



SOVEREIGN GOLD
COMPANY LIMITED

ACN 145 184 667

Interim Financial Report
for the half-year ended 30 June 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by Sovereign Gold Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Sovereign Gold Company Limited

ACN 145 184 667
ABN 12 145 184 667

Registered Office

Sovereign Gold Company Ltd
c/- Bennet & Co.
Ground Floor
BGC Centre
28 The Esplanade
Perth WA

Principal Place of Business

Suite 7
234 Churchill Ave
Subiaco WA 600

Telephone: +61 8 6500 6872

Website: www.sovereigngold.com.au

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Telephone: +61 8 6382 4600

Lawyers

Bennett & Co
Ground Floor
BGC Centre
28 The Esplanade
Perth WA 6000

Bankers

National Australia Bank Limited
Ground Floor
100 St George's Terrace
Perth WA, 6000

Directors

Charles Thomas (Non-Executive Chairman)
Rocco Tassone (Managing Director)
Patrick Glovac (Director)

Company Secretary

Henry Kinstlinger

Share Registry

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

ASX Code – SOC

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

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

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

Review of Operations

Corporate

The Company reported on 22 January 2016 that it held approximately \$30,000 in cash and to remedy this low cash position the Company placed 38,765,713 shares to sophisticated and professional investors at an issue price of A\$0.00224 each.

In January 2016, the Company commenced a review of the Company's asset portfolio.

On 1 March 2016, Mr Charles Thomas was elected Chairman of the Company following the retirement of Simon Bird as director on 29 February 2016.

On 17 March 2016, the Company advised the appointment of Mr Rocco Tassone as Managing Director.

In March 2016, the Company completed an unmarketable parcels share sale. 315 shareholders agreed to sell their shares and 8,078,960 shares were sold. The shares were sold to unrelated professional and sophisticated investors at \$0.003 per share.

On 30 March 2016, the Company advised that it had received an R&D Tax Incentive Offset Refund in the amount of \$1,530,848 (net of costs) for the Financial Years 2012, 2013 and 2014 with respect to its Core R&D Activity, "Development of IRGS diagnostic mineralisation characteristics".

On 12 May 2016, the Company advised that the strategic review, which commenced in January 2016, had been completed and that gold and lithium were identified as priority resources.

On 20 May 2016, the Company advised that it had entered into an option agreement with Nevliith Pty Ltd to acquire 100% of the highly prospective 111 Clayton Valley Lithium claims in Nevada, USA. The Company subsequently exercised its option on 9 August 2016 and issued 12,500,000 fully paid ordinary shares and 12,500,000 options exercisable at \$0.006 on or before 5 August 2019 in consideration of 111 lithium claims in Nevada, USA.

The Company will allot and issue a further 35 million fully paid ordinary shares or A\$175,000 at the discretion of Sovereign Gold upon confirmation of a JORC-compliant inferred lithium carbonate resource of at least 300,000 tonnes from the ground comprising the claims.

On 24 May 2016, the Company advised that it had completed a rights issue, raising \$1,180,842 through the issue of 393,613,914 shares.

On 31 May 2016, the Company held its Annual General Meeting. All resolutions other than the election of Brennan Westworth as director were passed on a poll.

On 10 June 2016, the Takeovers Panel received an application in relation to the affairs of the Company. The Takeovers Panel made final orders on 18 July 2016. The Takeovers Panel found the three directors of the Company together with ASX Listed Applabs Technologies Limited (a company with the same directors as the Company) were associated in relation to the affairs of the company.

The Takeovers Panel required that 22,901,234 shares in the Company held by associated parties (representing 1.6% of the total shares on issue) were to be vested in ASIC to sell.

Final Orders did not directly affect the Company.

On 22 June 2016, the Company secured an option over 217 claim units in the Crescent Lake lithium deposits in Canada.

The reporting period closed with a cash position in the order of \$2.3 million.

Operations

The Company commenced a strategic review of its exploration assets in January 2016. The review concluded in May 2016.

Clayton Valley, USA

The Clayton Valley project area covers approximately 3,000 acres and currently comprises two Lithium Target Horizons contained within beds and brines. It is located within 10 kilometres of the largest lithium producer in the USA, producing since 1967, Albemarle Corp (NYSE: ALB) Market Cap US\$8.55bn and 400 kilometres (3.5 hour drive) from the Tesla Mega-Factory (world's largest Lithium based battery manufacturer). Tesla has publicly stated that they wish to source as many raw materials as possible from North America to build a viable domestic supply chain and minimise transportation costs.

