

TARGETING LOW COST PRODUCTION OF PREMIUM QUALITY FLAKE GRAPHITE



minesandmoney
ASIA

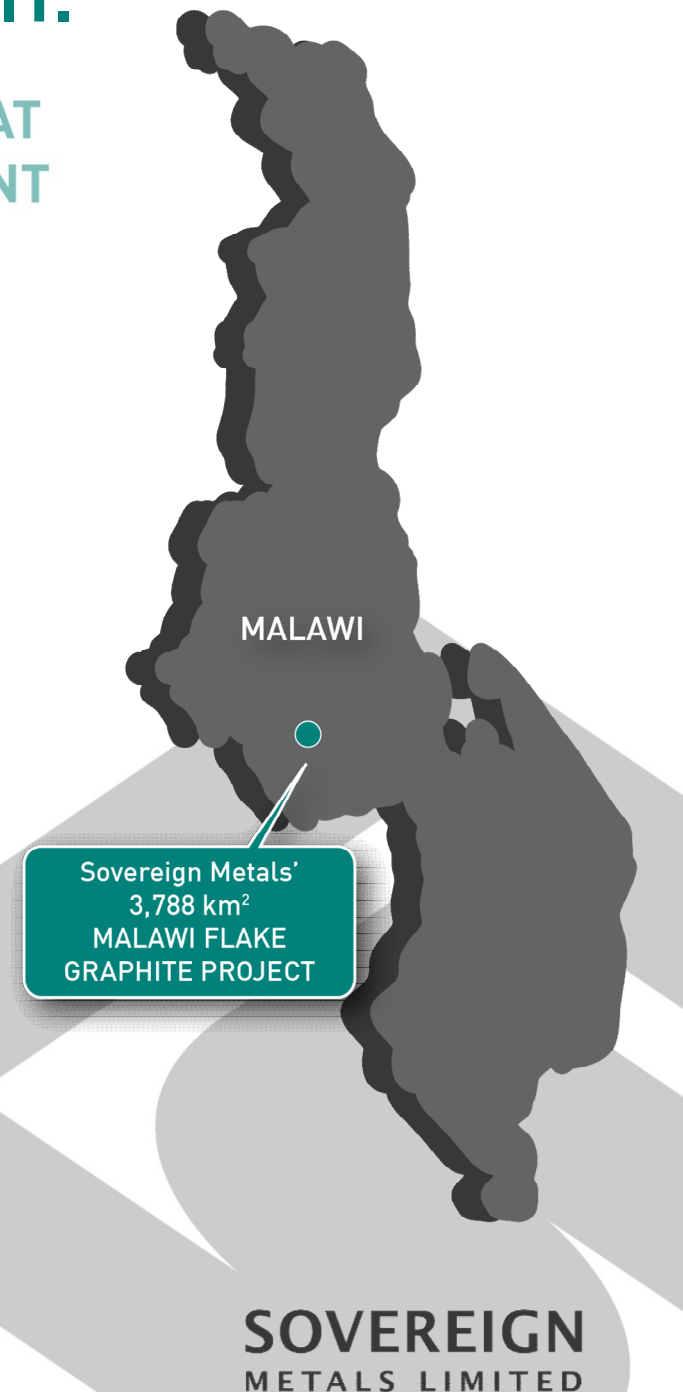
APRIL 2017

ASX:SVM

MALINGUNDE: A TIER 1 GRAPHITE DEPOSIT.

THE HIGH-GRADE, SOFT SAPROLITE-HOSTED DEPOSIT AT MALINGUNDE HAS THE POTENTIAL TO HAVE SIGNIFICANT BENEFITS OVER HARD ROCK GRAPHITE DEPOSITS.

- ❖ Sapolite is the very **soft, graphite-bearing, clay-rich oxide material** that is formed from intense weathering of the original bedrock.
- ❖ The Malingunde sapolite-hosted deposit has the potential to provide **material operating and capital cost benefits** versus our hard rock peers.
- ❖ Potential for low capital and operating costs will allow **access to diverse graphite markets** such as refractories and expandable graphite products, as well as use in Li-ion batteries.



TARGETING A SIMPLE & PROFITABLE GRAPHITE PROJECT.

A SIGNIFICANT POINT OF DIFFERENCE VERSUS PEERS.

◆ Sovereign is focused on delivering a low cost graphite operation, capable of delivering best in class margins by targeting:

- 1. Very low operating costs.**
- 2. Very low capital costs.**
- 3. Entry to existing and developing markets.**
- 4. A simple mining & processing strategy.**



TARGETING VERY LOW OPERATING COSTS

MALINGUNDE SAPROLITE IS SIMPLE TO MINE AND PROCESS.

