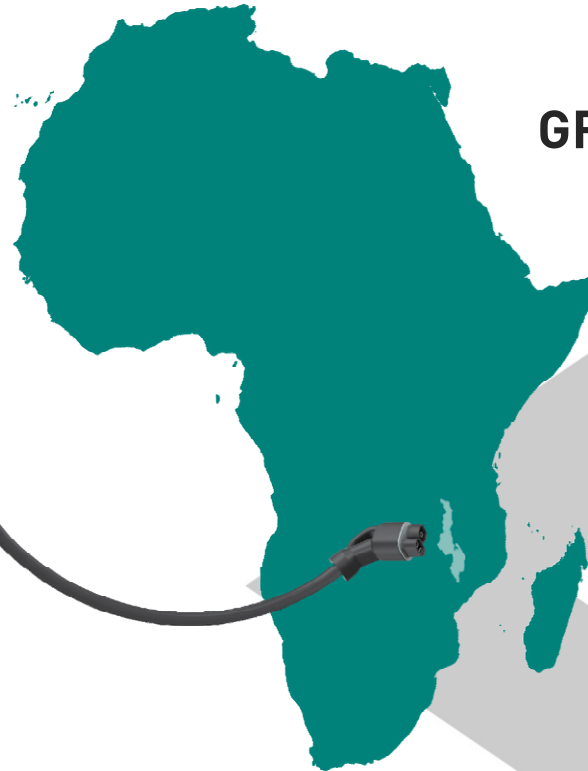


TARGETING LOW COST PRODUCTION OF PREMIUM QUALITY FLAKE GRAPHITE

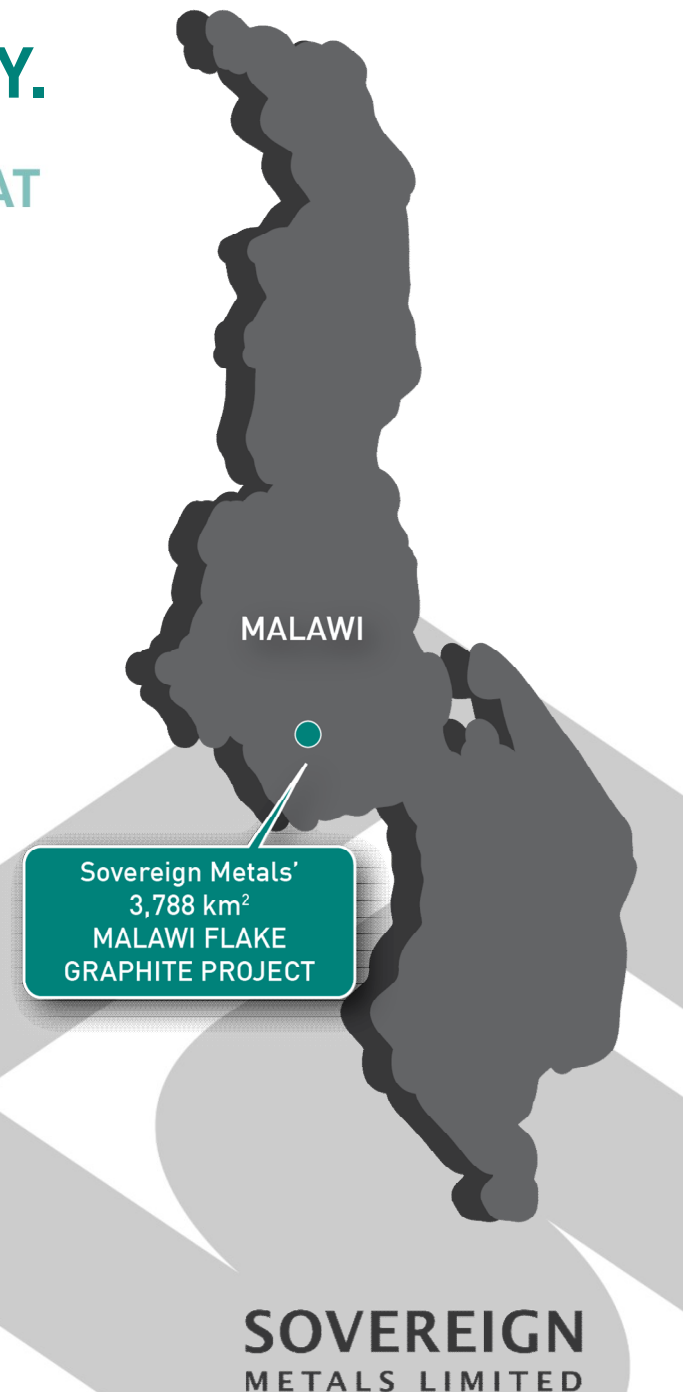
GRAPHITE SUPPLY CHAIN
NOVEMBER 2016



MALAWI FLAKE A WORLD-CLASS GRAPHITE OPPORTUNITY.

THE HIGH-GRADE, SOFT SAPROLITE-HOSTED DEPOSIT AT MALINGUNDE HAS THE POTENTIAL TO HAVE SIGNIFICANTLY LOWER CAPITAL AND OPERATIONAL COSTS THAN HARD ROCK GRAPHITE DEPOSITS.

- ❖ The Malawi Flake Graphite Project is located in the heart of the East African Graphite Province which is renowned for producing the **world's best quality flake graphite concentrates**.
- ❖ Access to **enviable infrastructure** is available with Malingunde located 20km from Malawi's capital Lilongwe.
- ❖ **Very strong outlook** driven by Li-ion battery demand for electric/hybrid vehicles, & traditional uses for expanded graphite foils (gaskets, fuel pumps, automotive etc). New battery technologies are transforming demand for natural flake graphite.



WHAT IS SAPROLITE AND WHAT ARE ITS BENEFITS?

