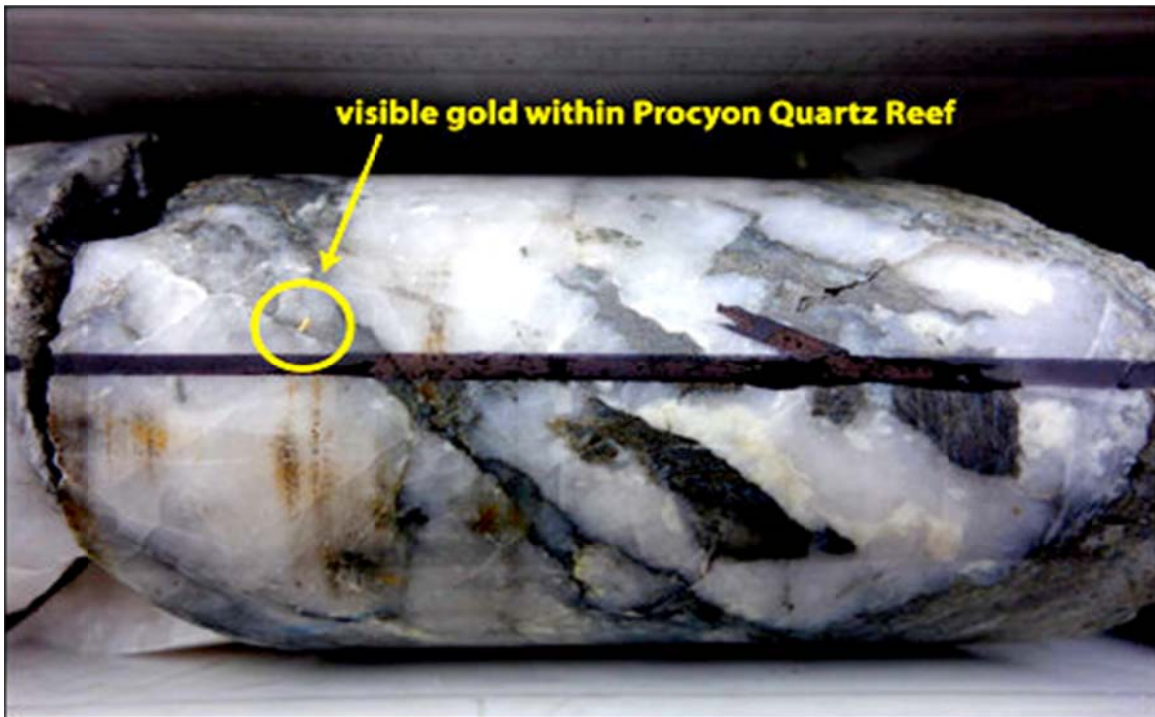


Figure 2 – Photo of NQ core from GHD009B at 473.5m showing visible gold within massive quartz vein (Procyon Reef).



Figure 3 – The surface extent of the Hobbs Pipe in outcrop shown by red dots. View to south.

Gold is present in visible grains in some of these and therefore it is anticipated that the nugget effect will have a significant influence on assays, thereby requiring more sample volume to be taken to obtain representative grade averages. The high density of holes in the proposed wedge drilling is also intended to establish control over sampling methodology.



Figure 4: High-grade intersection of 10m @ 17.7g/t Au from 506m including 2m @ 59.4g/t Au from 514m were returned in hole GHD009, at the Castor Reef

Exploration: SUGEC Joint Venture

This summary of the Joint Venture activities with SUGEC and Sovereign Gold includes all drilling in EL 7491 (Bannaweera, both unreported and all previously reported holes). Twenty-five diamond drill holes have been completed for 2,022.9 metres in EL 7491.

Bannaweera Diamond Drilling (EL 7491)

New gold-bearing structure ('No. 2 Bannaweera Gold-Bearing Structure') confirmed sub-parallel to previously identified 1.55km long 'No. 1 Bannaweera Gold-Bearing Structure' (refer location maps, Figures 7, 8 & 10). To date 257.9 metres have been completed in two diamond drill holes in the No. 2 Structure and 1,765 metres in 23 diamond drill holes in the No. 1 Structure.

No. 1 Bannaweera Gold-Bearing Structure

The drill holes have proved the existence of both high grade - up to 12.35 g/t Au (gold) - and wide (13.90 metres @ 1.45g/t Au, 11.88g/t Ag from 13.79-27.69m) gold mineralisation at shallow depths indicating potential for a small open-cut operation. Gold mineralisation confirmed at 190.6m downhole.

Highlights of the Drilling Program Include:

- SGRDD036: 2.72 g/t Au over 4.85m from 7-11.85m downhole including 7.8 g/t Au over 1m and 12.35 g/t Au over 0.5m
- ZK0701: 1.45g/t Au, 11.8g/t Ag over 13.9m from 13.79 - 27.69m including 2.34m @ 3.02g/t Au from 14.56-16.90m
- SGRDD039: 1.07 g/t Au over 12m from 3-15m downhole, including 3.15m @ 2.5/t Au from 10.70-13.85m, including 0.6m @ 4.93/t Au, 10.70-11.30m
- SGRDD039: 129.6 g/t Ag (silver) over 0.72m from 13.60- 14.32m downhole including 453 g/t Ag (14.6 ounces) over 0.2m
- ZK0901: 10.35 metres @ 71.86g/t Ag from 15.85-26.20m including 5.48m @ 1.24g/t Au, 57.39g/t Ag from 14.62- 20.10m, including 0.80m @ 3.08g/t Au, 72.10g/t Ag from 15.85-16.65m

The SUGEC J/V has identified several gold-bearing mineralised structures in EL 7491 and to date has drill tested two of these with 23 diamond holes (1,765 metres) completed along a 1.55km long north-east trending gold-bearing structure (No. 1 Bannaweera Gold-Bearing Structure) and two diamond holes (257.9 metres) completed on a second sub-parallel structure (No. 2 Bannaweera Gold- Bearing Structure, traced for ~1,000 metres by geological mapping) situated around 1,100m north west of the No. 1 Bannaweera Structure.

