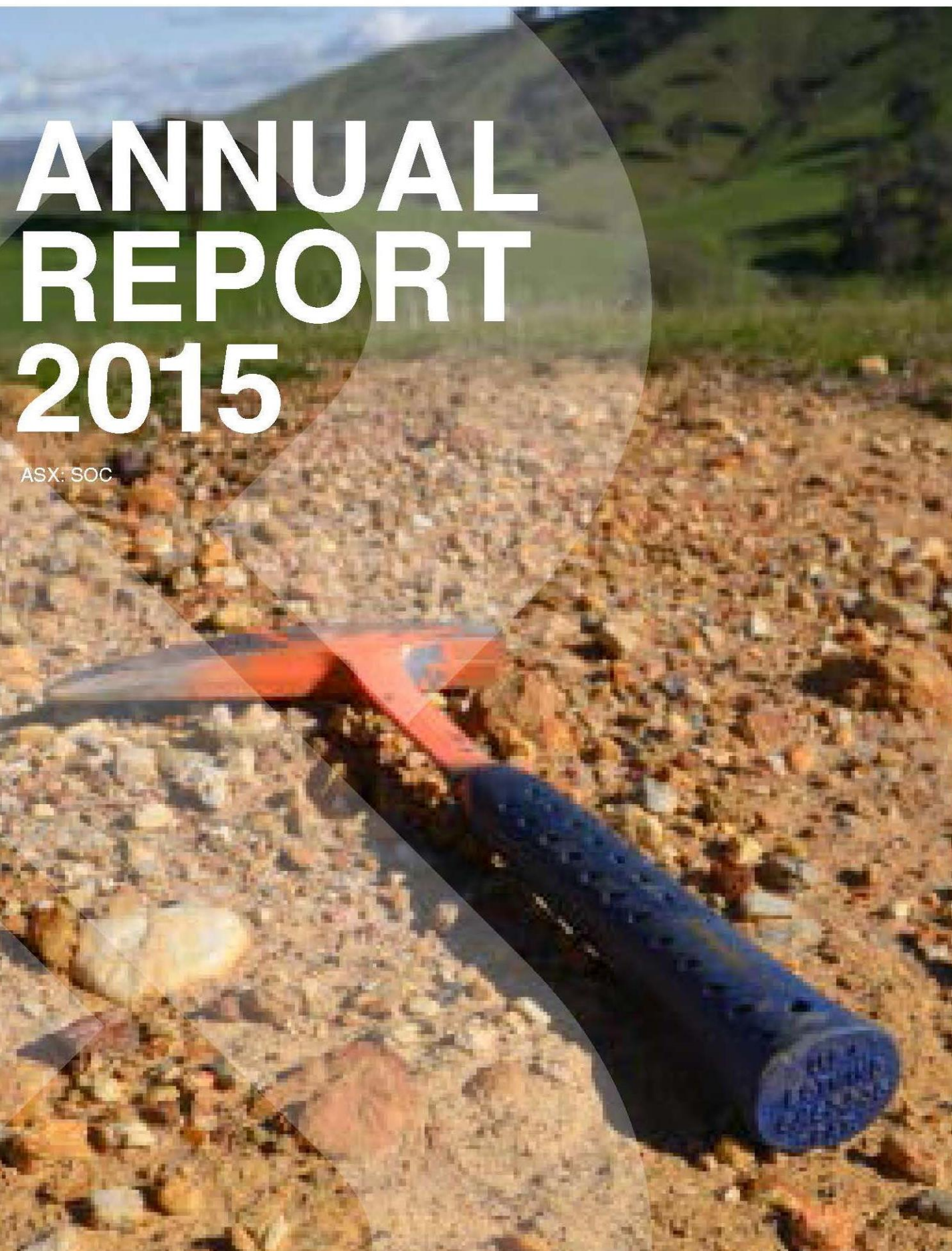




SOVEREIGN GOLD  
COMPANY LIMITED

# ANNUAL REPORT 2015

ASX: SOC





<b>Table of Contents</b>	<b>Page</b>
Corporate Directory	1
Chairman's Review 2015	2
Review of Operations	3
Directors' Report	5
Remuneration Report - Audited	11
Auditors' Independence Declaration	17
Corporate Governance Statement	18
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	31
Notes to the Financial Statements	32
Directors' Declaration	60
Independent Auditor's Report	61
Shareholder Information	63

## 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](http://www.sovereigngold.com.au)

### **Auditors**

K.S. Black & Co  
ABN 48 117 620 556  
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

### **Directors**

Charles Thomas  
Rocco Tassone  
Patrick Michael Glovac

### **Company Secretary**

Henry Kinstlinger

### **Share Registry**

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

### **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 2015

Dear Shareholders,

After two challenging years with difficulties raising capital for key projects, the Company started the year by settling the outstanding convertible note. To further address share price attenuation and enable the company to retire debt a recapitalisation was urgently required.

Following the appointment of Simon Bird as Managing Director early in the year, asset disposals and capital raisings were embarked on. These enabled the company to cancel the remaining convertible notes and retire all debt thereby strengthening the balance sheet.

- Frontier Capital Group Limited (Precious Metals Resources) shares were sold to raise \$1.1million (before costs)
- Three capital raisings completed for in circa \$1.26 million (before costs)
- Outstanding convertible notes were paid out \$0.5 million
- Retired Hudson Corporate debt exceeding \$0.8 million

The Company doggedly pursued Research & Development tax incentive refunds and successfully secured, a refund for expenditure incurred in 2012. In addition claims for 2013 and 2014 expenditure have been lodged.

Market sentiment remained subdued throughout most of the 2015 with the gold price ending the year down 10% at US\$1,060 an ounce, although this was offset by a weakening Australian dollar. Despite these conditions efforts continued to seek partners in order to progress our key projects.

1. A heads of agreement and due diligence was completed by a Chinese investment consortium to invest in the Mount Adrah Project. This agreement is pending ratification and the Company is pursuing alternate proposals.
2. The NSW Government committed to a collaborative drilling programme at our Halls Peak Project, pending access arrangements being finalised. These have since been agreed and finalised access arrangements have been finalised and discussions continue with interested third parties to co-fund the project.
3. Exploration efforts continued at the Rocky River – Uralla Gold Project with our Chinese joint venture partners fully funding a drilling programme in accord with the 2012 agreements.

Our key focus this year was to recapitalise the company balance sheet for future growth. On receipt of the Research and Development refunds this will be largely complete. The board will be well placed to look at how best to realise value from the current projects while seeking new opportunities to add shareholder value.

I would like to thank former Chairman John Dawkins AO and fellow board directors and management for their efforts during a somewhat tumultuous year.

We thank shareholders for their patience and support while the board and management work to turnaround the fortunes of Sovereign Gold, and we look forward to providing updates on further developments this year.



Charles Thomas

**Chairman**

## REVIEW OF OPERATIONS

### Corporate

On 17 March 2016 Rocco Tassone was appointed managing director.

In February 2016 the Company issued 38.8 million shares under a placement and raised over \$92,000 (before costs) for working capital purposes.

In January 2016 the Company announced that the directors are reviewing the Company's current asset portfolio and are considering various local and international opportunities to grow value for its shareholders. The Company is currently engaging other parties regarding potential opportunities for the Mount Adrah Gold Project given the formalisation of the previously announced joint venture with a Chinese consortium has not been finalised.

On 14 December 2015 Mr Patrick Glovac was appointed a director of the Company. John Dawkins and Michael Leu resigned as directors but Mr Leu remains as Chief Geologist.

In November 2015 the Company announced that it was successful in obtaining a Research and Development tax incentive refund for the 2012 year, with similar applications to be made for later years. When received, the funds will be used for working capital purposes.

On 14 July 2015 Mr Rocco Tassone and Mr Charles Thomas were appointed non-executive directors of the Company. Bruce Dennis and Rado Jacob Rebek resigned as directors.

On 10 July 2015 the Company issued 556.5 million shares under an underwritten non-renounceable rights issue and placement, raising in excess of \$1.12 million before costs.

During the year, the Company issued 47.3 million new shares pursuant to the 2013 Bergen Global Opportunity Fund II LLC convertible note. Following a capital raising in July 2015, the Company repaid the outstanding debt owing to Bergen.

In May 2015 the Company entered into a \$2 million funding agreement to progress the exploration of EL 6372 (Mount Adrah Gold Project) with a Chinese investment consortium. This funding agreement is yet to be finalised and the Company has engaged with other parties regarding potential opportunities for this project.

In April 2015 the Company issued 91.6 million new shares under a share purchase plan raising over \$146,000.

Also in April 2015, the Company sold its non-core asset, being 5.5 million shares in Frontier Capital Group Ltd (ASX: FCG), held by it and its subsidiary, Mount Adrah Gold Limited, to raise in excess of \$1 million. The initial receipt of funds was used to reduce debt. The remaining proceeds are expected during the first half of 2016.

On 23 February 2015 Simon Bird was appointed Managing Director to manage a recapitalisation of the Company's balance sheet.

### Operations

During 2015, the Company's exploration activity was focused on planning multiple drill programs at the Rocky River-Uralla Gold Project, Mount Adrah Gold Project and the Halls Peak, Zinc Project.

#### Rocky River-Uralla Gold Project

A fully funded diamond-drilling program at the Rocky River (EL 6483) Intrusion-Related Gold System (IRGS) commenced to test the depth and strike extensions of known high grade narrow gold-bearing structures; locate new structures and confirm the existence of feeder structures from a potential concealed causative pluton at depth. A second gold-bearing structure was discovered during the drilling of 7 diamond drill holes at Frasers Find. All drill holes intersected narrow gold-bearing mineralisation up to 5.17 g/t gold and 122 g/t silver. The drilling at Frasers Find established the main gold-bearing structure extends continuously for at least 384 metres along strike and extends 80 metres vertically, open in all directions.

At Hudsons-McCrossins, 2 diamond drill holes were drilled and intersected a gold-bearing altered dyke over 3.9 metre downhole with up to 0.46 g/t gold over 0.89 metres. The discovery of shallow, gold-bearing dykes is significant as this is the same style of mineralisation present at Martins Shaft. Hudsons-McCrossins workings consist of a sheeted veins and gold bearing altered felsic dykes.

The Rocky River IRGS Cooperative Drilling Program was funded by a \$65,000 grant by the NSW Government with the balance funded by the Company’s Chinese partners, SUGEC. The Cooperative Drilling grant was to test a potential gold-bearing concealed circular pluton and associated structures indicated by the Company’s airborne geophysical survey.