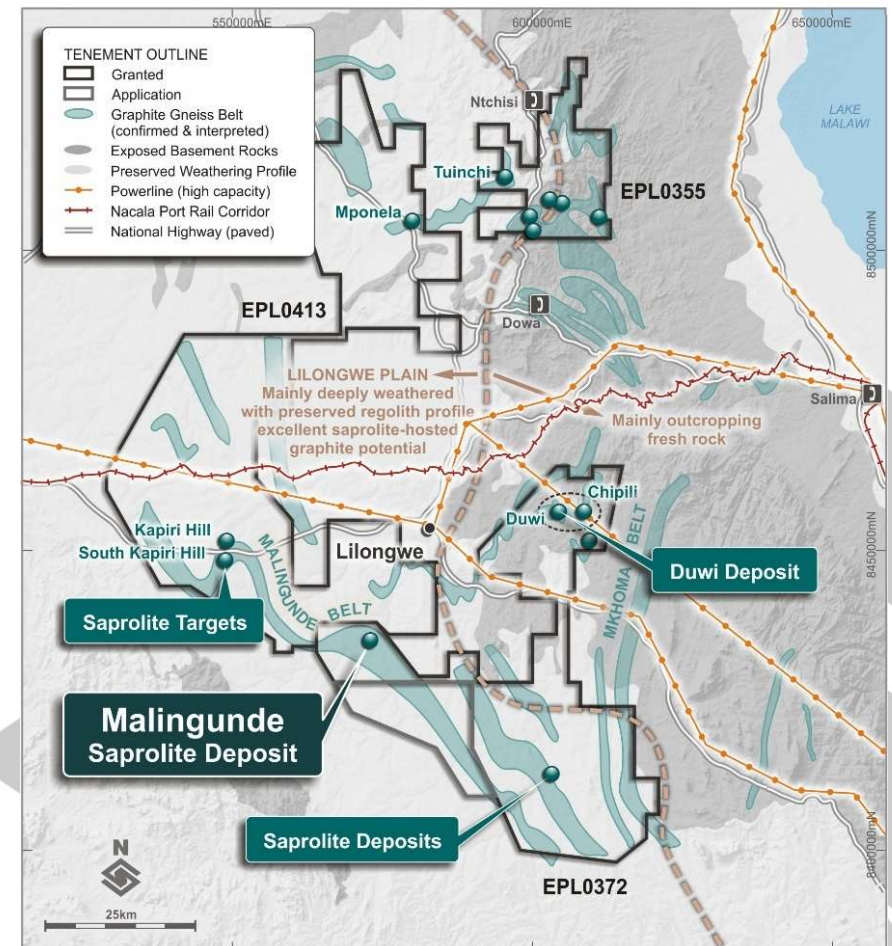
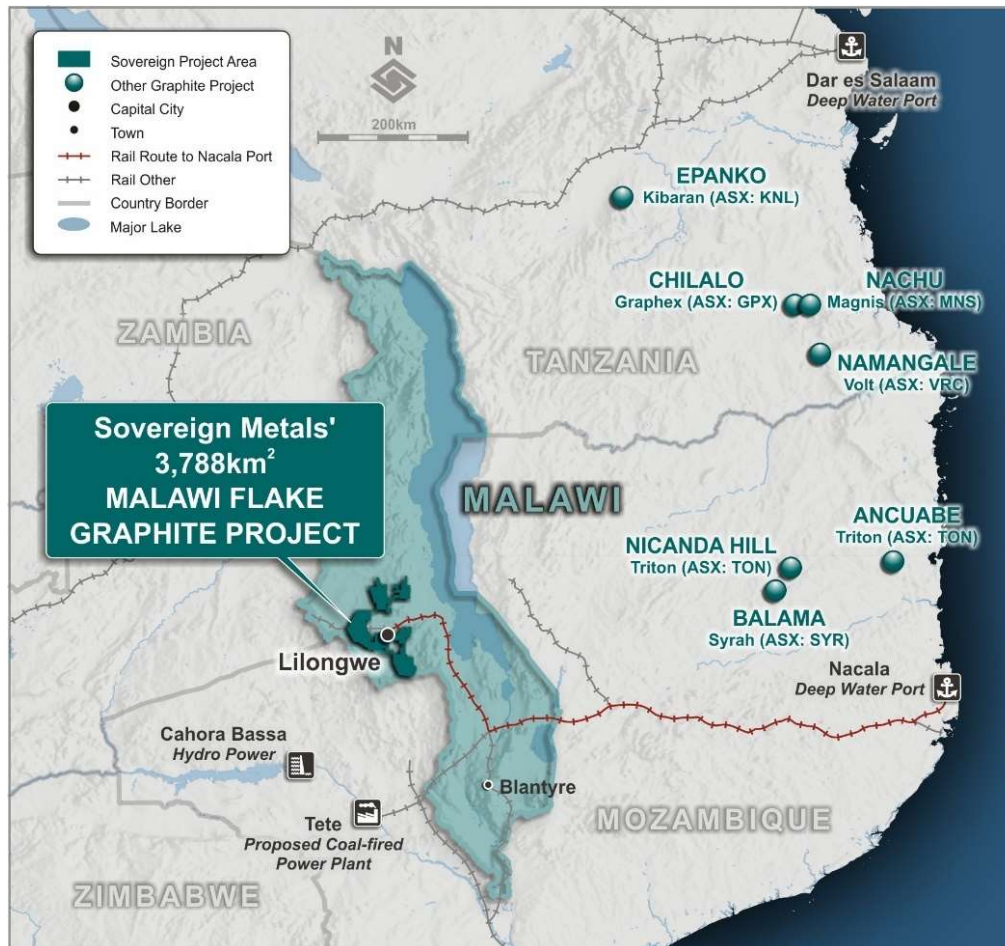
SAPROLITE IS THE VERY SOFT, GRAPHITE-BEARING, CLAY-RICH OXIDE MATERIAL THAT IS FORMED FROM INTENSE WEATHERING OF THE ORIGINAL BEDROCK.