Drilling confirmed the entire 1.55km length of the No. 1 Gold-Bearing Bannaweera Structure is mineralised and established it is best developed along 274m of strike in the south west portion of the structure between holes ZK0901 and SGRDD038 (Figures 7 & 9).

Martins Shaft-style mineralisation has been intersected in the felsic dykes. In addition, drilling has revealed brecciation and silica-sulphide flooding accompanied by tongues of mineralised felsic dykes in mineralised metasediments along the 1.55km long structure. This extensive mineralised shear/fault zone may represent a high-level fracture fluid plumbing system developed above a potential Intrusion-Related Gold System (IRGS) Hobbs-style pipe.

The ongoing drilling program will continue testing the gold grades laterally and vertically along the gold- bearing structure to establish a JORC compliant resource.

Drilling to date at the Rocky River-Uralla Project continues to confirm the existence of a large IRGS and supports the conceptual model of several, satellite, gold mineralised structures containing sufficient mineralisation to support an open-pit mining operation to feed a central mill.

The drilling program has expanded into EL 6483 and includes deep drilling at Martins Shaft and multiple gold-bearing structures comprising more than 15 separate historical gold workings and numerous geochemical/geophysical anomalies (some indicative of auriferous sheeted vein systems), scattered over a distance of at least 12km north to south and at least 5km east to west. This implies significant potential, over a large area, within the large mineralising system.

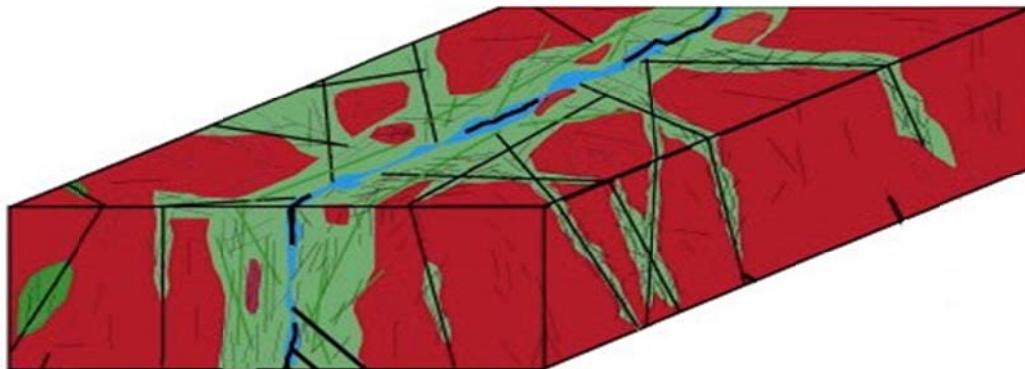


Figure 5: Conceptual Target: North-east trending shear structures exposed at surface (main fault zone shown in blue) surrounded by altered fractured zone (green). The main fault structure is associated with, and cut by, oblique faults. Geochemical and rock chip mapping has located nearby (within 1,100m) 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 targets being drilled, which include the parallel and oblique structures, occur from surface and have the potential for an open-cut gold resource development.

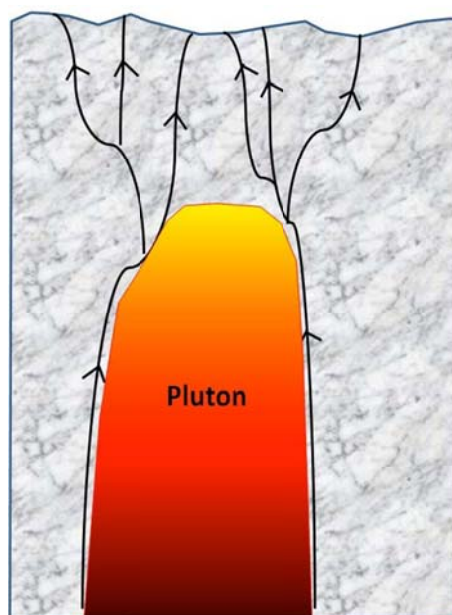


Figure 6: Cartoon of conceptual mineralising system for the Bannaweera mineralised structures () that are pathways for fluids sourced from a blind pluton at depth (not to scale)