**Mount Adrah Gold Project**

Due diligence was conducted on EL 6372 by a Chinese investment consortium to earn up to 45% through funding an initial \$1,500,000 drilling program and a further 5% by funding a further \$500,000. This joint venture has not been finalised and the Company is currently engaging other parties regarding potential opportunities for this project. A principal objective of the joint venture drilling program is to more accurately constrain the tonnage, grade and contained ounces of gold from surface to a depth of 150 metres to support the scoping study on the project economics of developing an open cut gold mine.

Drill programs have also been designed to test the grade, width, lateral and vertical extent of known narrow vein high grade gold structures (near Hobbs pipe and in the Bangadang area) to confirm the potential for high grade narrow vein mining operations. Further drill targets have been identified that may potentially host repetitions of Hobbs-like pipes.

Some grab samples from historic mines in the Bangadang area returned high grade gold values from recent assay results announced by the Company. A diamond drilling program will commence once funding has been obtained.

**Halls Peak, Zinc Project**

Joint venture discussions commenced to develop the Halls Peak Zinc base metals project. The Company holds three Exploration Licences in north-eastern NSW covering all identified areas of polymetallic (Zn, Pb, Cu and Ag) mineralisation.

The project has been awarded \$90,500 grant funds pursuant to the NSW Government New Frontiers Cooperative Drilling program to fast track exploration drilling programs. Land access was granted in February 2016.

Recent exploration and data interpretation has identified potential larger tonnage targets in two types of inferred mineralised settings.

- steeply dipping, deep tapping structurally controlled Cobar-style
- VTEM anomalies (1,221 line kilometres heliborne survey flown) with potential sulphide responses including large flat lying conductors in relatively undisturbed sedimentary basins, Target – potential large zinc/lead deposits - eg. HVC (MacArthur River)

The first drill hole will test the nature and metal content of the deep, lower conductor detected by the VTEM survey. Drilling will also include the Gibsons Mine area to test the down dip extensions of the previous high grade mineralisation reported in 2014 and to test the volcanic pile for new mineralisation.

**Key Assets**

Mount Adrah Intrusion-Related Gold System	Rocky River Intrusion-Related Gold System	Halls Peak Base Metal deposits
<ul style="list-style-type: none"> <li>➤ Mount Adrah Hobbs Gold Deposit</li> <li>➤ Mineral Resource estimate is 770,000 oz*</li> <li>➤ Scoping study, open cut mine to 150m</li> <li>➤ High Grade Gold Reefs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Discovered Large Gold System at Rocky River-Uralla Goldfield</li> <li>➤ Fully Funded by JV Partner</li> <li>➤ SOC 55% post-expenditure</li> </ul>	<ul style="list-style-type: none"> <li>➤ High Grade</li> <li>➤ Direct Ship Ore</li> <li>➤ Silver, Zinc, Lead, Copper</li> </ul>

**Mount Adrah Gold Project**

<b>Hobbs Pipe 1</b>	<b>High Grade, Narrow Vein Reefs</b>	<b>Hobbs Pipe Look-a-Likes</b>
<ul style="list-style-type: none"> <li>➤ <b>*Mineral Resource estimate is 770,000oz of gold, at various cut-off grades:</b> <ul style="list-style-type: none"> <li>• Indicated: 440,000oz from 12.1 Mt at 1.1 g/t gold</li> <li>• Inferred: 330,000oz from 8.4 Mt at 1.1 g/t gold</li> </ul> </li> <li>➤ <b>Scoping study, open cut mine to 150m</b></li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Near Hobbs Pipe 1</b> <ul style="list-style-type: none"> <li>• Castor Reef 10m @ 17.7 g/t Au</li> <li>• White Deer 1.2m @ 61 g/t Au</li> <li>• Several historical surface mines</li> </ul> </li> <li>➤ <b>Other Areas</b> <ul style="list-style-type: none"> <li>• Southern Cross Reef Mine 3m @ 7.22 g/t</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Near Hobbs Pipe 1</b> <ul style="list-style-type: none"> <li>• IP Anomalies</li> <li>• Hobbs SE</li> </ul> </li> <li>➤ <b>Other Potential Areas</b> <ul style="list-style-type: none"> <li>• Nacki Nacki Elluvial</li> <li>• Geochemical and geophysical anomalies</li> </ul> </li> </ul>

**Qualifying statements*****Mt Adrah Gold –***

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 he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Mr Leu consents 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.

The Mineral Resource at the end of 2015 remain unchanged to those at the end of 2014. The mineral resources are 770,000 oz (440,000 oz Indicated; 330,000 Inferred) within a total Mineral Resource estimate of 20.5 Mt at 1.1 g/t at a cut-off of 0.4 g/t. 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.

***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 he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Mr Leu consents 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.

## 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 2015.

**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 2015 was \$6.73 million (2014 loss: \$17.06 million). The loss arises largely due to loss on corporate restructuring to rationalise the tenement investment and exploration activities incurred during the year.

Total Shareholders' Funds as at 31 December 2015 are \$3.58 million (2014: \$8.8 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 3 to 5 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:

Rocco Tassone	Executive Director	appointed 14 July 2015
	Chief Executive Officer	
Charles Thomas	Non-Executive Director	appointed 14 July 2015
Patrick Glovac	Non-Executive Director	appointed 14 December 2015
Simon Bird	Managing Director	appointed 23 February 2015, retired 29 February 2016
Michael Leu	Executive Director	retired 10 December 2015
John Dawkins, AO	Non-Executive Chairman	retired 15 December 2015
Rado Jacob Rebek	Non-Executive Director	retired 14 July 2015
Bruce Dennis	Non-Executive Director	retired 14 July 2015

**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 <sup>1</sup>		Audit Committee <sup>2</sup>	
	Attended	Held Whilst in Office	Attended	Held Whilst in Office	Attended	Held Whilst in Office
Patrick Glovac <sup>7</sup>	0	0	0	0	0	0
Charles Thomas <sup>4</sup>	3	4	0	0	1	1
Rocco Tassone <sup>4</sup>	4	4	0	0	1	1
Simon Bird <sup>3</sup>	10	11	1	1	2	2
John Dawkins AO <sup>8</sup>	12	12	1	1	2	2
Michael Leu <sup>6</sup>	12	12	1	1	2	2
Rado Jacob Rebek <sup>5</sup>	6	8	1	1	1	1
Bruce Dennis <sup>5</sup>	6	8	1	1	1	1

<sup>1</sup> The Remuneration Committee is composed of the entire Board.

<sup>2</sup> The Audit Committee is composed of the entire Board.

<sup>3</sup> Simon Bird appointed on 23 February 2015 and resigned on 29 February 2016

<sup>4</sup> Charles Thomas and Rocco Tassone appointed on 14 July 2015

<sup>5</sup> Rado Jacob Rebek and Bruce Dennis resigned on 14 July 2015

<sup>6</sup> Michael Leu resigned on 10 December 2015

<sup>7</sup> Patrick Glovac appointed on 14 December 2015

<sup>8</sup> John Dawkins resigned on 15 December 2015

**INFORMATION ON DIRECTORS AND MANAGEMENT****Charles Thomas****Non-Executive Chairman of Sovereign Gold Company Limited****Appointed on 14 July 2015**

<b>Experience and Expertise</b>	<p>Mr Thomas holds a Bachelor of Commerce from UWA majoring in Corporate Finance. Mr Thomas is an Executive Director of GTT Ventures Pty Ltd a boutique corporate advisory firm based in Australia. Mr Thomas is also Non-Executive of ASX listed Applabs Technologies Limited (ASX:ALA) and Non-Executive Director of ASX listed xTV Networks Ltd (ASX:XTV).</p> <p>Mr Thomas worked as an Investment Adviser from 2009-2014 for Bell Potter Securities Ltd focussing on High Net worth clients &amp; Corporate Advisory. Prior to this Mr Thomas worked for State One Stockbroking for a period of 3 years, advising and funding numerous ASX listed companies</p>
<b>Other Current Directorships of Listed Companies</b>	<p>Non-Executive Director xTV Networks Limited Non-Executive Director Applabs Technologies</p>
<b>Former Directorships in the Last Three Years of Listed Companies</b>	<p>Cirrus Networks Holdings Ltd (formerly Liberty Resources Ltd)</p>
<b>Special Responsibilities</b>	<p>Chairman Member of the Audit Committee Member of the Remuneration Committee</p>
<b>Interests in Shares and Options</b>	<p>13.16 million (indirectly held)</p>

**Rocco Tassone****Executive Director of Sovereign Gold Company Limited****Chief Executive Officer****Appointed on 14 July 2015**

<b>Experience and Expertise</b>	<p>Mr Tassone holds a Bachelor of Business with a Double Major in Finance and Economics from Edith Cowan University, together with a Post Graduate Diploma in Applied Finance and Investment from Kaplan.</p> <p>Mr Tassone has extensive experience in equities markets most recently with Bell Potter Securities Limited, where for a period of 8 years, he advised across domestic and international Institutional Sales, High Net Worth individuals and Corporate Advisory. During this time he has advised and funded many ASX listed companies from early stage seed capital through to Initial Public Offering as well as through mergers and acquisitions.</p>
<b>Other Current Directorships of Listed Companies</b>	<p>Non-Executive Director xTV Networks Limited Non-Executive Director Applabs Technologies</p>
<b>Former Directorships in the Last Three Years of Listed Companies</b>	<p>Cirrus Networks Holdings Ltd (formerly Liberty Resources Ltd)</p>
<b>Special Responsibilities</b>	<p>Acting Chief Executive Officer Member of the Audit Committee Member of the Remuneration Committee</p>
<b>Interests in Shares and Options</b>	<p>38.33 million (indirectly held)</p>

**Patrick Glovac**  
**Non-Executive Director of Sovereign Gold Company Limited**  
**Appointed on 14 December 2015**

<b>Experience and Expertise</b>	<p>Mr Glovac holds a Bachelor of Commerce majoring in Finance, Banking &amp; Management through Murdoch University and a Diploma of Management.</p> <p>Mr Glovac had been working as an Investment Advisor since 2003 for Bell Potter Securities Limited focusing on High Net Worth clients &amp; Corporate Advisory. During that time he has advised and funded many ASX listed companies from early stage seed capital through to Initial Public Offering.</p> <p>Mr Glovac, in 2014, co-founded a boutique corporate advisory firm, GTT Ventures Pty Ltd which specialises in providing funding for technology companies.</p>
<b>Other Current Directorships of Listed Companies</b>	<p>Managing Director Applabs Technologies Ltd</p> <p>Non-Executive Director Cirrus Networks Holdings Ltd (formerly Liberty Resources Ltd)</p> <p>Non-Executive Director GB Energy Ltd</p>
<b>Former Directorships in the Last Three Years of Listed Companies</b>	
<b>Special Responsibilities</b>	<p>Member of the Audit Committee</p> <p>Member of the Remuneration Committee</p>
<b>Interests in Shares and Options</b>	48.07 million (directly held)