- ❖ **Saprolite** forms in areas that have been subject to intense tropical weathering conditions over millions of years
- ❖ Historically, small Madagascan saprolite deposits have been a major global source of graphite since the early-1900's
- ❖ Many continental East-African flake graphite deposits have little or no saprolite
- ❖ Sovereign's Malingunde deposit, however, is a preserved, coherent body of saprolite-hosted flake graphite mineralisation
- ❖ The Company is targeting **only saprolite** at Malingunde due to the likelihood of significantly lower capital and operating costs compared to the hard-rock deposits



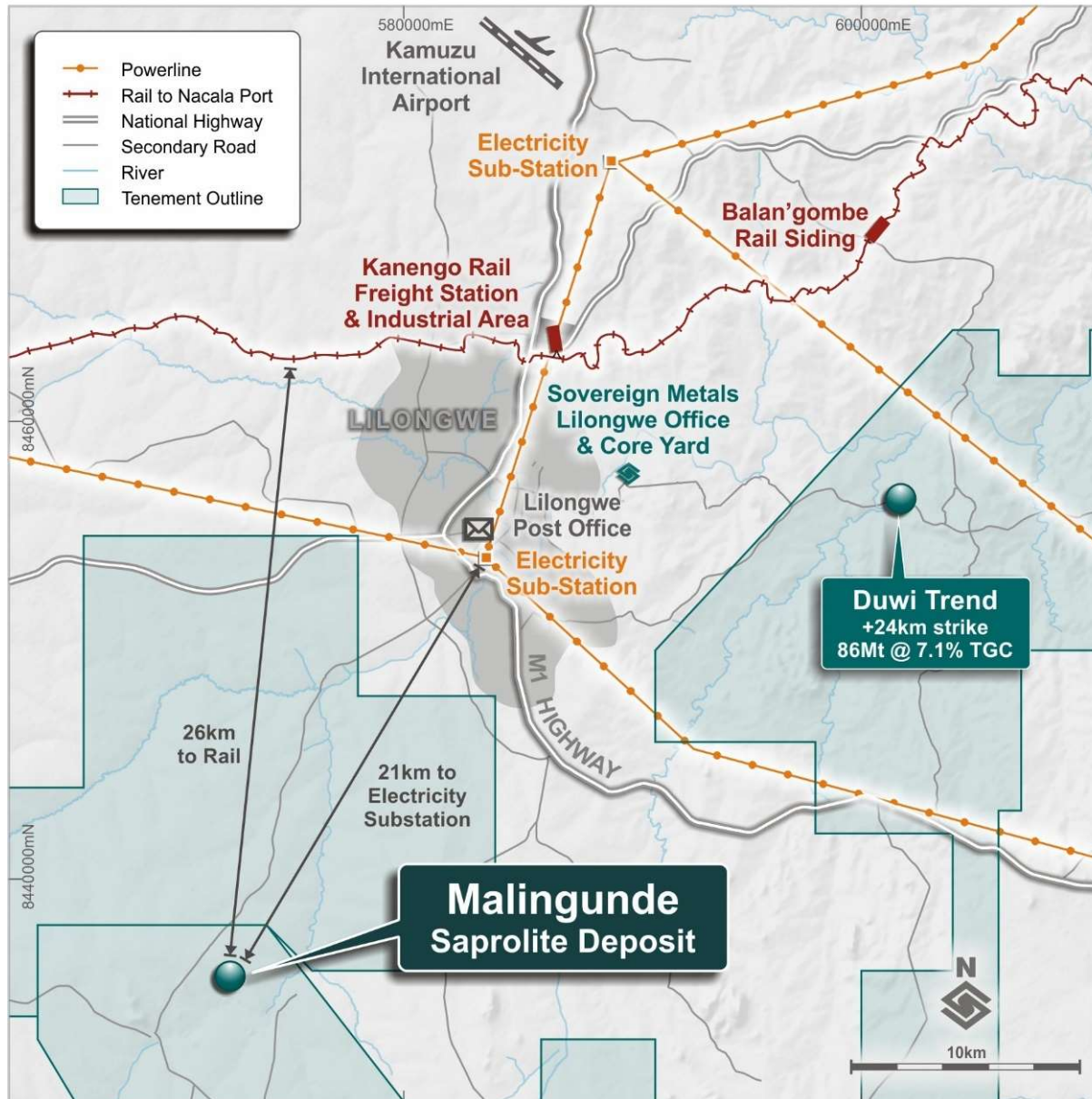
DOMINANT GROUND POSITION IN THE WORLD-CLASS EAST AFRICAN FLAKE GRAPHITE PROVINCE.

EXPLORATION IN THE MALINGUNDE AREA HAS ONLY JUST “SCRATCHED THE SURFACE” AND THERE IS IMMENSE UPSIDE FOR ADDITIONAL DISCOVERIES OF SAPROLITE-HOSTED FLAKE GRAPHITE ACROSS THE VERY LARGE (3,788KM²) AND 100%-OWNED TENEMENT PACKAGE.



ENVIABLE INFRASTRUCTURE.

MALINGUNDE IS LOCATED WITHIN 20KM OF MALAWI'S CAPITAL, LILONGWE. RAIL, POWER & PLENTIFUL FRESH WATER ARE ALL AVAILABLE.



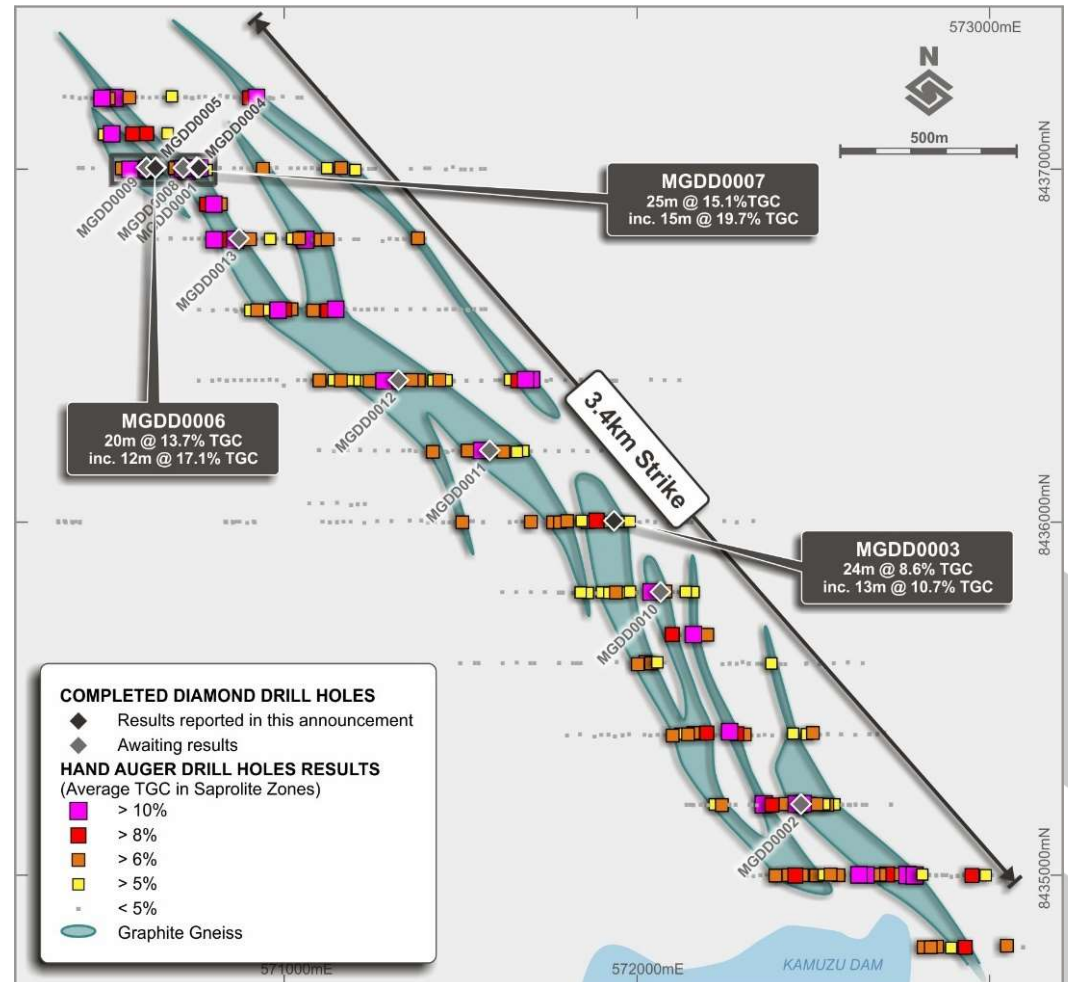
MALINGUNDE SAPROLITE-HOSTED GRAPHITE DEPOSIT.

