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ASX: SOC

Qualifying Statements

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

Mr Leu is a qualified geologist and is the Chief Geologist of Sovereign Gold Company Limited.

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

The information in this announcement that relates to geophysical reporting and interpretation is based on results and interpretations compiled by Dr. Alexander Prikhodko, P. Geo., PhD, Senior Geophysicist, VTEM Interpretation Supervisor, Geotech Ltd. Dr. Alexander Prikhodko is a practising Member of the Association of Professional Geoscientists of Ontario, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time and consents to the inclusion in this report of the geophysical information and interpretation in the form and context in which it appears

ASX Release
1 September 2016

Second Significant VTEM Anomaly for Drilling at Halls Peak Base Zinc Target

- Airborne VTEM survey defined an anomalous conductive zone within EL7679
- "Geologically the steeply dipping conductors likely reflect faults which could be channels for sulfur solutions transportation (feeding channels); and adjacent subhorizontal conductors can be interpreted as sulphide-beds."
- Drill program planned to test conductor.

Previously flown Heliborne VTEM (Versatile Time Domain Electromagnetic) survey detected deep conductive zones that have potential to contain continuous flat lying zinc-lead-copper-silver bearing beds.

Details from the survey report by Geotech Ltd. (the developers of the VTEM system) that interpreted this conductive zone are presented below. An exploration priority is the VTEM anomaly outlined by Dr Alex Prikhodko (Report: Detail Interpretation of VTEM Conductive Zone, for Precious Metal Resources Limited, Halls Peak Block, Armidale, New South Wales, Geotech VTEM System flown and processed by Geotech Ltd. Ontario, Canada, Survey 2012, Alexander Prikhodko, P.Geo., PhD, Senior Geophysicist, Supervisor of VTEM Interpretation Geotech Ltd.)

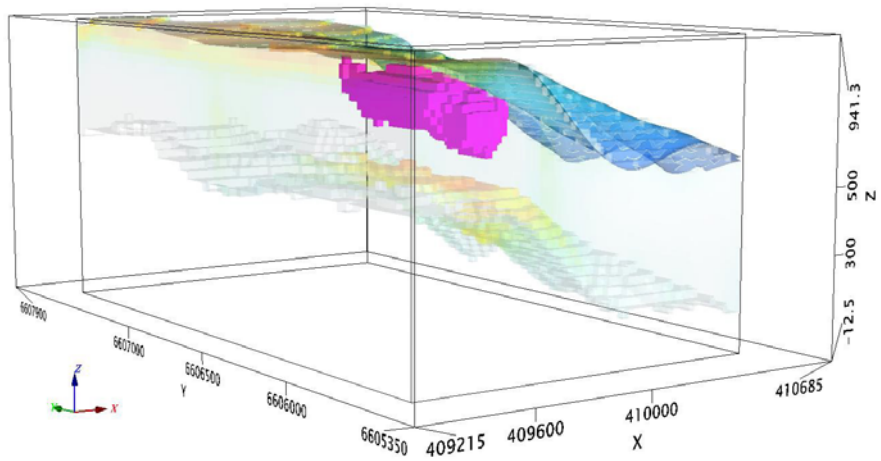


Figure 1: 3D view, EM Resistivity Depth Imaging (RDI). Interpretation of the VTEM conductors at Spike Island anomaly by Geotech Airborne. Flat lying conductor in blue; Vertical conductor in purple.

The interpretation concluded "In general the conductive zone is complex and consists of two types of conductors: 1) steeply dipping (or subvertical) conductors and 2) subhorizontal blocky, lens or layer similar conductors.

Figure 2 shows the deep conductor, depicted in pink/red, previously reported for testing by diamond drilling (SOC ASX Release 11 2 2016; PMR ASX Releases 10 9 2012, 15 3 2013).