**Former Directors**

**John Dawkins AO, BEc, RDA**

Non-Executive Chairman of Sovereign Gold Company Limited  
 Appointed on 16 September 2010 and resigned on 15 December 2015

**Simon Bird**

Managing Director of Sovereign Gold Company Limited  
 Appointed on 23 February 2015 and resigned 29 February 2016

**Michael Leu BSc (Hons 1) MAIG, MAusIMM**

Executive Director of Sovereign Gold Company Limited  
 Appointed on 10 August 2010 and resigned on 10 December 2015

**Bruce Dennis**

Non-Executive Director of Sovereign Gold Company Limited  
 Appointed on 17 November 2014 and resigned 14 July 2015

**Rado Jacob Rebek**

Non-Executive Director of Sovereign Gold Company Limited  
 Appointed on 16 September 2010 and resigned 14 July 2015

**Officers****Henry Kinstlinger****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 Company Secretary of Australian Bauxite Limited, Frontier Capital Group 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 resignation of Simon Bird as Managing Director on 29 February 2016, and the appointment of Rocco Tassone as managing director on 17 March 2016. There are no other matters or circumstances, which have arisen since 31 December 2015 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2015, of the Group;
- the results of those operations; or,
- the state of affairs, in financial years subsequent to 31 December 2015, 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 6.

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.

- |                    |   |   |
|--------------------|---|---|
| • Rocco Tassone    | Executive Director<br>Chief Executive Officer | appointed 14 July 2015                                  |
| • Charles Thomas   | Non-Executive Director                        | appointed 14 July 2015                                  |
| • Patrick Glovac   | Non-Executive Director                        | appointed 14 December 2015                              |
| • Simon Bird       | Managing Director                             | appointed 23 February 2015,<br>retired 29 February 2016 |
| • Michael Leu      | Executive Director                            | retired 10 December 2015                                |
| • John Dawkins, AO | Non-Executive Chairman                        | retired 15 December 2015                                |
| • Rado Jacob Rebek | Non-Executive Director                        | retired 14 July 2015                                    |
| • Bruce Dennis     | Non-Executive Director                        | retired 14 July 2015                                    |

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

- |                     |                               |                        |
|---------------------|-------------------------------|------------------------|
| • Henry Kinstlinger | Company Secretary             |                        |
| • Julian Rockett    | Joint Company Secretary       | resigned 15 March 2016 |
| • 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**

	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave		
	\$	\$	\$	\$	\$	\$
<b>Consolidated 2015</b>						
<b>Director</b>						
Rocco Tassone	20,500	-	-	-	-	20,500
Charles Thomas	20,500	-	-	-	-	20,500
Patrick Glovac	-	-	-	-	-	-
Simon Bird	70,900	10,800	-	-	-	81,700
Michael Leu	69,000	-	-	-	-	69,000
John Dawkins	51,174	-	-	-	-	51,174
Rado J Rebek	-	-	-	-	-	-
Bruce Dennis	-	-	-	-	-	-
Total - Directors	232,074	10,800	-	-	-	242,874
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	59,625	-	-	-	-	59,625
Benjamin Amzalak	66,000	-	-	-	-	66,000
Francis Choy	-	-	-	-	-	-
Total - KMP	125,625	-	-	-	-	125,625
<b>Parent Entity 2015</b>						
<b>Director</b>						
John Dawkins	51,174	-	-	-	-	51,174
Simon Bird	70,900	10,800	-	-	-	81,700
Michael Leu	69,000	-	-	-	-	69,000
Charles Thomas	20,500	-	-	-	-	20,500
Rocco Tassone	20,500	-	-	-	-	20,500
Patrick Glovac	-	-	-	-	-	-
Rado J Rebek	-	-	-	-	-	-
Total - Directors	232,074	10,800	-	-	-	242,874
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	59,625	-	-	-	-	59,625
Benjamin Amzalak	66,000	-	-	-	-	66,000
Francis Choy	-	-	-	-	-	-
Total - KMP	125,625	-	-	-	-	125,625

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.

	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave		
	\$	\$	\$	\$	\$	\$
<b>Consolidated 2014</b>						
<b>Director</b>						
John Dawkins	24,242	-	-	-	-	24,242
Michael Leu	97,199	10,800	-	-	-	107,999
Rado J Rebek	10,000	6,300	-	-	-	16,300
Bruce Dennis	-	-	-	-	-	-
Peter Meers	-	-	-	-	-	-
Julian Malnic	70,800	-	-	-	-	70,800
Total - Directors	202,241	17,100	-	-	-	219,341
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	41,625	-	-	-	-	41,625
Benjamin Amzalak	64,000	-	-	-	-	64,000
Francis Choy	-	-	-	-	-	-
Total - KMP	105,625	-	-	-	-	105,625
	\$	\$	\$	\$	\$	\$
<b>Parent Entity 2014</b>						
<b>Director</b>						
John Dawkins	24,242	-	-	-	-	24,242
Michael Leu	66,599	10,800	-	-	-	77,399
Rado J Rebek	-	6,300	-	-	-	6,300
Bruce Dennis	-	-	-	-	-	-
Peter Meers	-	-	-	-	-	-
Total - Directors	90,841	17,100	-	-	-	107,941
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	6,660	-	-	-	-	6,660
Benjamin Amzalak	56,000	-	-	-	-	56,000
Francis Choy	-	-	-	-	-	-
Total - KMP	62,660	-	-	-	-	62,660

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.

**Executive Service Agreements**

There were three service agreements in place formalising the terms of remuneration of Mr Thomas, Mr Tassone and Mr Glovac. The Company may terminate the agreement in the event of serious misconduct by either party without any compensatory payment.

**Corporate Services agreement**

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

The Corporate Services Agreement has no expiry date and the fee payable is that amount agreed between the parties from time to time. The terms of the Corporate 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**

There were no options granted to Directors or other key management personnel of the Company during the financial year or during the period since the end of the financial year and up to the date of this report.

No options were issued or expired during the same period.

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)/ (Adjustment)	Interest payable for the year	Balance at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
	\$	\$	\$	\$	\$	\$
<b>Consolidated 2015</b>	-	-	-	-	-	-
2014	812,550	(830,525)	17,975	-	830,525	5,992
<b>Parent Entity 2015</b>	-	-	-	-	-	-
2014	516,071	(528,498)	12,427	-	528,498	4,142

\* Market interest rate 6% (2014: 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. Loans are repayable should the Consultant leave the Company. Loans were assigned and settled in 2014. None were written down and written off 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 granted 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 17

**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	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Audit services:</b>				
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	<b>34,695</b>	34,475	<b>27,745</b>	25,750
<b>Taxation and other advisory services:</b>				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.				
Taxation	<b>6,940</b>	2,300	<b>4,445</b>	1,150
Advisory Services	-	10,000	-	-
	<b>6,940</b>	12,300	<b>4,445</b>	1,150

**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.



**Rocco Tassone**  
Executive Director and  
Chief Executive Officer



**Charles Thomas**  
Director

Signed at Sydney  
31 March 2016

Level 6, 350 Kent Street  
Sydney NSW 2000

75 Lyons Road  
Drummoyne NSW 2047

# K.S. Black & Co.

Chartered Accountants

ABN 48 117 620 556

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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2015 there has been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities are in respect of Sovereign Gold Company Limited and the entities it controlled during the period.

KS Black & Co  
Chartered Accountants



Scott Bennison  
Partner

Dated in Sydney on this 31 day of March 2016



Liability limited by a  
scheme approved  
under Professional  
Standards Legislation

Phone 02 8839 3000 Fax 02 8839 3055

[www.ksblack.com.au](http://www.ksblack.com.au)



CHARTERED ACCOUNTANTS  
AUSTRALIA • NEW ZEALAND

## CORPORATE GOVERNANCE STATEMENT

The Company has adopted a Corporate Governance Plan, which forms the basis of a comprehensive system of control and accountability for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent they are applicable to the Company, the Board has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ("**Principles and Recommendations**").

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in the corporate governance information section of the Company's website (<http://www.sovereigngold.com.au/Corporate-Governance.htm>).

### (a) Board Responsibilities

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- maintain and increase Shareholder value;
- ensure a prudential and ethical basis for the Company's conduct and activities;
- ensure compliance with the Company's legal and regulatory objectives consistent with these goals, and to achieve this the Board assumes the following responsibilities:
  - a. developing initiatives for profit and asset growth;
  - b. reviewing the corporate, commercial and financial performance of the Company on a regular basis;
  - c. acting on behalf of, and being accountable to, the Shareholders; and
  - d. identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis;

### (b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

However, subject thereto, the Company is committed to the following principles:

- the Board is to comprise persons with appropriate blend of skills, experience and attributes appropriate for the Company and its business; and
- the principal criteria for the appointment of new Directors is their ability to add value to the Company and its business. All incumbent Directors bring an independent judgement to bear in deliberations and the current representation is considered adequate given the stage of the Company's development. The names, qualifications and relevant experience of each Director are set out on page 7.

### (c) Code of Conduct

As part of its commitment to recognising the legitimate expectations of stakeholders and promoting practices necessary to maintain confidence in the Company's integrity, the Company has an established Code of Conduct (**the Code**) to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices or circumstances where there are breaches of the Code.

These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code governs all of the Company's commercial operations and the conduct of Directors, employees, consultants, contactors and all other people when they represent the Company. This Code also governs the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices.

The Board, management and all employees of the Company are committed to implementing this Code and each individual is accountable for such compliance. A copy of the Code is given to all employees, contractors and relevant personnel, including directors, and is available on the Company's website (under "Corporate Governance").

**(d) Diversity Policy**

The Board has adopted a diversity policy which provides a framework for the Company to achieve, among other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

**(e) Continuous Disclosure**

The Board has directed the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Board has established a written policy for ensuring compliance with ASX Listing Rule disclosure requirements and accountability at senior executive level for that compliance. A copy of the Company's continuous disclosure policy can be found on the Company's web site (under "Corporate Governance").