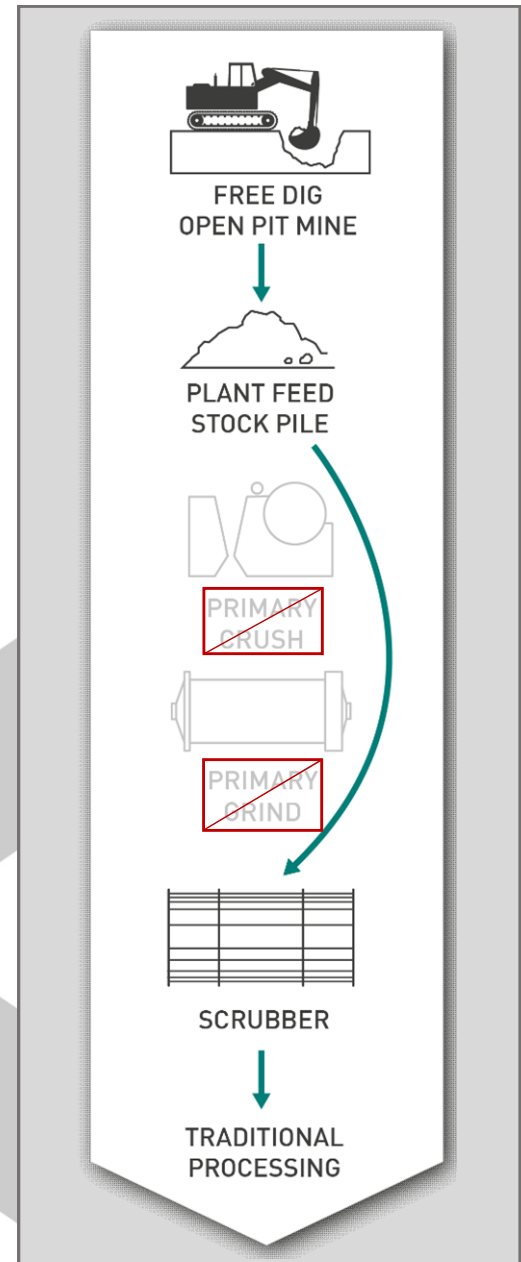
- Free dig mining, low strip ratios and a simple flow sheet will equate to low cost production.
- Almost all graphite peers are hosted in hard rock.
- Low cost production will maximise profitability throughout the graphite price cycle.



TARGETING VERY LOW CAPITAL COSTS

SAPROLITE MATERIAL = SIMPLE PLANT DESIGN WITH NO PRIMARY CRUSH OR GRIND.

- ❖ The very soft material will allow a simple process design and ease of construction.
- ❖ No requirement for primary crushing or grinding circuit.
- ❖ Low strip ratio and high grades will enable small mining fleet and process plant.
- ❖ Low capex will enable pathway to financing and development.



ENTRY TO EXISTING AND DEVELOPING MARKETS.

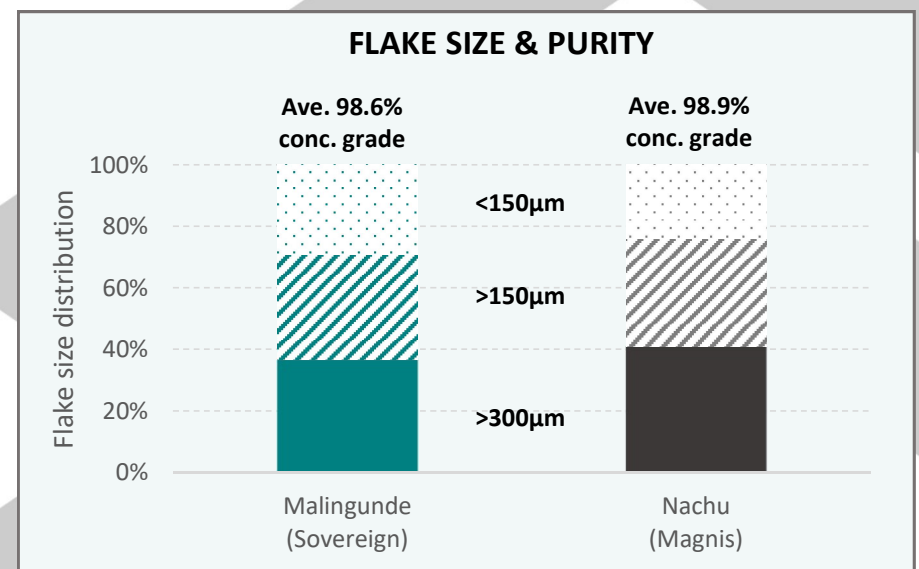
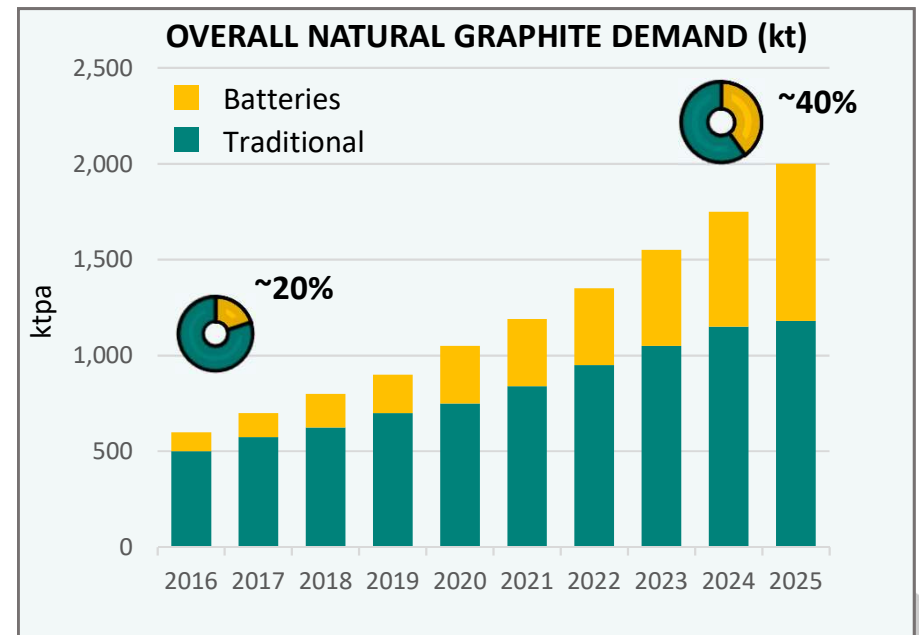
ENABLED THROUGH LOW COST AND A VERY HIGH QUALITY CONCENTRATE.