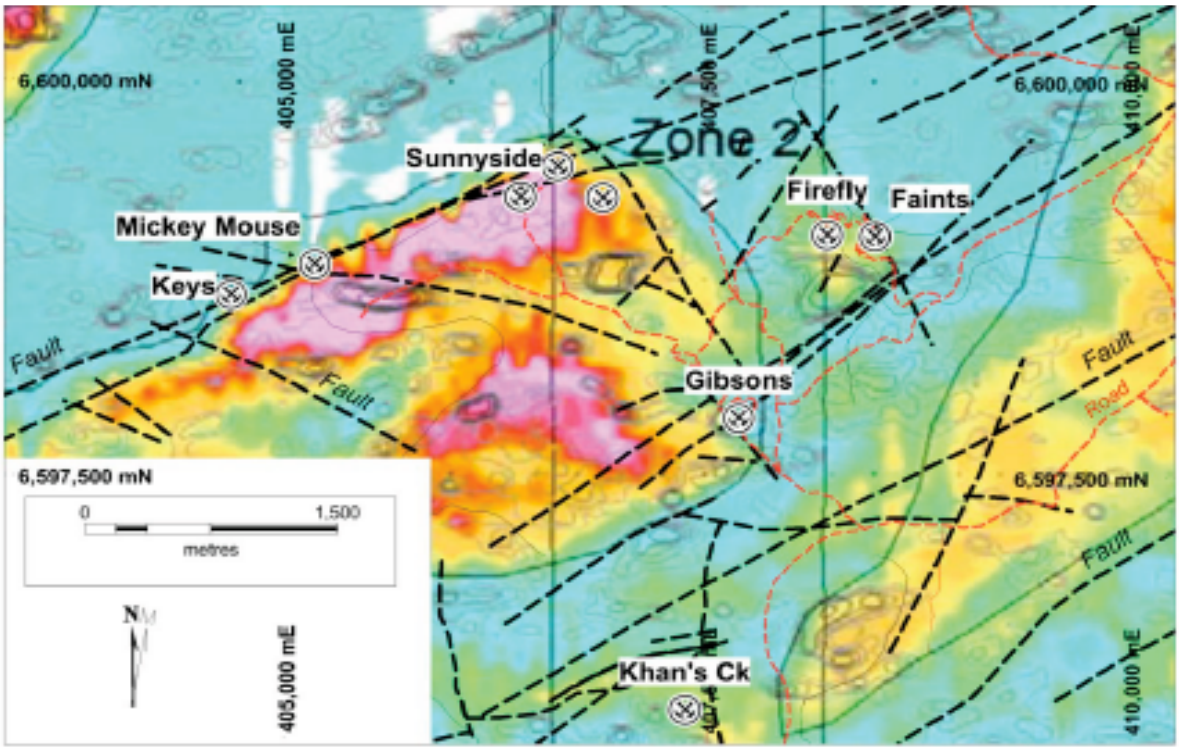


Figure 2: The VTEM airborne geophysical survey data contains an additional significant anomalous conductive zone not reported by the previous holder (Precious Metal Resources, PMR) of EL7679 (Halls Peak).

Geologically the steeply dipping conductors likely reflect faults which could be channels for sulfur solutions transportation (feeding channels); and adjacent sub horizontal conductors can be interpreted as sulphide-beds."

The next phase of exploration will include drilling to determine whether these anomalies are due to massive silver-copper-zinc-lead sulphide deposits, similar to those historically mined in the surrounding area. These VTEM anomalies are produced by electrically conductive rocks at depths ranging from surface to over 300 metres. The rocks most likely to cause these anomalies are sulphides, graphite bearing black shales and, to a lesser extent, rocks saturated with highly salty water. The only conclusive way of determining their nature is by drilling.

The drilling is aimed at intersecting the electrically conductive horizons mapped in detail by a state of the art helicopter mounted VTEM and aeromagnetic survey flown by Geotech Airborne.

Based on the Maxwell Plate Modelling results Geotech recommended the following drill hole parameters:

Diamond Hole	Coordinates DA94 56J	Azimuth Magnetic	Dip	Drill Hole Depth (m)
SOC1DDH02	409805mE 6606310mN	180	50	400
SOC1DDH03	410000mE 6606600mN	180	50	200