**(f) Audit Committee and Management of Risk**

The Company's directors comprise the audit and risk committees.

**(g) Remuneration Arrangements**

The Board will decide the remuneration of an executive Director, without the affected executive Director participating in that decision-making process.

The Company's Constitution provides that Directors are entitled to remuneration as the Directors determine, but the remuneration of non-executive directors must not exceed, in aggregate, a maximum amount fixed by the Company in a general meeting of Shareholders for that purpose. This amount has been set at \$200,000 per annum.

In addition, a Director may be paid fees or other amounts (subject to any necessary Shareholder approval) (for example non-cash performance incentives such as Options) as determined by the Board where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

**(h) Shareholder Communications**

The Board tries to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions. Information is communicated to Shareholders through:

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and,
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

**(i) Trading in the Company's Shares**

The Company's Share Trading Policy prohibits Directors from taking advantage of their position or information acquired, in the course of their duties, and the misuse of information for personal gain or to cause detriment to the Company.

Directors, senior executives and employees are required to advise the Company Secretary of their intentions prior to undertaking any transaction in the Company's securities.

If an employee, officer or director is considered to possess material non-public information, they will be precluded from making a security transaction until after the time of public release of that information.

A copy of the Company's Share Trading Policy is available on the Company's website (under "Corporate Governance").

**(j) Corporate Social Responsibility**

The Company is committed to conducting our operations and activities in harmony with the environment and society, and wherever practicable to work in collaboration with communities and government institutions in decision-making and activities for effective, efficient and sustainable solutions.

Our aim is to minimize our environmental footprint and safeguard the environment while sharing the benefits of share the benefits of mining with our employees and the community and contribute to economic and social development, minimizing our environmental footprint and safeguarding the environment, now and for future generations.

A copy of the Company's Environmental, Health and Social Charter is available on the Company's website (under "Corporate Governance").

**(k) Departures from recommendations**

The Company is required to report any departures from the recommendations in its annual financial report. The Company's compliance and departures from Recommendations as at the date of this Prospectus are set out in the following table:

**ASX Corporate Governance Council's Corporate Governance Principles and Recommendations**

<b>PRINCIPLE</b>	<b>Response</b>
<b>PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>	
<b>Recommendation 1.1</b>	
The entity should have and disclose a charter, which sets out the the respective roles and responsibilities of the board, the Chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.	<p>Complies.</p> <p>The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board. The responsibilities delegated to the senior management team are set out in the Board Charter.</p> <p>The Board Charter can be viewed at: the Company's website  <a href="http://www.sovereigngold.com.au">http://www.sovereigngold.com.au</a></p>
<b>Recommendation 1.2</b>	
<p>The entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.</p> <p>The entity should provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>Complies.</p> <p>The Company conducts background and reference checks for all Directors.</p> <p>These checks will be expanded to include the required checks described in Guidance Note 1, paragraph 3.15 issued by the ASX before appointing an additional person, or putting forward to Shareholders a candidate for election, as a Director.</p>
<b>Recommendation 1.3</b>	
The entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>Complies.</p> <p>All directors have written agreements setting out the terms of their employment. The services of the Company Secretary and the Chief Financial Officer are provided under the terms of the services agreement with Hudson Corporate Limited</p>
<b>Recommendation 1.4</b>	
The company secretary of the entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>Complies.</p> <p>The Company Secretary has been appointed and is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.</p>
<b>Recommendation 1.5</b>	
The entity should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and the progress in achieving them.	<p>Complies.</p> <p>The Board has established a Diversity Policy.</p>
The entity should disclose in its annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and its progress towards achieving them.	<p>The Diversity Policy is disclosed on the Company's website.</p>

The entity should disclose in its annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Details of the Company's measurable objectives for achieving gender diversity and its progress towards achieving them and the entity's gender diversity figures are set out in the Company's annual report.
<b>Recommendation 1.6</b>	
The entity should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Will comply.  The Company will disclose the process for evaluating the performance of the Board, its committees and individual directors in its future annual reports.  Details of the performance evaluations undertaken will be set out in future annual reports.
<b>Recommendation 1.7</b>	
The entity should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	Complies.  Senior executive key performance indicators are set annually, with performance appraised by the Board, and reviewed in detail by the Board.  The internal review is to be conducted on an annual basis and if deemed necessary an independent third party will facilitate this internal review.  Details of the performance evaluations undertaken will be set out in future annual reports.
<b>PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE</b>	
<b>Recommendation 2.1</b>	
The entity's board should have a nomination committee which has at least three members, a majority of whom are independent directors; and is chaired by an independent director.	Does not comply.  The Company does not have a nomination committee
The entity should disclose the charter of the committee, the members of the committee; and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Currently the role of the nomination committee is undertaken by the full Board. The Company intends to establish a nomination committee once the Company's operations are of sufficient magnitude.
If the entity does not have a nomination committee, it should disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Company does not have a nomination committee. The Board evaluates the skills, experience of its members and then determines whether additional members should be invited to the Board to complement or replace the existing members.
<b>Recommendation 2.2</b>	
The entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Does not yet comply.  The Company intends to develop a board skill matrix setting out the mix of skills and diversity the Board has and requires. The skill matrix will be available at the Company's website once finalised

<b>Recommendation 2.3</b>	
The entity should disclose the names of the directors considered by the board to be independent directors and the length of service of each director;	Patrick Glovac was appointed a director on 14 December 2015  Charles Thomas was appointed a director on 14 July 2015.
The entity should disclose if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3 <sup>rd</sup> edition) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion	The independence of the directors and length of service of each director are set out in the Company's annual report.  Details of any relevant interest, position, association or relationship impacting upon a director's independence are set out in the Company's annual report.
<b>Recommendation 2.4</b>	
A majority of the board of a listed entity should be independent directors.	Complies  The Company has three directors. Two of these directors are the Non-Executive directors.
<b>Recommendation 2.5</b>	
The chair of the board of entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Complies.  The Chairman is a Non-Executive Director and is not the same person as the CEO of the Company.
<b>Recommendation 2.6</b>	
The entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Does not yet comply.  Currently the induction of new directors and plan for professional development is managed informally by the full Board.  The Company intends to develop a formal program for inducting new directors and providing appropriate professional development opportunities consistent with the development of the company.
<b>PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY</b>	
<b>Recommendation 3.1</b>	
The entity should establish a code of conduct for its directors, senior executives and employees and disclose the code or a summary of the code.	Complies.  The Board has established a Code of Conduct to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the responsibility and accountability required of the Group's personnel for reporting and investigating unethical practices or circumstances where there are breaches of the Code.  The Code of Conduct is available on the Company's website.

<b>PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>	
<b>Recommendation 4.1</b>	
<p>The board of the entity should have an audit committee, which consists only of non-executive directors, a majority of which are independent directors and is chaired by an independent chair that is not the chair of the board.</p> <p>The entity should disclose the charter of the committee, the members of the committee and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</p>	<p>Partially complies.</p> <p>The board has established an audit and risk committee Charter.</p> <p>Members of the committee comprise the whole board of directors who have appropriate and relevant financial experience to act in this capacity.</p> <p>A summary of the charter and details of the number of times the audit and risk committee met throughout the period and the individual attendances of the members at those meetings are set out in the Company's annual report.</p> <p>The full audit and risk committee charter is available on the Company's website</p>
<b>Recommendation 4.2</b>	
<p>The board should disclose whether it has, before approving the entity's financial statements for the financial period receive assurance from its Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.</p>	<p>Complies.</p> <p>The Board requires the Chief Executive Officer and the Chief Financial Officer to provide such a statement before approving the entity's financial statements for a financial period.</p>
<b>Recommendation 4.3</b>	
<p>When the entity has an AGM it should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>Complies.</p> <p>The external auditor attends AGMs and is available to answer questions from Security Holders relevant to the audit.</p>
<b>PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE</b>	
<b>Recommendation 5.1</b>	
<p>The entity should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.</p>	<p>Complies.</p> <p>The Company has a written policy on information disclosure. The focus of these policies and procedures is continuous disclosure and improving access to information for investors.</p> <p>The Company's continuous disclosure policy can be viewed at the Company's website.</p>

<b>PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS</b>	
<b>Recommendation 6.1</b>	
The entity should provide information about itself and its governance to investors via its website.	Complies.  The Company has provided specific information about itself and its key personnel and has developed a comprehensive Corporate Governance Plan.  Details can be found at the Company's website.
<b>Recommendation 6.2</b>	
The entity should design and implement an investor relations program to facilitate effective two-way communication with shareholders.	Complies.  The Company has established a Shareholder's Communication Policy. The Company recognises the importance of forthright communications and aims to ensure that the shareholders are informed of all major developments affecting the Company.  Details of the Shareholder's Communication Policy can be found at the Company's website.
<b>Recommendation 6.3</b>	
The entity should disclose the policies and processes it has in place to facilitate and encourage participation at general meetings.	Complies.  The Shareholder's Communication Policy is available on the Company's website and details are set out in the Company's annual report.
<b>Recommendation 6.4</b>	
The entity should give security holders the option to receive communications from and send communications to, the entity and its security registry electronically.	Complies.  The Company has provided the option to receive communications from, and send communications to, the entity and its security registry electronically.
<b>PRINCIPLE 7: RECOGNISE AND MANAGE RISK</b>	
<b>Recommendation 7.1</b>	
The board of a listed entity should have a committee or committees to oversee risk, each of which has at least three members, a majority of whom are independent directors and is chaired by an independent director.  The entity should disclose the charter of the committee, the members of the committee and at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Does not comply due to the size of the company.  The Board has established an audit and risk committee to oversee risk which is comprised of the whole Board.  Complies  The Company's charter for the audit and risk committee is available at the Company's website and the details of the number of times the committee met and the individual attendances is set out in the Company's annual report.

