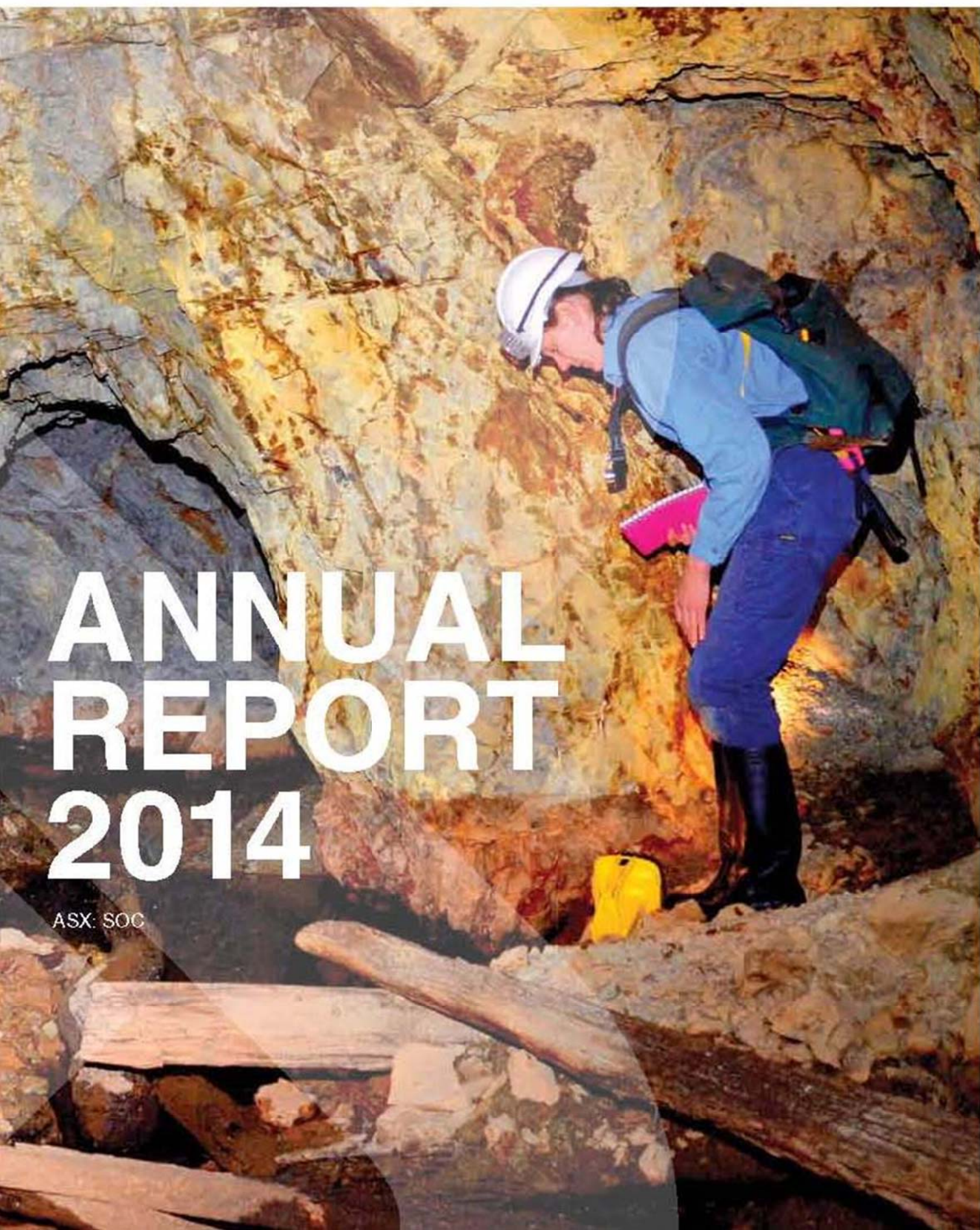




SOVEREIGN GOLD  
COMPANY LIMITED

# ANNUAL REPORT 2014

ASX: SOC





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### **Cover Photo**

Geologist Dr.Helen Degeling Mapping the Southern Cross Reef Mine  
Photo By Julian Malnic

## CORPORATE DIRECTORY

### **Sovereign Gold Company Limited**

ACN 145 184 667  
ABN 12 145 184 667

### **Registered and Corporate Office**

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Hudson House  
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Sydney NSW 2000  
Telephone: +61 2 9251 7177  
Fax: +61 2 9251 7500  
Website: [www.sovereigngold.com.au](http://www.sovereigngold.com.au)

### **Auditors**

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Level 6  
350 Kent Street  
Sydney NSW 2000  
Telephone: +61 2 8839 3000

### **Lawyers**

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

### **Bankers**

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

St George Bank Limited  
Level 14, 182 George St  
Sydney NSW 2000  
Telephone: +61 2 9236 2230

### **Directors**

John Dawkins, AO (Non-executive Chairman)  
Michael Leu (Acting Chief Executive Officer)  
Simon Bird (Managing Director)  
Bruce Dennis  
Rado Jacob Rebek

### **Joint Company Secretaries**

Julian Rockett  
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 2014

Dear Shareholders,

It is not a surprise for any that 2014 proved to be another very difficult year for small explorers and your company in particular. Market sentiment remained subdued with the gold price ending the year down 1.5% at US\$1,184 an ounce -though has been somewhat off-set with a weaker Australian dollar.

Despite these difficult conditions it has been a busy year for Sovereign Gold.

Following the acquisition of the Mount Adrah Gold Project in 2013 Sovereign engaged in a significant exploration project that confirmed the existence of the Hobbs Pipe structure. Among the extraordinary results was the ambitious Hole GHD001 that encountered mineralisation down to 886m with an average grade of 1.2g/t of gold.

The result of this work prepared the Mount Adrah project to yield a three-fold expansion of the Mineral Resource, estimated to 770,000 ounces of gold (440,000 oz Indicated; 330,000 oz Inferred), within a total Mineral Resource estimate of 20.5 Mt at 1.1g/t gold (at various cut-off grades) .

In April 2014, the Company set about aggressively realising the value of this exciting asset by attempting to publically list Mount Adrah.

As you are aware this initial public offering proved unsuccessful due to unfavourable market conditions and the strong Australian dollar.

The focus is to increase the resource value of the Mount Adrah project and establish the viability of a small open-cut and low capital processing option.

Exploration efforts at the Rocky River – Uralla Gold Project continue with our Chinese joint venture partners fully funded in accord with the 2012 agreements. Our positive relationship have facilitated Sovereign to be able to hold assets while strictly controlling costs and develop positive contacts with high level contacts situated within the Chinese exploration and mining industry.

Work also continues on our Halls Peak Project. This polymetallic deposit rich in zinc, has the potential to generate cash flow particularly as zinc market sentiment improves.

Naturally of concern to shareholders has been the devaluing of stock. The company's decision to secure exploration funding in difficult and weakening markets has unfortunately lead to a decline in share price. We note that dilution has created genuine concerns for shareholders, who recognise that the Sovereign assets are not being represented at a level they might otherwise expect, even in such difficult conditions for explorers.

Our decision to appoint Simon Bird as the Managing Director signals our determination to address the equity challenges facing Sovereign Gold.

Our challenges this year include restoring Sovereign Gold's capital value to reflect our strong asset base, to undertake next phase of drilling at an appropriate time.

While a natural focus for the management team will be to complete a scoping study at Mount Adrah and progress the Rocky River and Halls Peak projects.

We look forward to providing shareholders updates on these and other developments this year and are hopeful that the future market consensus will favour improved commodity prices and exchange rates over the coming year.

I would like to thank my board directors and management for their efforts during this challenging time and wish Simon and new team members success in implementing its strategies to bring rewards for our shareholders' patience.



**John Dawkins AO Chairman**

**30 March 2015**

## REVIEW OF OPERATIONS

This Review of Operations covers the period to 31 December 2014.

### Overview

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

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

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

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

Sovereign Gold's exploration objective is to locate the hard rock gold sources. Recent IRGS discoveries in the Tintina Gold Province in Alaska-Yukon, which is believed to be an analogous province to the New England Fold Belt, have been reported in the order of 52 million ounces. This activity forms part of SOC's ongoing core R&D activity of the development, enhancement and modifications to IRGS methodology.

### Highlights

- Sovereign Gold held 99.5% interest in Mount Adrah Gold Limited (formerly Gossan Hill Gold Limited (**Mount Adrah**) at the close of the reporting period. Mount Adrah is conducting exploration at Adelong NSW and has a Mineral Resource estimate of 770,000 ounces of gold (440,000 oz Indicated; 330,000 oz Inferred), within a total Mineral Resource estimate of 20.5 Mt at 1.1 g/t gold, at various cut-off grades.<sup>1</sup>
- Acquisition of PMR's interest in EL 4474, EL 5339 and EL 7679 located at Halls Peak, 80km south east of Armidale, NSW.

### Corporate

17 February 2014	Julian Malnic was appointed a non-executive director of Sovereign Gold.
1 May 2014	Bergen Global Opportunity Fund II LLC ( <b>Bergen</b> ) converted \$200,000 of its convertible note into equity in accordance with the convertible note issued in December 2013. As a result, Sovereign Gold issued 3.472 million shares valued at 5.76 cents to Bergen.
28 May 2014	Annual general meeting held and all resolutions put to the meeting were passed on a show of hands.
4 July 2014	Sovereign Gold made a takeover bid for all outstanding shares held in Mount Adrah.
21 July 2014	Julian Malnic resigned as a director of Sovereign Gold.
30 July 2014	Sovereign Gold issued 5.229 million shares to existing shareholders under the share purchase plan partially underwritten by Hudson Investment Group Limited.
15 August 2014	Sovereign Gold issued 7.49 million shares at 2.67 cents to Bergen pursuant to the convertible note.
18 August 2014	Shareholders approved the corporate restructure to rationalise and simplify the structure and ownership of assets of Sovereign Gold and its subsidiary Precious Metal Resources Ltd ( <b>PMR</b> ) resulting in Sovereign Gold relinquishing control of PMR. PMR conducted a selective capital reduction of 64 million shares held by Sovereign Gold and the sale of three tenements (EL 4474, EL 5339 and EL 7679) to Sovereign Gold in consideration for 1 million Sovereign Gold shares. These shares were issued on 1 September 2014.

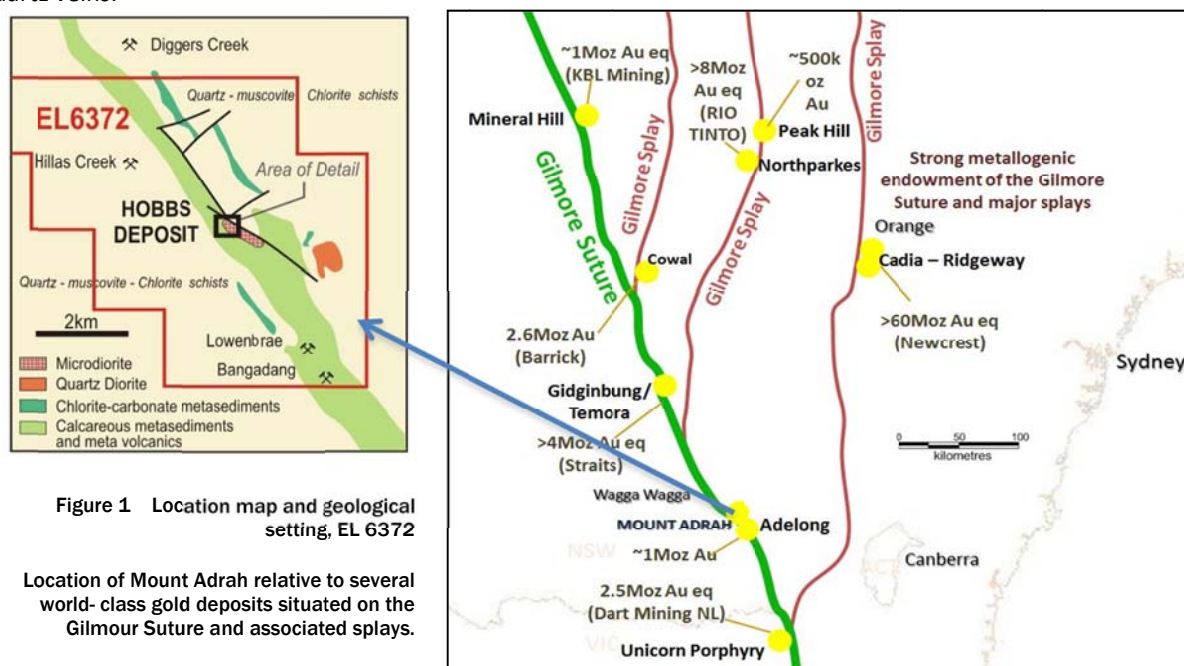
<sup>1</sup> With respect to the Mineral Resource: The information is extracted from the report entitled "Hobbs Pipe – Mineral Resource Update Additional Information" created 27th December 2013 and is available to view on [www.sovereigngold.com.au/investors.htm](http://www.sovereigngold.com.au/investors.htm).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

25 August 2014	Sovereign Gold issued 43.482 million shares as part of the underwriting of the share purchase plan and the Mount Adrah takeover.
23 September 2014	Sovereign Gold granted \$65,000 funding from the NSW Government under the New Frontiers Cooperative Drilling program at EL 6483.
14 October 2014	\$90,500 funding from the NSW Government under the New Frontiers Cooperative Drilling program for drilling at EL 4474.
11 November 2014	Shareholders approved the issue of 44.2 million shares for the Mount Adrah takeover. The shares were issued on 25 November 2014.
17 November 2014	Bruce Dennis was appointed a director of Sovereign Gold.
22 November 2014	Peter Meers resigned as a director of Sovereign Gold.