HIGH-GRADE, NEAR SURFACE FLAKE GRAPHITE DEFINED OVER 3.4KM STRIKE.

High-grade, near surface flake graphite has been defined by hand auger drilling over 3.4km strike length with cumulative across strike widths averaging about 140m.

Diamond drilling assays have confirmed that high grades of saprolite continue to vertical depths of between 20 and 30m, in line with the near surface grades.

A ~5,000m aircore resource drill out program is underway, and should be completed within the quarter.



↑ Plan of Malingunde saprolite-hosted flake graphite deposit

RECENT DRILLING CONFIRMS THE ROBUST AND COHERENT NATURE OF THE DEPOSIT.

DIAMOND DRILL RESULTS INCLUDE:

MGDD0007: 15m @ 19.7% TGC

(within broader zone of 25m @ 15.1% TGC)

MGDD0006: 12m @ 17.1% TGC

(within broader zone of 20m @ 13.7% TGC)

MGDD0003: 13m @ 10.7% TGC

(within broader zone of 25m @ 8.5% TGC)

HAND AUGER RESULTS INCLUDE:

MGHA0153 10m @ 26.3% TGC

MGHA0235 7m @ 16.6% TGC

MGHA0545 8m @ 20.6% TGC

MGHA0548 7m @ 21.2% TGC

MGHA0564 7m @ 24.5% TGC

MGHA0870 7m @ 18.3% TGC

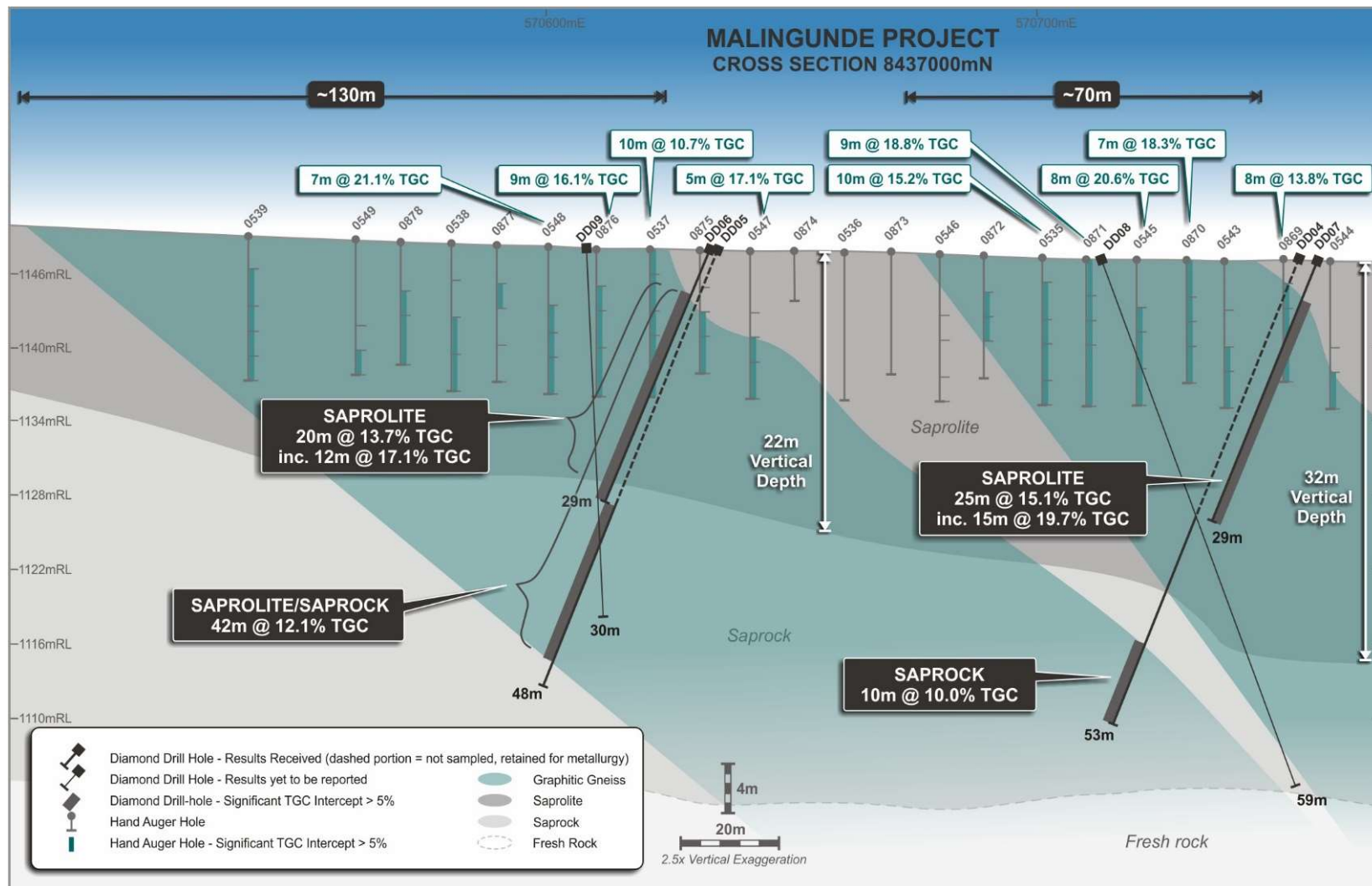
MGHA0871 9m @ 18.8% TGC

MGHA0895 8m @ 17.9% TGC



WIDE AND VERTICALLY THICK MINERALISATION PROFILE.