Crescent Lake, Canada

The Company has acquired 317 Claim Units (28 Claims) encompassing 5,072 hectares (50.72 km²) within the Crescent Lake Lithium Prospects in Ontario, Canada. The Sovereign Gold claims extend northeast 11.5 kms from its contact with the north-western boundary of Arden Ltd's (ASX:ADV) Seymour Lake Lithium Project to Argonaut Resources Ltd's (ASX:ARE) Zigzag claims (Crescent Lake area) that contain lithium-bearing pegmatites. The mineral claims contain four deposits that comprise hard rock, lithium-bearing pegmatites.

Further underexplored holdings have potential to discover additional lithium-bearing deposits. The known outcrop of lithium-bearing pegmatites are currently being evaluated and assessed for potential open-cut mining.

Australian Exploration Assets

No exploration activities were conducted during the reporting period on the Rocky River-Uralla Gold Project, Mount Adrah Gold Project or the Halls Peak, Zinc Project.

Subsequent to the reporting period, the Company is reviewing the results of the strategic review and is developing programs across its Australian Exploration Assets. These programs have been and will continue to be advised to the ASX.

Mount Adrah Gold – Currently valuable geophysical and geochemical databases are being processed with advanced modern software technology. An extensive 3,900 line kilometers of high-resolution airborne magnetic and radiometric surveys are being processed. The Company is confident that interpretation of this data will lead to potentially another Hobbs Pipe style mineralisation and assist in targeting additional shallow high-grade reef structures.

The Company has engaged surveyors to survey pertinent areas around the target zone to enable Cadre Consultants to pin point drill collar locations projected from their 3D modelling of high grade reefs. Results are expected shortly and a drill program to be announced following the interpretation of this data.

Halls Peak – A second significant VTEM anomaly for drilling at Halls Peak base zinc target has been identified.

Halls Peak is the inferred volcanic centre for extensive small but high grade Volcanic Massive Sulphide (VMS) deposits rich in copper, lead, zinc and silver. Current exploration aims to locate the right depositional environment to host a large scale, high-grade base metal deposit. Several geochemical and geophysical anomalies are also present that identify further high grade, near-surface sulphides.

Additional to the VMS prospectivity, there are indications for the presence of orogenic gold from breccia floaters and small pods of Au-rich quartz.

Right geological setting, Halls Peak base metal province located in an area (4 x 5km) of historic high grade massive sulphide mines. Several shallow, small high grade massive sulphide bodies have already been discovered. Halls Peak has potential to host a large base metal deposit.

The flat lying VTEM conductor around the old Sunnyside Mine fits a typical SEDEX deposit model. Consultant Geophysicists have interpreted this conductor to host sulphides.

Director's Report

Your directors present their report together with the financial statements on the parent entity and the consolidated entity (referred to hereafter as the Group) consisting of Sovereign Gold Company Limited (the Company) and the entities it controlled at the end of or during the period ended 30 June 2016 and the Auditor's Review Report thereon.

Principal activities	The principal continuing activities of the Group during the reporting period were conducting gold and base metals exploration and development programs.
Review of operations	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 4 to 5 of this report.
Financial performance	The net consolidated operating loss of the Group for the six months ended 30 June 2016 was \$ 546,839 (2015: operating loss \$817,671). Net assets of the Group at 30 June 2016 were \$4,830,034.
Dividends	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

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

Charles Thomas	Non-Executive Chairman	
Rocco Tassone	Managing Director	Appointed 14 July 2015
Patrick Glovac	Non Executive Director	
Simon Bird	Managing Director	Retired 29 February 2016

Subsequent Events

Subsequent to the reporting period, the Company is reviewing the results of a strategic review that it conducted during the reporting period and is developing programs across its Australian Exploration Assets. These programs have been and will continue to be advised to the ASX.

On 9 August 2016 the Company issued 12,500,000 fully paid ordinary shares and 12,500,000 Options exercisable at AU\$0.006 on or before 5 August 2019 in consideration of the acquisition of 111 lithium claims in Nevada, USA.

Title in the 111 Claims has been transferred to Sovereign Gold Nevada Inc., the Company's 100% owned US subsidiary.

The Company will allot and issue a further 35,000,000 fully paid ordinary shares OR AU\$175,000 at the discretion of Sovereign Gold upon confirmation of a JORC-complaint inferred lithium carbonate resource of at least 300,000 tonnes from the ground comprising the claims.