## Exploration

### Mount Adrah Gold Project

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



A scoping study is ongoing on the project economics of developing an open cut gold mine to depth of 150 metres within Hobbs Pipe 1. This includes conceptual pit shell optimisation and capex/opex over a range of annualised mining rates. The aim is to determine the feasibility of transitioning to a cash generating producer that can organically fund exploration for further Hobbs Pipes. Drill programs have been designed to test the grade, width, lateral and vertical extent of known narrow vein high grade gold structures (e.g Castor Reef and White Deer Reef). Ongoing exploration has identified further potential targets for Hobbs-like Pipes and high grade reefs.

In 2013 Sovereign Gold commissioned AMC Consultants Pty Ltd to carry out a block model estimation and Mineral Resource estimate report for the Mount Adrah Hobbs Pipe deposit. The Mineral Resource estimate is 770,000 ounces of gold (440,000 oz Indicated; 330,000 oz Inferred), within a total Mineral Resource estimate of 20.5 Mt at 1.1 g/t gold, at various cut-off grades.<sup>2</sup>

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

Classification	Material	COG Au (g/t)	Tonnage (Mt)	Au (g/t)	Au (oz)
Indicated (Surface to 150 m depth)	Oxide	0.4	0.6	0.9	18,000
Indicated (Surface to 150 m depth)	Primary	0.9	3.0	1.0	96,000
Indicated (150 m to 700 m below surface)	Primary	0.9	8.5	1.2	330,000
<b>Total Indicated</b>			<b>12.1</b>	<b>1.1</b>	<b>440,000</b>
Inferred (Surface to 150 m depth)	Primary	0.5	0.2	0.6	39,000
Inferred (150 m to 700 m below surface)	Primary	0.9	8.2	1.1	290,000
<b>Total Inferred</b>			<b>8.4</b>	<b>1.1</b>	<b>330,000</b>
<b>Total</b>			<b>20.5</b>	<b>1.1</b>	<b>770,000</b>

## Notes:

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

The Hobbs IRGS deposit is close to good infrastructure (power, transport and water) and is held within EL 6372, EL 7844, EL 8127, EL 8218 and EL 8219.

### Governance arrangements and internal controls – Mineral Resources

Sovereign Gold has ensured that the Mineral Resource estimates quoted above are subject to governance arrangements and internal controls. The resource estimates have been externally derived by an independent consulting organisation whose staff have exposure to best practice in modelling and estimation techniques. There were no changes in resources estimates during the year. Geology models have been generated by Sovereign Gold staff and have been reviewed by the external resource consultant. The consultant has also carried out reviews of the quality and suitability of the data underlying the Mineral Resource estimate. In turn, Sovereign Gold management and executives have carried out numerous internal reviews of the Mineral Resource estimate to ensure that it honours the Sovereign Gold geological model and has been classified and reported in accordance with the JORC Code (2012).

Sovereign Gold confirms in this report that it is not aware of any new information or data that materially affects the information included in the previously released reports. In the case of estimates of Mineral Resources or Ore Reserves, the company confirms that all material assumptions and technical parameters.

### Castor Reef and Procyon Reef Wedge Holes

During the year, Sovereign Gold announced that seventeen assays were conducted over selected intervals on the balance of the split core from the Castor Reef wedge holes. This was in response to visible gold being observed in a portion of the remaining half core not sent for initial assay.

In four of the seventeen samples assayed the nugget effect was demonstrated. The most striking example was over a 0.7m interval where the grade increased from 1.96 g/t to 9.18 g/t gold (Procyon Reef). Visible gold was observed over this interval and reflected in the latter grade.

### Southern Cross Reef Mine

At the historic Southern Cross Reef Mine an underground mapping and sampling program was undertaken to define the potential for remnant gold mineralisation and more clearly outline the geological and structural setting. Results from this program will be utilised to define the next steps to be undertaken in the exploration process, including drilling underneath the high-grade structure. Initial results confirmed the high-grade reef



potential within the historical workings. A 3.0m composite channel sample at SW end of the historic crosscut returned 3.0m at 7.22 g/t, including 2.0m at 9.81 g/t (Figures 2 and 3).

This result not only supports historic records but also highlights the presence of remnant ore at the mine. The amount of historic work conducted and the significant underground development already in place, combined with the presence of remnant mineralisation, makes this area particularly attractive for further investigation.

The Southern Cross Reef Mine is situated 7.5km SW of the Castor Reef (adjacent to the Hobbs Pipe) and considerably expands the potential regional footprint for these high grade gold-bearing reefs.

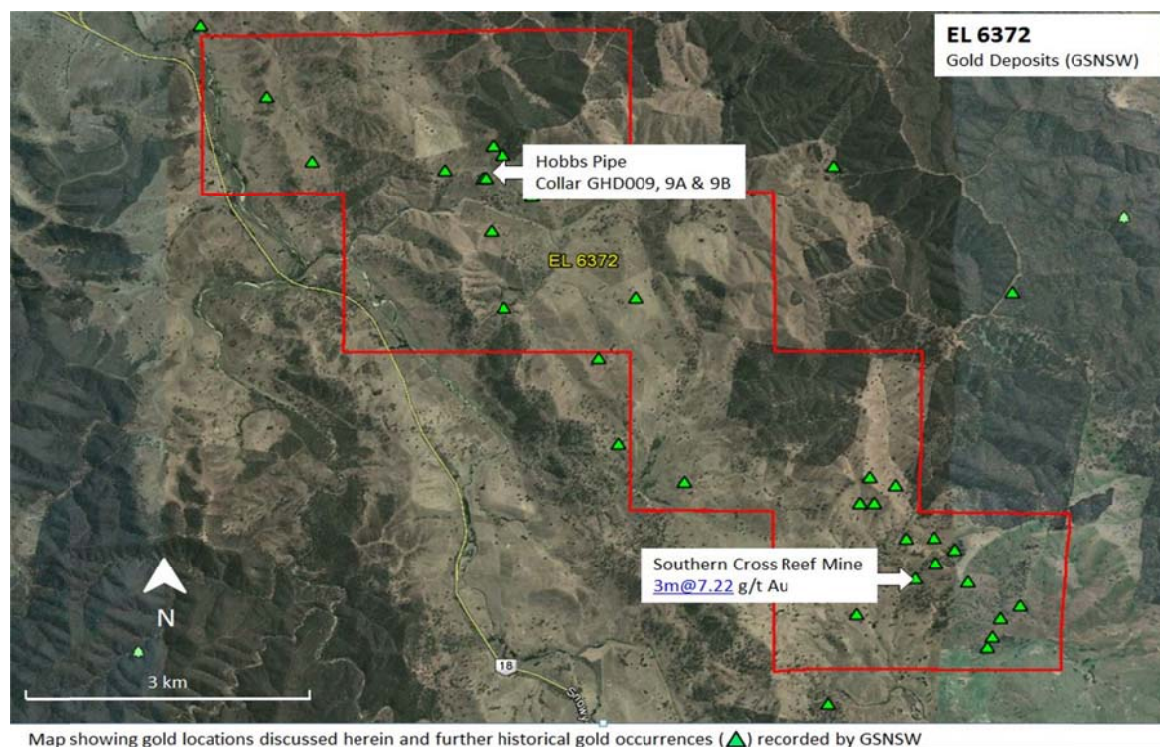


Figure 2: Southern Cross Reef Mine SW end of crosscut, Bangadang field. Composite intersection of 3m @ 7.22g/t Au; horizontal width taken across strike of mineralised structure.

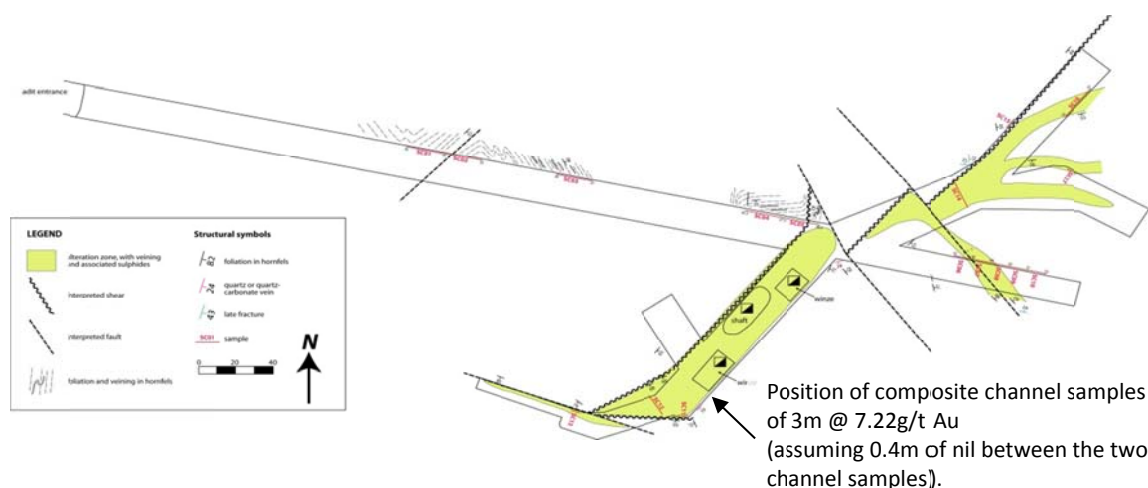


Figure 3: Southern Cross Reef Mine, Channel sample locations at SW end of cross-cut, Bangadang field (mapping and figure: HDGeoservices)

Drilling was undertaken to test peripheral high-grade gold reefs, both proximal and distal, to the main Hobbs Pipe resource (Figure 4). The initial program used the Company's own Mac200 scout rig and comprised three short holes drilled at the Hobbs SE, Arcadia and Crown Reef prospects. This was followed by a two-hole wedge drilling program to ascertain the geometry and extent of high-grade gold reef style mineralisation in close proximity to the Hobbs Pipe gold deposit.

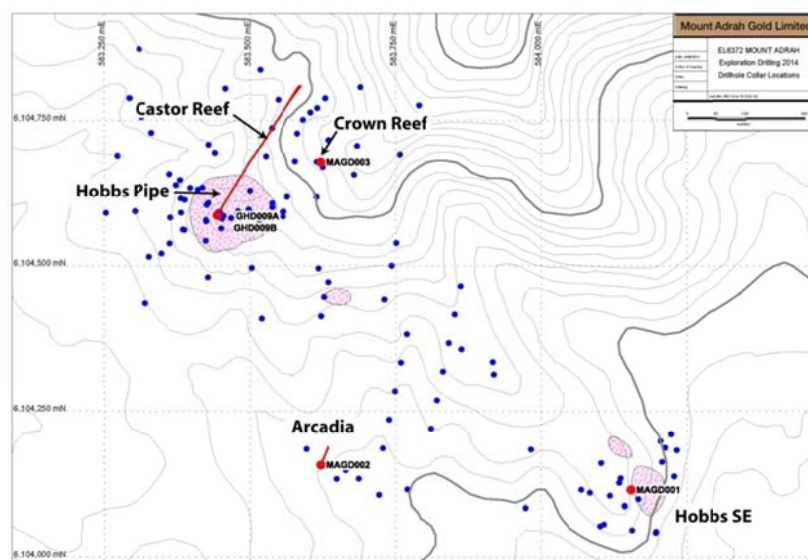


Figure 4. Collar locations are shown in red, including drill traces of non-vertical holes. Previous collar locations are shown in blue. The red-hatched areas represent known monzodiorite outcrop. Contour line spacing is 10m.

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

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

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

Crown Reef	MAGD003	33	35	2	1.1
Crown Reef	MAGD003	43	49	6	0.9

Table 2 – Summary of assay results from Exploration Drilling

**Wedge Drilling - Castor and Procyon Reefs**

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

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

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

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

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

\*The nuggetty nature of gold within these reef systems has proved problematic for sampling. For example, the sample of Procyon Reef from GHD009B (473.4 – 474.1m) that was sent for standard fire assay returned a value of 1.96 g/t Au. Visible gold was observed in the half core that was retained in the core tray and screen fire assay over that half returned 9.18g/t gold.



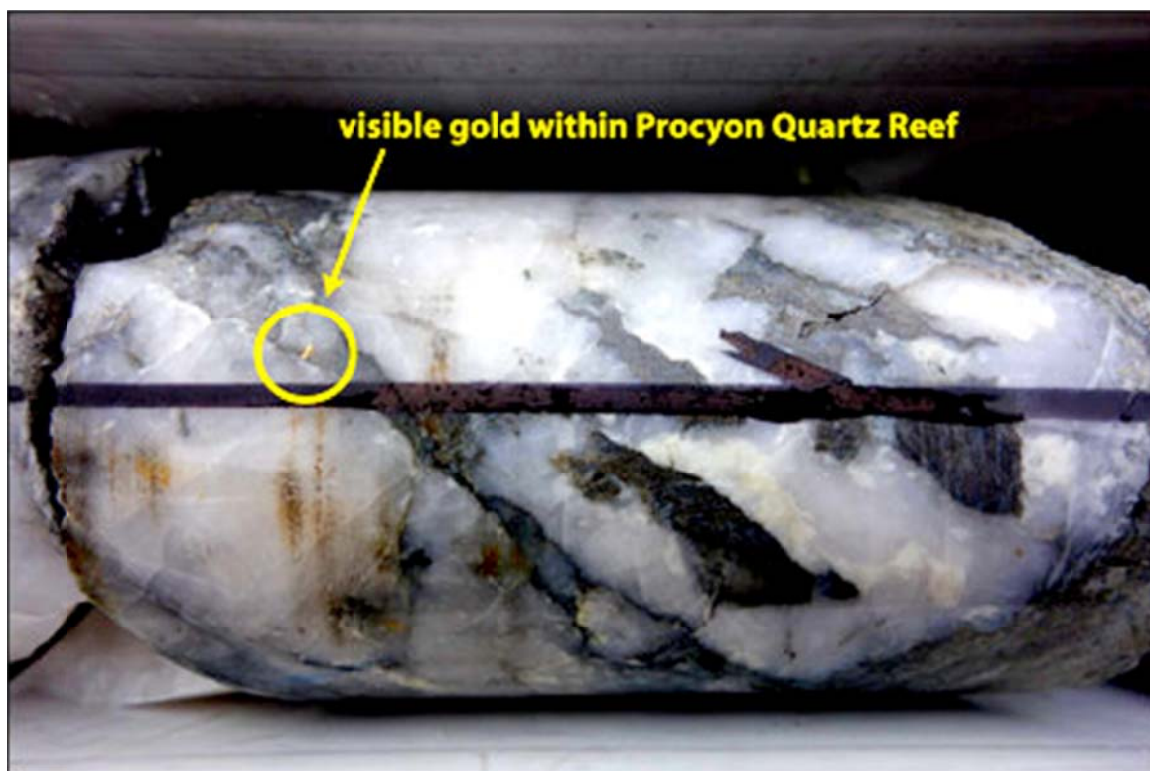


Figure 5 – Photo of NQ core from GHD009B at 473.5m showing visible gold within massive quartz vein (Procyon Reef).

