



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 29 JULY 2011

JUNE 2011 QUARTERLY REPORT

The Board of Sovereign Metals Limited (“the Company” or “Sovereign”) presents its quarterly report for the period ending 30 June 2011.

- *Xstrata Copper, continues to manage and sole fund all tenements comprising the Carpentaria Joint Venture (“CJV”).*

During the quarter, Xstrata Copper undertook a soil sampling program over three grids at Mt Avarice (EPM 8588) to follow up on conductors identified in the 600 line km VTEM Arial Survey completed in 2010. Soil sampling data will be assessed during the current quarter. Reconnaissance activities were also undertaken on EPM 12597, EPM 12561 and EPM 8586.

- *Sovereign continued to monitor its existing resource assets, including the prospective Tate River Project in north-east Queensland and its other 100% owned tenements near Cloncurry in western Queensland. The Company believes the Tate River Project is prospective for precious and base metal discoveries and is exploring options for recommencing exploration and other project development activities.*

The Board will continue to focus on creating value from the Company’s existing resource assets, as well as pursuing new opportunities in the resources sector to complement the Company’s current projects.

Enquiries:

Clint McGhie – Company Secretary

Contact Details: Telephone: (61 8) 9322 6322

Tate River

In late 2010 Sovereign reached agreement with Fusion Resources Pty Ltd (“Fusion”), a wholly owned subsidiary of Paladin Energy Limited, to acquire the remaining 50% interest in the prospective Tate River Project in north-east Queensland. The Tate River Project exhibits the potential for the discovery of epithermal and intrusion related gold and base metal mineralisation.

Previous exploration conducted on the Tate River Project by Sovereign has identified the potential for both base and precious metal discoveries. The first ever drill program at the Blade Vein Prospect returned best results of: 3m @ 60g/t. Ag, 4.2% Pb, 2.0% Zn & 0.65g/t. Au from 15m in hole TRRC020.

The Company believes the Tate River Project is prospective for precious and base metal discoveries and is now looking at recommencing exploration and other project development activities.

