OUTSTANDING SUPER-JUMBO & JUMBO FLAKE DISTRIBUTION ACHIEVED FROM MALINGUNDE SAPROLITE

Sovereign Metals Limited ("the Company" or "Sovereign") is pleased to report that the latest flotation test-work on Malingunde saprolite has achieved **outstanding super-jumbo and jumbo flake distribution** in high-grade graphite concentrates, further enhancing the potential for best-in-class margins at Malingunde.

Sovereign is **targeting a low-capex, low opex operation** by processing the soft, low strip, free-dig saprolite material at Malingunde; when coupled with **premium concentrate pricing** this has the potential to equate to **exceptional cash margins**.

Highlights:

- *Recent flotation tests on Malingunde diamond drill-core samples produced final concentrates with world-class flake distribution;* ***78% exceeding 149µm in size****, including* ***33% of +297µm Jumbo flake and 14% of +500µm Super Jumbo flake*** *(Table 1).*
- *These* ***Jumbo and Super-Jumbo*** *products generally attract* ***significant premiums*** *to smaller sized flake graphite.*
- *Results show* ***excellent consistency between samples*** *from the upper (~8-15m vertical) and lower (~15-25m vertical) saprolite zones.*

MALINGUNDE 2017 FLOTATION RESULTS				
		TEST #F13		
PARTICLE SIZE		C (%)	Distribution (wt. %)	Flake category
Tyler mesh	(µm)			
+32	+ 500	97.1	14.2	Super Jumbo
+ 48	+ 297	96.1	32.8	Jumbo
-48 + 100	- 297 + 149	96.7	31.7	Large-Medium
-100 + 200	- 149 + 74	97.0	16.6	Small
-200	- 74	95.4	4.8	Amorphous
TOTAL		96.6	100.0	

Table 1. Results of flotation Test F13 on Malingunde saprolite hosted graphite mineralisation[1]

Managing Director Dr Julian Stephens commented, "These world-class jumbo and super-jumbo flake distribution results significantly enhance the potential basket price for Malingunde concentrates and should have a substantial positive impact on future project revenues. This, coupled with the inherent low capex and low opex nature of soft saprolite operations provides the potential for best in class operating margins at Malingunde."

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Metallurgical test-work

The continuing metallurgical test-work program has highlighted the occurrence of substantial jumbo and super jumbo flake graphite zones within the Malingunde deposit. The robust metallurgical response of material throughout the saprolite zones provides further increased confidence in the process design parameters adopted for the Scoping Study, currently underway.

All independent metallurgical test-work on material from the Malingunde saprolite-hosted flake graphite project was undertaken at SGS Lakefield Canada under the supervision of Mr Oliver Peters (MSc, P.Eng, MBA).

Sovereign's initial test-work on material from Malingunde was performed on near surface saprolite composite samples obtained through hand augering in the northern and central areas of the deposit. The samples were taken from vertical depths ranging between 4m and 12m, and gave results ranging between ~49% (test #F1) and ~55% (#F6) exceeding 149µm (see ASX announcements 7 September & 23 November 2016).

The recent test-work was conducted on several composite samples of PQ diamond drill core obtained from the 2016 drilling program. The work forms part of a larger test-work program that will be used as the basis for the current Scoping Study process design criteria. All recent tests employed identical conditions used for previously reported results (Test #F6).

Tests #F13 and #F14 were performed on samples from vertical diamond hole MGDD0003 drilled within the central area of the Malingunde deposit. Test #F13 was conducted on an upper saprolite composite from 8.6m-15m downhole grading 6.9% TGC (Table 1). Test #F14 was conducted on lower saprolite 15-24m downhole grading 7.4% TGC. Results showed ~78% (#F13) and ~74% (#F14) of +149µm concentrates respectively. Total recoveries ranged between 88% and 93%. Therefore, the grade and flake size distribution of the final concentrates produced from the recent tests demonstrate the reproducible nature of the current flowsheet. It should be noted that no optimisation work has yet been completed and results may improve with further test-work.

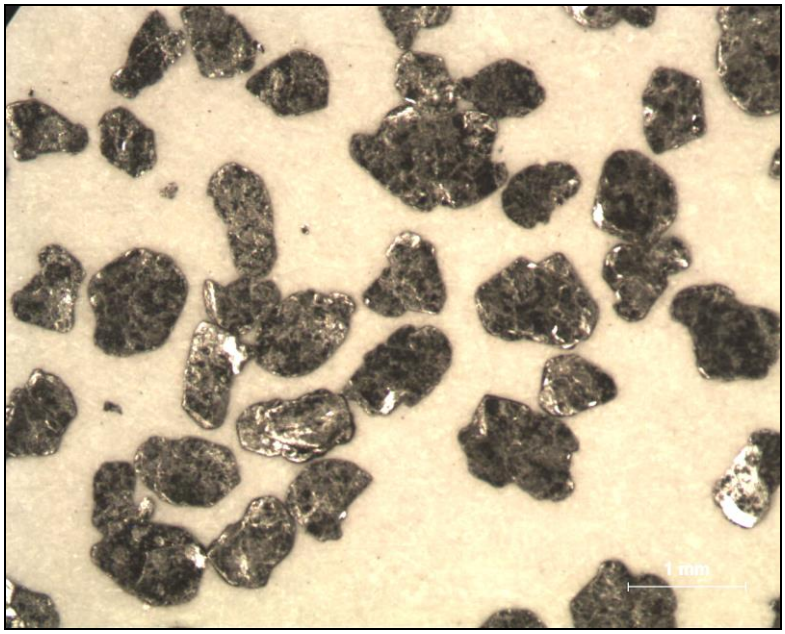

Figure 1. +297µm jumbo and super-jumbo flake graphite concentrate from test #F13, Malingunde