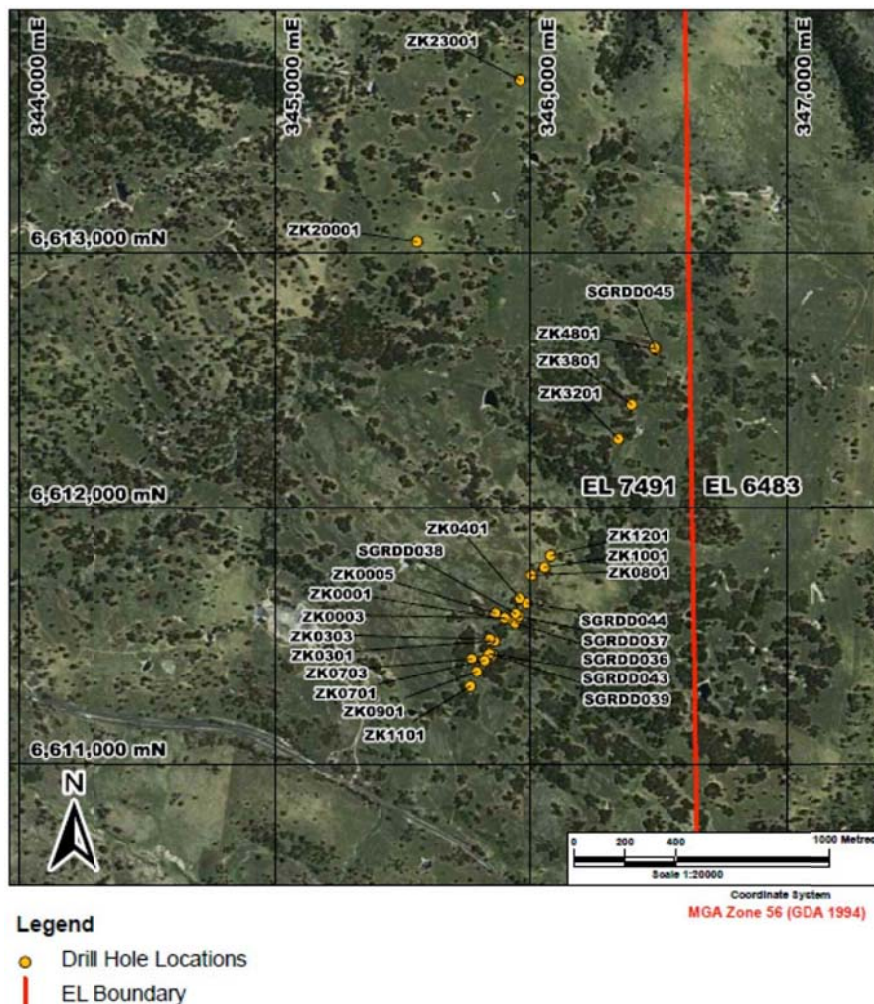


Figure 7: Diamond drill hole collar locations within EL7491 along the No. 1 Bannaweera Gold-Bearing Structure (RHS) and the No. 2 Bannaweera Gold-Bearing Structure (LHS).

Detailed geological mapping and drilling has confirmed the NE-trending gold-bearing structures cut a swarm NW-trending felsic dykes (Figure 8). The closest analogue to this structural and geological setting is the large Donlin Creek IRGS in Alaska where “mineralization is structurally controlled along NNE-trending extensional fault/fracture zones and best developed where those zones intersect favourable host lithologies, such as the competent felsic intrusive dykes and sills and greywacke”. Donlin Creek Project 43 - 101 Technical Report, January 2006: Stanton Dodd, P.Geo. NovaGold Resources, Inc. Vancouver, B.C.