- Recent PQ diamond drilling shows vertical saprolite depths averaging 20-30m.
- Thickness & consistency of saprolite indicates substantial overall tonnage potential.
- The Malingunde deposit is large and high grade, averaging about ~ 8% TGC in hand auger drilling with a number of discrete, high grade zones averaging well over 10% TGC.



SOFT, FRIABLE SAPROLITE MATERIAL CAN BE EASILY DISAGGREGATED.

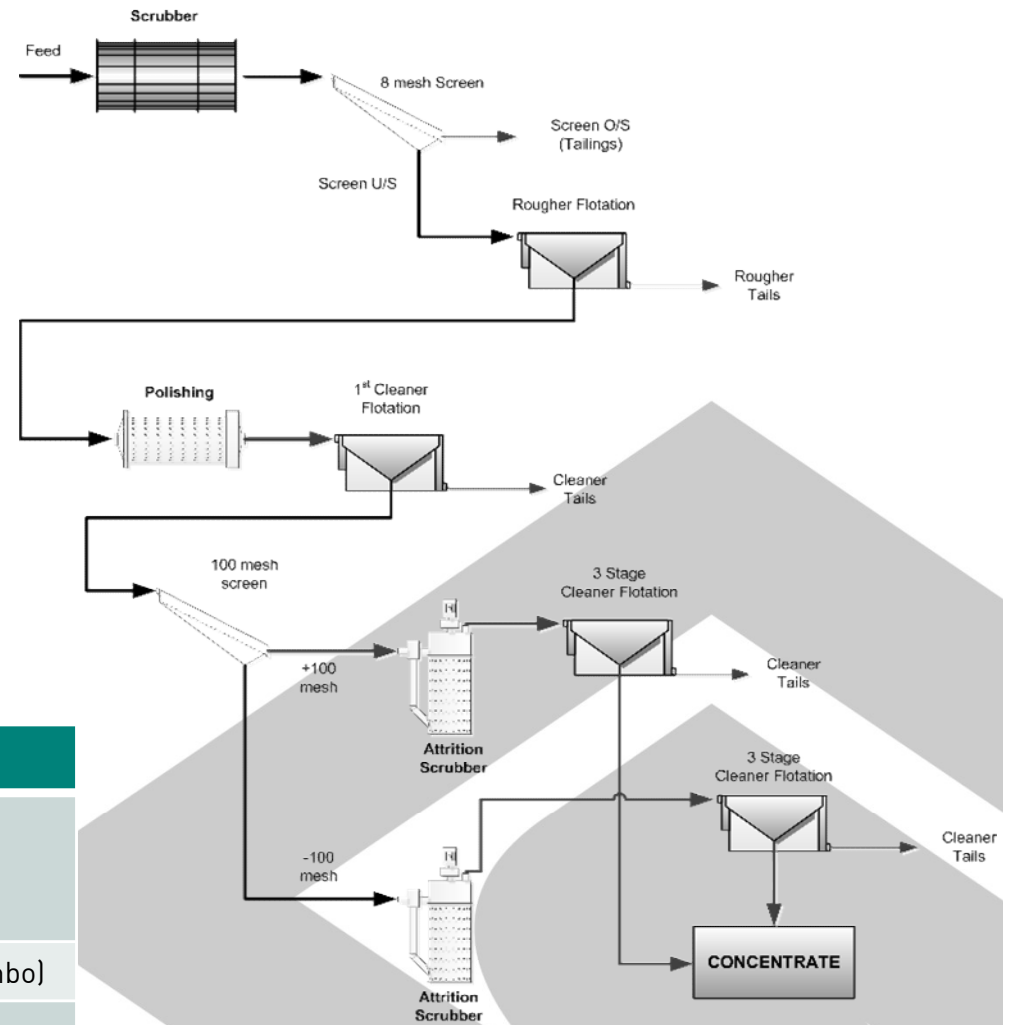


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INITIAL METALLURGY RESULTS.

HIGH GRADE CONCENTRATES WITH EXCELLENT FLAKE DISTRIBUTION CAN BE PRODUCED VIA A VERY SIMPLE PROCESS FLOW-SHEET.

- ◆ Results from the **first flotation test** on this material showed:
 - ◆ Combined concentrate across all flake size fractions grading 97.3% C(t).
 - ◆ ~50% of the concentrate in the jumbo and large size fractions (i.e. +149µm).
- ◆ The process flowsheet is very simple and uses a scrubber (similar to a trommel) to wash & disaggregate the graphite flakes from the host material.
- ◆ Potential for significant capital and operational cost benefits over traditional hard-rock crushing and milling equipment.



MALINGUNDE 2016 FLOTATION RESULTS - TEST #1				
PARTICLE SIZE		C (%)	Distribution (wt. %)	Flake Category
Tyler Mesh	(µm)			
+ 48	+ 297	96.8	20.4	Extra Large (Jumbo)
-48 + 100	- 297 + 149	97.8	28.3	Large-Medium
-100 + 200	- 149 + 74	97.6	27.6	Small
-200	- 74	96.4	23.7	Amorphous
TOTAL		97.3	100.0	

MALINGUNDE – A UNIQUE FLAKE GRAPHITE DEPOSIT.

TARGETING A LOW CAPITAL AND LOW OPERATING COST MODEL.

- ◆ Excellent quality concentrate produced by a simple flowsheet in the first laboratory flotation test highlights the metallurgical & processing simplicity.
- ◆ Thick and consistent preserved saprolite profile – large tonnage potential.
- ◆ Free-dig mining and very low strip ratios with mineralised material at or near surface.
- ◆ Simple processing using a ceramic media attrition scrubber with no primary crushing and grinding – potential for substantial capital and operating cost advantages.