<b>Recommendation 7.2</b>	
The board or board committee should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risk the entity faces and to ensure that they remain with the risk appetite set by the board.	Complies.
The entity should also disclose in relation to each reporting period, whether such a review has taken place	<p>The Company's Corporate Governance Plan includes a Risk Management Review Procedure and Compliance and Control policy.</p> <p>The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.</p> <p>The Board has delegated to the audit and risk committee the responsibility for implementing the risk management system.</p> <p>Details of the number of times the committee conducted a risk management review in relation to each reporting period will be disclosed in its annual reports.</p>
<b>Recommendation 7.3</b>	
The entity should disclose if it has an internal audit function, how the function is structured and what role it performs. If the entity does not have an internal audit function, the entity should disclose that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	<p>Does not yet comply.</p> <p>The Board has delegated the internal audit function to the audit and risk committee and intends to establish and implement the structure and role of the internal audit function.</p> <p>The Company will disclose the details of the internal audit function in its future annual reports.</p>
<b>Recommendation 7.4</b>	
The entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	<p>Complies.</p> <p>The Company has an Audit and Risk committee appointed to manage economic sustainability and risk. In addition to this the Company also has an Environmental and Social Charter on its website, and manages environmental and social sustainability risks accordingly.</p> <p>With respect to the Tenements the Company complies with environmental regulatory requirements and risk through the relevant authorities issued pursuant to permits from the NSW Department of Trade and Investment (Resources &amp; Energy).</p>

<b>PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY</b>	
<b>Recommendation 8.1</b>	
The board should establish a remuneration committee which has at least three members, a majority of whom are independent directors and is chaired by an independent director.	Does not yet comply due to the size of the company.  The entire board undertakes the functions normally delegated to a remuneration committee.
If the entity does not have a remuneration committee, the entity should disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Board has adopted a Remuneration Committee Charter.  However, the Company is not of a size that justifies having a separate Remuneration Committee so matters typically considered by such a committee are dealt with by the full Board.  The Board has reviewed, through independent sources, the level and composition of remuneration for Directors and senior executives to ensure that such remuneration is appropriate and not excessive.
<b>Recommendation 8.2</b>	
The entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	Complies.  The Company distinguishes the structure of Non-executive Directors' remuneration from Executive Directors and senior executives.  Details of the policies and practices regarding remuneration are set out in the Company's annual report.  The remuneration committee charter can be viewed on the Company's website
<b>Recommendation 8.3</b>	
If the entity has an equity-based remuneration scheme it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and disclose that policy or a summary of it.	Complies.  The Company's Share Trading Policy prohibits executive staff from undertaking hedging or other strategies that could limit the economic risk associated with Company Securities issued under any equity based remuneration scheme.  The Share Trading Policy can be viewed on the Company's website

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

	Notes	Consolidated		Parent Entity	
		2015 \$	2014 \$	2015 \$	2014 \$
<b>Revenue</b>	4	<b>260,860</b>	164,955	<b>292,431</b>	199,788
Other Income and Expenses	4	<b>(161,186)</b>	(14,147,674)	<b>(633,042)</b>	(14,413,670)
Administration and exploration expenses not capitalised	5	<b>(1,261,274)</b>	(3,375,707)	<b>(924,803)</b>	(1,446,752)
Finance costs		<b>(273,493)</b>	(175,558)	<b>(270,036)</b>	(101,262)
<b>Profit/(Loss) before tax</b>		<b>(1,435,093)</b>	(17,533,984)	<b>(1,535,450)</b>	(15,761,896)
Income tax expense	6(a)	-	-	-	-
<b>Net Profit/(Loss) for the year</b>		<b>(1,435,093)</b>	(17,533,984)	<b>(1,535,450)</b>	(15,761,896)
Other Comprehensive Income					
Provision for diminution		<b>(5,300,000)</b>	-	-	-
Other Comprehensive Income after tax		<b>(5,300,000)</b>	-	-	-
Total comprehensive income for the year		<b>(6,735,093)</b>	(17,533,984)	<b>(1,535,450)</b>	(15,761,896)
Non-controlling interests		<b>(2,362)</b>	470,886	-	-
<b>Total comprehensive income attributable to members of the Parent Entity</b>		<b>(6,737,455)</b>	(17,063,098)	<b>(1,535,450)</b>	(15,761,896)
<b>Earnings/(Loss) per share</b>		<b>2015 Cents</b>	2014 Cents		
Basic (loss) /earnings per share (cents)	22	<b>(1.14)</b>	(8.86)		
Diluted (loss) /earnings per share (cents)	22	<b>(1.14)</b>	(4.74)		

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2015

	Notes	Consolidated		Parent Entity	
		2015	2014	2015	2014
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	<b>60,339</b>	11,857	<b>56,260</b>	(18,874)
Trade and other receivables	8	<b>177,843</b>	342,719	<b>7,523</b>	118,953
Financial assets	11	<b>16,267</b>	1,277,453	<b>16,267</b>	1,277,453
Other current assets	9	<b>586</b>	57,893	<b>586</b>	57,893
Total current assets		<b>255,035</b>	1,689,922	<b>80,636</b>	1,435,425
<b>Non-current assets</b>					
Trade and other receivables	8	-	-	<b>5,650,653</b>	5,705,411
Mining tenements	10	<b>3,508,287</b>	8,801,638	-	-
Financial assets	11	-	-	<b>3,373,732</b>	3,373,732
Plant and equipment	12	<b>10,218</b>	22,409	<b>4,709</b>	13,931
Other non-current assets	9	-	-	-	-
Total non-current assets		<b>3,518,505</b>	8,824,047	<b>9,029,094</b>	9,093,074
<b>Total Assets</b>		<b>3,773,540</b>	10,513,969	<b>9,109,730</b>	10,528,499
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	13	<b>164,908</b>	1,612,878	<b>110,828</b>	1,392,890
Employee benefits provision	14	-	-	-	-
Total current liabilities		<b>164,908</b>	1,612,878	<b>110,828</b>	1,392,890
<b>Non-current liabilities</b>					
Trade and other payable	13	<b>20,000</b>	20,670	-	-
Employee benefits provision	14	-	-	-	-
Total non-current liabilities		<b>20,000</b>	20,670	-	-
<b>Total Liabilities</b>		<b>184,908</b>	1,633,548	<b>110,828</b>	1,392,890
<b>Net Assets</b>		<b>3,588,632</b>	8,880,421	<b>8,998,902</b>	9,135,609
<b>EQUITY</b>					
Issued capital	15	<b>28,266,147</b>	26,867,404	<b>28,266,147</b>	26,867,404
Reserves		<b>2,658,887</b>	2,901,694	<b>359,765</b>	359,765
Accumulated losses		<b>(27,863,173)</b>	(21,125,718)	<b>(19,627,010)</b>	(18,091,560)
		<b>3,061,861</b>	8,643,380	<b>8,998,902</b>	9,135,609
Non-Controlling interest		<b>526,771</b>	237,041	-	-
<b>Total Equity</b>		<b>3,588,632</b>	8,880,421	<b>8,998,902</b>	9,135,609

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the Year Ended 31 December 2015

<b>Consolidated</b>	Notes	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Non- Controlling Interest</b>	<b>Total Equity</b>
		\$	\$	\$	\$	\$
<b>Balance at 1 Jan 2015</b>	15	<b>26,867,404</b>	<b>2,901,694</b>	<b>(21,125,718)</b>	<b>237,041</b>	<b>8,880,421</b>
Shares issued		1,268,668	-	-	-	1,268,668
Note conversion		200,000	-	-	-	200,000
Share issuing cost		(69,925)	-	-	-	(69,925)
Movement during the year		-	(242,807)	-	289,730	46,923
Loss for the year		-	-	(6,737,455)	-	(6,737,455)
<b>Balance at 31 Dec 2015</b>	15	<b>28,266,147</b>	<b>2,658,887</b>	<b>(27,863,173)</b>	<b>526,771</b>	<b>3,588,632</b>
<b>Balance at 1 Jan 2014</b>		23,683,142	359,765	(4,062,620)	672,394	20,652,681
Shares issued		3,280,400	-	-	-	3,280,400
Share issuing cost		(96,138)	-	-	-	(96,138)
Movement during the year		-	2,541,929	-	(435,353)	2,106,576
Loss for the year		-	-	(17,063,098)	-	(17,063,098)
<b>Balance at 31 Dec 2014</b>	15	<b>26,867,404</b>	<b>2,901,694</b>	<b>(21,125,718)</b>	<b>237,041</b>	<b>8,880,421</b>
<b>Parent Entity</b>		<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Non- Controlling Interest</b>	<b>Total Equity</b>
		\$	\$	\$	\$	\$
<b>Balance at 1 Jan 2015</b>	15	<b>26,867,404</b>	<b>359,765</b>	<b>(18,091,560)</b>	-	<b>9,135,609</b>
Shares issued		1,268,668	-	-	-	1,268,668
Note conversion		200,000	-	-	-	200,000
Share issuing cost		(69,925)	-	-	-	(69,925)
Loss for the year		-	-	(1,535,450)	-	(1,535,450)
<b>Balance at 31 Dec 2015</b>	15	<b>28,266,147</b>	<b>359,765</b>	<b>(19,627,010)</b>	-	<b>8,998,902</b>
<b>Balance at 1 Jan 2014</b>		23,683,142	359,765	(2,329,664)	-	21,713,243
Shares issued		3,280,400	-	-	-	3,280,400
Share issuing cost		(96,138)	-	-	-	(96,138)
Loss for the year		-	-	(15,761,896)	-	(15,761,896)
<b>Balance at 31 Dec 2014</b>	15	<b>26,867,404</b>	<b>359,765</b>	<b>(18,091,560)</b>	-	<b>9,135,609</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended 31 December 2015

	Notes	Consolidated		Parent Entity	
		2015	2014	2015	2014
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(1,225,805)	(3,463,340)	(782,026)	(1,296,448)
Interest paid		(40)	(67,184)	(40)	(12,633)
Interest received		1,936	21,846	1,908	19,788
<b>Net cash (used in) operating activities</b>	17	<b>(1,223,909)</b>	<b>(3,508,678)</b>	<b>(780,158)</b>	<b>(1,289,293)</b>
<b>Cash flows from investing activities</b>					
Proceed from sale of investment		1,100,000	-	1,100,000	-
Payment for tenement prospects and interest		-	(407,453)	-	(1,926,400)
Payment for plant and equipment		-	-	-	-
Advance from/(repayment to) other entities		(395,913)	617,415	(395,913)	1,122,071
Advance to other parties		(175,000)	-	(175,000)	-
Advance to controlled entities		-	-	(417,099)	(1,017,329)
<b>Net cash provided by/(used in) investing activities</b>		<b>529,087</b>	<b>209,962</b>	<b>111,988</b>	<b>(1,821,658)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		1,268,668	2,810,400	1,268,668	2,810,400
Share issuing cost		(25,364)	(96,138)	(25,364)	(96,138)
Convertible note redemption		(500,000)	-	(500,000)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>743,304</b>	<b>2,714,262</b>	<b>743,304</b>	<b>2,714,262</b>
<b>Net increase/(decrease) in cash held</b>		<b>48,482</b>	<b>(584,454)</b>	<b>75,134</b>	<b>(396,689)</b>
Cash and cash equivalents at beginning of the financial year		11,857	596,311	(18,874)	377,815
<b>Cash and cash equivalents at end of the financial year</b>	7	<b>60,339</b>	<b>11,857</b>	<b>56,260</b>	<b>(18,874)</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