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

<i>Clarification Castor High-grade Drilling Program</i>	<i>12 May 2014</i>
<i>Activity Update Mount Adrah</i>	<i>27 June 2014</i>
<i>Mount Adrah Gold Update</i>	<i>22 July 2014</i>
<i>Quarterly Activities Report - June 2014</i>	<i>31 July 2014</i>
<i>Hobbs Pipe – Mineral Resource Update Additional Information</i>	<i>27 December 2013</i>
<i>Bonanza hit confirms multiple high-grade structures</i>	<i>21 November 2013</i>
<i>Mt Adrah New high grade gold discovery at Castor Prospect</i>	<i>28 October 2013</i>
<i>Extensive higher grade gold zone encountered at Hobbs Pipe</i>	<i>30 September 2013</i>
<i>886m gold intercept confirmed Hobbs Pipe 1</i>	<i>30 July 2013</i>
<i>Visible mineralisation throughout 1 kilometre drill hole</i>	<i>11 July 2013</i>

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

### **Rocky River-Uralla Goldfield**

#### **Sovereign Gold–Jiangsu Cooperation Agreements**

##### **EL 7491**

Sovereign Gold and its JV partner Jiangsu Geology and Engineering Co. Ltd. of Nanjing, China (**SUGEC**) reported drilling in EL 7491. In total, twenty-five diamond drill holes were completed for 2,022.9 metres in EL 7491.

**Bannaweera Diamond Drilling (EL 7491)**

A new gold-bearing structure ('No. 2 Bannaweera Gold-Bearing Structure') confirmed sub-parallel to previously identified 1.55km long 'No. 1 Bannaweera Gold-Bearing Structure'. To date 257.9 metres were completed in two diamond drill holes in the No. 2 Structure and 1,765 metres in twenty-three diamond drill holes in the No. 1 Structure.

**No. 1 Bannaweera Gold-Bearing Structure**

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

Highlights of the Drilling Program Include:

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

The SUGEC JV has identified several gold-bearing mineralised structures in EL 7491 and to date has drill tested two of these with twenty three diamond holes (1,765 metres) completed along No. 1 Bannaweera Gold-Bearing Structure and two diamond holes (257.9 metres) completed along No. 2 Bannaweera Gold-Bearing Structure (traced for ~1,000 metres by geological mapping) situated around 1,100m north west of the No. 1 Bannaweera Gold-Bearing Structure.

Drilling confirmed the entire 1.55km length of the No. 1 Bannaweera Gold-Bearing Structure is mineralised and established it is best developed along 274m of strike in the south west portion of the structure between holes ZK0901 and SGRDD038 (Figures 8 & 10).

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

The ongoing drilling program will continue testing the gold grades laterally and vertically along the gold-bearing structure to establish a JORC compliant resource. Drilling to date at the Rocky River-Uralla Project continues to confirm the existence of a large IRGS and supports the conceptual model of several satellite gold mineralised structures containing sufficient mineralisation to support a potential open-pit mining operation to feed a central mill.

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



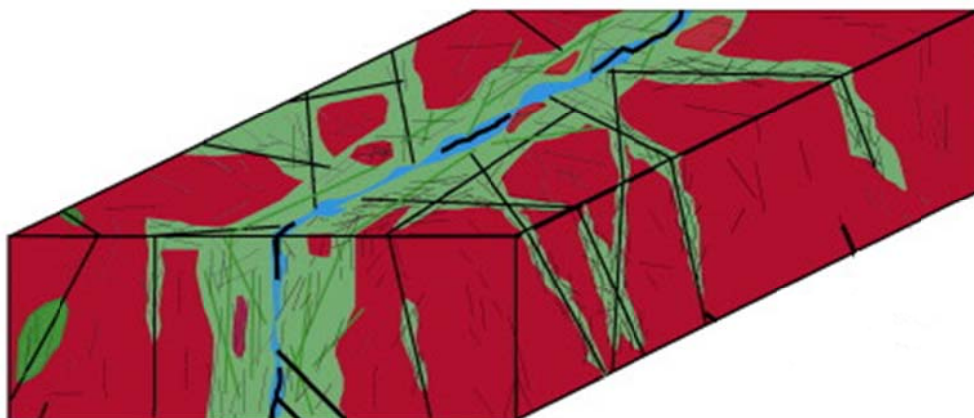


Figure 6: Conceptual Target: North-east trending shear structures exposed at surface (main fault zone shown in blue) surrounded by altered fractured zone (green). The main fault structure is associated with and cut by oblique faults. Geochemical and rock chip mapping has located nearby (within 1,100m) parallel alteration structures with similar mineralisation. The structures are flooded with felsic dykes and sulphides that may be derived from a small pipe-like pluton at depth. The current targets being drilled and the parallel and oblique structures occur from surface and have potential for an open-cut gold resource.

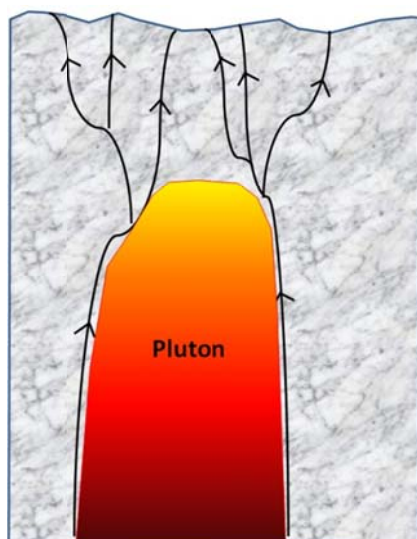


Figure 7: Cartoon of conceptual mineralising system for the Bannaweera mineralised structures (A) that are pathways for fluids sourced from a blind pluton at depth (not to scale)

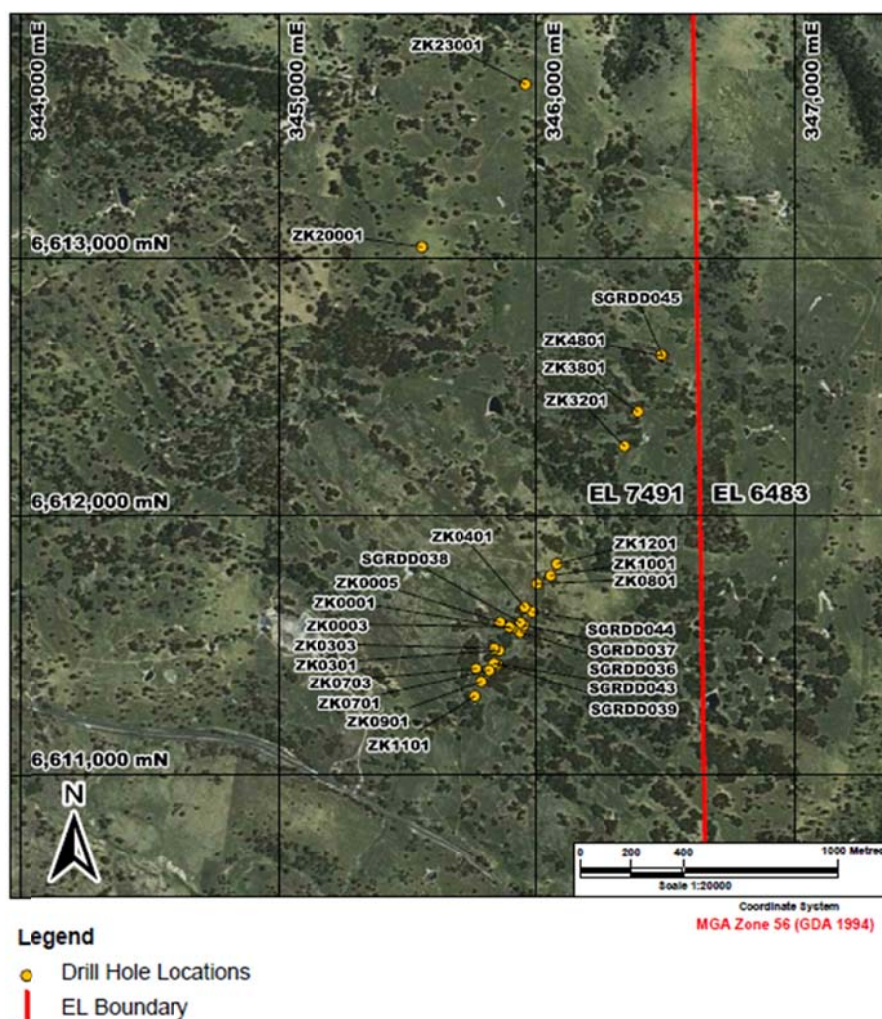


Figure 8: Diamond drill hole collar locations within EL7491 along the No. 1 Bannaweera Gold-Bearing Structure (RHS) and the No. 2 Bannaweera Gold-Bearing Structure (LHS).

Detailed geological mapping and drilling has confirmed the NE-trending gold-bearing structures cut a swarm NW-trending felsic dykes (Figure9). The closest analogue to this structural and geological setting is the large Donlin Creek IRGS in Alaska where “mineralization is structurally controlled along NNE-trending extensional fault/fracture zones and best developed where those zones intersect favourable host lithologies such as the competent felsic intrusive dykes and sills and greywacke”. Donlin Creek Project 43 - 101 Technical Report, January 2006 Stanton Dodd, P.Geo. NovaGold Resources, Inc. Vancouver, B.C.

## Geological Map of Area containing Mineralised Structure

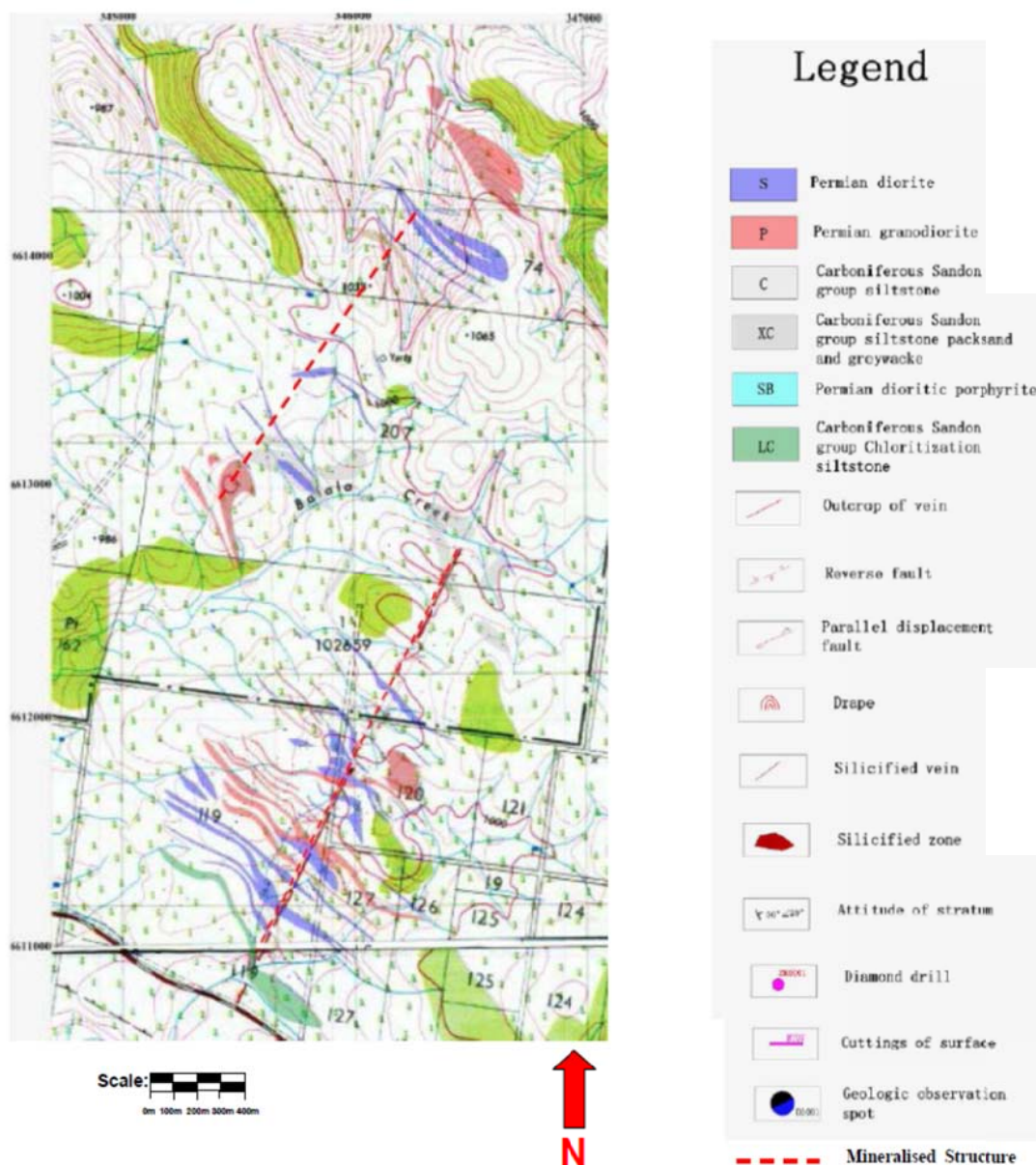
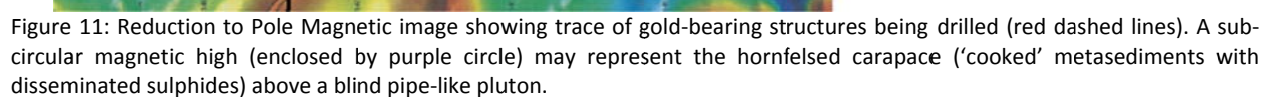
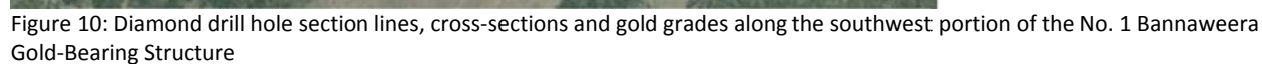


Figure 9: SUGEC has produced a 1: 25,000 Geological map of the two newly discovered mineralised structures. Surveyed using high precision Real Time Kinetic (RTK) GPS utilising the Continuously Operating Reference Station (CORS) signal network to accurately map locations of outcropping lithology. The large green coloured areas on the map are light sclerophyll vegetation on the 1:25,000 Balala 9136-1-N Topographic Cadastral Map on which the lithologies and structures have been overlaid.