The Takeovers Panel made final orders on 18 July 2016. The Takeovers Panel found the three directors of the Company together with ASX Listed Applabs Technologies Limited (a company with the same directors as the Company) were associated in relation to the affairs of the company.

The Takeovers Panel required that 22,901,234 shares in the Company held by associated parties (representing 1.6% of the total shares on issue) were to be vested in ASIC to sell.

Final Orders did not directly affect the Company.

Directors' Report (continued)

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.

Sovereign Gold Environmental Code of Practice for Mineral Exploration

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

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

Access to Land

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

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

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

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

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

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

Type of Land

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

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

Directors' Report (continued)

Qualifying Statements

The information in the release that relates to Exploration Information is based on information compiled by Michael Leu who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

Mr Leu is a qualified geologist and former director of Sovereign Gold Company Limited.

The information relating to Exploration Information released prior to July 2013 as prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information relating to Exploration Information released subsequent to July 2013 was prepared under the JORC Code 2012.

Mr Leu has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources. Mr Leu consents to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

JORC Code Compliant Public Reports

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

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

Issue Date	Title of notice as Lodged with ASX
01/09/16	Second Significant VTEM Anomaly for Drilling at Halls Peak
16/08/16	Exploration Status Report
30/06/16	Canadian Geological Team Appointed - Crescent Lake Lithium
24/06/16	Nevada Lithium Project - Update
22/06/16	Crescent Lake Lithium Deposits Acquisition - Canada
10/06/16	Sovereign Gold to acquire Nevada Lithium Project
31/05/16	Clayton Valley Lithium Option Extended
31/05/16	Chairman's Address - AGM 31 May 2016
25/05/16	Clayton Valley Lithium Project - Clarification & Retraction
20/05/16	Lithium Option Agreement - Nevada
12/05/16	Lithium and Gold Direction
2/05/16	Quarterly Activities Report
20/04/16	Company Update April 2016
19/02/16	Halls Peak Exploration Update
11/02/16	Halls Peak Cooperative Drilling Update
28/01/16	SOC Quarterly Report
22/01/16	Strategic Review and Placement

Tenement List

Tenement No.	Location
New South Wales	
EL 6483**	Armidale
EL 6372*	Adelong
EL 7844*	Gundagai
EL 7491**	Armidale

EL 5339	Halls Peak
EL 4474	Halls Peak
EL 7679**	Halls Peak
Nevada Lithium Project (111 Mining Claims NMC 1125134 - NMC 1125244)	Clayton Valley, Nevada USA


Auditor's Independence Declaration

A copy of the independence declaration by the auditor BDO Audit (WA) Pty Ltd under section 307C is included on page 10 of this half year financial report.

Signed in accordance with a resolution of the Directors:



Charles Thomas
Non Executive Chairman



Rocco Tassone
Managing Director

13 September 2016

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF SOVEREIGN GOLD COMPANY LIMITED

As lead auditor for the review of Sovereign Gold Company Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 13 September 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sovereign Gold Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sovereign Gold Company Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Sovereign Gold Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 13 September 2016

Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 14 to 24, are in accordance with the *Corporations Act 2001*, and:
 - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and of its performance for the half-year ended on that date; and
 - ii comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Rocco Tassone
Managing Director



Patrick Glovac
Director

Perth
13 September, 2016

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

for the Half-Year Ended 30 June 2016

	Notes	Consolidated Half-year ended 30 Jun 2016 \$	Half-year ended 30 Jun 2015 \$
REVENUE			
Other income	3	546,449	66,896
Administration and exploration option expenses	3	(697,351)	(791,425)
Share Based payments	10	(518,000)	-
Finance expenses	3	122,281	(91,995)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX EXPENSE		(546,621)	(816,524)
Income tax expense		-	-
NET PROFIT/(LOSS) AFTER TAX FOR THE PERIOD		(546,621)	(816,524)
Other Comprehensive Income			
Other comprehensive income before income tax		-	-
Income tax expense		-	-
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(546,621)	(816,524)
Comprehensive loss attributable to non-controlling interests		(218)	(1,147)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS OF PARENT ENTITY		(546,839)	(817,671)
EARNINGS PER SHARE		Cents	Cents
Basic earnings/(losses) per share (cents per share)		(0.05)	(0.26)
Diluted earnings/(losses) per share (cents per share)		(0.05)	(0.26)