◆ Traditional uses (refractory, expandable & other industrial) account for ~80% of existing market.

◆ Entry to existing traditional markets reduces risk; not reliant on Li-ion battery demand.

◆ Very high quality product is comparable to Magnis Resources; considered by many analysts as the benchmark in quality.

◆ Entry to Li-ion battery markets retained as attractive upside.

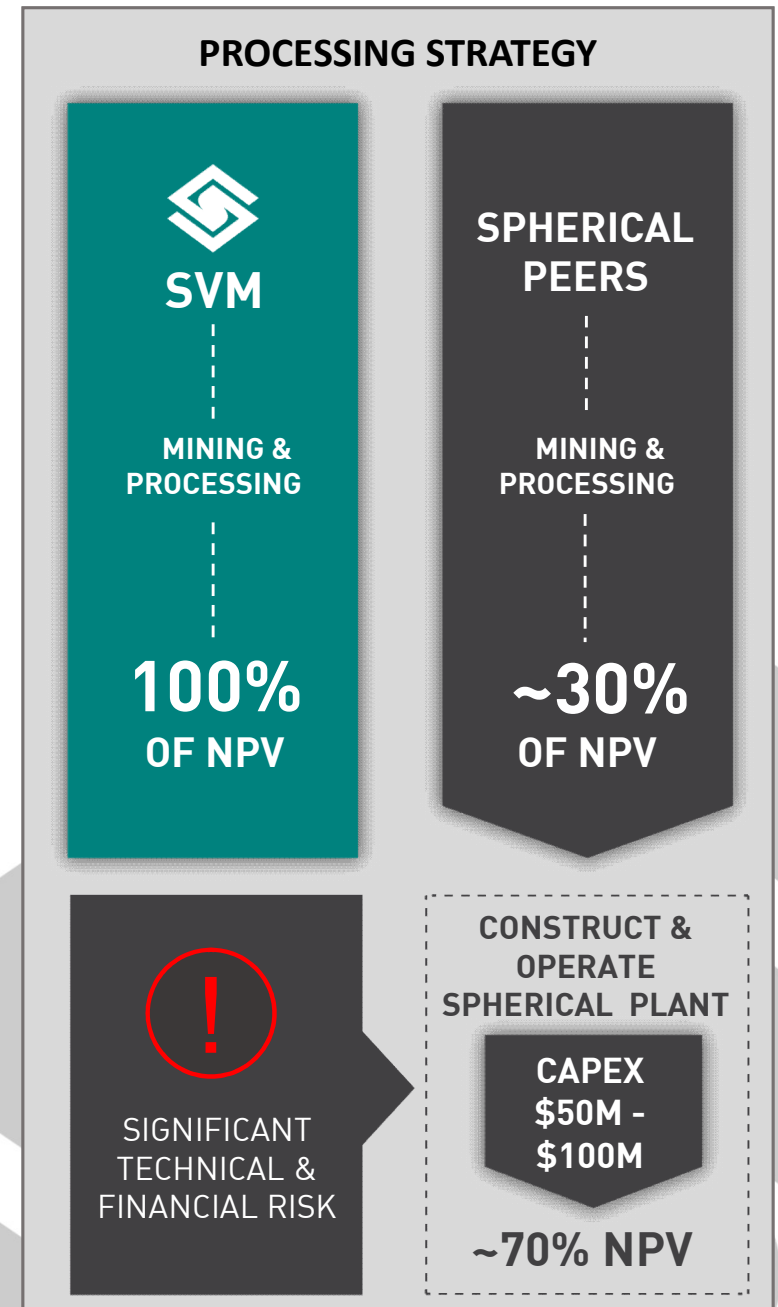


Source: Canaccord Genuity, Company estimates, Magnis company presentation

PURSuing A SIMPLE MINING & PROCESSING STRATEGY.

NO HIGH RISK DOWNSTREAM PROCESSING.

- ❖ Sole focus on profitable mining & processing.
- ❖ No downstream capital requirement reduces technical and financing risk.
- ❖ Low cost and high quality products achieve best in class margins.
- ❖ Strategy provides a clear investment case and focused pathway to development.