### Frasers Find EL 6483

Sovereign Gold and SUGEC have commenced the next drilling program at Frasers Find following receiving a grant funds from the NSW Government New Frontiers Cooperative Drilling program aimed to fast track private exploration programs. Funding in the amount of \$65,000 will be used to test the potential for a Mount Adrah Hobbs-like pluton associated with the mineralisation. Previous drilling at the Frasers Find mine was developed on a narrow, high-grade gold vein, that more significantly, is part of a large gold bearing fracture zone that widens to the southwest towards a potential small circular, 'blind' (concealed) pluton indicated by Sovereign Golds airborne geophysical survey. This previous drilling has shown some of the better intersections below:

- 25.1g/t Au and 5.6g/t Ag over 0.11m from 23.84-23.95m downhole (SGRDD033, 100% core recovery)
- 5.45g/t Au over 0.25m including 10.0g/t Au and 316g/t Au over 0.13m from 27.0-27.25m downhole (SGRDD029, 100% core recovery)

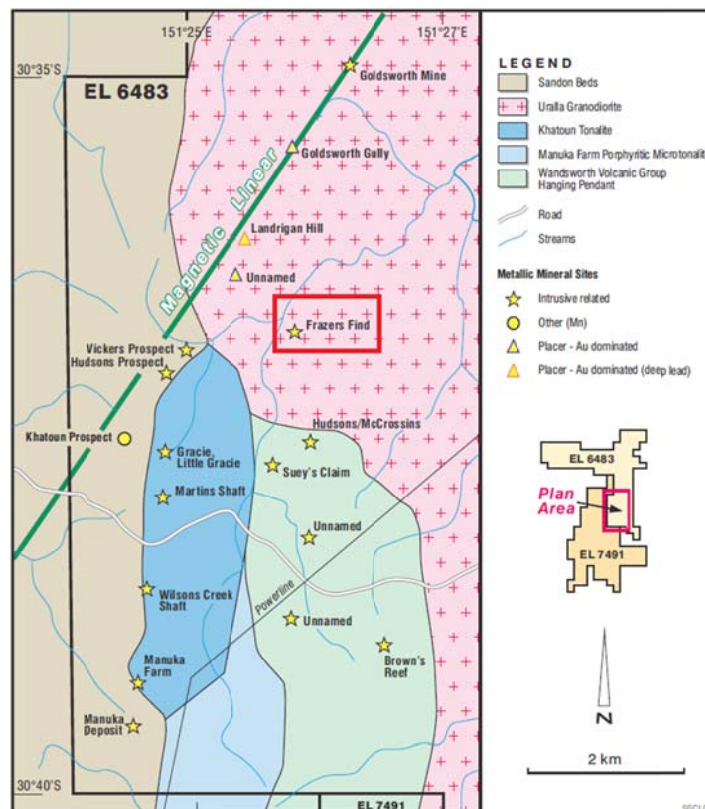
Previous drilling traced a main narrow vein structure along 256m of strike (which remains open in both directions). In addition, shallow pitting has exposed gold mineralisation for a total of 305m along strike.

The completed shallow drilling confirmed that gold mineralization occurs in sheeted veins and narrow high-grade (quartz-sulphide veins) structures that potentially represent the high level portion above a 'blind' (concealed) gold-bearing pluton, based on the Intrusion-Related Gold System (IRGS) model.

This shallow drilling intersected mineralisation with elevated Ag (silver), Pb (lead) and Zn (zinc) values indicating that it most likely represents the distal, low temperature end of a larger gold-endowed fluid plumbing system. The main source of the mineralization is potentially a 'blind' gold-bearing pluton. This high-level metallogenic association also indicates that the entire system is possibly preserved at depth.

It is important to note that the Frasers Find mine was developed on narrow vein, high grade gold structure that is part of large gold-bearing fracture zone which extends to the south-west. This fracture zone trends directly towards a potential small circular, 'blind' pluton, which has been interpreted from data derived from Sovereign's airborne geophysical survey.

The drilling, geophysical, geochemical and structural data are being utilised to identify vectors to a potential deeper intrusive gold source.



Location of Frasers Find and other gold occurrences within EL 6483



### Martins Shaft EL 6483

Sovereign Gold reported an update on drilling progress from the SUGEC JV at Martins Shaft (EL 6483). The drilling activity is funded by SUGEC.

### Drill Hole M-ZK0002

Diamond drill hole M-ZK0002 (refer Figures 12 & 13) was designed to test the lateral and depth extent of gold mineralisation at Martins Shaft. Five mineralised intervals were encountered ranging from 4.3m – 0.3m in downhole length, between 164.1m – 182.65m downhole. Best results over this interval were 0.45m @ 9.27 g/t Au, 40.80g/t Ag and 2.69% Sb (antimony) and 1.0m @ 2.73 g/t Au (refer Table 4).

The Martins Shaft mineralised structure has now been traced from outcrop at surface to 217.60 metres downhole and remains open at depth (Figure 12). Drilling is planned to follow the alteration zone down plunge along the path of the gold-bearing magmatic fluids to locate the source that is potentially a mineralised IRGS Hobbs-style pipe.

Further drilling at Martins Shaft will test the lateral and vertical extent of gold mineralisation at Martins Shaft to the west and provide further information for compilation of a resource estimate.

The gold mineralisation at Martins Shaft is significant as this style of mineralisation was predicted from the application of Sovereign Gold's Intrusion-Related Gold System Model (IRGS). The mineralisation comprises sheeted veins and disseminated gold mineralisation within altered predominantly felsic dyke phases associated with minor lamprophyre. Gold has been located in drill hole M-ZK0001 at Martins Shaft to a downhole depth of 217.60m metres. Strong phyllic alteration extends beyond the mineralised envelope. The felsic dyke has acted as a brittle host for magmatic fluids. It is clear from the presence of gold mineralisation and associated alteration that igneous textures are very conducive to the permeation/dissemination of gold-bearing fluids. Potential exists for multiple Martins Shaft-type deposits, of similar and larger size, within the large IRGS. Associated sulphide mineralisation consists of pyrite, arsenopyrite and stibnite. Analytical data confirms gold mineralisation is associated with sodium depletion and the presence of anomalous chromium (up to 473ppm) in some intervals indicates gold-bearing alteration potentially present in some lamprophyre dyke phases.

The Rocky River-Uralla Project confirms the existence of a large IRGS and continues to progress the conceptual exploration model of several satellite gold mineralised structures containing sufficient mineralisation to support the potential for multiple open-pit mining operations to feed a central mill.

M-ZK0002, 214.00m E.O.H				Au-AA25 Au ppm	Au-SCR22 AA Au ppm	Au-SCR22 AA Ag ppm	ME-ICP41 Sb ppm
Sample No.	From (metres)	To (metres)	Interval (metres)				
M-ZK0002-H1 – M-ZK0002-H10	10 samples, all 1.00m in length 28.20	38.20	10.00	<0.01 -0.05			
M-ZK0002-H11 – M-ZK0002-H16	6 samples, 0.50-1.20m in length 55.20	60.50	5.30	<0.01 -0.06			
M-ZK0002-H17	60.50	61.10	0.60	0.19			
M-ZK0002-H18	61.10	61.90	0.80	0.11			
M-ZK0002-H19	75.75	76.75	1.00	0.12			
M-ZK0002-H20	164.10	165.10	1.00		1.15	4.58	
M-ZK0002-H21	165.10	166.10	1.00		1.29		
M-ZK0002-H22	166.10	167.10	1.00		2.73		
M-ZK0002-H23	167.10	167.95	0.85		1.97		
M-ZK0002-H24	167.95	168.40	0.45		0.91		
M-ZK0002-H25	172.10	173.70	1.00	0.99			
M-ZK0002-H26	173.70	174.60	0.90		0.77		

M-ZK0002-H27	177.90	178.45	0.55		0.40		14600
M-ZK0002-H28	181.50	181.80	0.30		1.15		3410
M-ZK0002-H29	182.20	182.65	0.45		9.27	40.80	26900

Table 4: Diamond Drill Hole M-ZK0002 intersected 5 mineralised intervals of phyllic (sericite-sulphide-quartz) alteration in dykes ranging from 4.3m – 0.3m in downhole length, between 164.1m – 182.65m downhole. This included 0.45m @ 9.27 g/t Au, 40.80g/t Ag and 2.69% Sb (antimony) and 1.0m @ 2.73 g/t Au.

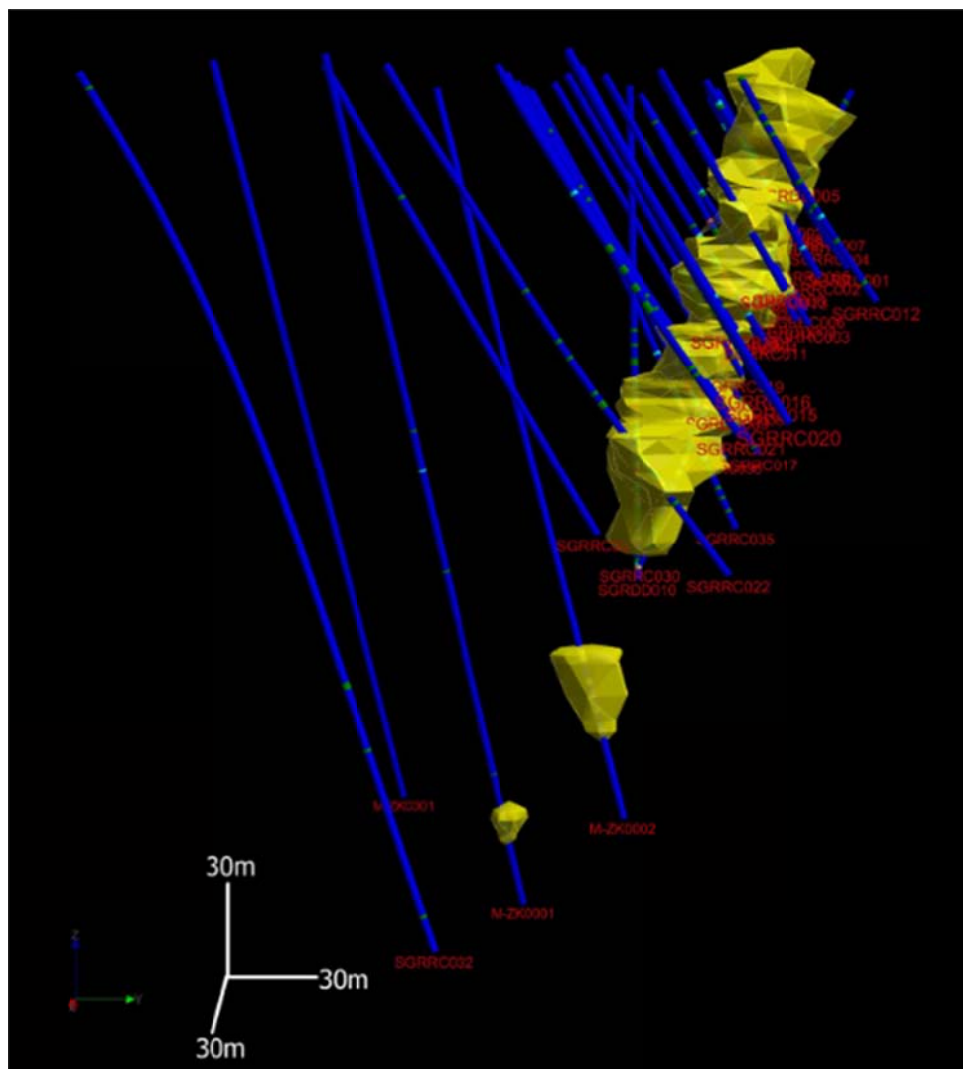


Figure 12: Martins Shaft: 3D wireframe of mineralised structure and drill hole plots, looking west (modelled to +0.30g/t Au to map morphology of the gold-bearing alteration shell).

Diamond Drill Hole M-ZK0001 intersected 4 intervals of phyllic (sericite-sulphide-quartz) alteration in felsic dykes including from 213.10-218.30 metres downhole that included 0.87g/t Au over 2.20m in a continuous alteration interval of 0.63g/t Au over 3.30 metres.