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

Condensed Consolidated Statement of Financial Position

as at 30 June 2016

		Consolidated	
	Notes	As at 30 Jun 2016 \$	As at 31 Dec 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	2,323,689	60,339
Trade and other receivables	5	313,730	177,843
Financial assets		140,902	16,267
Other current assets		-	586
Total current assets		<u>2,778,321</u>	<u>255,035</u>
Non-current assets			
Exploration and evaluation expenditure	6	2,144,742	3,508,287
Plant and equipment		5,146	10,218
Total non-current assets		<u>2,149,888</u>	<u>3,518,505</u>
Total Assets		<u>4,928,209</u>	<u>3,773,540</u>
LIABILITIES			
Current liabilities			
Trade and other payables	7	78,175	164,908
Total current liabilities		<u>78,175</u>	<u>164,908</u>
Non-current liabilities			
Trade and other payable	7	20,000	20,000
Total non-current liabilities		<u>20,000</u>	<u>20,000</u>
Total Liabilities		<u>98,175</u>	<u>184,908</u>
Net Assets		<u>4,830,034</u>	<u>3,588,632</u>
EQUITY			
Issued capital	8	29,610,388	28,266,147
Reserves		3,102,887	2,658,887
Accumulated losses		(28,409,794)	(27,863,173)
		<u>4,303,481</u>	<u>3,061,861</u>
Non-Controlling interest		526,553	526,771
Total Equity		<u>4,830,034</u>	<u>3,588,632</u>

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

Condensed Consolidated Statement of Changes in Equity

for the Half-Year Ended 30 June 2016

Consolidated		Issued Capital	Reserves	Accumulated Losses	Non-controlling Interest	Total Equity
	Notes	\$	\$	\$	\$	\$
Balance at 31 Dec 2014		26,867,404	2,901,694	(21,125,718)	237,041	8,880,421
Loss attributable to owners of Sovereign Gold Company Limited		-	-	(816,524)	-	(816,524)
Loss attributable to non-controlling interests		-	-	-	(1,147)	(1,147)
Other comprehensive Income		-	-	-	-	-
Total Comprehensive Income		-	-	(816,524)	(1,147)	(817,671)
Transactions with owners in their capacity as owners						
Issue of shares		346,528	-	-	-	346,528
Share issue cost		(4,106)	-	-	-	(4,106)
		342,422	-	-	-	342,422
Balance at 30 Jun 2015		27,209,826	2,901,694	(21,942,242)	235,894	8,405,172
Consolidated						
	Notes	\$	\$	\$	\$	\$
Balance at 31 Dec 2015		28,266,147	2,658,887	(27,863,173)	526,771	3,588,632
Loss attributable to owners of Sovereign Gold Company Limited		-	-	(546,621)	-	(546,621)
Loss attributable to non-controlling interests		-	-	-	(218)	(218)
Other comprehensive Income		-	-	-	-	-
Total Comprehensive Income		-	-	(546,621)	(218)	(546,839)
Transactions with owners in their capacity as owners						
Issue of shares		1,347,880	-	-	-	1,347,880
Share issue cost		(3,639)	-	-	-	(3,639)
Issue of options			444,000			
		1,344,241	444,000	-	-	1,788,241
Balance at 30 Jun 2016		29,610,388	3,102,887	(28,409,794)	526,553	4,830,034

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

Condensed Consolidated Statement of Cash Flows

for the Half-Year Ended 30 June 2016

	Notes	Consolidated Half-year ended 30 Jun 2016 \$	Half-year ended 30 Jun 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		81,002	26
Other Income		83,786	-
Payments for administration and exploration option expenses		(725,157)	(379,921)
R&D Grant (net of costs)		228,435	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		(331,934)	(379,895)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceed from disposal of investment		5,890	1,100,000
Advance to other parties		-	(825,000)
Advance / Repayment from other parties		-	393,210
Payment for exploration and evaluation expenditure		(167,303)	(234,480)
R&D Grant offset against exploration and evaluation (net of costs)		1,530,848	-
Payment for equity investments		(44,392)	-
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		1,325,043	433,730
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements		1,273,879	146,528
Share issuing costs		(3,638)	(4,106)
Redemption of convertible note		-	(200,000)
NET CASH FLOWS (USED IN)/PROVIDED BY FINANCING ACTIVITIES		1,270,241	(57,578)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		2,263,350	(7,743)
Cash and cash equivalents at the beginning of the reporting period		60,339	11,857
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4	2,323,689	4,114

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

Notes to the Financial Statements

for the Half-Year Ended 30 June 2015

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

Reporting Entity

Sovereign Gold Company Limited (the Company) is a company domiciled in Australia. The condensed consolidated financial report of the Company as at and for the six months ended 30 June 2016 comprises the Company and its controlled entities (together referred to as the consolidated entity).