Geological Map of Area containing Mineralised Structure

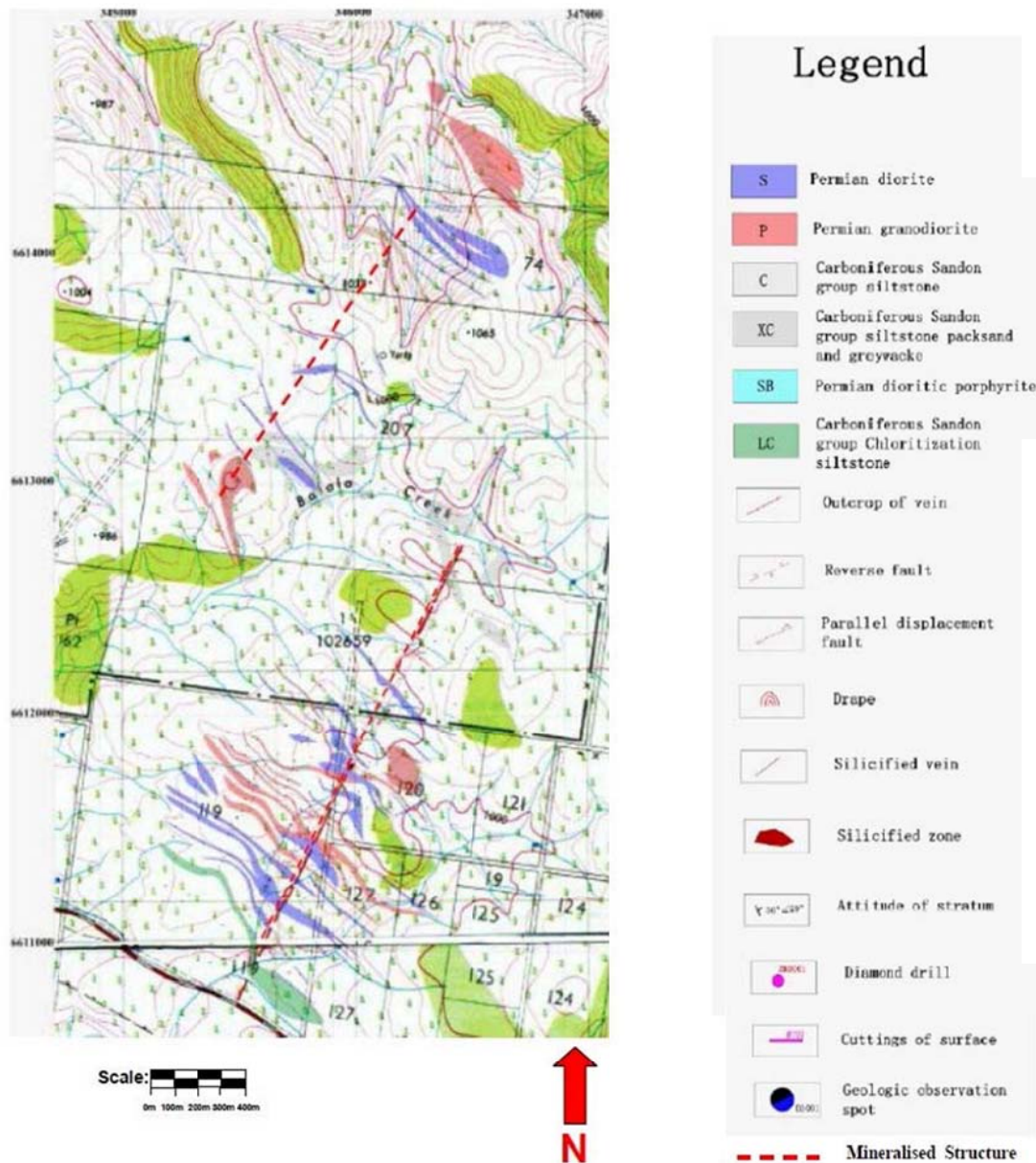


Figure 8: SUGEC has produced a 1: 25,000 Geological map of the two newly discovered mineralised structures. The map was surveyed using high precision Real Time Kinetic (RTK) GPS and utilising the Continuously Operating Reference Station (CORS) signal network to accurately map locations of outcropping lithology. The large green coloured areas on the map are light sclerophyll vegetation on the 1:25,000 Balala 9136-1-N Topographic Cadastral Map on which the lithologies and structures have been overlaid.

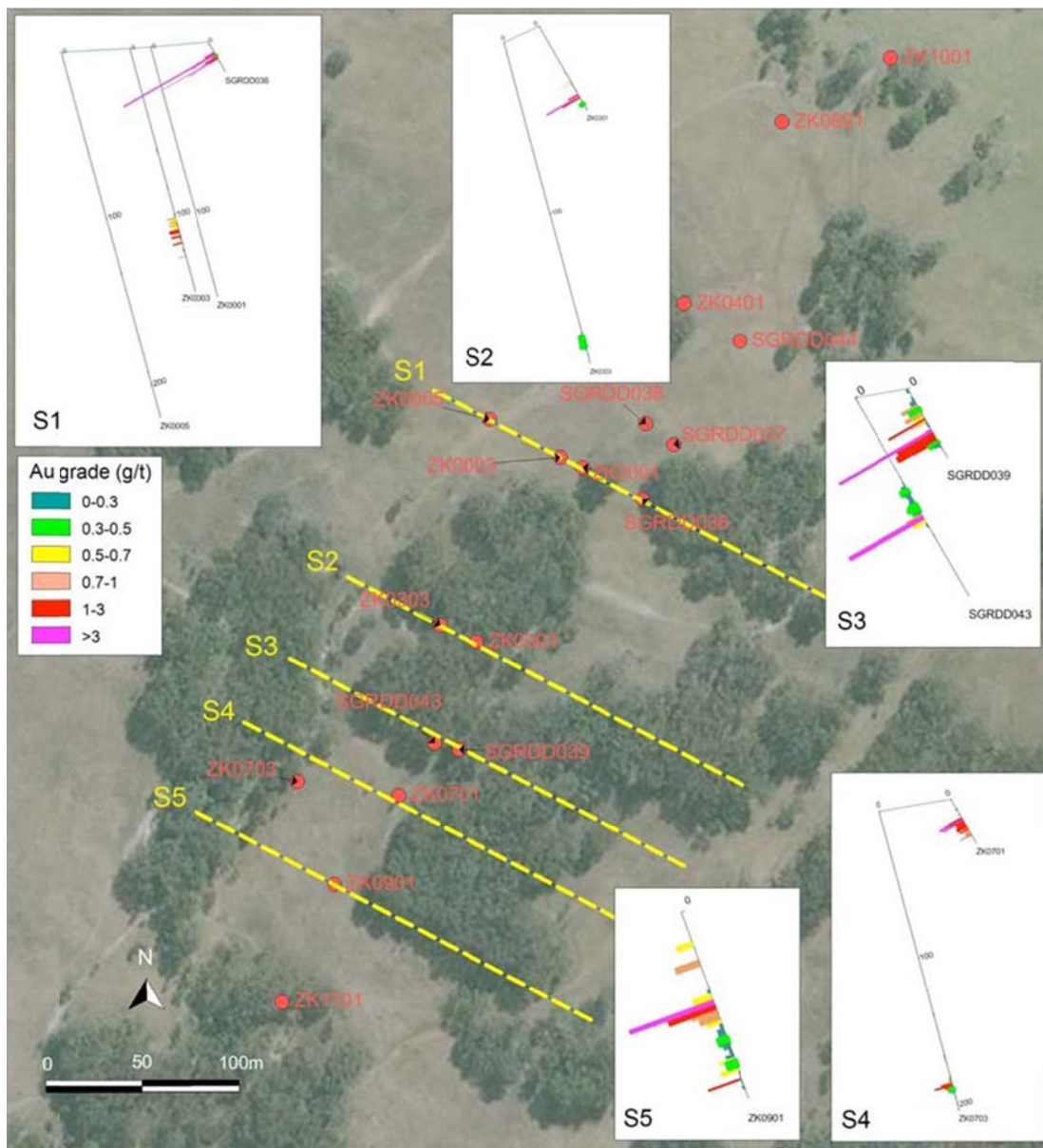


Figure 9: Diamond drill hole section lines, cross-sections and gold grades along the southwest portion of the No. 1 Bannaweera Gold-Bearing Structure



Core, SGRDD43. Black brecciated metasediments exhibiting quartz-sulphide-felsic dyke (light grey) flooding from 31.00-32.00 metres downhole, 3.93gt Au (BQ Core 36.40mm diameter).



Core, SGRDD43. Brecciated metasediments exhibiting quartz-sulphide-felsic dyke flooding from 32.00-33.00 metres downhole (field of view L-R 70mm). The light brown material in center of the core is a finger of dyke with disseminated sulphides (BQ Core 36.40mm diameter).