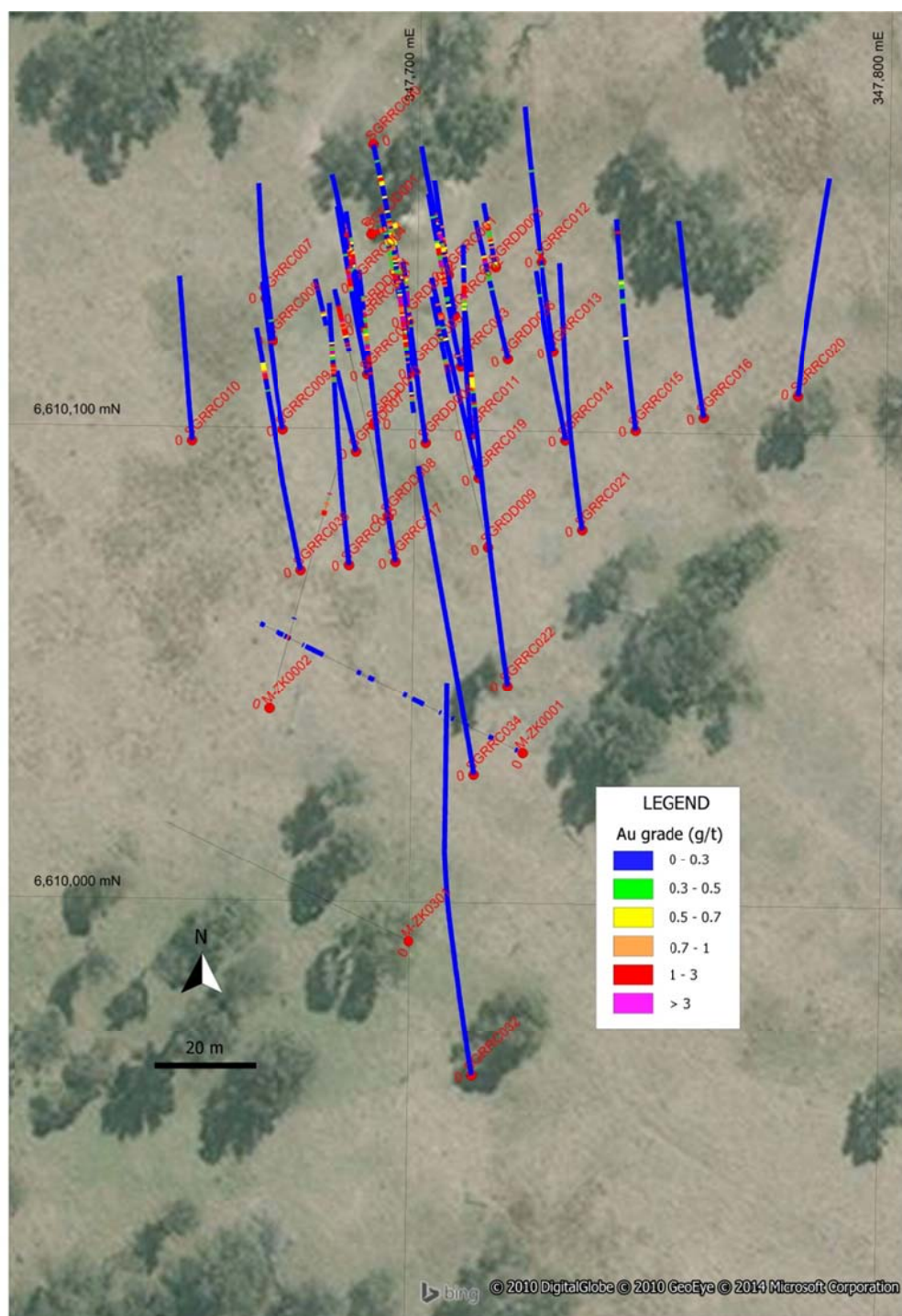


Figure 13: Martins Shaft: Plan view of drill hole collars (red dots) and drill hole traces with gold grade intersections.

### Halls Peak, base and precious metals

#### EL 4474

Following completion of the corporate restructure between Sovereign Gold and its former subsidiary, Precious Metal Resources Limited in the second half of 2014, the Halls Peak base and precious metal tenements are being transferred to Sovereign Gold. The project within EL4474 has been awarded \$90,500 grant funds pursuant to the NSW Government New Frontiers Cooperative Drilling program to fast track private exploration drilling programs. The funding grant will be used to test the potential for base and precious metal deposits associated with the airborne geophysical survey in early 2013. It is envisaged that two diamond drill holes will test the nature and metal content of the deep, lower conductor detected by the survey and determine mineralisation nature, facies and geochemistry variations of the upper electrically conductive horizon.

**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.

At the end of 2014 the Mineral Resource was 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 increase in Mineral Resources was a result of an extensive drilling campaign and estimation by AMC. The Hobbs IRGS deposit is close to good infrastructure (power, transport and water) and is held within EL 6372, EL 7844, EL 8217, EL 8218 and EL 8219.

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

***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 2014.

**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 2014 was \$17,063,098 (2013 loss: \$1,640,205). 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 2014 are \$8.8 million (2013: \$20.65 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 18 of this report.

**Dividends** The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

**Directors** The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

John S Dawkins AO	Non-Executive Chairman
Michael Leu	Acting Chief Executive Officer
Simon Bird	Managing Director (appointed 23 February 2015)
Rado Jacob Rebek	Non-Executive Director
Bruce Dennis	Non-Executive Director (appointed 17 November 2014)
Peter J Meers	Non-Executive Director (retired 24 December 2014)
Julian Malnic	Non-Executive Director (appointed 17 February 2014 retired 22 July 2014)

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

Directors	Directors Meetings		Remuneration Committee <sup>1</sup>		Audit Committee <sup>2</sup>	
	Attended	Held Whilst in Office	Attended	Held Whilst in Office	Attended	Held Whilst in Office
John Dawkins AO (Chairman)	4	4	1	1	2	2
Michael Leu (CEO)	4	4	1	1	2	2
Simon Bird	0	0	0	0	0	0
Rado Jacob Rebek	3	4	1	1	2	2
Bruce Dennis <sup>3</sup>	2	2	0	0	0	0
Peter J Meers <sup>4</sup>	1	4	1	1	2	2
Julian Malnic <sup>5</sup>	1	1	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> Bruce Dennis appointed on 17 November 2014

<sup>4</sup> Peter Meers retired on 24 December 2014

<sup>5</sup> Julian Malnic was appointed a director on 17 February 2014, retired on 22 July 2014



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

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

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

<b>Experience and Expertise</b>	<p>Michael Leu is a geologist with over 30 years professional experience in exploration and mining across a range of mineral commodities within Australia and some Pacific and Asian countries. He has worked in industry (Freeport, Getty Oil, and Queensland Ores), as a private consultant and for seven years on the academic staff of Macquarie University.</p> <p>Michael Leu has extensive expertise in mineral exploration for epithermal and porphyry gold±Cu deposits; intrusion-related gold systems; metahydrothermal gold, greisen-hosted molybdenite, wolfram and tin; volcanic-hosted massive sulphides; chromite; uranium, alluvial gold and platinum and a range of industrial minerals.</p>
<b>Other Current Directorships of Listed Companies</b>	None
<b>Former Directorships in the Last Three Years of Listed Companies</b>	Non-Executive Director of Precious Metal Resources Limited.
<b>Special Responsibilities</b>	<p>Chief Geologist</p> <p>Member of the Audit Committee</p> <p>Member of the Remuneration Committee</p>
<b>Interests in Shares and Options</b>	7,675,000 Shares directly held.

**Simon Bird**  
**Managing Director of Sovereign Gold Company Limited**  
**Appointed on 23 February 2015**

<b>Experience and Expertise</b>	<p>Simon has extensive experience in corporate finance. In a professional career spanning over 30 years, Simon has held various executive roles including CEO of King Island Scheelite (ASX: KIS); CFO at Stockland retail (ASX: SGP); CFO of Graincorp (ASX: GNC); and CFO of Wizard Mortgage Corp. He is currently a non-executive director of Mount Gibson Iron (ASX: MGX); Rawson Resources (ASX: RAW); and Pacific American Coal (ASX: PAK).</p> <p>Having held senior management positions and directorships across various ASX listed entities; Simon has maintained strong international networks.</p>
<b>Other Current Directorships of Listed Companies</b>	Non-Executive director of Mount Gibson Iron (ASX: MGX); Rawson Resources (ASX: RAW); and Pacific American Coal (ASX: PAK).
<b>Former Directorships in the Last Three Years of Listed Companies</b>	
<b>Special Responsibilities</b>	
<b>Interests in Shares and Options</b>	

**Bruce Dennis**  
**Non-Executive Director of Sovereign Gold Company Limited**  
**Appointed on 17 November 2014**

<b>Experience and Expertise</b>	Mr. Dennis is a solicitor with over 30 years experience. He has practiced in areas of personal injury, civil and commercial litigation in the Federal Court, Supreme Court and District Court jurisdictions. Mr. Dennis has considerable experience in identifying commercial and legal risk. His business interests include resource exploration.
<b>Other Current Directorships of Listed Companies</b>	
<b>Former Directorships in the Last Three Years of Listed Companies</b>	Non-Executive Director of Precious Metal Resources Limited
<b>Special Responsibilities</b>	
<b>Interests in Shares and Options</b>	

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

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

**Peter Meers, BA (Economics), FAIB**  
**Non-Executive Director of Sovereign Gold Company Limited**  
**Appointed on 10 August 2010**  
**Retired on 24 December 2014**

**Julian Oliver Malnic**  
**Non-Executive Director of Sovereign Gold Company Limited**  
**Appointed on 17 February 2014**  
**Retired on 22 July 2014**

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

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

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

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

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

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

**Likely developments**

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

**Significant changes in nature of activities**

Please refer to Review of Operations section of this report.

**Matters subsequent to balance date**

At the date of this report, there are no other matters or circumstances, which have arisen since 31 December 2014 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2014, of the Group;
- the results of those operations; or,
- the state of affairs, in financial years subsequent to 31 December 2014, of the Group.

**Environmental regulations**

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

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

**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 19.

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

### Directors' and other key management personnel remuneration

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

- |                    |                                |  |
|--------------------|--------------------------------|--|
| • John Dawkins, AO | Non-Executive Chairman         |  |
| • Michael Leu      | Acting Chief Executive Officer |  |
| • Simon Bird       | Managing Director              | appointed 23 February 2015                       |
| • Rado Jacob Rebek | Non-Executive Director         |  |
| • Bruce Dennis     | Non-Executive Director         | appointed 17 November 2014                       |
| • Peter Meers      | Non-Executive Director         | retired 24 December 2014                         |
| • Julian Malnic    | Non-Executive Director         | appointed 17 February 2014, retired 22 July 2014 |

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

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

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

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

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

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

### Performance conditions

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

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

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

**Directors and other Key Management Personnel of Sovereign Gold Company Limited**

	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.

	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 2013</b>						
<b>Director</b>						
John Dawkins	27,273	-	-	-	-	27,273
Michael Leu	157,800	10,800	-	-	-	168,600
Peter Meers	61,364	-	-	-	-	61,364
Rado J Rebek	23,000	-	-	-	-	23,000
Total - Directors	269,437	10,800	-	-	-	280,237
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	42,000	-	-	-	-	42,000
Francis Choy	-	-	-	-	-	-
David Hughes	-	-	-	-	-	-
Total - KMP	42,000	-	-	-	-	42,000
	\$	\$	\$	\$	\$	\$
<b>Parent Entity 2013</b>						
<b>Director</b>						
John Dawkins	27,273	-	-	-	-	27,273
Michael Leu	157,800	10,800	-	-	-	168,600
Peter Meers	61,364	-	-	-	-	61,364
Rado J Rebek	2,800	-	-	-	-	2,800
Total - Directors	249,237	10,800	-	-	-	260,037
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	42,000	-	-	-	-	42,000
Francis Choy	-	-	-	-	-	-
David Hughes	-	-	-	-	-	-
Total - KMP	42,000	-	-	-	-	42,000

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 is no performance conditions related to any of the above payments.

There are no other elements of Directors and Executives remuneration.

**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 management, registered office, administrative accounting, secretarial and compliance services.

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

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

**Share options granted to Directors and Other Key Management Personnel**

3,750,000 employee share options were granted over unissued shares to directors and other key management personnel in 2010. All employee share options expired in 2013. 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</b>						
<b>2014</b>	<b>812,550</b>	<b>(830,525)</b>	<b>17,975</b>	<b>-</b>	<b>830,525</b>	<b>5,992</b>
2013	752,250	-	60,300	812,550	812,550	20,100
<b>Parent Entity</b>						
<b>2014</b>	<b>516,071</b>	<b>(528,498)</b>	<b>12,427</b>	<b>-</b>	<b>528,498</b>	<b>4,142</b>
2013	478,271	-	37,800	516,071	516,071	12,600

\* Market interest rate 6% (2013: 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 settled during the year. 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
				<u>1,800,000</u>

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 31

**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:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<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>34,475</b>	50,520	<b>25,750</b>	27,505
<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>2,300</b>	16,500	<b>1,150</b>	8,545
Advisory Services	<b>10,000</b>	1,225	-	1,225
	<b>12,300</b>	17,725	<b>1,150</b>	9,770

**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.



**Michael Leu**  
**Acting Chief Executive Officer**



**John Dawkins**  
**Non-Executive Chairman**

Signed at Sydney  
30 March 2015

Level 6, 350 Kent Street  
Sydney NSW 2000

87- 89 Lyons Road  
Drummoyne NSW 2047

# KS Black & Co

Chartered Accountants

ABN: 57 446 398 808

20 Grose Street  
North Parramatta NSW 2151

PO Box 2210  
Parramatta NSW 1750

**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF SOVEREIGN GOLD LIMITED  
A.B.N 12 145 184 667  
AND CONTROLLED ENTITIES**

We declare that, to the best of our knowledge and belief during the year ended 31 December 2014, there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporation Act 2001* in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

**K.S. Black & Co**  
**Chartered Accountants**



**Sam Danieli**  
**Partner**

Sydney, 30 March 2015

## 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 Annual Report are outlined below and the Company's full Corporate Governance Plan is available in the corporate governance information section of the Company's website ([www.sovereigngold.com.au/Corporate-Governance.htm](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 a 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 pages 21 to 23.

### (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 SOC 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, contractors 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 Group 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 designated SOC's 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 total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$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**

SOC 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 SOC.

Directors, senior executives and employees are required to advise SOC's Company Secretary of their intentions prior to undertaking any transaction in SOC 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 SOC Share Trading Policy is available on the SOC website (under “Corporate Governance”).