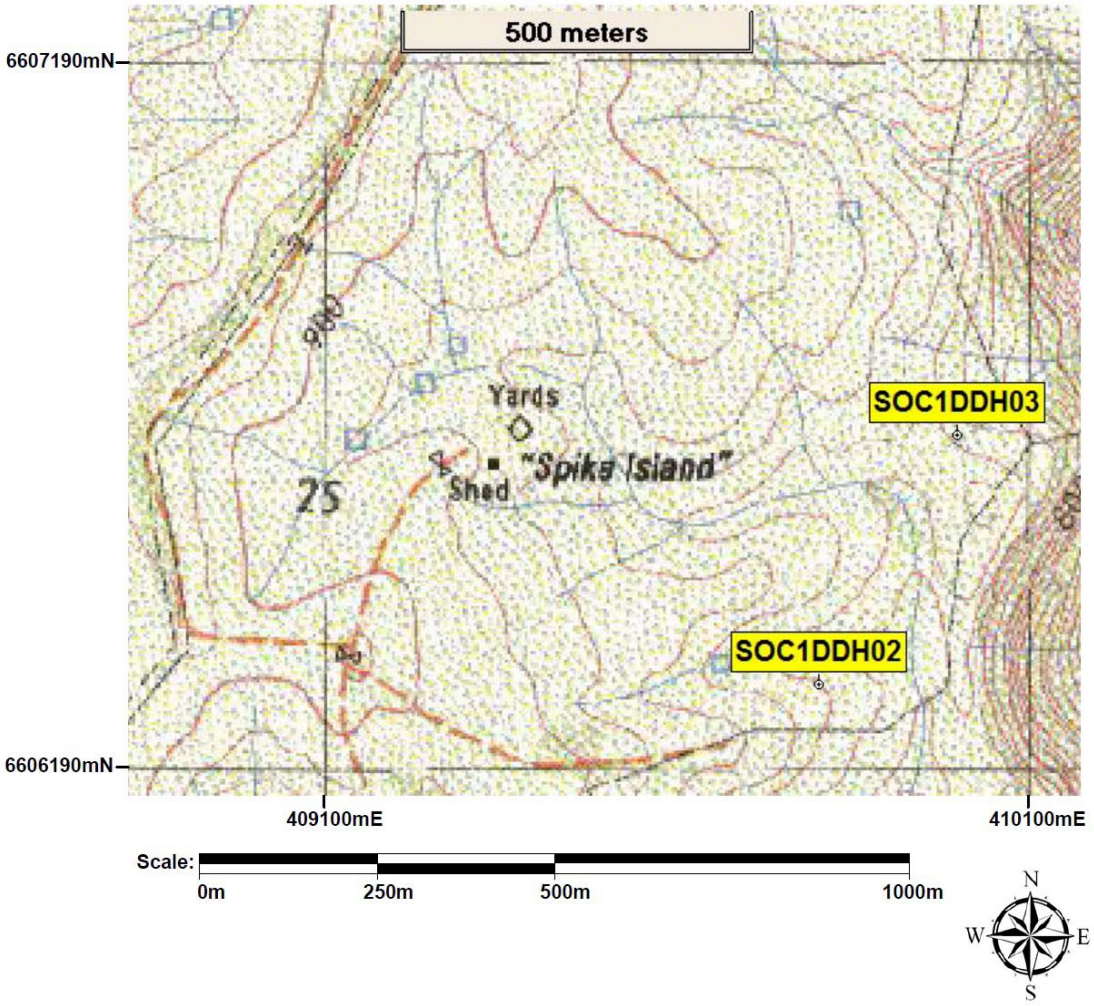


Figure 3: Location of two drill holes at Spike Island

About Halls Peak

- 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 already discovered
- Halls Peak has potential to host a large base metal deposit
- Flat lying VTEM conductor around the old Sunnyside Mine fits a typical SEDEX deposit model. Consultant Geophysicists interpret this conductor to host sulphides
- Confidence exists that the VTEM survey has potentially located sulphide deposition but economic grades and tonnage yet to be proven
- Long term Zinc outlook positive, declining production levels and the lack of genuine development opportunities

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.

About VTEM

Geotech Ltd. Ontario Canada, Airborne VTEM survey, Halls Peak N.S.W.

During June 20th to July 13th, 2012 Geotech Ltd. carried out a helicopter-borne geophysical survey over the Hall Peak block situated approximately 34 kilometres southeast of Armidale, New South Wales, Australia.

Principal geophysical sensors included a versatile time domain electromagnetic (VTEMplus) system, and a caesium magnetometer. Ancillary equipment included a GPS navigation system and a radar altimeter. A total of 1221 line-kilometres of geophysical data were acquired during the survey.

The interpretation results include additional products (detail resistivity depth imaging and Maxwell plate modelling), description and recommendations for VTEM anomalous zone in the NE part of the surveyed area.