Source: Macquarie Research, Company Announcements

MALINGUNDE PROJECT DETAIL

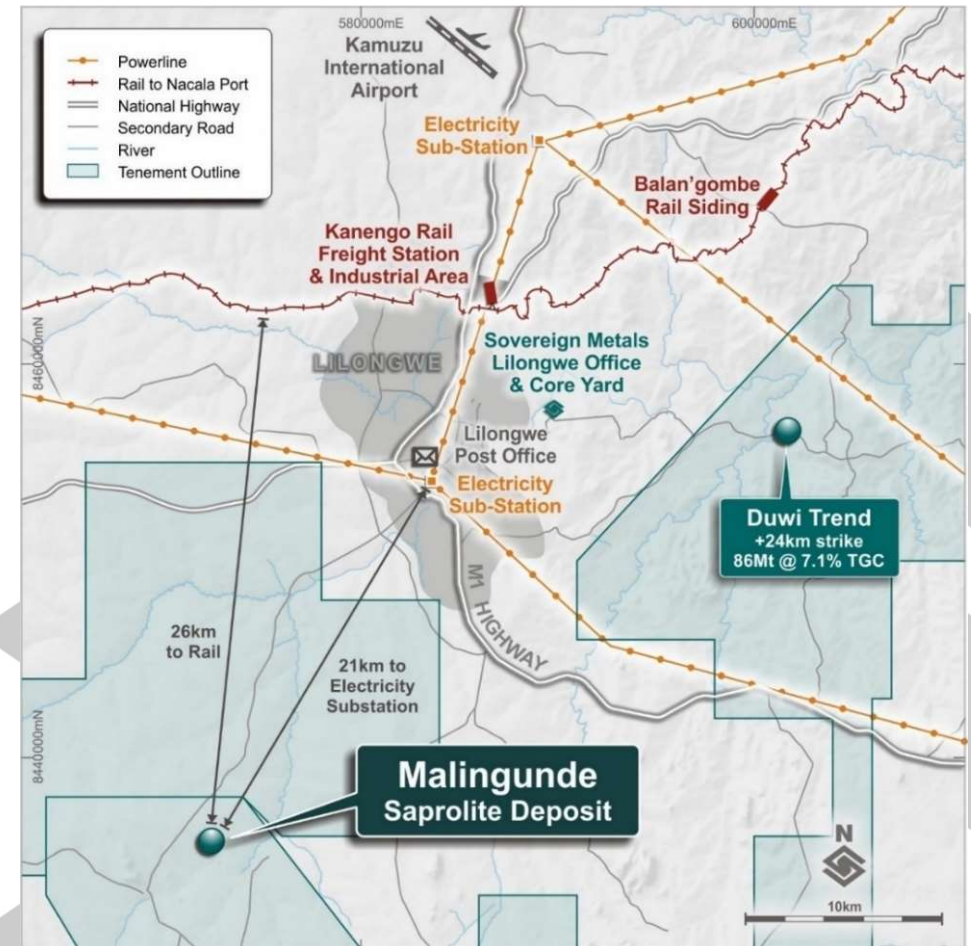
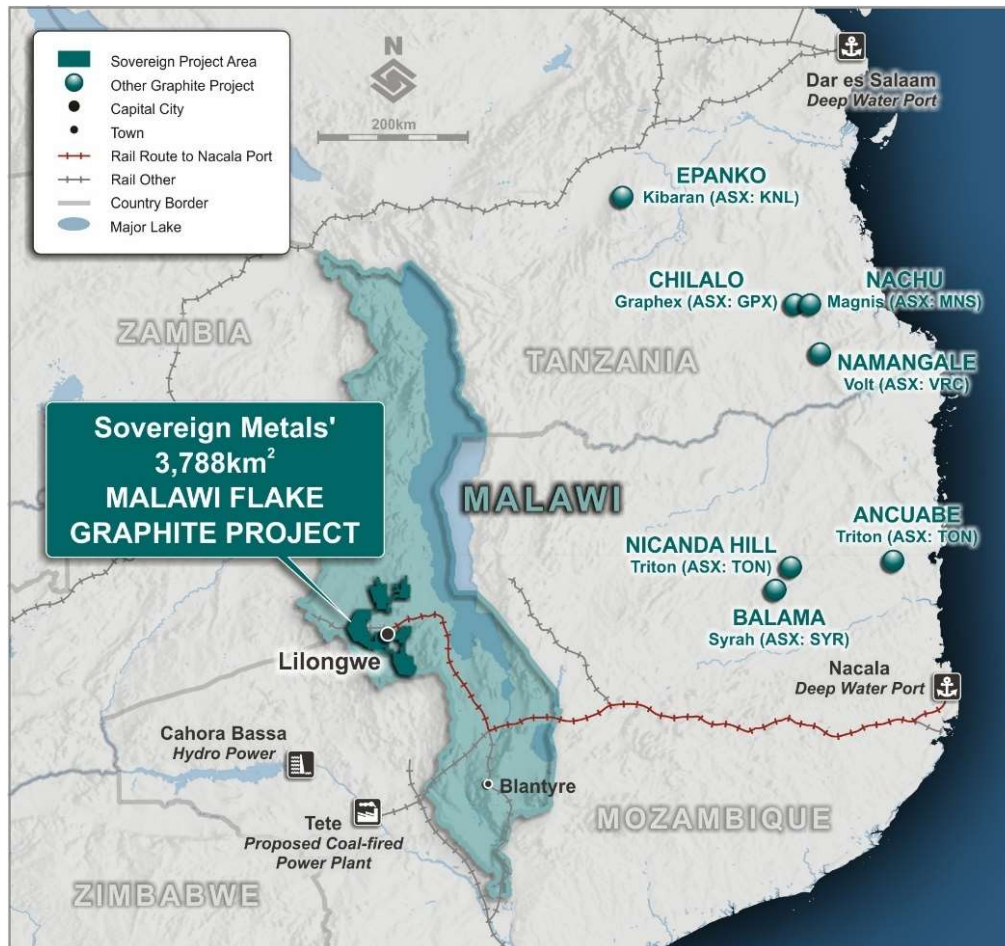