**(j) Corporate Social Responsibility**

SOC 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 SOC Environmental, Health and Social Charter is available on the SOC 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 Annual Report are set out in the following table:

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

PRINCIPAL	Response
<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 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.	Complies. 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.  The Board Charter can be viewed on the Company’s website <a href="http://www.sovereigngold.com.au/">www.sovereigngold.com.au/</a>
<b>Recommendation 1.2</b>	
The entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.  The entity should provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Complies. The Company has conducted appropriate checks for all current Directors. The Company will undertake appropriate checks before appointing a person, or putting forward to Shareholders a candidate for election, as a Director.
<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.	Does not Comply yet.  Although all of the Directors do not yet have written agreements setting out the terms of their appointments, the Company will endeavor to bring these agreements into being in 2015.
<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.	Complies.  A 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.

<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 progress in achieving them.	Complies. The Board has established a Diversity Policy.
The entity should disclose in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Diversity Policy is available at the Company's website and is set out in the Company's annual report.
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, experience, independence and knowledge of the entity 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 skill 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 within 2015. 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.	Complies. John Dawkins was appointed Non-Executive Chairman 16 September 2010. Rado Jacob Rebek was appointed Non-Executive Director 16 September 2010, Bruce Dennis was appointed Non-Executive Director 17 November 2014
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.	Complies The independence of directors and the 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 will be set out in the Company's annual report.
<b>Recommendation 2.4</b>	
A majority of the board of the entity should be independent directors.	Complies.
<b>Recommendation 2.5</b>	
The chair of the board of the 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 providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	Does not yet comply. Currently the induction of new directors and plan for professional development is managed informally by the full Board. During 2015, the Company intends to develop a formal program for inducting new directors and providing appropriate professional development opportunities.
<b>PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY</b>	
<b>Recommendation 3.1</b>	
The entity should establish a code of conduct 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 can be viewed on the Company's website.
<b>PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>	
<b>Recommendation 4.1</b>	
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, who is not chair of the board.	Complies.

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>The Board has established an Audit and Risk Committee.</p> <p>Members of the Board have appropriate and relevant financial experience to act in this capacity.</p> <p>The Board has established an Audit and Risk Committee Charter.</p> <p>A summary of the charter and details of the number of times the 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 can be viewed on the Company's website.</p>
<b>Recommendation 4.2</b>	
The board should disclose whether it has, before approving the entity's financial statements for a financial period received assurance from the 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>Complies.</p> <p>The Board requires the Chief Executive Officer and Chief Financial Officer to provide such a statement before approving the entity's financial statements for a financial period.</p> <p>.</p>
<b>Recommendation 4.3</b>	
When the entity has an AGM it should ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.	<p>Complies.</p> <p>The external auditor attends the AGM 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>	
The entity should established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclosed those policies or a summary of those policies.	<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>Details of the entity's continuous disclosure policy can be viewed on 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.	<p>Complies.</p> <p>The Company has provided specific information about itself and its key personnel and has developed a comprehensive Corporate Governance Plan.</p> <p>Details can be found at the Company's website.</p>
<b>Recommendation 6.2</b>	
The entity should design and implement an investor relations program to facilitate effective two-way communication with shareholders.	<p>Complies.</p> <p>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.</p> <p>Details of the Shareholder's Communication Policy can be found at the Company's website.</p>

<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>	
A listed 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 the 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.	Complies. The Board has established an Audit and Risk Committee to oversee risk which is comprised of the whole Board.
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.	Complies The Company's Charter for the Audit and Risk Committee is on the Company's website and the details of the number of times the committee met throughout the period and the individual attendances of the members at those meetings will be 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 with management at least annually to satisfy it that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within 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.	The Company's Corporate Governance Plan includes a Risk Management Review Procedure and Compliance and Control policy. 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. The Board has delegated to the Audit and Risk Committee the responsibility for implementing the risk management system. 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.
<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.	Does not yet comply. 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. The Company will disclose the details of the internal audit function in its future annual reports.

<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.	Complies. The remuneration committee is comprised of the entire Board.
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.	<p>The Board has adopted a Remuneration Committee Charter.</p> <p>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.</p> <p>The Board intends to engage the services of an independent adviser to review the level and composition of remuneration for Directors and senior executives to ensure that such remuneration is appropriate and not excessive.</p>
<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.	<p>Complies.</p> <p>The Company distinguishes the structure of Non-executive Directors' remuneration from that of Executive Directors and senior executives. Details of the policies and practices regarding remuneration are set out in the Company's annual report.</p> <p>The Remuneration Committee Charter can be viewed on the Company's website.</p>
<b>Recommendation 8.3</b>	
If the entity has an equity-based remuneration scheme, the entity 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.	<p>Complies.</p> <p>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.</p> <p>The Share Trading Policy can be viewed on the Company's website.</p>

## STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2014

	Notes	Consolidated		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>Revenue</b>	4	<b>164,955</b>	632,121	<b>199,788</b>	178,204
Other Income and Expenses	4	<b>(14,147,674)</b>	800,830	<b>(14,413,670)</b>	112,113
Administration and exploration expenses	5	<b>(3,375,707)</b>	(3,213,928)	<b>(1,446,752)</b>	(928,142)
Finance costs		<b>(175,558)</b>	(90,013)	<b>(101,262)</b>	(63,208)
<b>Profit/(Loss) before tax</b>		<b>(17,533,984)</b>	(1,870,990)	<b>(15,761,896)</b>	(701,033)
Income tax expense	6(a)	-	-	-	-
<b>Net Profit/(Loss) for the year</b>		<b>(17,533,984)</b>	(1,870,990)	<b>(15,761,896)</b>	(701,033)
Other comprehensive Income					
Other comprehensive income for the year net of tax		-	-	-	-
Total comprehensive income for the year		<b>(17,533,984)</b>	(1,870,990)	<b>(15,761,896)</b>	(701,033)
Profit/(loss) attributable to Non-controlling interests		<b>470,886</b>	230,785	-	-
<b>Total comprehensive income attributable to members of the Parent Entity</b>		<b>(17,063,098)</b>	(1,640,205)	<b>(15,761,896)</b>	(701,033)
<b>Earnings/(Loss) per share</b>		<b>2014</b>	2013		
		<b>Cents</b>	Cents		
Basic (loss) /earnings per share (cents)	22	<b>(8.86)</b>	(1.12)		
Diluted (loss) /earnings per share (cents)	22	<b>(4.74)</b>	(1.11)		

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

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Consolidated		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	11,857	596,311	(18,874)	377,815
Trade and other receivables	8	342,719	1,532,340	118,953	637,292
Financial assets	11	1,277,453	-	1,277,453	-
Other current assets	9	57,893	112,445	57,893	112,445
Total current assets		1,689,922	2,241,096	1,435,425	1,127,552
<b>Non-current assets</b>					
Trade and other receivables	8	-	-	5,705,411	4,688,081
Mining tenements	10	8,801,638	8,783,827	-	-
Financial assets	11	-	800,000	3,373,732	17,019,455
Plant and equipment	12	22,409	35,519	13,931	23,271
Other non-current assets	9	-	13,003,760	-	-
Total non-current assets		8,824,047	22,623,106	9,093,074	21,730,807
<b>Total Assets</b>		<b>10,513,969</b>	<b>24,864,202</b>	<b>10,528,499</b>	<b>22,858,359</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	13	1,612,878	2,264,018	1,392,890	45,116
Employee benefits provision	14	-	14,312	-	-
Total current liabilities		1,612,878	2,278,330	1,392,890	45,116
<b>Non-current liabilities</b>					
Trade and other payable	13	20,670	1,921,806	-	1,100,000
Employee benefits provision	14	-	11,385	-	-
Total non-current liabilities		20,670	1,933,191	-	1,100,000
<b>Total Liabilities</b>		<b>1,633,548</b>	<b>4,211,521</b>	<b>1,392,890</b>	<b>1,145,116</b>
<b>Net Assets</b>		<b>8,880,421</b>	<b>20,652,681</b>	<b>9,135,609</b>	<b>21,713,243</b>
<b>EQUITY</b>					
Issued capital	15	26,867,404	23,683,142	26,867,404	23,683,142
Reserves		2,901,694	359,765	359,765	359,765
Accumulated losses		(21,125,718)	(4,062,620)	(18,091,560)	(2,329,664)
		8,643,380	19,980,287	9,135,609	21,713,243
Non-Controlling interest		237,041	672,394	-	-
<b>Total Equity</b>		<b>8,880,421</b>	<b>20,652,681</b>	<b>9,135,609</b>	<b>21,713,243</b>

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



## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2014

Consolidated	Notes	Issued Capital	Reserve	Accumulated Losses	Non-Controlling Interest	Total Equity
		\$	\$	\$	\$	\$
<b>Balance at 1 January 2014</b>	15	<b>23,683,142</b>	<b>359,765</b>	<b>(4,062,620)</b>	<b>672,394</b>	<b>20,652,681</b>
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 December 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>Balance at 1 January 2013</b>		21,161,248	341,765	(2,422,415)	347,554	19,428,152
Shares issued		2,812,471	-	-	-	2,812,471
Share issuing cost		(290,577)	-	-	-	(290,577)
Movement during the year		-	18,000	-	324,840	342,840
Loss for the year		-	-	(1,640,205)	-	(1,640,205)
<b>Balance at 31 December 2013</b>	15	<b>23,683,142</b>	<b>359,765</b>	<b>(4,062,620)</b>	<b>672,394</b>	<b>20,652,681</b>
<b>Parent Entity</b>		<b>Issued Capital</b>	<b>Reserve</b>	<b>Accumulated Losses</b>	<b>Minority Interest</b>	<b>Total Equity</b>
		\$	\$	\$	\$	\$
<b>Balance at 1 January 2014</b>	15	<b>23,683,142</b>	<b>359,765</b>	<b>(2,329,664)</b>	-	<b>21,713,243</b>
Shares issued		3,280,400	-	-	-	3,280,400
Share issuing cost		(96,138)	-	-	-	(96,138)
Movement during the year		-	-	-	-	-
Loss for the year		-	-	(15,761,896)	-	(15,761,896)
<b>Balance at 31 December 2014</b>	15	<b>26,867,404</b>	<b>359,765</b>	<b>(18,091,560)</b>	-	<b>9,135,609</b>
<b>Balance at 1 January 2013</b>		21,161,248	341,765	(1,628,631)	-	19,874,382
Shares issued		2,812,471	-	-	-	2,812,471
Share issuing cost		(290,577)	-	-	-	(290,577)
Movement during the year		-	18,000	-	-	18,000
Loss for the year		-	-	(701,033)	-	(701,033)
<b>Balance at 31 December 2013</b>	15	<b>23,683,142</b>	<b>359,765</b>	<b>(2,329,664)</b>	-	<b>21,713,243</b>

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

## STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2014

	Notes	Consolidated		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(3,463,340)	(5,014,820)	(1,296,448)	(1,427,252)
Interest paid		(67,184)	(35,699)	(12,633)	(34,907)
Interest received		21,846	15,215	19,788	737
<b>Net cash used in operating activities</b>	17	<b>(3,508,678)</b>	<b>(5,035,304)</b>	<b>(1,289,293)</b>	<b>(1,461,422)</b>
<b>Cash flows from investing activities</b>					
Payment for tenement prospects and interest		(407,453)	(993,750)	(1,926,400)	-
Payment for plant and equipment		-	(14,846)	-	-
Advance from repayment from other parties		617,415	1,519,659	1,122,071	-
Advance to other parties		-	(112,590)	-	(112,590)
Advance to controlled entities		-	-	(1,017,329)	(1,106,959)
<b>Net cash provided by/(used in) investing activities</b>		<b>209,962</b>	<b>398,473</b>	<b>(1,821,658)</b>	<b>(1,219,549)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		2,810,400	2,342,940	2,810,400	2,342,940
Share issuing cost		(96,138)	(272,578)	(96,138)	(272,578)
Proceeds from share issued – controlled entities		-	2,000,000	-	-
Proceeds from convertible note		-	1,000,000	-	1,000,000
<b>Net cash provided by/(used in) financing activities</b>		<b>2,714,262</b>	<b>5,070,362</b>	<b>2,714,262</b>	<b>3,070,362</b>
<b>Net (decrease) /increase in cash held</b>		<b>(584,454)</b>	<b>433,531</b>	<b>(396,689)</b>	<b>389,391</b>
Cash and cash equivalents at beginning of the financial year		596,311	162,780	377,815	(11,576)
<b>Cash and cash equivalents at end of the financial year</b>	7	<b>11,857</b>	<b>596,311</b>	<b>(18,874)</b>	<b>377,815</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2014

## 1 CORPORATE INFORMATION

The consolidated financial statements and notes of Sovereign Gold Company Limited (the **Company**) for the year ended 31 December 2014 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.

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:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		\$		\$
<b>Current</b>				
Cash and cash equivalents	<b>11,857</b>	596,311	<b>(18,874)</b>	377,815
Trade and other receivables	<b>342,719</b>	1,532,340	<b>118,953</b>	637,292
<b>Non- Current</b>				
Trade and other receivables	-	-	<b>5,705,411</b>	4,688,081
	<b>354,576</b>	2,128,651	<b>5,805,490</b>	5,703,188

#### 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 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	1,633,548	933,548	912,878	-	20,670	-
<b>Consolidated 2013 Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	2,232,453	232,453	232,453	-	-	-
Accrued payable	31,565	31,565	31,565	-	-	-
<b>Non-Current</b>						
Other Liabilities	1,921,806	821,806	-	-	821,806	-
Total financial liabilities at amortised cost	4,185,824	1,085,824	264,018	-	821,806	-
<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	1,392,890	692,890	692,890	-	-	-
<b>Parent Entity 2013 Financial Liabilities</b>						
<b>Current</b>						
Trade and other payables	33,986	33,986	33,986	-	-	-
Accrued payable	11,130	11,130	11,130	-	-	-
<b>Non-Current</b>						
Other Liabilities	1,100,000	-	-	-	-	-
Total financial liabilities at amortised cost	1,145,116	45,116	45,116	-	-	-

**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 2014</b>	\$	\$	\$
Cash and cash equivalents	11,857	119	(119)
Tax charge of 30%		(35)	35
After tax increase/(decrease)	11,857	84	(84)

<b>Consolidated 2013</b>			
Cash and cash equivalents	596,311	5,963	(5,963)
Tax charge of 30%		(1,789)	1,789
After tax increase/(decrease)	596,311	4,174	(4,174)

<b>Parent Entity 2014</b>			
Cash and cash equivalents	(18,874)	(188)	188
Tax charge of 30%		57	(57)
After tax increase/(decrease)	(18,874)	(131)	131

<b>Parent Entity 2013</b>			
Cash and cash equivalents	377,815	3,778	(3,778)
Tax charge of 30%		(1,133)	1,133
After tax increase/(decrease)	377,815	2,645	(2,645)

The above analysis assumes all other variables remain constant.