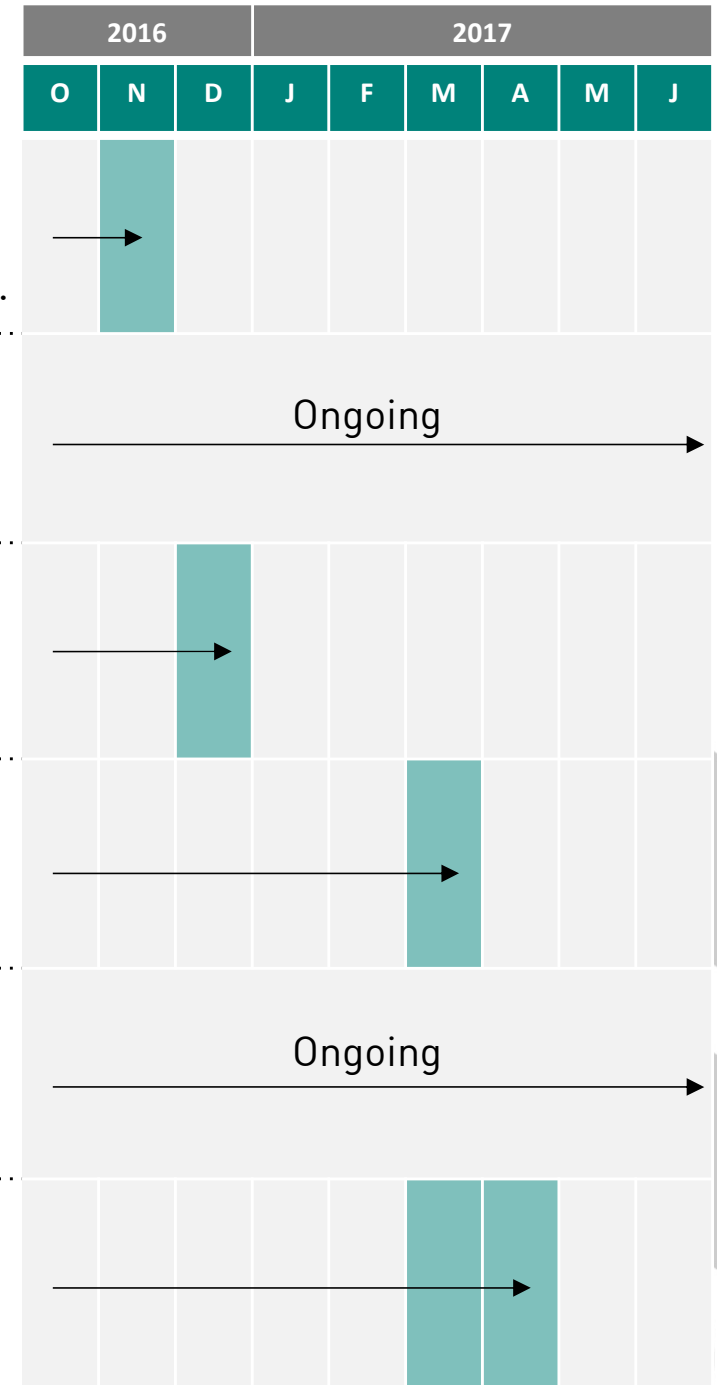


↑ Attrition scrubber of the type that could be used for a saprolite-hosted graphite operation



↑ Mining of saprolite-hosted graphite deposits in Madagascar.
Source Stratmin/Bass Metals (ASX:BSM)

FORWARD PLAN AND NEWS FLOW FOR MALINGUNDE.



DIAMOND DRILLING

Diamond drilling programme complete, vertical thicknesses of saprolite-hosted graphite mineralisation confirmed. Further assays pending.

METALLURGY

Continue to optimise flowsheet, followed by production of bulk concentrates for testing by potential offtake partners.

RESOURCE DRILLING

Approximately 5,000m of aircore drilling to delineate initial saprolite-hosted flake graphite resource at Malingunde.

RESOURCE

Resource estimate from all 2015 and 2016 hand auger, diamond and aircore drilling.

DOWNSTREAM TEST-WORK

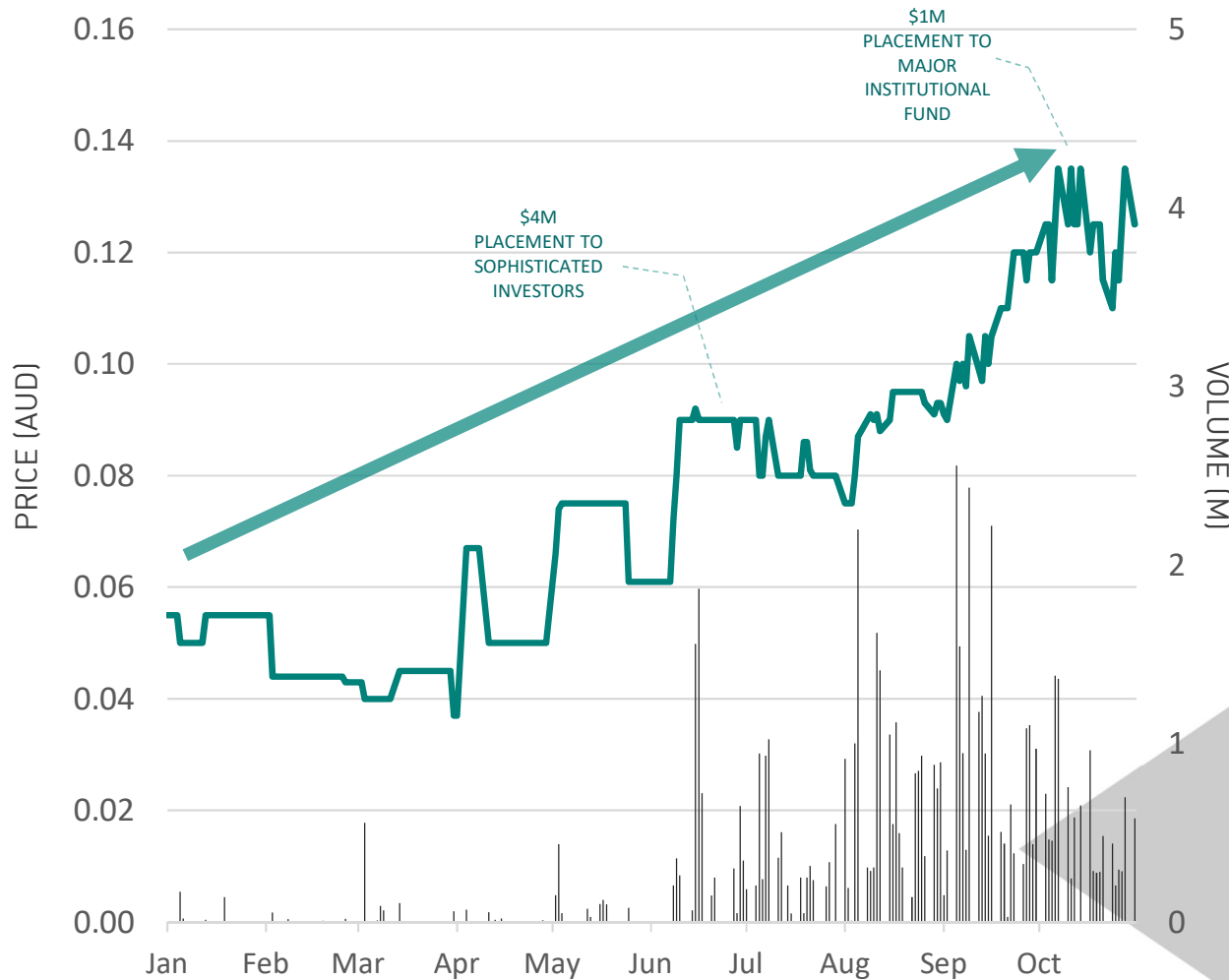
Spherical graphite test-work program to test suitability of concentrate for use in Li-Ion battery anodes. Development of expandable graphite products.