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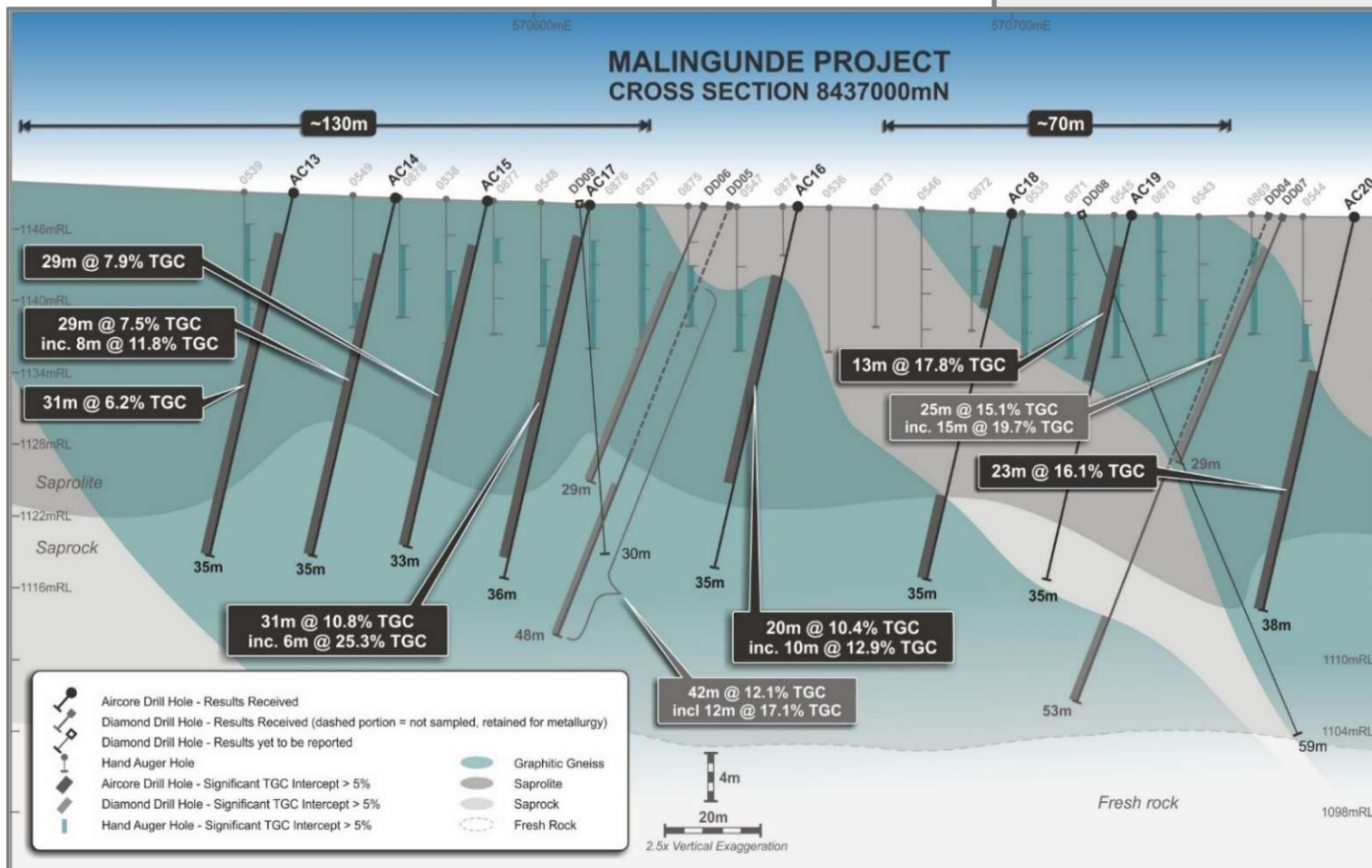
DOMINANT GROUND POSITION IN THE WORLD-CLASS EAST AFRICAN FLAKE GRAPHITE PROVINCE.

MALINGUNDE: A SUBSTANTIAL, SAPROLITE-HOSTED GRAPHITE DISCOVERY LOCATED IN CLOSE PROXIMITY TO KEY INFRASTRUCTURE.

- ❖ In addition, there is immense upside for further discoveries of sapolite-hosted flake graphite across the large (3,788km²) and 100%-owned tenement package.