Statement of Compliance

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

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

Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 30 June 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. There were no new standards issued since 31 December 2015 that have been applied by Sovereign Gold Company Limited. The 31 December 2015 Annual Report disclosed that Sovereign Gold company Limited anticipated no new material impacts arising from initial application of those standards but not yet applied at that date, and this remains the assessment as at 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS continued
for the Half-Year Ended 30 June 2016

3. REVENUE AND EXPENSES

Specific Items

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

	Consolidated	
	Half-year ended 30 Jun 2016	Half-year ended 30 Jun 2015
	\$	\$
Other Income		
Interest income	81,002	26
Waiver on payable	-	200,046
Profit / (loss) on disposal of investment	(2,197)	(161,186)
Security deposit refunds	80,400	
R&D Grant received (Previous subsidiary)	387,244	28,010
	<u>546,449</u>	<u>66,896</u>
Administrative and exploration expenses		
Consulting and staff costs	409,296	168,095
Exploration expenditure Impaired	105,241	289,073
Other administrative expenses	182,814	334,257
	<u>697,351</u>	<u>791,425</u>
Finance expenses		
Bad debt reversal ⁽ⁱ⁾	175,000	-
Change in fair value of investments	(47,277)	-
Other expenses	(5,442)	(91,995)
	<u>122,281</u>	<u>(91,995)</u>

(i) The credit amount is a reversal of a bad debt provision from the previous period of \$175,000

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	As at 30 Jun 2016	As at 31 Dec 2015
	\$	\$
Cash at bank and In hand	2,323,689	60,339
	<u>2,323,689</u>	<u>60,339</u>

5. TRADE AND OTHER RECEIVABLES

	Consolidated	
	As at 30 Jun 2016	As at 31 Dec 2015
	\$	\$
Current		
Receivables – other parties	58,196	175,000
Provision for doubtful debt	-	(175,000)
Receivable –other	6,375	(302)
Receivable – tenement deposit	150,065	170,000

NOTES TO THE FINANCIAL STATEMENTS continued
for the Half-Year Ended 30 June 2016

Receivables – GST	9,094	8,145
Term Deposit – bank guarantee	90,000	-
	<u>313,730</u>	<u>177,843</u>

6. EXPLORATION & EVALUATION

	As at 30 Jun 2016	As at 31 Dec 2015
Balance at beginning of the period	3,508,287	8,801,638
Capitalised exploration expenditure incurred during the period	66,091	6,649
Capitalised acquisition – 111 Clayton Valley Nevada	101,212	
Impairment expense	-	(5,300,000)
R&D grant credit	(1,530,848)	-
	<u>2,144,742</u>	<u>3,508,287</u>

The ultimate recoupment of costs carried forward for exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the respective areas.

7. TRADE AND OTHER PAYABLES

	Consolidated	
	As at 30 Jun 2016	As at 31 Dec 2015
Current		
Trade payables	8,789	88,053
Accrued payables	69,386	16,455
Advance from other entity	-	60,400
	<u>78,175</u>	<u>164,908</u>
Non-current		
Advance from non related entity	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

NOTES TO THE FINANCIAL STATEMENTS continued
for the Half-Year Ended 30 June 2016

8. ISSUED CAPITAL

	Six months to 30 June 2016		Year to 31 December 2015	
	Number of Shares Ordinary Shares 1,398,060,992	\$ 29,610,388	Number of Shares Ordinary Shares 953,348,034	\$ 28,266,147
(a) Movements during the period				
Balance	953,348,034	28,266,147	257,984,445	26,867,404
Convertible note conversion	-	-	42,281,324	200,000
Share purchase plan	-	-	91,579,730	146,528
Non renounceable Entitlement Issue	393,613,914	1,180,842	-	-
Share placement	38,765,711	93,038	515,899,149	1,031,798
Share issued – Adviser	12,333,333	74,000	40,603,386	90,342
Sharing issuing costs		(3,639)	-	-
Balance	1,398,060,992	29,610,388	953,348,034	28,266,147

(b) Options

120 million options - Exercise price \$0.004 expiring 30 June 2019, were granted on the 31 May 2016. These were issued to Directors, Chief Geologist, Company Secretary and Company Advisor pursuant to approval received from shareholders at the Company's 2016 Annual General meeting. Using the Black Scholes method these options were valued at \$444,000. See also Note 9