Airborne VTEM surveys use a helicopter, which suspends a high-resolution caesium magnetometer from its cargo hook. The magnetometer is described as a 26-metre transmission coil or loop, which is suspended beneath the helicopter in a tent shaped array. The inner part of the array contains a smaller diameter receiving coil, which measures the period of time it takes for an induced electro-magnetic field to dissipate through the ground, using the principle that highly conductive rocks, like those containing metals, would hold an electric charge for a longer period.

A current is transmitted through the coil, which energises the ground, creating an electromagnetic field. When the induced current is stopped, sensors on the coil record the time delay for this induced electromagnetic field to disperse. The VTEM system has the ability to generate readings at a rate of 10 samples per second, which are recorded digitally with a GPS log and radar altimeter for accurate navigation.

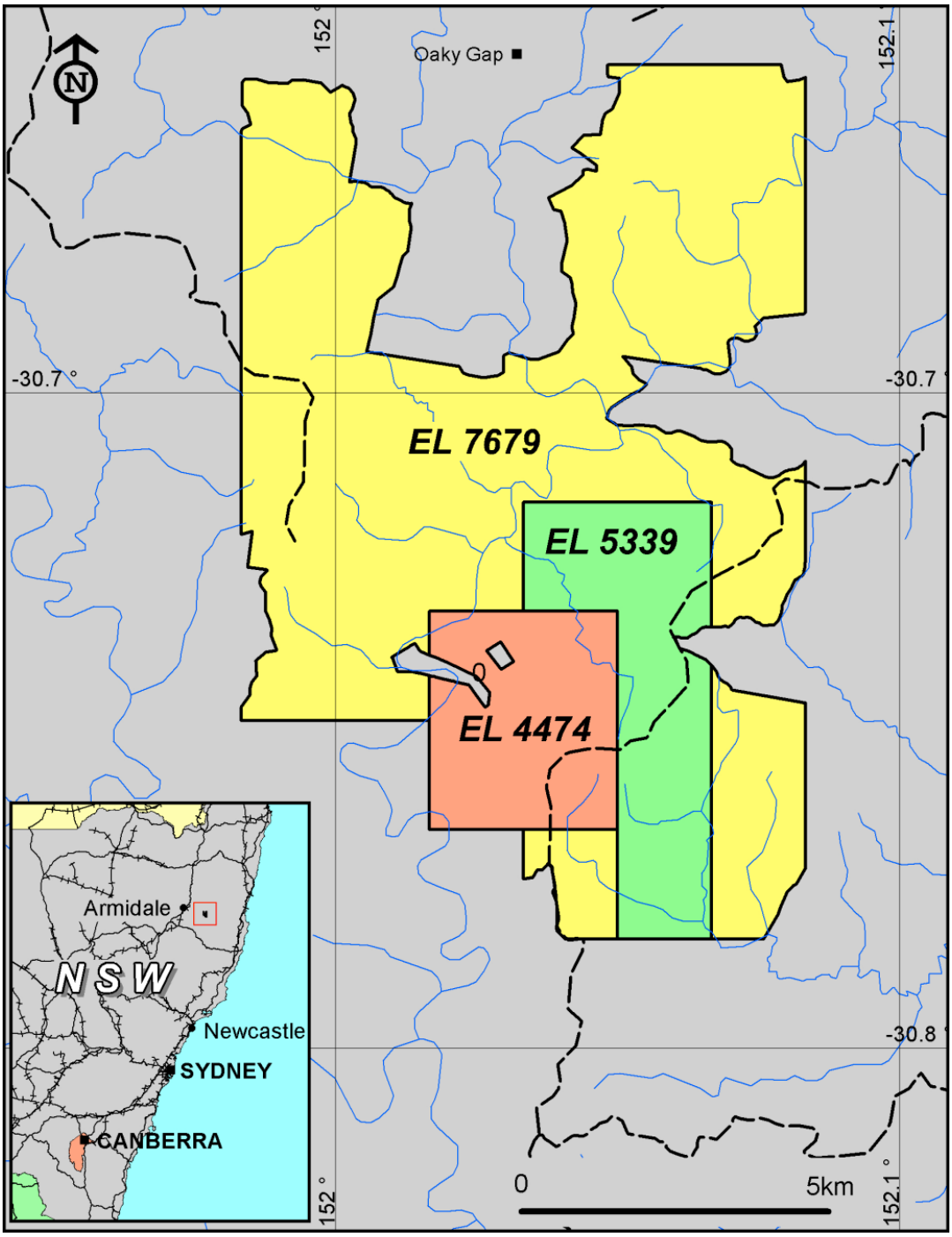
The VTEM system produces data that are then translated onto maps which shows regions of conductivity in the earth and EM profiles. The proposed flight paths will be orientated to suit the overall geological trend, and line spacing was designed to ensure maximum coverage.