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

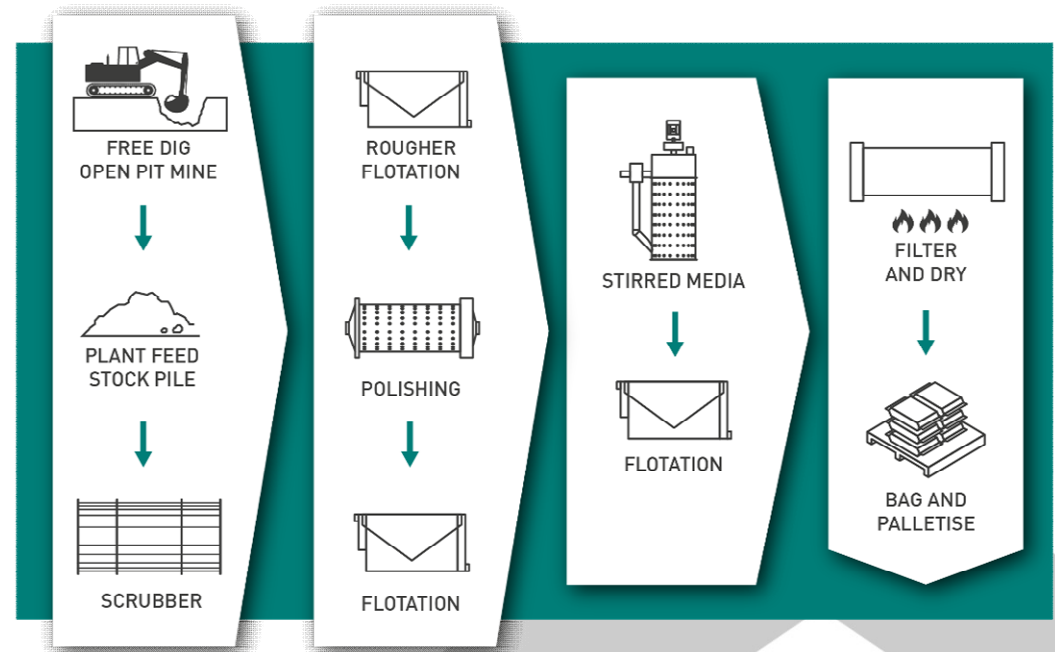


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INITIAL METALLURGY RESULTS.

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

- Results from the initial flotation test program on this material showed:
 - Large flake** ~55%-78% of the concentrate in the super jumbo, jumbo and large size fractions (i.e. +149µm).
 - High grade** concentrate across all flake size fractions, consistently grading above 98% C(t).



- Simple process flowsheet** – no primary crush or grind.
- Potential for **significant capital and operational cost benefits** over traditional hard-rock crushing and milling.

MALINGUNDE 2017 FLOTATION RESULTS – TEST #F18

PARTICLE SIZE		C (%)	Distribution (wt. %)	Flake Category
Tyler Mesh	(µm)			
+32	+500	99.0	9.1	Super jumbo
+ 48	+ 297	98.8	27.5	Jumbo
-48 + 100	- 297 + 149	98.2	34.1	Large-Medium
-100 + 200	- 149 + 74	99.0	23.1	Small
-200	- 74	98.3	6.2	Amorphous
TOTAL		98.6	100.0	

MALINGUNDE: A TIER 1 GRAPHITE DEPOSIT.

TARGETING A LOW CAPITAL AND LOW OPERATING COST MODEL.

- ◆ **Thick and consistent preserved saprolite profile** – large tonnage potential.
- ◆ **Free-dig mining** and very **low strip ratios** with mineralised material at or near surface – very low overall mining costs expected.
- ◆ Simple processing with **no primary crushing and grinding** – potential for substantial capital and operating cost advantages.
- ◆ **Excellent quality concentrates** produced via a **simple flowsheet** highlights the metallurgical consistency & processing simplicity.