Comparison of core samples of altered felsic dyke in SGRDD0043 with SGRDD004 from Martins Shaft. This figure shows the surfaces of sheeted vein alteration in felsic dykes studded with 0.50-2.00mm wide sulphides (field of view L-R 65mm). SGRDD0043 (LHS, 23.40m downhole) and SGRDD004 from Martins Shaft (RHS, 47.45m downhole).

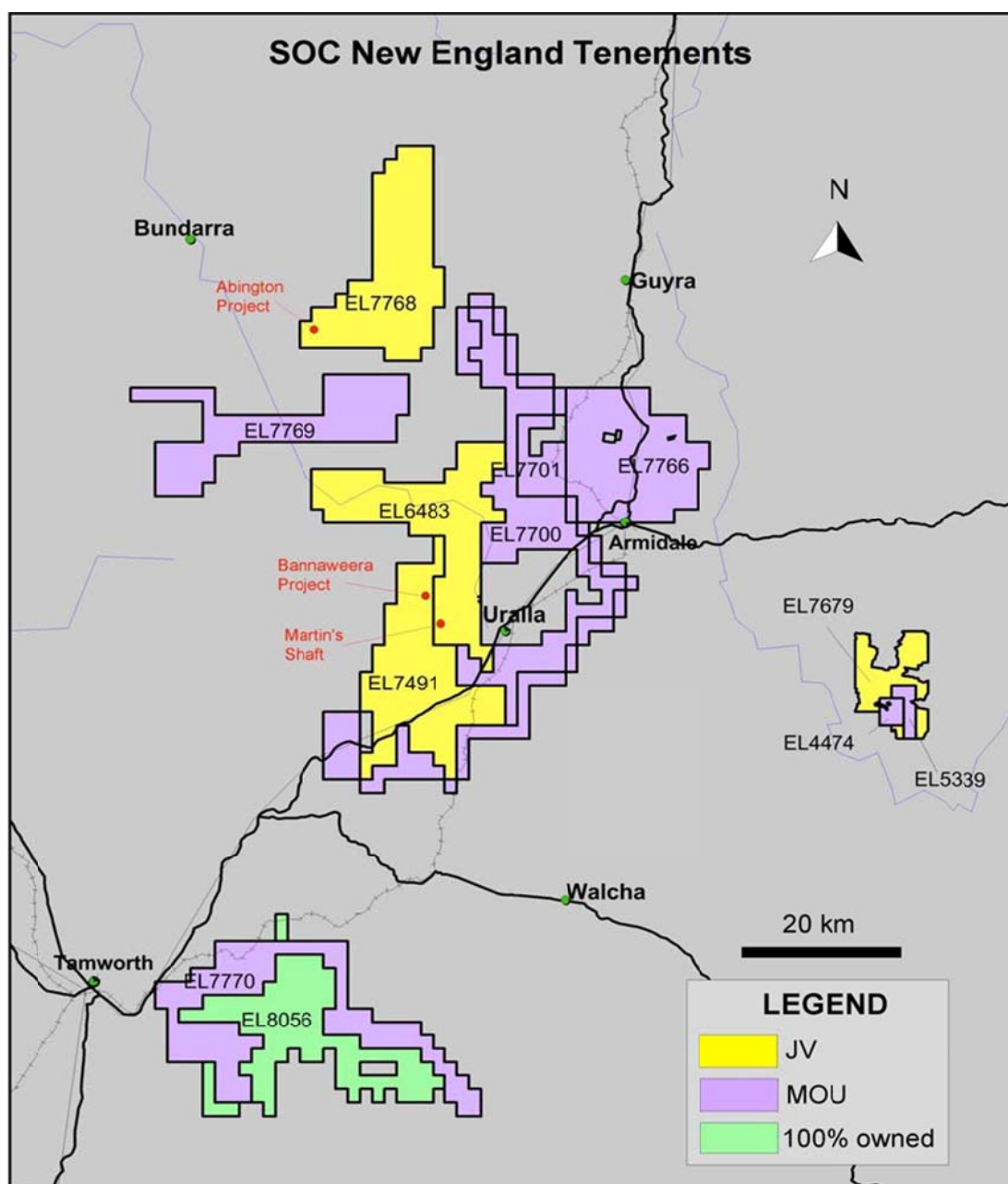


Figure 10: Sovereign Gold Tenements showing the locations of the Bannaweera Project.

Qualifying Statements

With respect to Exploration Results: *The information is extracted from the following reports entitled:*