Geotech Airborne describe the VTEM system as follows: “The VTEM or Versatile Time Domain Electro Magnetic system is the most innovative and successful airborne electromagnetic system to be introduced in more than 30 years. The proprietary receiver design using the advantages of modern digital electronics and signal processing delivers exceptionally low-noise levels. Coupled with a high dipole moment transmitter, the result is unparalleled resolution and depth of investigation in precision electromagnetic measurements.

Key features include:

- Spotting drill targets directly off of the airborne results
- Superior Exploration Depth – Over 400 metres
- Excellent resistivity discrimination and detection of weak anomalies
- Low Base Frequency (25 or 30 Hz) for Penetration through conductive cover
- High Spatial Resolution – 2 to 3 metres
- Improved Interpretability due to Receiver-Transmitter symmetry
- Virtually impervious to atmospheric activity.

The system was designed to be field configurable to best suit a large variety of different geophysical requirements from deep penetration to optimizing the discrimination within a narrow range of resistivity values. The recent surveys flown with VTEM have produced superior results over the same test areas flown by competing airborne EM surveys. VTEM has flown the Reid-Mahaffy, Caber, Perseverance and Montcalm test ranges and the results have demonstrated that VTEM provides the Industry’s highest signal/noise ratio and conductor spatial resolution”.



The Halls Peak Tenements are located 80km SE of Armidale N.S.W.

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Table 1 for reporting in accordance with the JORC Code

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	Criteria	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	A Versatile Time-Domain Electromagnetic (VTEM) survey was conducted in EL 7679 (refer Figure1 ASX release 1 September 2016). This survey was conducted between 20 June to 13 July 2016 over the Halls Peak block. • The survey was flown by Geotech Ltd with the VTEMplus helicopter-borne system on flight lines oriented 0-180° (North-South) using 100 metre line spacings. A total of 1,221 line kilometres of VTEMplus data was acquired. The system VTEMplus system specifications are summarised below. VTEMplus Configuration: Transmitter loop area – 540 m^2 dodecagon shape Base Frequency – 25 Hz Peak dipole moment – Up to 625,000 NIA but 400,000 NIA standard Peak Current – Up to 310 Amperes (200 typical) Transmitter Pulse Width – 7 ms VTEM Receiver – Z,X coils Magnetic Sensor (cesium vapour on suspended cable) Helicopter Height - 90 meters EM sensor Height- 30 meters Magnetic sensor Height – 75 meters • Other details of sampling techniques is not applicable
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type,*	• No drilling activity undertaken

Criteria	Criteria	Commentary
	whether core is oriented and if so, by what method, etc).	
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• No drill samples collected
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Airborne (helicopter) VTEMplus survey and hence no logging undertaken.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• A real-time GPS onboard system utilizing the Novatel OEM4-G2-3151W GPS receiver was used and provided in-flight navigation control. This system determines accurate position of the helicopter in three dimensions (within error tolerances). As many as 11 GPS and two WAAS satellites may be monitored at any one time to compute the aircraft location. The position accuracy (CEP) is estimated to be 1.8 metres and with WAAS satellite tracking, 1.2 metres.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of*	• No assays carried out for this survey

Criteria	Criteria	Commentary
	accuracy (ie lack of bias) and precision have been established.	
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Not applicable for airborne geophysical surveying.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• The VTEMplus survey was undertaken at Halls Peak and was conducted along 1,221 kilometres with survey lines 100 metres apart, oriented North-South.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• The data between the flight lines is approximately 100 metres and along the lines, samples using a 25 Hz EM pulse and 0.1 magnetometer rate, represent a reading sampled to locations every 2-4 metres (dependent on topography and aircraft speed over terrain).
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• The flight path was oriented approximately perpendicular to the strike direction of the primary geological trends and formations. Data acquired is sufficient to locate discrete conductive anomalies.
Sample security	• *The measures taken to ensure sample security.*	• Data was recorded, processed and provided by Geotech Ltd ensuring the data was not manipulated or altered.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• The data were independently interpreted and verified by Dr Alex Prikhodko (Supervisor of VTEM Interpretation – Geotech Ltd). Results are as reported in SOC ASX Release 11 2 2016; PMR ASX Releases 10 9 2012, 15 3 2013.