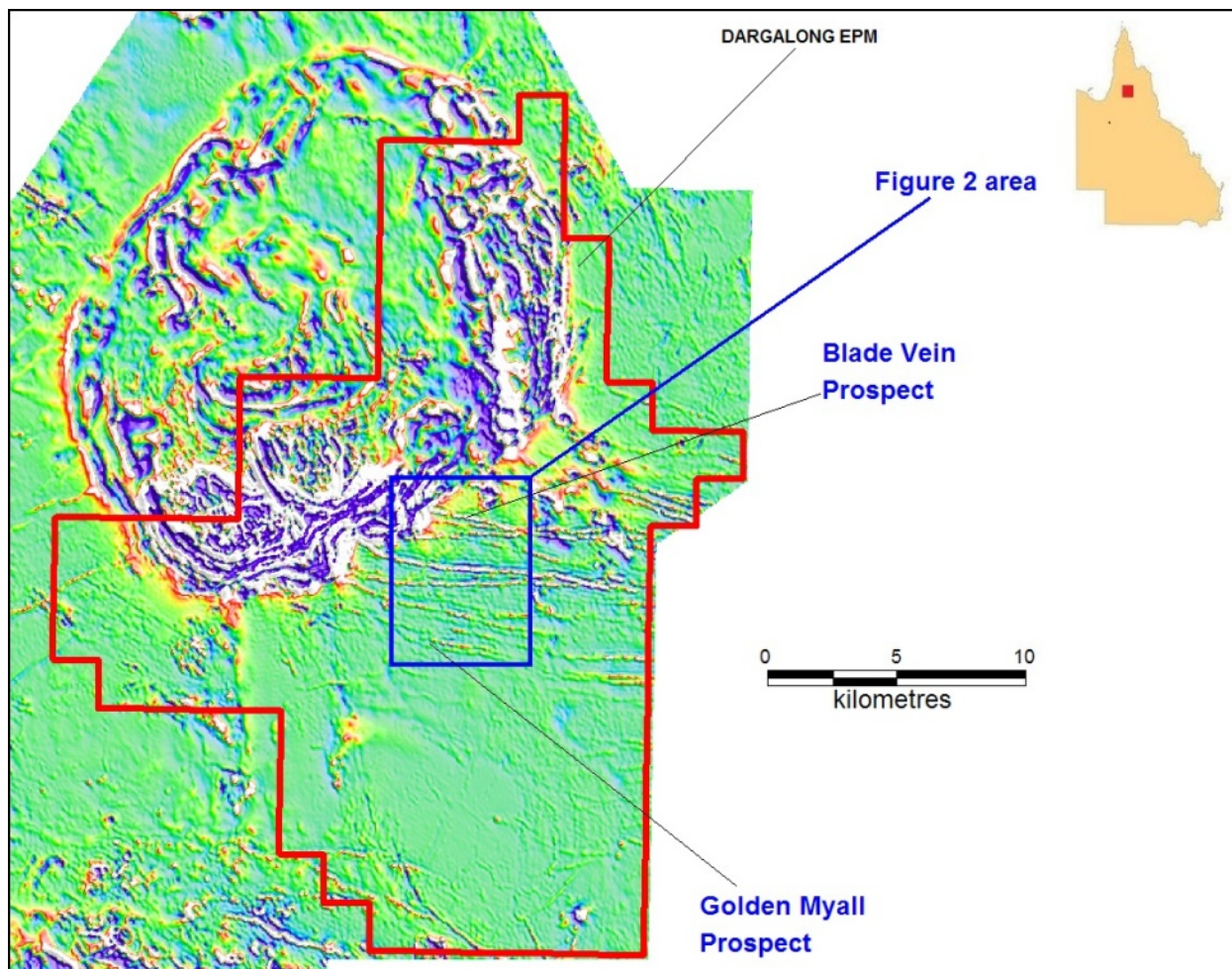


Figure 1: Tate River Project - Location, Tenure & 1VD Magnetic Signature

Carpentaria Joint Venture

Xstrata Copper, continues to manage and sole fund all tenements comprising the Carpentaria Joint Venture (“CJV”).

During the quarter, Xstrata Copper undertook a soil sampling program over three grids at Mt Avarice (EPM 8588) to follow up on conductors identified in the 600 line km VTEM Arial Survey completed in 2010. Soil sampling data will be assessed during the current quarter. Reconnaissance activities were also undertaken on EPM 12597, EPM 12561 and EPM 8586.

Corporate

Business Development

The Board and Management will continue to focus on creating value from the Company’s existing resource assets, as well as pursuing new opportunities in the resources sector to complement the Company’s current projects. As and when transactions are completed the Company will make appropriate announcements to the market.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Peter Woodman, who is a member of the Australian Institute of Mining and Metallurgy. Mr Woodman is a director of Sovereign Metals Limited. Mr Woodman 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 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Woodman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

SOVEREIGN METALS LIMITED

ABN

71 120 833 427

Quarter ended ("current quarter")

30 JUNE 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(41)	(112)
(b) development	-	-
(c) production	-	-
(d) administration	(132)	(350)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	39	57
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) - Business Development	(98)	(159)
Net Operating Cash Flows	(232)	(564)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(232)	(564)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(232)	(564)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,580
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material):		
	- Capital raising expenses	(36)	(46)
	Net financing cash flows	(36)	2,534
	Net increase (decrease) in cash held	(268)	1,970
1.20	Cash at beginning of quarter/year to date	2,934	696
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,666	2,666

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	94
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments include directors fees, superannuation and provision of a fully serviced office.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	30
4.2 Development	-
4.3 Production	-
4.4 Administration	90
Total	120

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	166	434
5.2 Deposits at call	2,500	2,500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,666	2,934

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EPM 8586 EPM 8588 EPM 12207 EPM 12561 EPM 12597 EPM 12180	Reduction of interest in accordance with terms of joint venture agreement.	43.94%	43.82%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	51,590,328	51,590,328	Not applicable	Not applicable
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>				
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: 29 July 2011
(~~Director~~/Company secretary)

Print name: Clint McGhie

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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