(c) Terms and Conditions

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the Half-Year Ended 30 June 2016

9. SHARE BASED PAYMENTS

The following share-based payments arrangements were in existence during the current period (Nil 2015):

Options

Options Series	Number	Grant Date	Expiry date	Exercise Price	Fair Value at Grant Date
(1) 30 June 2016	120,000,000	31 /5/2016	30/6/2019	\$0.004	\$0.0037 (2)

(1) The following issue of options were approved at The Company's Annual General meeting held 31 May 2016 :

- 35 million unlisted options were issued to Managing Director Rocco Tassone
- 35 million unlisted options were issued to Director Charles Thomas
- 35 million unlisted options were issued to Director Patrick Glovac
- 5 million unlisted options were issued to Company geologist and former Director Michael Leu
- 5 million unlisted options were issued to Company Secretary
- 5 million unlisted options were issued to a Company Advisor

(2) fair value of the unlisted options was determined using the Black Scholes Method. Total value of the options expense is \$444,000. Inputs used to determine the valuation were:

Number of Options: 120,000,000

Share Price: \$0.005

Exercise Price: \$0.004

Expected Volatility: 120%

Expiry date (years): 3

Expected dividend yield: nil

Risk free rate: 1.63%

Shares

Date	Number
21 and 22 June 2016	12,333,333

These shares were paid to Advisors with respect to the acquisition of the Crescent Lake Lithium Deposit in Canada. Total value of \$74,000 is based upon services provided.

The total expenses of the share based payments for the period is \$ 518,000

10. CONTINGENT LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS continued
for the Half-Year Ended 30 June 2016

11. SEGMENT REPORTING

The consolidated entity during the first half of 2016 has commenced business in the US and Canada.

As a result segment reporting will be done by geographical location, Exploration Australia, Exploration Canada, Exploration US and Corporate.

30 June 2016	Exploration Australia	Exploration Canada	Exploration US	Corporate	Total
	\$	\$	\$	\$	\$
Segment performance					
Profit/(Loss) before Income Tax	(4,039)	(105,241)	-	(437,341)	(546,621)
Segment Assets					
Cash	3,904	-	-	2,319,785	2,323,689
Exploration and evaluation	2,043,530	-	101,212	-	2,144,742
Other	156,099	-	-	303,679	459,778
Total segment Assets	2,203,534	-	101,212	2,623,680	4,928,209
Segment Liabilities					
Creditors	11,323	-	-	66,852	78,175
Other	20,000	-	-	-	20,000
Total segment liabilities	31,323	-	-	66,852	98,175
30 June 2015					
Segment performance					
Profit/(Loss) before Income Tax	(288,181)	-	-	(528,343)	(816,524)
Segment Assets					
Cash	3,174	-	-	940	4,114
Exploration and evaluation	8,773,130	-	-	-	8,773,130
Other	193,416	-	-	881,987	1,075,403
Total segment Assets	8,969,719	-	-	882,928	9,852,647
Segment Liabilities					
Creditors	181,677	-	-	1,244,651	1,426,328
Other	20,000	-	-	-	20,000
Total segment liabilities	201,677	-	-	1,244,651	1,446,328

NOTES TO THE FINANCIAL STATEMENTS continued
for the Half-Year Ended 30 June 2016

12. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the reporting period, the Company is reviewing the results of a strategic review that it conducted during the reporting period and is developing programs across its Australian Exploration Assets. These programs have been and will continue to be advised to the ASX.

On 9 August 2016 the Company issued 12,500,000 fully paid ordinary shares and 12,500,000 Options exercisable at AU\$0.006 on or before 5 August 2019 in consideration of the acquisition of 111 lithium claims in Nevada, USA.

Title in the 111 Claims has been transferred to Sovereign Gold Nevada Inc., the Company's 100% owned US subsidiary.

The Company will allot and issue a further 35,000,000 fully paid ordinary shares OR AU\$175,000 at the discretion of Sovereign Gold upon confirmation of a JORC-complaint inferred lithium carbonate resource of at least 300,000 tonnes from the ground comprising the claims.

The Takeovers Panel made final orders on 18 July 2016. The Takeovers Panel found the three directors of the Company together with ASX Listed Applabs Technologies Limited (a company with the same directors as the Company) were associated in relation to the affairs of the company.

The Takeovers Panel required that 22,901,234 shares in the Company held by associated parties (representing 1.6% of the total shares on issue) were to be vested in ASIC to sell.

Final Orders did not directly affect the Company.