Concluding Comments

Saprolite-hosted flake graphite deposits are sought after as they generally have substantially lower capital and operational costs compared with hard rock operations. This is primarily due to their free-dig nature, low life-of-mine stripping ratios and simplified processing plants that do not require more expensive crushing or primary milling circuits.

The new metallurgical results from Malingunde show outstanding distribution of coarse, jumbo and super-jumbo flake graphite in high grade concentrates from different vertical levels and different mineralised zones across the deposit.

The outstanding jumbo and super-jumbo flake distribution results significantly enhance the potential basket price for Malingunde concentrates which should have a substantial positive impact on future realised project revenues. This, coupled with the inherent low capex and low opex nature of soft saprolite operations provides the potential for best in class operating margins at Malingunde.

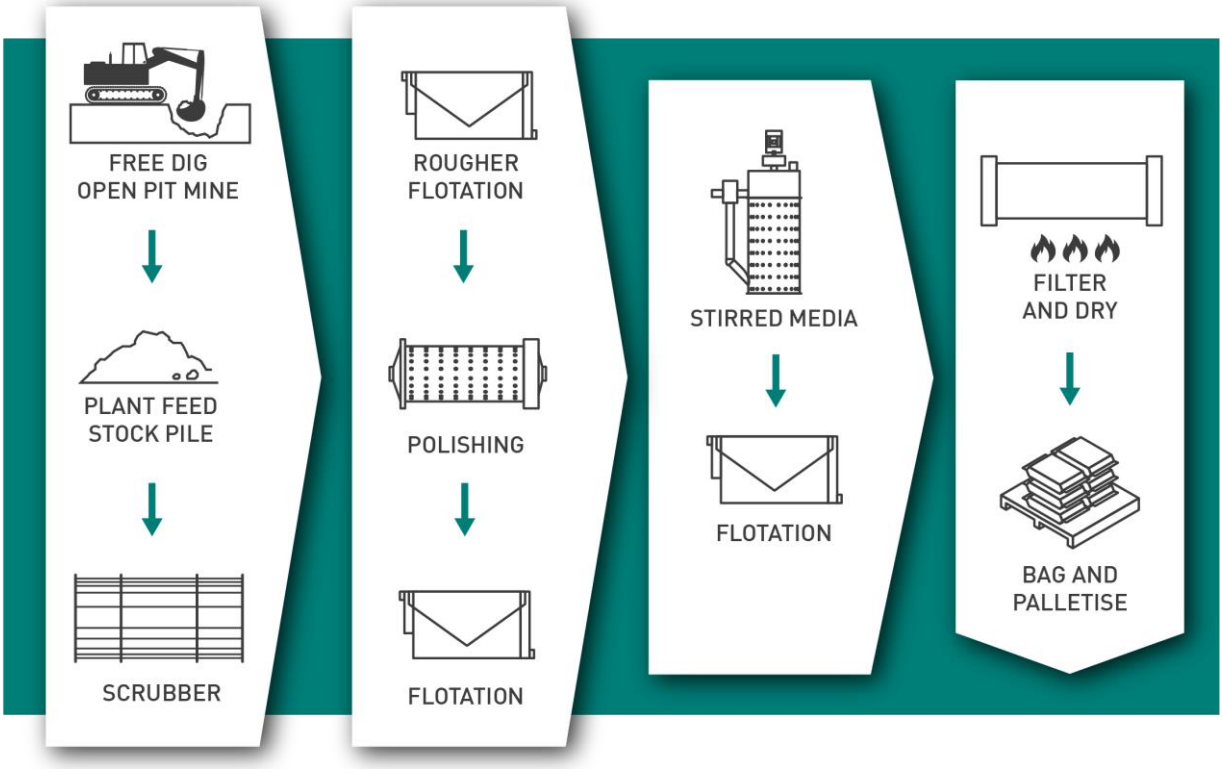

Figure 1. Simplified initial Malingunde saprolite-hosted graphite flowsheet

Competent Person Statement

The information in this report that relates to Metallurgical Testwork Results is based on 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) included in a list promulgated by the ASX from time to time. 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'. Mr Peters consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Forward Looking Statement

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.

Footnote to Table 1.

The chemical analysis used to determine the total carbon content employs combustion of a sample followed by infrared detection on a LECO SC-632 instrument. All reported analytical results have an associated measurement uncertainty based on the expected precision and accuracy relating to the method and sample concentration. Values at 100% should not be treated as pure products without additional impurity testing. The estimated measurement uncertainty for total carbon values greater than 90% C is 1.7% (relative) with a resolution of 1 significant figure.