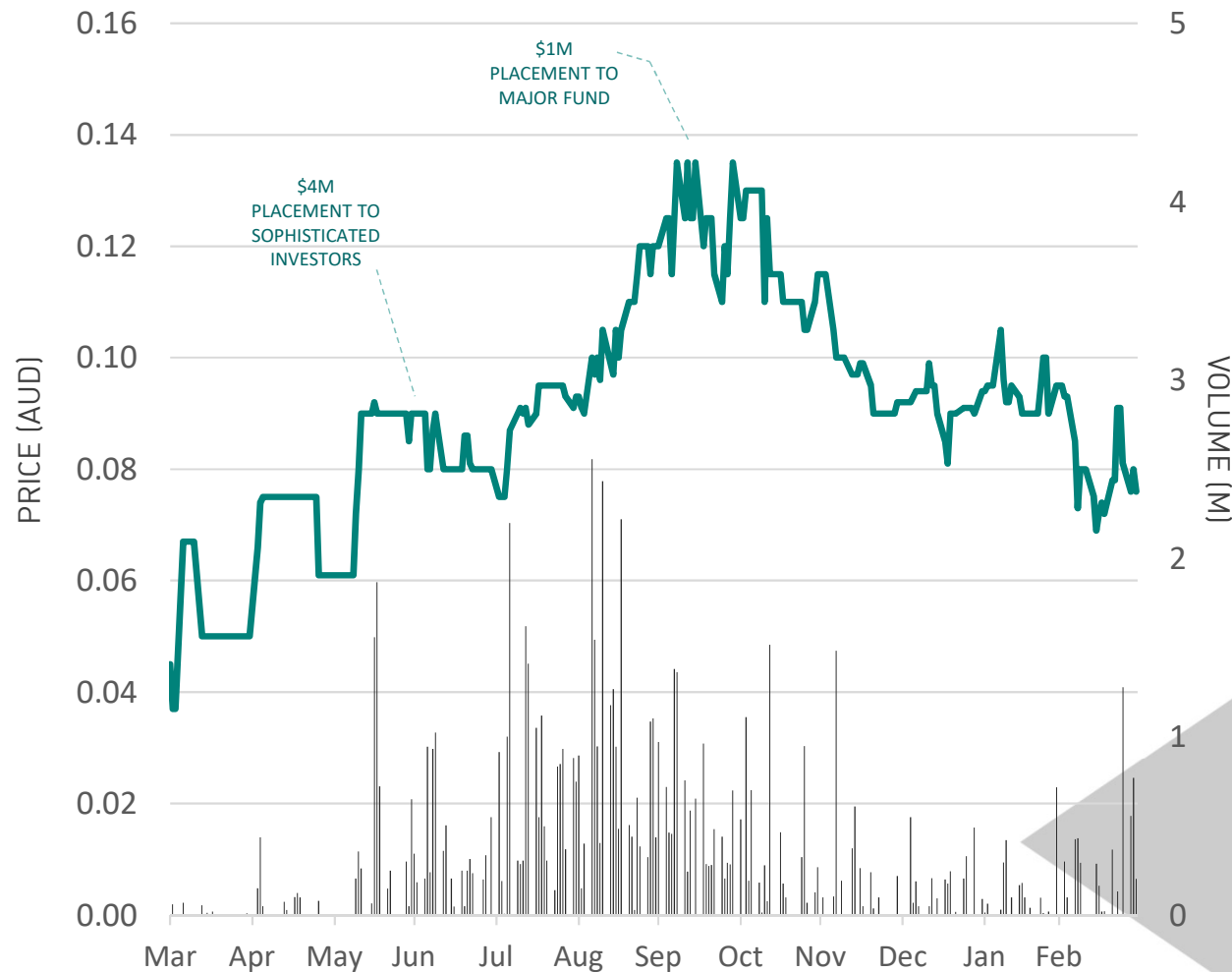
IMAGE CENTRE: Mining of saprolite-hosted graphite deposits in Madagascar. Source Stratmin/Bass Metals (ASX:BSM)

IMAGE BOTTOM: Attrition scrubber of the type that could be used for a saprolite-hosted graphite operation.



MARKET INFORMATION.

ASX : SVM SHARE PRICE MOVEMENT



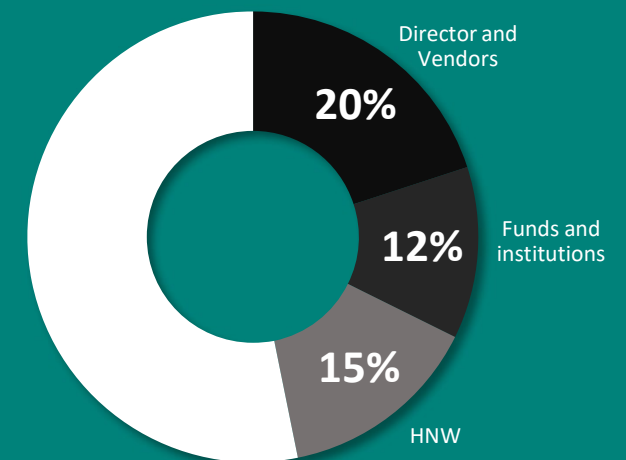
Source: ASX as at market close 30 March 2017

CAPITAL STRUCTURE

Current Shares on Issue *	217,329,083
Unlisted Options (\$0.10 to \$0.47)	14,916,667
Performance Rights	1,400,000
Un-Diluted Market Capitalisation *	A\$17.4 m
Cash (31 December 2016)	~A\$3.7 m