SCOPING STUDY

Scoping Study to examine initial economic parameters for producing graphite from soft saprolite ore at Malingunde.

MARKET INFORMATION.

ASX : SVM SHARE PRICE MOVEMENT



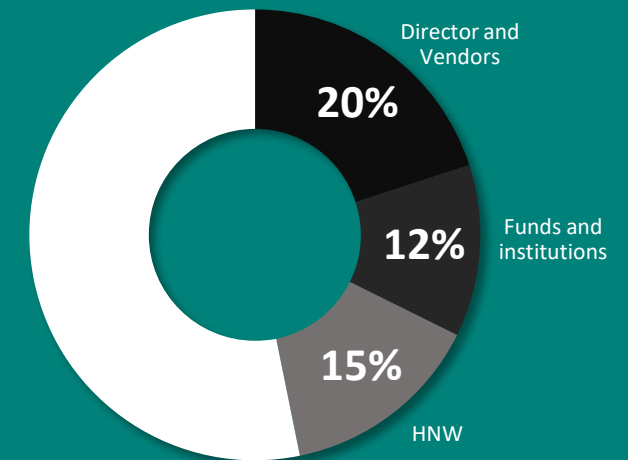
Source: Bloomberg.com as at market close 31 October 2016

CAPITAL STRUCTURE

Current Shares on Issue *	217,329,083
Unlisted Options (\$0.10 to \$0.47)	12,916,667
Performance Rights	1,400,000
Un-Diluted Market Capitalisation *	A\$27.1 m
Cash (31 October 2016)	~A\$4.3 m

* As at 31 October 2016

SHAREHOLDERS



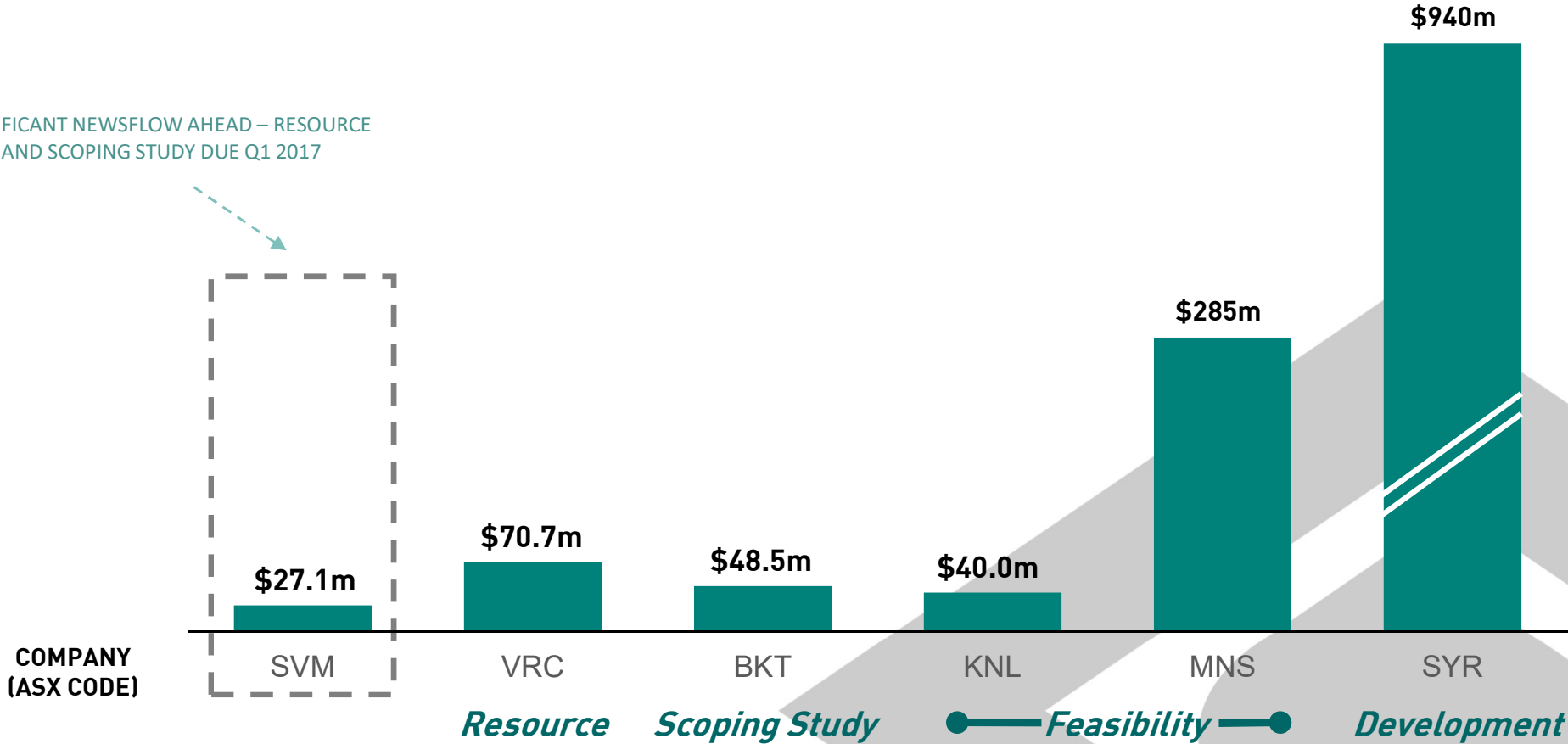
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MASSIVE VALUATION UPSIDE.