### 1 CORPORATE INFORMATION

The consolidated financial statements and notes of Sovereign Gold Company Limited (the **Company**) for the year ended 31 December 2015 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.
- A provision for diminution was raised to recognise that commodity prices are variable, and the share price of the company reflects market recognition of possible impairment due to this variability.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

### *Going Concern*

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

### 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 Profit or Loss and other 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	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Current</b>				
Cash and cash equivalents	60,339	11,857	56,260	(18,874)
Trade and other receivables	352,843	342,719	182,523	118,953
<b>Non- Current</b>				
Trade and other receivables	-	-	5,650,653	5,705,411
	<b>413,182</b>	354,576	<b>5,889,436</b>	5,805,490

#### 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**

<b>Maturity Analysis of Financial Liabilities</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>&lt; 6 mths</b>	<b>6 - 12 mths</b>	<b>1 - 3 years</b>	<b>&gt; 3 years</b>
	\$	\$	\$	\$	\$	\$
<b>Consolidated 2015 Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	148,453	148,453	148,453	-	-	-
Accrued payable	16,455	16,455	16,455	-	-	-
<b>Non-Current</b>						
Other Liabilities	20,000	20,000	-	-	20,000	-
Total financial liabilities at amortised cost	<b>184,908</b>	<b>184,908</b>	<b>164,908</b>	-	<b>20,000</b>	-
<b>Consolidated 2014 Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	1,593,303	893,303	893,303	-	-	-
Accrued payable	19,575	19,575	19,575	-	-	-
<b>Non-Current</b>						
Other Liabilities	20,670	20,670	-	-	20,670	-
Total financial liabilities at amortised cost	<b>1,633,548</b>	<b>933,548</b>	<b>912,878</b>	-	<b>20,670</b>	-
	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>&lt; 6 mths</b>	<b>6 - 12 mths</b>	<b>1 - 3 years</b>	<b>&gt; 3 years</b>
	\$	\$	\$	\$	\$	\$
<b>Parent Entity 2015 Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	101,323	101,323	101,323	-	-	-
Accrued payable	9,505	9,505	9,505	-	-	-
<b>Non-Current</b>						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	<b>110,828</b>	<b>110,828</b>	<b>110,828</b>	-	-	-
<b>Parent Entity 2014 Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	1,378,760	678,760	678,760	-	-	-
Accrued payable	14,130	14,130	14,130	-	-	-
<b>Non-Current</b>						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	<b>1,392,890</b>	<b>692,890</b>	<b>692,890</b>	-	-	-

### 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)
	\$	\$	\$
<b>Consolidated 2015</b>			
Cash and cash equivalents	60,339	603	(603)
Tax charge of 30%	-	(181)	181
After tax increase/(decrease)	<u>60,339</u>	<u>422</u>	<u>(422)</u>
<b>Consolidated 2014</b>			
Cash and cash equivalents	11,857	119	(119)
Tax charge of 30%	-	(35)	35
After tax increase/(decrease)	<u>11,857</u>	<u>84</u>	<u>(84)</u>
<b>Parent Entity 2015</b>			
Cash and cash equivalents	56,260	563	(563)
Tax charge of 30%	-	(169)	169
After tax increase/(decrease)	<u>56,260</u>	<u>394</u>	<u>(394)</u>
<b>Parent Entity 2014</b>			
Cash and cash equivalents	(18,874)	(188)	188
Tax charge of 30%	-	57	(57)
After tax increase/(decrease)	<u>(18,874)</u>	<u>(131)</u>	<u>131</u>

The above analysis assumes all other variables remain constant.

#### e. Currency risk

In 2015, the consolidated entity and parent entity were not exposed to foreign currency risk (2014: 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	
	2015	2014	2015	2014
<b>Revenue</b>	\$	\$	\$	\$
Interest income	1,936	21,846	1,908	19,788
<b>Other income</b>				
Write off payable	200,523	-	200,523	-
Other	58,401	143,109	90,000	180,000
	<b>260,860</b>	<b>164,955</b>	<b>292,431</b>	<b>199,788</b>
<b>Other Income and Expenses</b>				
Gain/(Loss) on disposal of Investment*	(161,186)	(14,147,674)	(161,186)	(14,413,670)
Bad debt	-	-	(471,856)	-
	<b>(161,186)</b>	<b>(14,147,674)</b>	<b>(633,042)</b>	<b>(14,413,670)</b>

\*The losses arise mainly due to corporate restructuring to rationalise tenement investment portfolio.

**5. EXPENSES**

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
(Loss)/profit before income tax includes the following specific expenses:				
Directors fees and employee oncosts	157,172	246,090	157,172	85,606
Consulting and professional fee	205,371	768,514	199,362	663,290
Exploration expense not capitalised	334,044	933,415	29,387	10,875
Depreciation and amortisation	12,191	11,928	9,222	9,340

**6. INCOME TAX**

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>a. Income tax expense</b>				
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
Total income tax expense	-	-	-	-
Deferred tax expense				
Increase/(decrease) in deferred tax expense	-	-	-	-
<b>b. Numerical reconciliation of income tax expense to prima facie tax payable</b>				
(Loss)/Profit from continuing operations before income tax expense	(1,435,093)	(17,533,984)	(1,533,450)	(15,761,896)
Income tax expense/(benefit) calculated at 30% (2014:30%)	(455,793)	(5,266,195)	(536,591)	(4,728,569)
Timing differences not brought to account	22,210	48,300	192,669	3,000
Tax losses not brought to account	433,583	5,217,895	343,922	4,725,569
	-	-	-	-

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

Deferred tax assets and liabilities have not been recognised in the balance sheet for the following items :

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	-	-	-	-
Other deductible temporary differences	(1,388)	22,697	192,669	3,000
Deferred tax asset in respect of exploration activities not brought to account	967,741	(16,583,554)	-	(15,754,897)
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	(944,143)	(153,815)	-	-
	<b>22,210</b>	<b>(16,714,672)</b>	<b>192,669</b>	<b>(15,751,897)</b>

**7. CASH AND CASH EQUIVALENTS**

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash at bank and in hand	60,339	11,857	56,260	(18,874)
Cash held in trust - tenement guarantee	-	-	-	-
	<b>60,339</b>	<b>11,857</b>	<b>56,260</b>	<b>(18,874)</b>
Weighted average interest rates	<b>1.30%</b>	0.18%	<b>1.36%</b>	0.09%

**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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash and cash equivalents	60,339	11,857	56,260	(18,874)
Balances per Statement of Cash Flows	<b>60,339</b>	<b>11,857</b>	<b>56,260</b>	<b>(18,874)</b>

**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	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Current</b>				
Receivables - other parties	175,000	-	175,000	-
Provision for doubtful debt	(175,000)	-	(175,000)	-
Receivable – other	(302)	113,111	(367)	113,046
Receivable – tenement deposit	170,000	200,000	-	-
Receivables - GST	8,145	29,608	7,890	5,907
	<b>177,843</b>	<b>342,719</b>	<b>7,523</b>	<b>118,953</b>
<b>Non - Current</b>				
Receivable - controlled entities	-	-	5,650,653	5,705,411

**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**

These amount related to scheduled share disposal proceed from the counter party. Full provision \$175,000 was made at report date.

None were written off during the year.

**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.

**Non-current trade and other receivables**

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

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
<b>Consolidated</b>				
Controlled Entities receivables	-	-	-	-
<b>Parent Entity</b>				
Controlled entities receivables	<b>5,650,653</b>	<b>5,650,653</b>	5,705,411	5,705,411

The above controlled entities receivables are unsecured, have no fixed terms of repayment and are non-interest bearing.

**9. OTHER ASSETS**

<b>Current</b>	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accrued convertible note interest	-	47,917	-	47,917
Prepayments	<b>586</b>	9,976	<b>586</b>	9,976
	<b>586</b>	57,893	<b>586</b>	57,893
<b>Non-Current</b>				
Carrying value	-	-	-	-
Goodwill:				
Accumulated impairment losses	-	-	-	-
Goodwill net carrying amount	-	-	-	-

**Goodwill**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	-	13,003,760	-	-
Movement through business combination	-	(13,003,760)	-	-
Impairment losses	-	-	-	-
Balance at end of the year	-	-	-	-

**10. MINING TENEMENTS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Mining tenements	<b>8,808,287</b>	8,801,638	-	-
Provision for diminution	<b>(5,300,000)</b>	-	-	-
	<b>3,508,287</b>	8,801,638	-	-

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.

Details of the tenement schedule as follow:

Tenement No.	Location	% Interest	\$
EL 6483	Rocky River-Uralla	100	2,205,440
EL 4474	Halls Peak	100	575,020
EL 5339	Halls Peak	100	366,685
EL 7768	Guyra	75.9	627,670
EL 7491	Uralla	75.9	1,101,840
EL 7679	Halls Peak	75.9	430,812
EL 6372	Mt Adrah	99.5	2,909,110
EL 7844	Mt Adrah	99.5	393,743
EL 8127	Mt Adrah	99.5	197,967
			<u>8,808,287</u>

EL 7491, EL 7768, EL 7679

Under an agreement, Sugec Mining Pty Limited, after spending \$2 million, have a 30% shareholding in the Company owning the EL. The arrangement is not in the nature of a joint arrangement.

EL6483

Under an agreement, Sugec Mining Pty Limited, after spending \$1.5 million, have a 30% shareholding in the Company owning the EL. The arrangement is not in the nature of a joint arrangement.

EL 4474, EL 5339

Valued by the Exploration Expenditure Method. Only includes current exploration expenditure during Sovereign Gold/PMR's tenure. Does not include Productivity Enhanced Multiples (PEM) for past exploration expenditure pre Sovereign Gold/PMR.

EL 6372 EL 7844, EL 8217

Valued by the Exploration Expenditure Method. Only includes current exploration expenditure during Sovereign Gold's 99.5% ownership of Mount Adrah Gold Limited. Does not include Productivity Enhanced Multiples (PEM) for past exploration expenditure pre Sovereign Gold. Note EL 6372 contains a JORC Resources of 770,000 ounces gold (indicated and inferred).