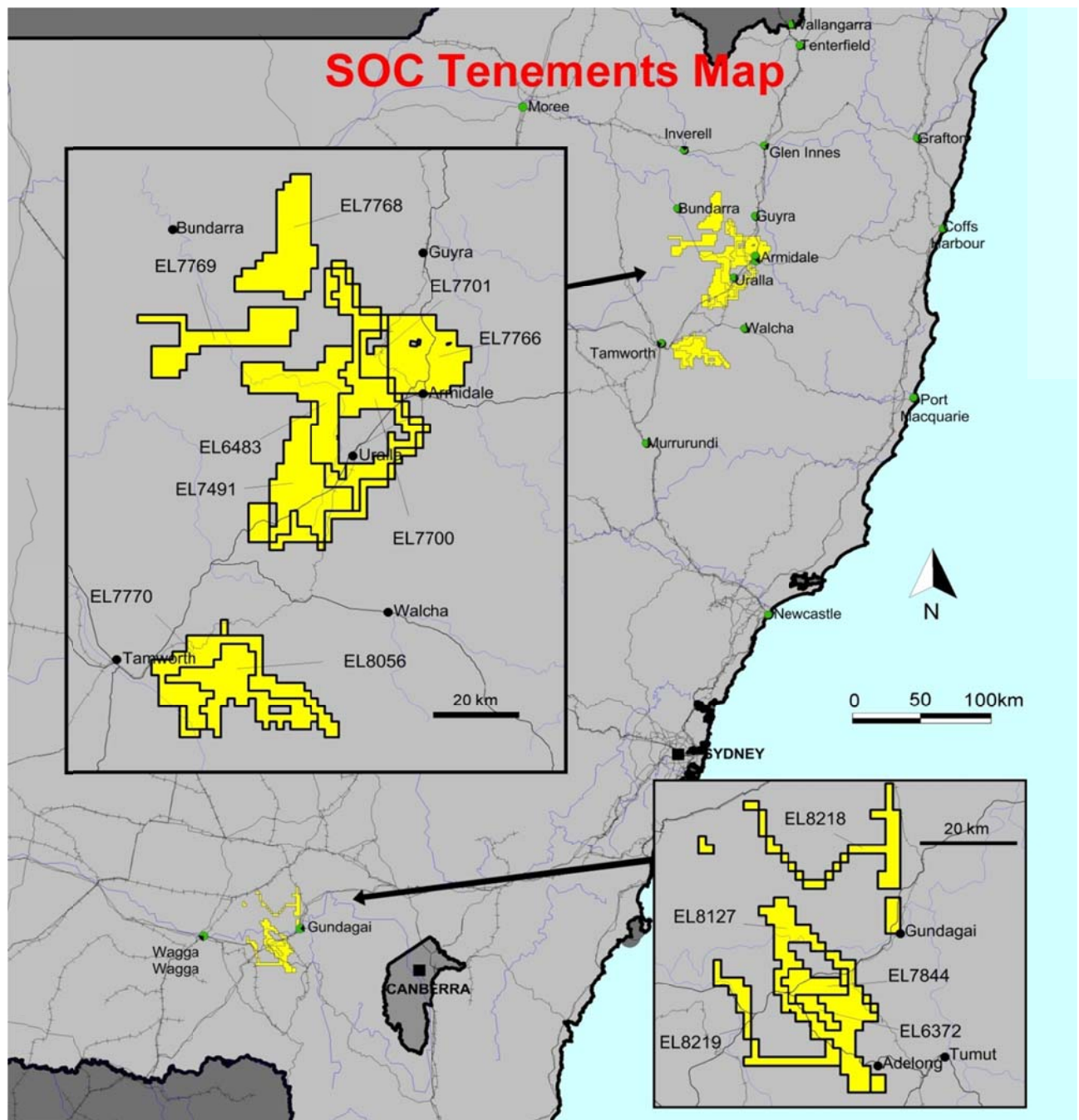
28 October 2013	New Gold Discovery at Mount Adrah – 10 m @ 17.7 g/t AU at Castor Prospect
12 December 2013	Hobbs Pipe – Mineral Resource update
27 December 2013	Hobbs Pipe – Mineral Resource Additional Information
27 June 2014	Activity Update Mount Adrah Gold
3 July 2014	Activity update Mount Adrah Gold identifies additional targets
29 July 2014	SUGEC Joint Venture Update

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.

The information in this report that relates to Exploration Information is based on information compiled by Michael Leu who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Leu is a qualified geologist and is a director of Sovereign Gold Company Limited.

Mr Leu has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources. Mr Leu consents to the inclusion in this announcement of the Exploration Information in the form and context in which it appears. References to Mines refer to geographical names, and no inference should be made that Sovereign Gold is operating any mines at this stage of its development.



Sovereign Gold tenements August 2014 (including PMR SUGEC Tenements)

Directors' Report

Your directors present their report together with the financial statements on the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Sovereign Gold Company Limited (the **Company**) and the entities it controlled at the end of or during the period ended 30 June 2014 and the Auditor's Review Report thereon.

Principal activities	The principal continuing activities of the Group during the reporting period were conducting gold exploration and development programs.
Review of operations	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 2 to 15 of this report.
Financial performance	The net consolidated operating loss of the Group for the six months ended 30 June 2014 was \$1,757,744 (2013: operating loss \$686,352). Net assets of the Group at 30 June 2014 were \$19.28 million.
Dividends	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

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

Hon. John S Dawkins AO	Non-Executive Chairman	
Michael Leu	Chief Executive Officer	
Peter J Meers	Non-Executive Director	
Rado Jacob Rebek	Non-Executive Director	
Julian Malnic	Non-Executive Director	Appointed 17 February 2014 Retired 22 July 2014

Subsequent Events

There are no other matters or circumstances which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2014, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2014, of the Group.

Environmental Regulations

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

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

Directors' Report (continued)

Sovereign Gold Environmental Code of Practice for Mineral Exploration

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

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

Access to Land

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

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

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

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

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

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

Type of Land

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

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

JORC Code Compliant Public Reports

The Company advises that this Half-Yearly Report contains summaries of Exploration Results and Mineral Resources as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code").

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

Issue Date	Title of notice as Lodged with ASX
28 October 2013	New Gold Discovery at Mount Adrah – 10 m @ 17.7 g/t AU at Castor Prospect
21 November 2013	Bonanza hit of 1.2 m @ 58.6 g/t Au confirms multiple high grade structures at Mount Adrah
12 December 2013	Hobbs Pipe – Mineral Resource update
27 December 2013	Hobbs Pipe – Mineral Resource Additional Information
27 June 2014	Activity Update Mount Adrah Gold
3 July 2014	Activity update Mount Adrah Gold identifies additional targets
29 July 2014	SUGEC Joint Venture Update

Tenement List

Tenement No.	Location	Expiry Date	Area (Sq kms)
New South Wales			
EL 6483**	Armidale	20 Nov 2016	300
EL 7700	Armidale-Uralla	1 Feb 2015	300
EL 7701	Armidale-Uralla	1 Feb 2015	300
EL 7766	Armidale	6 Jun 2016	294
EL 7769	Armidale	6 Jun 2016	296
EL 7770	Tamworth	6 Jun 2015	300
EL 8056	Weabonga	12 Feb 2016	300
EL 6372*	Adelong	1 Feb 2017	30
EL 7844*	Gundagai	20 Sep 2015	60
EL 8127*	Adelong	8 Jul 2016	300
EL 8218*	Adelong	8 Jan 2017	174
EL 8219*	Gundagai	8 Jan 2017	126
EL 7491**	Armidale	29 Mar 2017	300
EL 7768**	Armidale	6 Jun 2016	300

Notes:

There has been no change in beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter.