SOVEREIGN HAS LARGE VALUATION UPSIDE AGAINST PEERS.

Undiluted Market Capitalisation

SIGNIFICANT NEWSFLOW AHEAD – RESOURCE AND SCOPING STUDY DUE Q1 2017



Country	Malawi	Tanzania	Tanzania	Tanzania	Tanzania	Mozambique
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Source: Bloomberg.com
As at market close 31 October 2016

MALAWI – STABLE AND MINING FRIENDLY.

**POPULATION
17.2M**

**GDP/CAPITA
US\$381**

**GOVERNMENT HIGHLY
SUPPORTIVE OF
MINING**

**CORPORATE
TAX RATE 30%**

**MINING ROYALTY
RATE IS 5%**

**STABLE DEMOCRATIC
REPUBLIC**

Source: The World Bank (2015 GDP and population)

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SOVEREIGN METALS SIGNIFICANT COMPETITIVE ADVANTAGE VERSUS PEERS.

TARGETING A HIGH QUALITY, LOW COST NATURAL FLAKE GRAPHITE OPERATION AT MALINGUNDE, MALAWI.

QUALITY

- ✓ High-grade deposit
- ✓ Premium quality flake graphite concentrates
- ✓ Soft, friable saprolite

OPEX

- ✓ Free dig with low strip ratio
- ✓ Simple process flowsheet with no primary crushing or grinding required

CAPEX

- ✓ No crushing or primary grinding circuit required

INFRASTRUCTURE

- ✓ Enviably access to existing rail and power networks

JON HYKAWAY, STORMCROW CAPITAL (INVESTINGNEWS.COM 22 JUNE 2016)

"There are preferred sources, there are preferred supplies, but really it's a game that's going to go to the inexpensive producer. To be able to compete in this space, you have to be able to compete with the Chinese producers on a cost-per-tonne basis."

"What we're going to be looking for are fairly high-grade deposits, hosted in friable rock or in sediments, in clays, so that the mining required is very inexpensive...."

COMPETENT PERSONS STATEMENT & DISCLAIMER.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Malingunde Exploration Results is extracted from the reports dated 29 August 2016, 5 September 2016, 12 October 2016 and 26 October 2016. These reports are available to view on www.sovereignmetals.com.au. The information in the original ASX Announcements that related to Malingunde Exploration Results were based on, and fairly represents, information compiled by Dr Julian Stephens, a Competent Person who is a member of the Australasian Institute of Geoscientists (AIG). Dr Stephens is the Managing Director of Sovereign Metals Limited and is also a substantial holder of shares and performance rights in Sovereign Metals Limited. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, 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 Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. 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 announcements.

The information in this presentation that relates to Metallurgical Testwork Results is extracted from the report dated 7 September 2016. This report is available to view on www.sovereignmetals.com.au. The information in the original ASX Announcements that related to Metallurgical Testwork Results was based on, and fairly represents, information compiled by Mr Oliver Peters, M.Sc., P.Eng., MBA, who is a Member of the Professional Engineers of Ontario ('PEO'), a 'Recognised Professional Organisation' ('RPO'). Mr Peters is a consultant of SGS Canada Inc. ('SGS'). SGS is engaged as a consultant by Sovereign Metals Limited. Mr Peters 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 Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information including in the original market announcements. 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 announcements.

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This release may include forward-looking statements, which may be identified by words such as "expects", "anticipates", "believes", "projects", "plans", and similar expressions. These forward-looking statements are based on Sovereign's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Sovereign, which could cause actual results to differ materially from such statements. There can be no assurance that forward-looking statements will prove to be correct. Sovereign makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.

MANAGEMENT TEAM WITH A PROVEN TRACK RECORD OF SUCCESS.

IAN MIDDLEMAS
Chairman

Mr Middlemas is a Chartered Accountant and was a Senior Group Executive for Normandy Mining for more than ten years, which was Australia's largest gold miner (+2m ounces per annum) before merging with Newmont Mining. He is currently Chairman of Salt Lake Potash Limited, Berkeley Energia Limited and a number of other listed resource companies. Mr Middlemas was also previously Chairman of Papillon Resources Limited and Mantra Resources Limited.

DR JULIAN STEPHENS *Managing Director*

Dr Stephens is a Geologist with over 20 years experience in mineral exploration across many commodity types who has spent 10 years working on minerals projects in Malawi. Julian identified and secured the Malawi flake graphite projects. He led the team that discovered the Malawi Flake Graphite Projects.

MATTHEW WHEELER
Technical Manager

Mr Wheeler is a Geologist with over 20 years experience in mineral exploration. He has held various exploration and resource development roles on gold and uranium projects within Western Australia and the Philippines. Mr Wheeler was a co-discoverer of the Malawi Flake Graphite Project.

COLLIN DAVY
Exploration Manager - Malawi

Mr Davy is a Geologist with over 13 years experience in mineral exploration. He has managed exploration projects for polymetallic deposits, copper sulphide and oxide, nickel sulphide, iron, graphite, and heavy mineral sands in Australia and in multiple overseas jurisdictions including Eastern Europe, Canada and various parts of Africa.

DOMINIC ALLEN
Business Development Manager

Mr Allen is a Chartered Accountant with over 10 years commercial experience, including senior roles with Rio Tinto Limited and Oyu Tolgoi LLC. Mr Allen previously worked for Ernst & Young Transaction Advisory Services, completing multiple resource and industrial transactions both in Australia and internationally.



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