For details please refer page 64 tenement schedule of this report.

## 11. FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Current</b>				
Investment in listed securities	<u>16,267</u>	1,277,453	<u>16,267</u>	1,277,453
<b>Non-current</b>				
Investment in controlled entities	<u>-</u>	-	<u>3,373,732</u>	3,373,732

**12. PLANT AND EQUIPMENT**

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
Plant and equipment - at cost	<b>61,545</b>	61,545	<b>46,699</b>	46,699
Less: Accumulated depreciation	<b>(51,327)</b>	(39,136)	<b>(41,990)</b>	(32,768)
Total plant and equipment	<b>10,218</b>	22,409	<b>4,709</b>	13,931

**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**

<b>Carrying amount at beginning at year</b>	<b>22,409</b>	35,519	<b>13,931</b>	23,271
Additions	-	-	-	-
Transfer out	-	(1,182)	-	-
Depreciation	<b>(12,191)</b>	(11,928)	<b>(9,222)</b>	(9,340)
<b>Carrying amount at end of year</b>	<b>10,218</b>	22,409	<b>4,709</b>	13,931

**13. TRADE AND OTHER PAYABLES**

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Current</b>				
Trade payables	<b>88,053</b>	273,912	<b>40,923</b>	59,369
Accrued payables	<b>16,455</b>	19,575	<b>9,505</b>	14,130
Convertible Note (Note a)	-	700,000	-	700,000
Advance from other entity	<b>60,400</b>	619,391	<b>60,400</b>	619,391
	<b>164,908</b>	1,612,878	<b>110,828</b>	1,392,890
<b>Non-Current</b>				
Advance from other entity	<b>20,000</b>	20,670	-	-
	<b>20,000</b>	20,670	-	-

Note a: 2 years convertible note, mature in December 2015. All settled and redeemed in 2015.

**14. EMPLOYEE BENEFITS PROVISIONS**

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Current</b>				
Staff leave entitlement	-	-	-	-
<b>Non-Current</b>				
Staff leave entitlement	-	-	-	-

**15. ISSUED CAPITAL**

<b>Consolidated</b>		<b>Consolidated</b>	
<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Number of Ordinary Shares</b>	<b>Number of Ordinary Shares</b>	<b>\$</b>	<b>\$</b>
<b>953,348,034</b>	257,984,445	<b>28,266,147</b>	26,867,404

**a. Movements in ordinary share capital during the year:**

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Number of Ordinary Shares</b>	<b>Number of Ordinary Shares</b>	<b>\$</b>	<b>\$</b>
<b>Opening Balance</b>	<b>257,984,445</b>	153,109,851	<b>26,867,404</b>	23,683,142
Convertible note conversion	<b>47,281,324</b>	3,472,222	<b>200,000</b>	200,000
Share purchase plan	<b>91,579,730</b>	5,229,383	<b>146,528</b>	177,800
Share purchase plan	-	24,182,352	-	822,200
Convertible note conversion	-	7,490,637	-	200,000
Share placement	<b>515,899,149</b>	19,300,000	<b>1,031,798</b>	926,400
Share placement	<b>40,603,386</b>	-	<b>90,342</b>	-
Share issued – acquire tenement	-	1,000,000	-	70,000
Share issued – acquire investment	-	44,200,000	-	884,000
Sharing issuing costs	-	-	<b>(69,925)</b>	(96,138)
<b>Closing Balance</b>	<b>953,348,034</b>	257,984,445	<b>28,266,147</b>	26,867,404

**b. 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.

**c. Performance Options**

No options were granted or exercised in 2015 (2014: Nil).

**d. Options**

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

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

Name of Entity	Class of Shares	Equity Holding		Country of Incorporation
		2015 (%)	2014 (%)	
Biacil Holdings Pty Lad	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	75.9	89.4	Australia
Mount Adrah Gold Limited	Ordinary	99.5	99.5	Australia
Tasman Goldfields NSW Pty Ltd	Ordinary	99.5	99.5	Australia

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

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>(Loss)/Profit for the year</b>	<b>(6,737,455)</b>	(17,063,098)	<b>(1,535,450)</b>	(15,761,896)
Capitalised exploration expenditure	6,649	227,886	-	-
Change in Investment fair value	5,300,000	15,023,697	-	14,675,620
Doubtful debt provision	175,000	-	175,000	-
Non-cash item	12,191	11,928	481,078	9,340
Gain/loss on disposal	161,186	(310,950)	161,186	(310,950)
<b>Change in operating assets and liabilities:</b>				
(Increase)/Decrease in trade and other receivables	(12,927)	(2,087,241)	(100,833)	(603,732)
(Increase)/Decrease in other current assets	57,307	54,552	57,307	54,552
(Increase)/Decrease in other operating assets	-	-	-	-
Increase/(Decrease) in trade and other creditors and provisions	(185,860)	634,548	(18,446)	647,773
(Increase) in deferred tax assets	-	-	-	-
Increase in deferred tax liabilities	-	-	-	-
<b>Net cash used in operating activities</b>	<b>(1,223,909)</b>	(3,508,678)	<b>(780,158)</b>	(1,289,293)

**18. OPERATING SEGMENT REPORTING**

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

Segment information:

	<b>For Mineral Exploration and Development of Resources in Australia</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Revenue		
Interest income	1,936	21,846
Other income	258,924	143,109
Total Revenue	<u>260,860</u>	<u>164,955</u>
Expenses	(1,683,762)	(3,539,337)
Provision for diminution	(5,300,000)	-
Depreciation & amortisation expenses	(12,191)	(11,928)
Segment results	<u>(6,735,093)</u>	<u>(3,386,310)</u>
Assets		
Current assets	255,035	1,689,922
Plant & equipment	10,218	22,409
Exploration and evaluation assets	3,508,287	8,801,638
Other non current assets	-	-
Total assets	<u>3,773,540</u>	<u>10,513,969</u>
Current liabilities	164,908	1,612,878
Non-current liabilities	20,000	20,670
Total liabilities	<u>184,908</u>	<u>1,633,548</u>
Net Assets	<u>3,588,632</u>	<u>8,880,421</u>

**19. COMMITMENTS****Exploration expenditure commitments**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Minimum tenement exploration expenditure	277,583	325,500	-	-
Tenement lease payment	3,580	16,560	-	-
	<u>281,163</u>	<u>342,060</u>	<u>-</u>	<u>-</u>

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately \$0.28 million over the remaining term of the tenements.

**19. Commitments CONTINUED****Executive Service Agreements**

There were three service agreements in place formalising the terms of remuneration of Mr Thomas, Mr Tassone and Mr Glovac. The agreement has no specific term and may be terminated by either party upon reasonable notice. The Company may terminate the agreement in the event of serious misconduct by either party without any compensatory payment.

**Corporate Service agreements**

The Company has entered into a Corporate 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 Corporate Service Agreement has no expiry term and the fee payable is that amount agreed between the parties from time to time. The terms of the Corporate Service Agreement provide that Hudson Corporate Limited shall act in accordance with the Directions of the Board.

The Company has entered into a geological Corporate 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 resignation of Simon Bird as Managing Director on 29 February 2016, there are no other matters or circumstances which have arisen since 31 December 2015 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2015, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2015, of the Group.

**22. EARNINGS/LOSS PER SHARE**

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>Cents</b>	Cents
Basic (loss)/earnings per share	<b>(1.14)</b>	(8.86)
Fully diluted (loss)/earning per share	<b>(1.14)</b>	(4.74)
	<b>2015</b>	2014
	<b>\$</b>	\$
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	<b>(6,734,455)</b>	(17,063,098)
	<b>2015</b>	2014
	<b>Number</b>	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share:	<b>590,314,758</b>	192,676,632
Adjustments for calculation of diluted earnings per share:		
Options issued	<b>1,800,000</b>	1,800,000
Convertible note	-	165,484,634
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<b>592,114,758</b>	359,961,266

**23. KEY MANAGEMENT PERSONNEL DISCLOSURES**

- a.** The following persons were Directors of the Company during the financial year unless otherwise stated.
- Rocco Tassone Executive Director appointed 14 July 2015  
Chief Executive Officer
  - Charles Thomas Non-Executive Director appointed 14 July 2015
  - Patrick Glovac Non-Executive Director appointed 14 December 2015
  - Simon Bird Managing Director appointed 23 February 2015,  
retired 29 February 2016
  - Michael Leu Executive Director retired 10 December 2015
  - John Dawkins, AO Non-Executive Chairman retired 15 December 2015
  - Rado Jacob Rebek Non-Executive Director retired 14 July 2015
  - Bruce Dennis Non-Executive Director retired 14 July 2015
- b.** The following persons were other key management personnel of the Company during the financial year:
- Henry Kinstlinger Company Secretary
  - Julian Rockett Joint Company Secretary retired 15 March 2016
  - Benjamin Amzalak Investor Relationship Officer
  - Francis Choy Chief Financial Officer

**c. Compensation of Directors and Key Management Personnel**

Directors	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
Short term employee benefits	<b>242,874</b>	219,341	<b>242,874</b>	107,941
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<b>242,874</b>	219,341	<b>242,874</b>	107,941
<b>Other Key Management Personnel</b>				
Short term employee benefits	<b>125,625</b>	105,625	<b>125,625</b>	62,660
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<b>125,625</b>	105,625	<b>125,625</b>	62,660

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

	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave		
	\$	\$	\$	\$	\$	\$
<b>Consolidated 2015</b>						
<b>Director</b>						
Rocco Tassone	20,500	-	-	-	-	20,500
Charles Thomas	20,500	-	-	-	-	20,500
Patrick Glovac	-	-	-	-	-	-
Simon Bird	70,900	10,800	-	-	-	81,700
Michael Leu	69,000	-	-	-	-	69,000
John Dawkins	51,174	-	-	-	-	51,174
Rado J Rebek	-	-	-	-	-	-
Bruce Dennis	-	-	-	-	-	-
<b>Total - Directors</b>	<b>232,074</b>	<b>10,800</b>	-	-	-	<b>242,874</b>
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	59,625	-	-	-	-	59,625
Benjamin Amzalak	66,000	-	-	-	-	66,000
Francis Choy	-	-	-	-	-	-
<b>Total - KMP</b>	<b>125,625</b>	-	-	-	-	<b>125,625</b>
<b>Parent Entity 2015</b>						
<b>Director</b>						
John Dawkins	51,174	-	-	-	-	51,174
Simon Bird	70,900	10,800	-	-	-	81,700
Michael Leu	69,000	-	-	-	-	69,000
Charles Thomas	20,500	-	-	-	-	20,500
Rocco Tassone	20,500	-	-	-	-	20,500
Patrick Glovac	-	-	-	-	-	-
Rado J Rebek	-	-	-	-	-	-
<b>Total - Directors</b>	<b>232,074</b>	<b>10,800</b>	-	-	-	<b>242,874</b>
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	59,625	-	-	-	-	59,625
Benjamin Amzalak	66,000	-	-	-	-	66,000
Francis Choy	-	-	-	-	-	-
<b>Total - KMP</b>	<b>125,625</b>	-	-	-	-	<b>125,625</b>