**e. Currency risk**

In 2014, the consolidated entity and parent entity were not exposed to foreign currency risk (2013: 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**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	\$	\$	\$	\$
<b>Revenue</b>				
Interest income	<b>21,846</b>	89,687	<b>19,788</b>	38,533
<b>Other income</b>				
Other	<b>143,109</b>	542,434	<b>180,000</b>	139,671
	<b>164,955</b>	632,121	<b>199,788</b>	178,204
<b>Other Income and Expenses</b>				
Gain/(Loss) on disposal of Investment	<b>(14,147,674)</b>	800,830	<b>(14,413,670)</b>	112,113

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

**5. EXPENSES**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	\$	\$	\$	\$
(Loss)/profit before income tax includes the following specific expenses:				
Directors fees and employee oncosts	<b>246,090</b>	406,563	<b>85,606</b>	42,424
Consulting and professional fee	<b>768,514</b>	205,924	<b>663,290</b>	139,154
Exploration expense not capitalised	<b>933,415</b>	380,264	<b>10,875</b>	3,553
Depreciation and amortisation	<b>11,928</b>	12,975	<b>9,340</b>	9,340

**6. INCOME TAX**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	\$	\$	\$	\$
<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	<b>(17,533,984)</b>	(1,870,990)	<b>(15,761,895)</b>	(701,033)
Income tax expense/(benefit) calculated at 30% (2013:30%)	<b>(5,266,195)</b>	(561,297)	<b>(4,728,569)</b>	(210,310)
Timing differences not brought to account	<b>48,300</b>	(1,622,888)	<b>3,000</b>	(55,357)
Tax losses not brought to account	<b>5,217,895</b>	2,184,185	<b>4,725,569</b>	265,667
	-	-	-	-

**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 :

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	-	-	-	-
Other deductible temporary differences	<b>22,697</b>	(176,254)	<b>3,000</b>	(184,524)
Deferred tax asset in respect of exploration activities not brought to account	<b>(16,583,554)</b>	(1,870,990)	<b>(15,754,897)</b>	(701,033)
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	<b>(153,815)</b>	(5,233,373)	-	-
	<b>(16,714,672)</b>	(7,280,617)	<b>(15,751,897)</b>	(885,557)

**7. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	<b>11,857</b>	402,458	<b>(18,874)</b>	377,815
Cash held in trust - tenement guarantee	-	193,853	-	-
	<b>11,857</b>	596,311	<b>(18,874)</b>	377,815
Weighted average interest rates	<b>0.18%</b>	2.33%	<b>0.09%</b>	2.37%

**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:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>11,857</b>	596,311	<b>(18,874)</b>	377,815
Balances per Statement of Cash Flows	<b>11,857</b>	596,311	<b>(18,874)</b>	377,815

**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**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>				
Receivables - other parties	-	812,551	-	516,071
Receivable – other	<b>113,111</b>	112,589	<b>113,046</b>	112,589
Receivable – tenement deposit	<b>20,000</b>	404,658	-	-
Receivables - GST	<b>29,608</b>	202,542	<b>5,907</b>	8,632
	<b>342,719</b>	1,532,340	<b>118,953</b>	637,292
<b>Non - Current</b>				
Receivable - controlled entities	-	-	<b>5,705,411</b>	4,688,081

**a. Impaired receivables and receivables past due.**

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

**b. Receivable - other parties**

The Company advanced \$420,000 to a consultant. The interest bearing full recourse loan is secured by shares and has a fixed term for repayment. The advance was fully settled during the year.

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

None were written down and written off during the year.

**Receivable – Other**

These amounts mainly related to a security deposit for a convertible note.

**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:

	<b>2014</b>		<b>2013</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>				
Controlled Entities receivables	-	-	-	-
<b>Parent Entity</b>				
Controlled entities receivables	<b>5,705,411</b>	<b>5,705,411</b>	4,688,081	4,688,081

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

**9. OTHER ASSETS**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
Current	\$	\$	\$	\$
Accrued convertible note interest	<b>47,917</b>	97,917	<b>47,917</b>	97,917
Prepayments	<b>9,976</b>	14,528	<b>9,976</b>	14,528
	<b>57,893</b>	112,445	<b>57,893</b>	112,445
<b>Non-Current</b>				
Carrying value	-	13,003,760	-	-
Goodwill:				
Accumulated impairment losses	-	-	-	-
Goodwill net carrying amount	-	13,003,760	-	-

**Goodwill**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Balance at the beginning of the year	<b>13,003,760</b>	14,098,166	-	-
Movement through business combination	<b>(13,003,760)</b>	(1,094,406)	-	-
Impairment losses	-	-	-	-
Balance at end of the year	-	13,003,760	-	-

**10. MINING TENEMENTS**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Mining tenements	<b>8,801,638</b>	8,783,827	-	-
	<b>8,801,638</b>	8,783,827	-	-

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	Registered Owner/ Applicant/ Assignee	% Interest	\$
EL 6483	Rocky River-Uralla	Biacil Holdings Pty Ltd	53.5%	2,186,562
EL 4474	Halls Peak	SOC1 Pty Ltd	100%	518,064
EL 5339	Halls Peak	SOC1 Pty Ltd	100%	297,215
ELA 5138	Weabonga	SOC2 Pty Ltd	100%	-
EL 8056	Weabonga	IRGS Northern Gold Pty Ltd	100%	72,447
EL 7770	Tarnworth	IRGS Northern Gold Pty Ltd	100%	151,514
EL 7768	Bundarra	Sugec Resources Ltd	53.5%	627,169
EL 7491	Uralla	Sugec Resources Ltd	53.5%	1,098,140
EL 7679	Halls Peak	Sugec Resources Ltd	53.5%	428,692

EL 6372	Mt Adrah	Tasman Goldfields NSW Pty Ltd	99.5%	2,884,189
ELA 4868 / EL 8218	Mt Adrah – Extended 3	Mt Adrah Gold Ltd	100%	11,200 16,286
EL 7844	Mt Adrah	Mt Adrah Gold Ltd	100%	343,775
EL 8127	Mt Adrah	Mt Adrah Gold Ltd	100%	146,283
EL 8219	Mt Adrah	Mt Adrah Gold Ltd	100%	20,102
				8,801,638

EL 7491, EL 7768, EL 7679

Under JV with Sugec Mining Pty. Ltd., who after lengthy Due Diligence are spending \$2M to earn 30% of the EL.

EL 6483

Under JV with Sugec Mining Pty. Ltd, who after lengthy Due Diligence are spending \$1.5M to earn 30% of the EL.

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 8056, EL 7770, ELA 5138

Valued by the Exploration Expenditure Method. Only includes current exploration expenditure during Sovereign Gold's 100%. Does not include Productivity Enhanced Multiples (PEM) for past exploration expenditure pre Sovereign Gold.

EL 6372 EL 7844, EL 8217, EL 8218, EL 8219, ELA 4868

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 77 tenement schedule of this report.

**11. FINANCIAL ASSETS**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Current</b>				
Investment in other entities	1,277,453	-	1,277,453	-
<b>Non-current</b>				
Investment in controlled/other entities	-	800,000	3,373,732	17,019,455

**12. PLANT AND EQUIPMENT**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Plant and equipment - at cost	61,545	62,727	46,699	46,699
Less: Accumulated depreciation	(39,136)	(27,208)	(32,768)	(23,428)
Total plant and equipment	22,409	35,519	13,931	23,271

**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>35,519</b>	33,648	<b>23,271</b>	32,610
Additions	-	14,846	-	-
Transfer out	(1,182)	-	-	-
Depreciation	(11,928)	(12,975)	(9,340)	(9,339)
<b>Carrying amount at end of year</b>	<b>22,409</b>	35,519	<b>13,931</b>	23,271

**13. TRADE AND OTHER PAYABLES**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Current</b>				
Trade payables	273,912	232,453	59,369	33,986
Accrued payables	19,575	31,565	14,130	11,130
Controlled entity share placement fund received	-	2,000,000	-	-
Convertible Note (Note a)	700,000	-	700,000	-
Advance from related entity	619,391	-	619,391	-
	1,612,878	2,264,018	1,392,890	45,116
<b>Non-Current</b>				
Convertible Note (Note a)	-	1,100,000	-	1,100,000
Advance from related entity	20,670	821,806	-	-
	20,670	1,921,806	-	1,100,000

Note a: 2 years convertible note, mature in December 2015



**14. EMPLOYEE BENEFITS PROVISIONS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>				
Staff leave entitlement	-	14,312	-	-
<b>Non-Current</b>				
Staff leave entitlement	-	11,385	-	-

**15. ISSUED CAPITAL**

<b>Consolidated and Parent Entity</b>		<b>Consolidated and Parent Entity</b>	
<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Number of Shares</b>	<b>Number of Shares</b>	<b>\$</b>	<b>\$</b>
<b>257,984,445</b>	<b>153,109,851</b>	<b>26,867,404</b>	<b>23,683,142</b>

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

<b>Date</b>	<b>Details</b>	<b>No. of shares</b>	<b>Issue price \$</b>	<b>\$</b>
31 Dec 2013	Balance	153,109,851		23,683,142
May 2014	Convertible note conversion	3,472,222	0.0576	200,000
July 2014	Share purchase plan	5,229,383	0.0340	177,800
July 2014	Share purchase plan	24,182,352	0.0340	822,200
Aug 2014	Convertible note conversion	7,490,637	0.0267	200,000
Aug 2014	Share placement	19,300,000	0.0480	926,400
Sep 2014	Share issued – acquire tenement	1,000,000	0.0700	70,000
Oct 2014	Share issued – acquire investment	44,200,000	0.0200	884,000
	Share issuing costs			(96,138)
31 Dec 2014	Balance	257,984,445		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 2014 (2013: Nil).

**d. Options**

There were 1,800,000 unissued ordinary shares under option at the end of the financial year. Information relating to the Group's options issued for services rendered is set out in note 25.

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

Name of Entity	Class of Shares	Equity Holding		Country of Incorporation
		2014 (%)	2013 (%)	
Biacil Holdings Pty Ltd	Ordinary	100	100	Australia
Micksture Pty Ltd	Ordinary	100	100	Australia
Uralla Gold Pty Ltd	Ordinary	100	100	Australia
IRGS Northern Gold Pty Ltd	Ordinary	100	100	Australia
IRGS Southern Gold Pty Ltd	Ordinary	100	100	Australia
MAS Gold Pty Ltd	Ordinary	100	100	Australia
Pahang Minerals Pty Ltd	Ordinary	100	100	Australia
SOC1 Pty Ltd	Ordinary	100	100	Australia
SOC2 Pty Ltd	Ordinary	100	100	Australia
Hudson SPC Pty Ltd	Ordinary	100	100	Australia
SUGEC Resources Limited	Ordinary	89.4	89.4	Australia
Mount Adrah Gold Limited	Ordinary	99.5	72.1	Australia
Tasman Goldfields NSW Pty Ltd	Ordinary	99.5	72.1	Australia
Precious Metal Resources Limited (ASX: PMR) *	Ordinary	-	76.5	Australia
PMR 1 Pty Ltd *	Ordinary	-	76.5	Australia
PMR 3 Pty Ltd *	Ordinary	-	76.5	Australia
PMR 4 Pty Ltd *	Ordinary	-	76.5	Australia
PMR 5 Pty Ltd *	Ordinary	-	76.5	Australia
Peel Gold Pty Ltd*	Ordinary	-	76.5	Australia
Peel Gold North Pty Ltd*	Ordinary	-	76.5	Australia

\* Company divesting and de-consolidated Precious Metal Resources Limited and its controlled entities during the year.

**b. Disposal and deconsolidation of Precious Metal Resources Limited and discontinued operations**

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

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

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

PMR and Sovereign Gold. They take effect on 1 September 2014:

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

**16. INVESTMENT IN CONTROLLED ENTITIES**

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

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

**The assets and liabilities recognized as a result of the reconstruction are as follows:**

	\$
Tenement interest acquired	860,746
Investment and tenement disposed	<u>(14,745,620)</u>
Loss on Disposal	<u>(13,884,874)</u>
Revenue from discontinued operations	93,137
Less expenses	
Depreciation	(157)
Exploration expenditure	(60,457)
Employee benefits expense	(145,484)
Finance costs	(70,500)
Operating expenses	(431,147)
Loss from discontinued operations	(614,108)

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

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(Loss)/Profit for the year</b>	<b>(17,063,098)</b>	<b>(1,640,205)</b>	<b>(15,761,896)</b>	<b>(701,033)</b>
Capitalised exploration expenditure	227,886	(3,347,705)	-	-
Change in Investment fair value	15,023,697	-	14,675,620	-
Non-cash item	11,928	-	9,340	-
Gain/loss on disposal	(310,950)	-	(310,950)	-
<b>Change in operating assets and liabilities:</b>				
(Increase)/Decrease in trade and other receivables	(2,087,241)	(146,252)	(603,732)	70,215
(Increase)/Decrease in other current assets	54,552	(97,917)	54,552	(97,917)
(Increase)/Decrease in other operating assets	-	-	-	(728,215)
Increase/(Decrease) in trade and other creditors and provisions	634,548	196,775	647,773	(4,472)
(Increase) in deferred tax assets	-	-	-	-
Increase in deferred tax liabilities	-	-	-	-
<b>Net cash used in operating activities</b>	<b>(3,508,678)</b>	<b>(5,035,304)</b>	<b>(1,289,293)</b>	<b>(1,461,422)</b>

**18. OPERATING SEGMENT REPORTING**

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

The group operates in one segment, being mineral exploration and development of resources in Australia.