* Sovereign holds a 99.5% interest in Mount Adrah Gold Limited, the holder of the licences

** Subject to Farm-in.

Auditor's Independence Declaration

A copy of the independence declaration by the auditor K. S. Black & Co under section 307C is included on page 19 of this half year financial report.

Signed in accordance with a resolution of the Directors:



Jacob Rebek
Director

Sydney
29 August 2014



Michael Leu
Director/Chief Executive
Officer

Level 6, 350 Kent Street
Sydney NSW 2000

87-91 Lyons Road
Drummoyne NSW 2047

K.S. Black & Co.

Chartered Accountants

ABN 57 446 398 808

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF SOVEREIGN GOLD COMPANY LIMITED

In connection with the review of Sovereign Gold Company Limited for the half year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Sovereign Gold Company Limited and the entities it controlled during the half year ended 30 June 2014.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney, 29 August 2014



Liability limited by a
scheme approved
under Professional
Standards Legislation

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**Chartered
Accountants**

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF SOVEREIGN GOLD COMPANY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sovereign Gold Company Limited (the company) and Sovereign Gold Company Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the half year ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 (as applicable) and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2014, and of their performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 (as applicable). As the auditor of Sovereign Gold Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Level 6, 350 Kent Street
Sydney NSW 2000

87-91 Lyons Road
Drummoyne NSW 2047

K.S. Black & Co.

Chartered Accountants

ABN 57 446 398 808

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Conclusion

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

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney, 29 August 2014



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**Chartered
Accountants**

Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 23 to 35, are in accordance with the *Corporations Act 2001*, and:
 - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the half-year ended on that date; and
 - ii comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Jacob Rebek
Director



Michael Leu
Director/Chief Executive
Officer

Sydney
29 August, 2014

Statement of Profit or Loss and other Comprehensive Income

for the Half-Year Ended 30 June 2014

	Notes	Consolidated	
		30 Jun 2014	30 Jun 2013
		\$	\$
REVENUE			
Other income	3	458,842	549,079
Administration and exploration expenses	3	(2,005,030)	(1,257,751)
Finance expenses		(482,566)	(41,410)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX EXPENSE		(2,028,754)	(750,082)
Income tax expense		-	-
NET PROFIT/(LOSS) FOR THE PERIOD		(2,028,754)	(750,082)
Other Comprehensive Income		-	-
Other comprehensive income before income tax		-	-
Income tax expense		-	-
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(2,028,754)	(750,082)
Comprehensive income attributable to outside equity interest		271,010	63,730
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS OF PRESENT ENTITY		(1,757,744)	(686,352)
EARNINGS PER SHARE		Cents	Cents
Basic earnings/(losses) per share (cents per share)		(1.14)	(0.49)
Diluted earnings/(losses) per share (cents per share)		(1.01)	(0.46)

This Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the financial report.

Statement of Financial Position

as at 30 June 2014

		Consolidated	
	Notes	30 Jun 2014	31 Dec 2013
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	69,649	596,311
Trade and other receivables		634,613	1,532,340
Financial assets		600,000	800,000
Other current assets		83,612	112,445
Total current assets		1,387,874	3,041,096
Non-current assets			
Trade and other receivables		-	-
Mining tenements	5	9,081,569	8,783,827
Plant and equipment		29,298	35,519
Deferred tax assets		11,718,124	13,003,760
Total non-current assets		20,828,991	21,823,106
Total Assets		22,216,865	24,864,202
LIABILITIES			
Current liabilities			
Trade and other payables		258,483	2,264,018
Employee benefits provision		11,994	14,312
Total current liabilities		270,477	2,278,330
Non-current liabilities			
Trade and other payable		2,662,643	1,921,806
Employee benefits provision		2,236	11,385
Total non-current liabilities		2,664,879	1,933,191
Total Liabilities		2,935,356	4,211,521
Net Assets		19,281,509	20,652,681
EQUITY			
Issued capital		23,702,310	23,683,142
Reserves		359,765	359,765
Accumulated losses		(5,820,364)	(4,062,620)
		18,241,711	19,980,287
Minority Interest		1,039,798	672,394
Total Equity		19,281,509	20,652,681

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

Statement of Changes in Equity

for the Half-Year Ended 30 June 2014

Consolidated	Notes	Issued Capital \$	Reserve \$	Accumulated Losses \$	Minority Interest \$	Total Equity \$
Balance at 31 December 2012		21,161,248	341,765	(2,422,415)	347,554	19,428,152
Shares issued		969,531	-	-	-	969,531
Share issuing cost		(54,792)	-	-	-	(54,792)
Movement for the period		-	-	-	288,629	288,629
Loss for the period		-	-	(686,352)	-	(686,352)
Balance at 30 June 2013		<u>22,075,987</u>	<u>341,765</u>	<u>(3,108,767)</u>	<u>636,183</u>	<u>19,945,168</u>
Balance at 30 June 2013		22,075,987	341,765	(3,108,767)	636,183	19,945,168
Shares issued		1,842,940	-	-	-	1,842,940
Share issuing cost		(235,785)	-	-	-	(235,785)
Movement for the period		-	18,000	-	36,211	54,211
Loss for the period		-	-	(953,853)	-	(953,853)
Balance at 31 December 2013	7	<u>23,683,142</u>	<u>359,765</u>	<u>(4,062,620)</u>	<u>672,394</u>	<u>20,652,681</u>
Balance at 31 December 2013		23,683,142	359,765	(4,062,620)	672,394	20,652,681
Shares issued		200,000	-	-	-	200,000
Share issuing cost		(180,832)	-	-	-	(180,832)
Business Combination		-	-	-	367,404	367,404
Loss for the period		-	-	(1,757,744)	-	(1,757,744)
Balance at 30 June 2014	7	<u>23,702,310</u>	<u>359,765</u>	<u>(5,820,364)</u>	<u>1,039,798</u>	<u>19,281,509</u>