Section 2 Reporting of Exploration Results
(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• Halls Peak project lies within EL 7679 and is currently under exploration licence with 55% held in JV Company of Sovereign Gold Company Limited.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• The licence area was historically explored by numerous previous explorers and companies.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Halls Peak (located approximately 34 kilometres southeast of Armidale NSW, 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. • A range of known multi-element deposits exist within the tenement with all deposits to date being discovered originally from outcrop.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole*	• A number of existing drillholes, focussed on the area of Gibsons and Faints Mines within the tenement and these have yielded intersections of high zinc, lead and moderate copper with some silver. A listing of many of these intersections is below:

Criteria	JORC Code explanation	Commentary
	collar ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate*	• No data aggregation from geophysical survey.

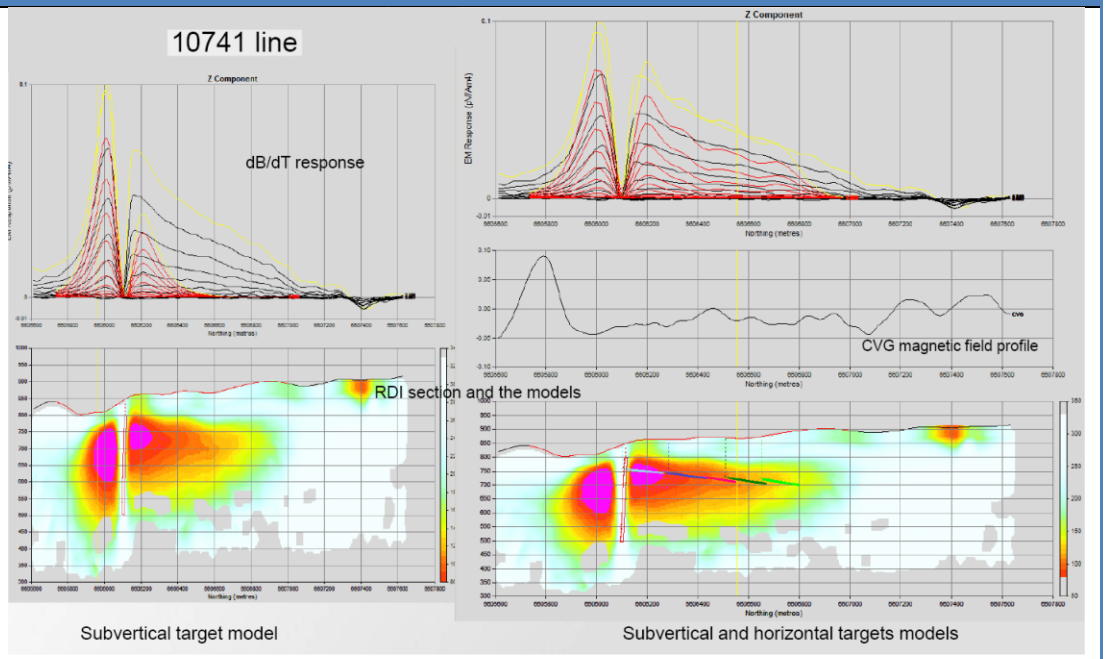
Location	Hole ID	Depth from (m)	Depth to (m)	Interval (m)	Zinc %	Lead %	Copper %	Silver Ounce
Gibsons Mine	DDH HP 026	1.62	3.1	1.48	**19.2**	**10.7**	**5.66**	**6.3**
Gibsons Mine	DDH HP 026	5.2	8.2	3.0	**17.65**	**8.58**	**2.72**	**5.4**
Gibsons Mine	DDH HP 026	37.3	38.3	1.0	**32.8**	**6.73**	**2.54**	**1.5**
Gibsons Mine	DDH HP 026	41.2	42.5	1.3	**34.5**	**11.3**	**1.98**	**2.2**
Gibsons Mine	DDH HP 027	50.2	57.65	7.45	**8.88**	**3.11**	**0.56**	**0.7**
Gibsons Mine	DDH HP 027	53.8	55.7	1.9	**27.1**	**8.7**	**1.5**	**1.9**
Gibsons Mine	DDH HP 028	33.9	34.55	1.45	**28**	**9.6**	**2.6**	**2.0**
Gibsons Mine	DDH HP 028	42.0	45.2	3.2	**19.7**	**6.7**	**1.57**	**1.3**
Gibsons Mine	DDH HP 029	8.6	10.4	1.8	**19.98**	**10.69**	**0.9**	**1.3**