Segment information:

	<b>For Mineral Exploration and Development of Resources in Australia</b>	
	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
	<b>\$</b>	<b>\$</b>
Revenue		
Interest income	21,846	89,687
Other income	143,109	542,434
Total Revenue	164,955	632,121
Expenses	(3,539,337)	(3,290,966)
Depreciation & amortisation expenses	(11,928)	(12,975)
Segment results	(3,386,310)	(2,671,820)
Assets		
Current assets	1,689,922	2,241,096
Plant & equipment	22,409	35,519
Exploration and evaluation assets	8,801,638	8,783,827
Other non current assets	-	13,803,760
Total assets	10,513,969	24,864,202
Current liabilities	1,612,878	2,278,330
Non-current liabilities	20,670	1,933,191
Total liabilities	1,633,548	4,211,521
Net Assets	8,880,421	20,652,681

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

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Minimum tenement exploration expenditure	325,500	3,731,625	-	-
Tenement lease payment	16,560	110,340	-	-
	342,060	3,841,965	-	-

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately \$0.34 million over the remaining term of the tenements.

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

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

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

**20. CONTINGENT LIABILITIES**

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

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

**21. EVENTS SUBSEQUENT TO BALANCE DATE**

At the date of this report, there are no other matters or circumstances which have arisen since 31 December 2014 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2014, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2014, of the Group.

**22. EARNINGS/LOSS PER SHARE****Earnings/(Loss) Per Share**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>Cents</b>	<b>Cents</b>
Basic (loss)/earnings per share	<b>(8.86)</b>	(1.12)
Fully diluted (loss)/earning per share	<b>(4.74)</b>	(1.11)
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	<b>(17,063,098)</b>	(1,640,205)
	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share:	<b>192,676,632</b>	146,222,166
Adjustments for calculation of diluted earnings per share:		
Options issued	<b>1,800,000</b>	1,800,000
Convertible note	<b>165,484,634</b>	7,333,333
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<b>359,961,266</b>	155,355,499

**23. KEY MANAGEMENT PERSONNEL DISCLOSURES**

- a. The following persons were Directors of the Company during the financial year unless otherwise stated.
- John Dawkins Non-Executive Chairman
  - Michael Leu Acting Chief Executive Officer
  - Simon Bird Managing Director (appointed 23 February 2015)
  - Bruce Dennis Non-Executive Director (appointed 17 November 2014)
  - Rado Jacob Rebek Non-Executive Director
  - Julian Malnic Non-Executive Director (appointed 17 February 2014, retired 22 July 2014)
  - Peter Meers Non-Executive Director (retired on 24 December 2014)
- b. The following persons were other key management personnel of the Company during the financial year:
- Henry Kinstlinger Joint Company Secretary
  - Julian Rockett Joint Company Secretary
  - Benjamin Amzalak Investor Relationship Officer
  - Francis Choy Chief Financial Officer

**c. Compensation of Key Management Personnel**

	<b>Consolidated</b>		<b>Parent Entity</b>	
<b>Directors</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short term employee benefits	<b>219,341</b>	280,237	<b>107,941</b>	260,037
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<b>219,341</b>	280,237	<b>107,941</b>	260,037
<b>Other Key Management Personnel</b>				
Short term employee benefits	<b>105,625</b>	42,000	<b>62,660</b>	42,000
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<b>105,625</b>	42,000	<b>62,660</b>	42,000

**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 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**

	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 2013</b>						
<b>Director</b>						
John Dawkins	27,273	-	-	-	-	27,273
Michael Leu	157,800	10,800	-	-	-	168,600
Peter Meers	61,364	-	-	-	-	61,364
Rado J Rebek	23,000	-	-	-	-	23,000
Total - Directors	269,437	10,800	-	-	-	280,237
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	42,000	-	-	-	-	42,000
Francis Choy	-	-	-	-	-	-
Total - KMP	42,000	-	-	-	-	42,000
	\$	\$	\$	\$	\$	\$
<b>Parent Entity 2013</b>						
<b>Director</b>						
John Dawkins	27,273	-	-	-	-	27,273
Michael Leu	157,800	10,800	-	-	-	168,600
Peter Meers	61,364	-	-	-	-	61,364
Rado J Rebek	2,800	-	-	-	-	2,800
Total - Directors	249,237	10,800	-	-	-	260,037
<b>Key Management Personnel</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Benjamin Amzalak	42,000	-	-	-	-	42,000
Francis Choy	-	-	-	-	-	-
Total - KMP	42,000	-	-	-	-	42,000

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>	
John Dawkins	-	3,100,000	-
Michael Leu	7,675,000	-	-
Simon Bird	-	-	-
Bruce Dennis	2,250,000	2,277,000	-
Rado Jacob Rebek	-	-	-

**Shares held in Sovereign Gold Company Limited - 2014**

<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	-	-	-

**Other Key Management Personnel**

Henry Kinstlinger	20,000	-	20,000
Julian Rockett	-	-	-
Benjamin Amzalak	-	-	-

**Shares held in Sovereign Gold Company Limited - 2013**

<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	-	100,000
Michael Leu	7,175,000	-	7,175,000
Peter Meers <sup>1</sup>	40,010,000	-	40,010,000
Rado Jacob Rebek	-	-	-
<b>Other Key Management Personnel</b>			
Henry Kinstlinger	20,000	-	20,000
Julian Rockett	-	-	-
Benjamin Amzalak	-	-	-
David Hughes <sup>2</sup>	30,000	(30,000)	-

**23. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED****Options held in Sovereign Gold Company Limited – 2014**

<b>Directors</b>	<b>Nature</b>	<b>Balance at beginning of year</b>	<b>Expired during the year</b>	<b>Balance at end of year</b>
John Dawkins	ESOP	-	-	-
Michael Leu	ESOP	-	-	-
Bruce Dennis	ESOP	-	-	-
Rado Jacob Rebek	ESOP	-	-	-
<b>Other Key Management Personnel</b>				
Henry Kinstlinger	ESOP	-	-	-
David L Hughes	ESOP	-	-	-
Benjamin Amzalak	ESOP	-	-	-
Francis Choy	ESOP	-	-	-
		-	-	-

**Options held in Sovereign Gold Company Limited – 2013**

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

**24. REMUNERATION OF AUDITORS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<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>34,475</b>	50,520	<b>25,750</b>	27,505
<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>2,300</b>	16,500	<b>1,150</b>	8,545
Advisory Services	<b>10,000</b>	1,225	-	1,225
	<b>12,300</b>	17,725	<b>1,150</b>	9,770

**25. SHARE BASED PAYMENTS**

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

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Vested and exercisable at beginning of the year	-	6,500,000	-	6,500,000
Granted during the year	-	-	-	-
Expired during the year	-	(6,500,000)	-	(6,500,000)
Vested and exercisable at end of year	-	-	-	-
<i>Option expenses</i>				
Share options granted	-	-	-	-
Expense recognised as costs	-	-	-	-
Deducted from equity	-	-	-	-
Fair Value per option at grant time	-	-	-	-

**Share based payments 2013**

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

Weighted average exercise price 30 cents

**26. 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 2014:

<i>Corporate Services Fee</i>	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Corporate Services Fee	<b>883,800</b>	1,405,625	<b>440,400</b>	440,000

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

**e. Outstanding Balance**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Receivable</b>				
<b>Current</b>				
Advance to other parties	-	812,550	-	516,071
<b>Non-current</b>				
Advance to controlled entities	-	-	<b>5,705,411</b>	4,216,226
<b>Payable</b>				
Advance from controlled entities	-	-	-	-
Advance from related entities	<b>619,391</b>	821,806	<b>619,391</b>	-

**Advance to other parties**

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

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

Advance to controlled entities are non-interest bearing, no securities and has no fixed repayment term.

None were written down during the year.

**Advance from related entities**

An interest bearing advance \$619,391 (2013:\$821,806) was borrowed from Hudson Corporate Limited during the year. The advance is secured by shares and has a fixed repayment date.

**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 2014 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 2014, 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:



**Michael Leu**  
**Chief Executive Officer**



**John Dawkins**  
**Non-Executive Chairman**

Signed at Sydney  
30 March 2015

**Independent Auditor's Report  
To the Members of  
Sovereign Gold Limited  
A.B.N. 12 145 184 667  
And Controlled Entities**

### ***Report on the Financial Report***

We have audited the accompanying financial report of Sovereign Gold Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2014, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Report***

The director's of the company are responsible for the preparation of the 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 to preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, 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 (IFRS).

### ***Auditor's Responsibility***

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

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 the directors, 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 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 Limited is in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of the company and consolidated entity's financial positions as at 31 December 2014 and of their performance for the year ended on that date; and
  - ii. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### ***Material Uncertainty Regarding Continuing as a Going Concern***

Without qualifying our opinion, we draw attention to Note 1 in the financial report which shows that the financial report has been prepared on a going concern basis. We note that the consolidated entity incurred a net loss of \$17,063,098 for the year ended 31 December 2014 and as of that date; the group had cash of \$11,857, current assets of \$1,689,922 and current liabilities of \$1,612,878. We also draw attention to Note 10: Mining Tenements which includes details the current status of all current tenements and note that additional funds through capital raising or disposal of assets is required to maintain these tenements. These conditions, indicate the existence of a material uncertainty which may cast doubt on the group's ability to continue as a going concern.

## ***Report on the Remuneration Report***

We have audited the remuneration report included on pages 25-28 of the attached report for the year ended 31 December 2014. 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.

## ***Auditor's Opinion***

In our opinion the remuneration report of Sovereign Gold Limited for the year ended 31 December 2014 complies with s 300A of the *Corporations Act 2001*.

**K.S. Black & Co**  
**Chartered Accountants**



**Sam Danieli**  
**Partner**

30 March 2015



## SHAREHOLDER INFORMATION

As at 27 February 2015

### 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	Hudson Resources Limited	77,400,000	25.35%
2	Raffles Capital Limited	35,721,325	11.70%
3	Bergen Global Opportunity Fund Li Llc	32,671,536	10.70%

### B. Distribution of Equity Securities

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	22	2,829	0.00
1,001 - 5,000	68	233,054	0.08
5,001 - 10,000	236	2,240,589	0.73
10,001 - 100,000	326	13,509,518	4.43
100,001 - and above	156	289,279,779	94.76
Rounding			0.00
Total	808	305,265,769	100.00

### C. Unmarketable Parcels

	Minimum Parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0040 per unit	125,000	660	16,857,569

### D. Twenty Largest Shareholders

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

Rank	Name	Units	% of Issued Capital
1	Hudson Resources Limited	77,400,000	25.35%
2	Raffles Capital Limited	35,721,325	11.70%
3	Bergen Global Opportunity Fund Li Llc	32,671,536	10.70%
4	Mr Trevor Niel Hay	8,927,890	2.92%
5	Michael Roby Leu	7,675,000	2.51%
6	Dr Leon Eugene Pretorius	6,907,778	2.26%
7	Mr Li Ren	6,000,000	1.97%
8	Agus Setiawan + Juliawaty Tanuwidjaja	6,000,000	1.97%
9	Mr Bashir Hussain Khushi	5,000,000	1.64%
10	Miss Qiuli Tan	4,940,199	1.62%
11	Hudson Corporate Limited	4,793,440	1.57%
12	Russell Lay	4,095,534	1.34%
13	Mr Geng Do Lou	4,000,000	1.31%
14	Mr Brennan Paul Westworth	4,000,000	1.31%
15	Code Nominees Pty Ltd <Mata>	3,884,234	1.27%
16	Tempranillo Investments Pty Ltd <Running With Bulls Sf A/C>	3,375,000	1.11%
17	Innisfree Australia Pty Ltd	3,000,000	0.98%
18	Dr Colin Rose	2,800,000	0.92%
19	Mr Antonius Budi Setiawan	2,700,000	0.88%
20	Mr Florian Wilms	2,298,000	0.75%
<b>Total:</b>	<b>Top 20 holders of ordinary shares (Total)</b>	<b>226,189,936</b>	<b>74.1%</b>
	<b>Total remaining holders balance</b>	<b>79,075,833</b>	<b>25.9%</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
Options	\$0.2491	16-Dec-16	1,800,000	1	Bergen Global Opportunity Fund II, LLC	100%

**F. Voting Rights**

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

**G. Tenement Schedule**

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

Tenement No.	Location	Square Kms	Registered Owner/ Applicant/ Assignee	% Interest
EL 6483	Rocky River-Uralla	165	Biacil Holdings Pty Ltd	53.5%
EL 4474	Halls Peak	12	SOC1 Pty Ltd	100%
EL 5339	Halls Peak	15	SOC1 Pty Ltd	100%
ELA 5138	Weabonga	117	SOC2 Pty Ltd	100%
EL 8056	Weabonga	300	IRGS Northen Gold Pty Ltd	100%
EL 7770	Tarnworth	300	IRGS Northen Gold Pty Ltd	100%
EL 7768	Bundarra	300	Sugec Resources Ltd	53.5%
EL 7491	Uralla	300	Sugec Resources Ltd	53.5%
EL 7679	Halls Peak	96	Sugec Resources Ltd	53.5%

Mount Adrah Gold Limited, Sovereign Gold's 99.5% owned subsidiary, holds the tenement interests as described:

EL 6372	Mt Adrah	30	Tasman Goldfields NSW Pty Ltd	99.5%
ELA 4868 / EL 8218	Mt Adrah – Extended 3	174	Mount Adrah Gold Ltd	100%
EL 7844	Mt Adrah	60	Mt Adrah Gold Ltd	100%
EL 8127	Mt Adrah	300	Mt Adrah Gold Ltd	100%
EL 8219	Mt Adrah	126	Mt Adrah Gold Ltd	100%

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**SOVEREIGN GOLD  
COMPANY LIMITED**

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