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

Statement of Cash Flows

for the Half-Year Ended 30 June 2014

	Notes	Consolidated	
		30 Jun 2014	30 Jun 2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		20,992	2,729
Payment for exploration and evaluation expenditures		(851,649)	(995,812)
Payments for administration expenses		(1,222,840)	(613,722)
Interest paid		(6,906)	(3,485)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		(2,060,403)	(1,610,290)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for tenements		-	-
Payments for plant and equipment		-	(11,231)
Advance to other parties		-	(242,000)
Repayment from other parties		1,714,573	1,467,300
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		1,714,573	1,214,069
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements		-	500,000
Share issuing costs		(180,832)	(54,792)
NET CASH FLOWS (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(180,832)	445,208
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(526,662)	48,987
Cash and cash equivalents at the beginning of the reporting period		596,311	162,780
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4	69,649	211,767

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

Notes to the Financial Statements

for the Half-Year Ended 30 June 2014

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

Reporting Entity

Sovereign Gold Company Limited (**the Company**) is a company domiciled in Australia. The consolidated financial report of the Company as at and for the six months ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the **consolidated entity**).

Statement of Compliance

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

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

Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

Statement of compliance

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

Historical cost convention

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

(b) Principles of consolidation

Subsidiaries

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

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

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

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

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

Notes to the Financial Statements (continued)

for the Half-Year Ended 30 June 2014

Business Combination

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 business 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.

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 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.

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 holding 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 disposal of.

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

Notes to the Financial Statements (continued)

for the Half-Year Ended 30 June 2014

(c) Segment reporting

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

(d) Revenue recognition

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

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Interest revenue

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

Other income

Income from other sources is recognised when the fee in respect of other products or service provided is receivable.

(e) Income tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued**(f) Goods and services tax (GST)**

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

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

(i) Acquisition of assets

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

(j) Tenement exploration, evaluation and development costs

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

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

Expenses failing to meet at least one of the aforementioned conditions are written off as incurred.

NOTES TO THE FINANCIAL STATEMENTS continued

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 be amortized from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit.

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

(k) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(l) Trade and other payables

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

(m) Restoration and rehabilitation provisions

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

(n) Employee benefits*(i) Wages, salaries and annual leave*

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

(ii) Long service leave

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

NOTES TO THE FINANCIAL STATEMENTS continued**(o) Share based payments**

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

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

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

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

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

(p) Earnings per share (EPS)

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

3. REVENUE AND EXPENSES

Specific Items

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

	Consolidated	
	30 Jun 2014	30 Jun 2013
	\$	\$
Other income		
Interest income	21,412	47,245
Fee Income	-	11,600
Profit on disposal of investment	310,950	-
Others	126,480	490,234
	458,842	549,079
Administrative and exploration expenses		
Consulting and staff costs	844,620	84,686
Exploration expenditure not capitalised	351,851	111,938
Other administrative expenses	808,559	1,061,127
	2,005,030	1,257,751

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2014	31 Dec 2013
	\$	\$
Cash at bank and In hand	27,893	402,458
Cash held in trust-tenement guarantee and deposit	41,756	193,853
	69,649	596,311

5. MINING TENEMENTS

Capitalised exploration expenditure	9,081,569	8,783,827
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The ultimate recoupment of costs carried forward for exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS continued

6. TRADE AND OTHER PAYABLES

	Consolidated	
	30 Jun 2014	31 Dec 2013
	\$	\$
Current		
Trade payables	220,143	232,453
Accrued payables	38,340	31,565
Controlled entity share placement fund received	-	2,000,000
	258,483	2,264,018
Non-Current		
Convertible note	900,000	1,100,000
Advance from related entity	1,762,643	821,806
Other payable	-	-
	2,662,643	1,921,806

7. ISSUED CAPITAL

	Consolidated		Consolidated	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	Number of Shares	Number of Shares	\$	\$
Ordinary Shares				
Issued	156,582,073	153,109,851	23,702,310	23,683,142

(a) Movements during the period

Balance at beginning of the period	153,109,851	139,163,842	23,683,142	21,161,248
Share placement	-	2,500,000	-	500,000
Share Issued-off market takeover	-	1,878,125	-	469,531
Share placement	-	8,000,000	-	1,600,000
Share issued in lieu of payment	-	151,750	-	30,350
Share issued with convertible note	3,472,222	1,416,134	200,000	212,590
Share issue costs	-	-	(180,832)	(290,577)
Balance at the end of the period	156,582,073	153,109,851	23,702,310	23,683,142

(b) Options

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

(c) Terms and Conditions

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

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

	Consolidated	
	30 Jun 2014	31 Dec 2013
	\$	\$
Minimum tenement exploration expenditure	3,216,334	3,731,625
Tenement lease and rent payment	130,980	110,340
	3,347,314	3,841,965

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements total approximately \$3.34 million over remaining term of tenements.

Service Agreements

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

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

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

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

9. CONTINGENT LIABILITIES

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

10. SEGMENT REPORTING

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

11. EVENTS SUBSEQUENT TO BALANCE DATE

There are no other matters or circumstances, other than noted above, which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2014, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2014, of the consolidated entity.