• Additional high silver zones include:

Location	Hole ID	Depth from (m)	Depth to (m)	Interval (m)	Silver Grams	Silver Ounces	Zinc %	Lead %	Copper %
Gibsons Mine	DDH HP 027	62.5	64.1	1.6	**1,900**	**61.0**	**1.3**	**0.7**	**0.5**
Faints Mine*	DDHCEC Faints 2	83.606	84.55	0.944	**3,998.8**	**128.6**	**18.4**	**8.9**	**0.8**

0.945 metre interval included 0.305 metre of country rock and 0.305 metre of massive sulphide and 0.305 metre of pyritic black shale that assayed Ag 328.5oz and 5.2oz per ton respectively

Criteria	JORC Code explanation	Commentary
	short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• Interpretation of the VTEMplus data has provided a number of targets. In particular, analysis of two indicated conductors has been undertaken (using software Maxwell Plate Modelling) and using flight lines 10741 and 10761.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Diagrams provided here are target conductors modelled as part the interpretation of the VTEM plus data undertaken by Dr Alex Prikhodko.

Criteria	JORC Code explanation	Commentary
		

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		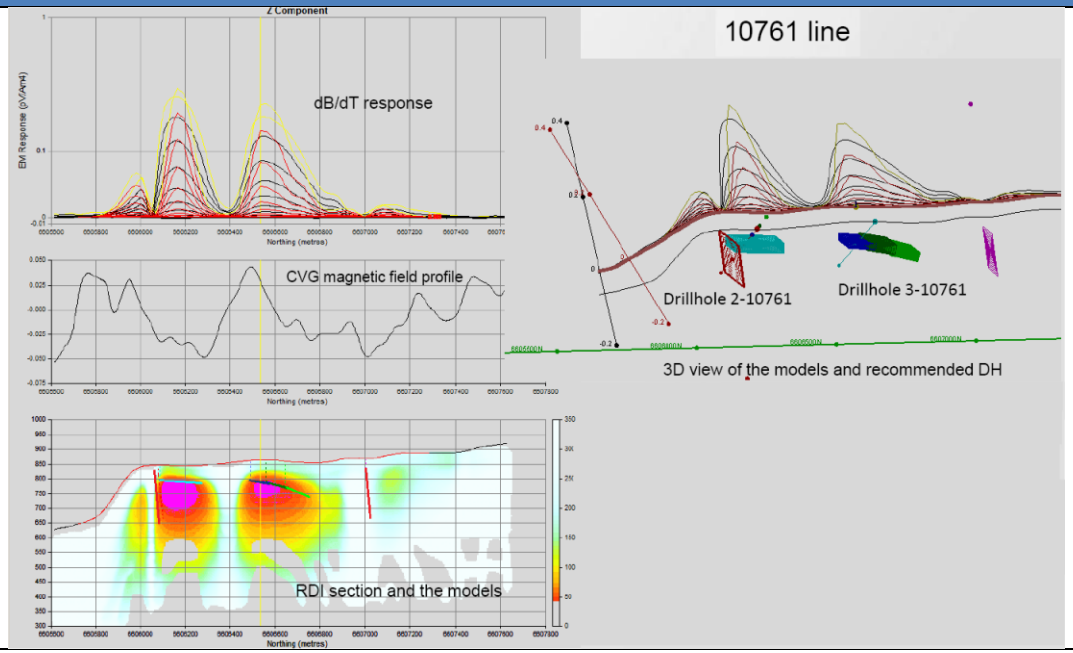
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• No balanced reporting in relation to grades are applicable for VTEM survey.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or*	• First pass analysis of the data indicate several significant conductive trends and anomalies as detailed in ASX release 1 September 2016. • Two primary anomalies indicating subsurface conductors were modelled and interpreted resulting in a recommendation for three drillholes to be used to test these conductors. The modelling resulted in targets to determine location, geometry, depth and conductivity.

Criteria	JORC Code explanation	Commentary
	contaminating substances.	
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Testing of the indicated conductors defined by the VTEM survey are proposed to be tested by three drillholes.