* As at 30 March 2017

SHAREHOLDERS



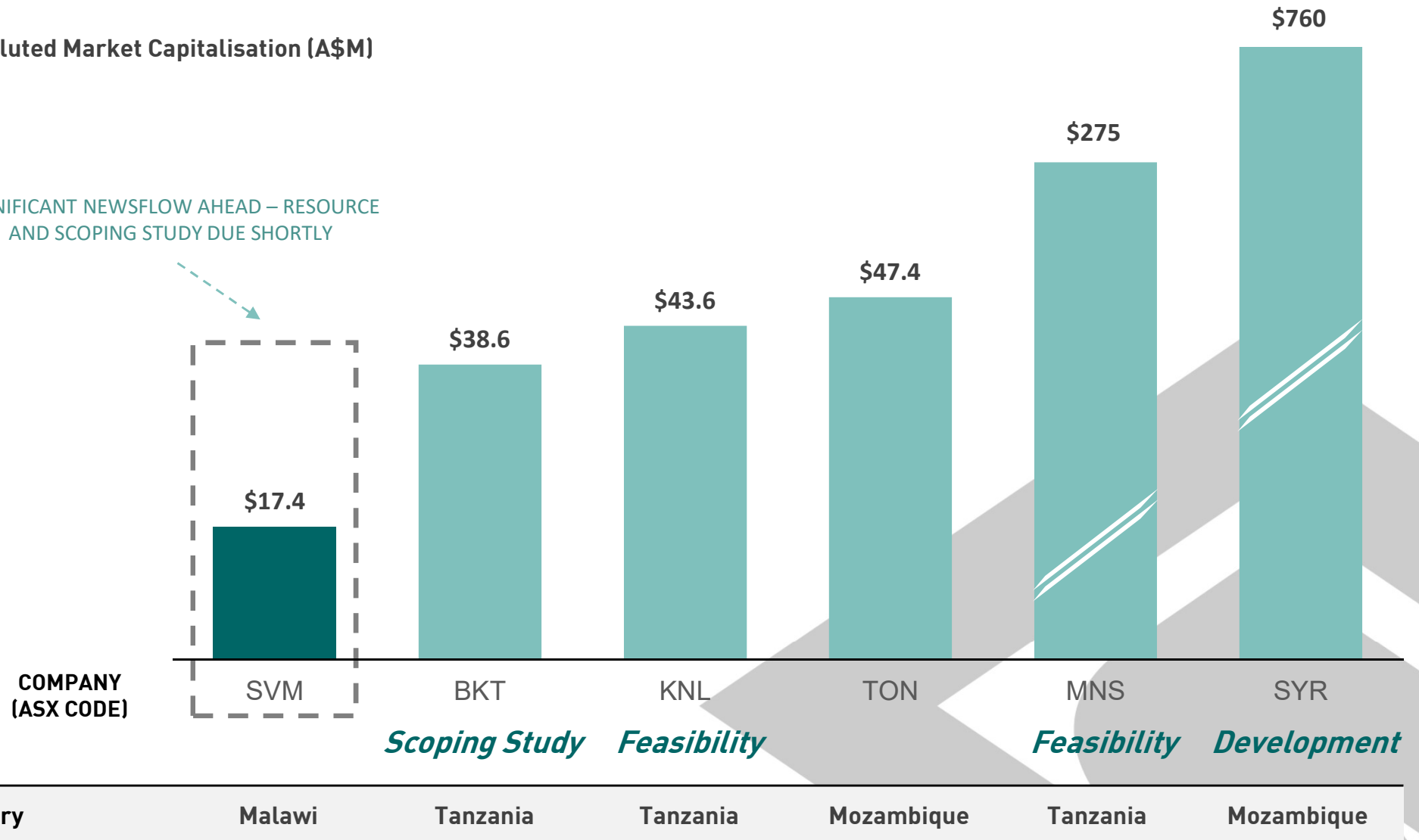
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MASSIVE VALUATION UPSIDE.

THE VALUE ATTRIBUTABLE TO LOW COST PRODUCTION IS YET TO BE FULLY RECOGNISED BY THE MARKET: LARGE VALUATION UPSIDE WHEN COMPARED TO PEERS.

Undiluted Market Capitalisation (A\$M)

SIGNIFICANT NEWSFLOW AHEAD – RESOURCE AND SCOPING STUDY DUE SHORTLY



Source: ASX
As at market close 30 March 2017

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FORWARD PLAN AND NEWS FLOW FOR MALINGUNDE.

RESOURCE DRILLING	6,000m aircore and diamond drill program complete.	Complete
RESOURCE	Maiden Malingunde JORC resource estimate.	News imminent
SCOPING STUDY	To examine initial economic parameters for producing graphite from soft saprolite ore at Malingunde.	<div><div></div><div></div><div></div><div></div></div>
DOWNSTREAM TEST-WORK	Spherical graphite test-work program for Li-ion battery anode suitability. Development of expandable graphite products.	<div><div></div><div></div><div></div><div></div></div> <div>& Ongoing</div>
FURTHER METALLURGY	Bulk scrubber test-work and production of larger quantities of concentrates for evaluation by potential offtake partners.	<div><div></div><div></div><div></div><div></div></div>
NEXT PHASE OF STUDY	Nature and scope of next phase of study to be assessed at completion of Scoping Study. Funds are available for commencement of next phase of study in Q2 2017.	<div><div></div><div></div><div></div><div></div></div>

TARGETING A SIMPLE & PROFITABLE GRAPHITE PROJECT:

- **Very low operating costs.**
- **Very low capital costs.**
- **Entry to existing and developing markets.**
- **A simple mining & processing strategy.**



MANAGEMENT TEAM WITH A PROVEN TRACK RECORD OF SUCCESS.

IAN MIDDLEMAS <i>Chairman</i>	JULIAN STEPHENS <i>Managing Director</i>	MATTHEW WHEELER <i>Technical Manager</i>	COLLIN DAVY <i>Exploration Manager - Malawi</i>	DOMINIC ALLEN <i>Business Development Manager</i>
<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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 numerous major resource and industrial transactions.</p>

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, 26 October 2016, 18 January 2017, 21 February 2017 and 15 March 2017. 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, options 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 reports dated 27 February 2017 and 20 March 2017. These reports are 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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