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**

	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave		
	\$	\$	\$	\$	\$	\$
<b>Consolidated 2014</b>						
<b>Director</b>						
John Dawkins	24,242	-	-	-	-	24,242
Michael Leu	97,199	10,800	-	-	-	107,999
Rado J Rebek	10,000	6,300	-	-	-	16,300
Bruce Dennis	-	-	-	-	-	-
Peter Meers	-	-	-	-	-	-
Julian Malnic	70,800	-	-	-	-	70,800
Total - Directors	202,241	17,100	-	-	-	219,341
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	41,625	-	-	-	-	41,625
Benjamin Amzalak	64,000	-	-	-	-	64,000
Francis Choy	-	-	-	-	-	-
Total - KMP	105,625	-	-	-	-	105,625
<b>Parent Entity 2014</b>						
<b>Director</b>						
John Dawkins	24,242	-	-	-	-	24,242
Michael Leu	66,599	10,800	-	-	-	77,399
Rado J Rebek	-	6,300	-	-	-	6,300
Bruce Dennis	-	-	-	-	-	-
Julian Malnic	-	-	-	-	-	-
Peter Meers	-	-	-	-	-	-
Total - Directors	90,841	17,100	-	-	-	107,941
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	6,660	-	-	-	-	6,660
Benjamin Amzalak	56,000	-	-	-	-	56,000
Francis Choy	-	-	-	-	-	-
Total - KMP	62,660	-	-	-	-	62,660

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**

<b>Directors</b>	<b>Ordinary Shares (Number)</b>		<b>Employee Share Options</b>
	<b>Direct Interest</b>	<b>Indirect Interest</b>	
Rocco Tassone	-	<b>38,333,333</b>	-
Charles Thomas	-	<b>13,161,191</b>	-
Patrick Glovac	<b>48,070,418</b>	-	-
<b>Shares held in Sovereign Gold Company Limited - 2015</b>			
<b>Directors</b>	<b>Balance at beginning of year</b>	<b>Changes during the year</b>	<b>Balance at end of year</b>
John Dawkins	<b>3,100,000</b>	<b>(3,100,000)</b>	-
Michael Leu	<b>7,675,000</b>	<b>(7,675,000)</b>	-
Simon Bird	-	-	-
Rocco Tassone	-	<b>38,333,333</b>	<b>38,333,333</b>
Charles Thomas	-	<b>13,161,191</b>	<b>13,161,191</b>
Bruce Dennis	<b>4,527,000</b>	<b>(4,527,000)</b>	-
Patrick Glovac	-	<b>48,070,418</b>	<b>48,070,418</b>
<b>Other Key Management Personnel</b>			
Henry Kinstlinger	<b>20,000</b>	-	<b>20,000</b>
<b>Shares held in Sovereign Gold Company Limited - 2014</b>			
<b>Directors</b>	<b>Balance at beginning of year</b>	<b>Changes during the year</b>	<b>Balance at end of year</b>
John Dawkins	100,000	3,000,000	3,100,000
Michael Leu	7,175,000	500,000	7,675,000
Simon Bird	-	-	-
Bruce Dennis	4,527,000	-	4,527,000
Rado Jacob Rebek	-	-	-
Peter Meers	40,010,000	(40,010,000)	-
Julian Malnic	-	-	-
<b>Other Key Management Personnel</b>			
Henry Kinstlinger	20,000	-	20,000

**24. REMUNERATION OF AUDITORS**

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Audit services:</b>				
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	<b>34,695</b>	34,475	<b>27,745</b>	25,750
<b>Taxation and other advisory services:</b>				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.				
Taxation	<b>6,940</b>	2,300	<b>4,445</b>	1,150
Advisory Services	-	10,000	-	-
	<b>6,940</b>	12,300	<b>4,445</b>	1,150

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

The parent entity within the Group is Sovereign Gold Company Limited.

**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 2015:

<i>Corporate Consulting Fee</i>	Consolidated		Parent Entity	
	2015	2014	2015	2013
	\$	\$	\$	\$
Corporate Consulting Fee	<b>53,285</b>	-	<b>53,285</b>	-

The Company paid Corporate Consulting Fee to GTT Ventures Pty Ltd on share placement and underwriting fee.

**e. Outstanding Balance**

	Consolidated		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Receivable</b>				
<b>Current</b>				
Advance to other parties	-	-	-	-
<b>Non-current</b>				
Advance to controlled entities	-	-	<b>5,650,653</b>	5,705,411
<b>Payable</b>				
<b>Non-current</b>				
Advance from controlled entities	-	-	-	-

**Advance to other parties**

Advance to controlled entities are non-interest bearing, no securities and has no fixed repayment term. None were written down during the year.

**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 2015 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 2015, 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:



**Rocco Tassone**  
**Executive Director and**  
**Chief Executive Officer**  
Signed at Sydney  
31 March 2016



**Charles Thomas**  
**Director**

## INDEPENDENT AUDITOR'S REPORT

To the Members of Sovereign Gold Company Limited

### Report on the Year End Financial Report

We have audited the accompanying financial report of Raffles Capital Limited which comprises the Statements of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and 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.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the year end financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the year end financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### 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. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatements.

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 circumstances, 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 management, as well as evaluating the overall presentation of the financial report.

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*, 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 report.

### Opinion

In our opinion:

- (a) the financial report of Sovereign Gold Company Limited 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 positions as at 31 December 2015 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes or financial report also comply with International Financial Reporting Standards as disclosed in Note 2.

### Report on the Remuneration report

We have audited the remuneration report included on pages 11-14 of the attached report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditors Opinion

In our opinion the remuneration report of Sovereign Gold Company Limited for the year ended 31 December 2015 complies with s 300A of the Corporations Act 2001.

KS Black & Co  
Chartered Accountants



Scott Bennison  
Partner

31/2/16

## SHAREHOLDER INFORMATION

As at 29 February 2016

### 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
1	Mr Jihad Malaeb	63,557,379	6.41

### B. Distribution of Equity Securities

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	25	4,456	0.00
1,001 - 5,000	52	177,219	0.02
5,001 - 10,000	215	2,066,262	0.21
10,001 - 100,000	252	10,525,449	1.06
100,001 – and above	429	979,340,359	98.71
	<b>Rounding</b>		<b>0.00</b>
	<b>Total</b>	<b>992,113,745</b>	<b>100.00</b>

### C. Unmarketable Parcels

	Minimum Parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0030 per unit	<b>166,667</b>	<b>574</b>	<b>16,696,075</b>

### 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	Mr Jihad Malaeb	63,557,379	6.41
2	Zero Nominees Pty Ltd	62,862,425	6.34
3	Boomslang Capital Pty Ltd	46,448,260	4.68
4	Syracuse Capital Pty Ltd <The Rocco Tassone Super A/C>	38,333,333	3.86
5	Murdoch Capital Pty Ltd <The Glovac Superfund A/C>	33,070,418	3.33
6	Hudson Resources Limited	32,300,000	3.26
7	Mv Agusta Investments Pty Ltd <Walcott Investments A/C>	30,888,750	3.11
8	Chia Park Alpacas Pty Ltd	27,200,000	2.74
9	Ergophobia Pty Ltd <Ergophobia Smsf A/C>	23,091,760	2.33
10	Ms Chloe Thomas <The Chloe Louise A/C>	21,722,500	2.19
11	Mr Roger Martinet	16,616,064	1.67
12	Kcirtap Securities Pty Ltd <N&P Glovac Family A/C>	15,000,000	1.51
13	Innisfree Australia Pty Ltd	14,142,275	1.43
14	Chia Park Alpacas Pty Ltd <Preuss Super Fund A/C>	13,950,000	1.41
15	Mounds Bay Investments Pty Ltd	13,161,191	1.33
16	Dr Leon Eugene Pretorius	13,157,778	1.33
17	Michael Roby Leu	10,550,000	1.06
18	Schammer Pty Ltd <Schammer Family A/C>	10,083,333	1.02
19	Robert George Tacy Pty Ltd <R G Tacy Super Fund A/C>	10,000,000	1.01
20	Mr Alis Trakilovic	9,083,333	0.92
<b>Total:</b>	<b>Top 20 holders of ordinary shares (Total)</b>	<b>505,218,799</b>	<b>50.94</b>
	<b>Total remaining holders balance</b>	<b>486,894,946</b>	<b>49.06</b>

**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
N/A	N/A	N/A	N/A	N/A	N/A	N/A

**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:

Licence No.	Location	Status	Expiry Date	Area Sq Kms
<b>Biacil Holdings Pty Ltd</b>				
EL 6483	Rocky River-Uralla	Granted	20-Nov-16	165
<b>SOC1 Pty Ltd</b>				
EL 4474	Halls Peak	Granted	12-Jan-18	12
EL 5339	Halls Peak	Granted	29-Jan-17	15
<b>Mount Adrah Gold Limited</b>				
EL 6372	Adelong	Granted	1-Feb-17	30
EL 7844	Adelong	Renewal Sought	20-Sep-15	60
EL 8127	Adelong	Granted	8-Jul-16	300
<b>SUGEC Resources Limited</b>				
EL 7768	Guyra	Granted	6-Jun-16	150
EL 7679	Halls Peak	Renewal Sought	11-Jan-15	96
EL 7491	Uralla	Granted	29-Mar-17	150
			<b>TOTAL</b>	<b>978</b>

The Company has not reported any mineral resources or ore reserves during the reporting period.

**THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK**



**SOVEREIGN GOLD  
COMPANY LIMITED**

Level 2, 131 Macquarie Street,  
Sydney, NSW 2000 Australia

ACN 145 184 667

[www.sovereigngold.com.au](http://www.sovereigngold.com.au)

