ASX RELEASE

28 April 2017

SOVEREIGN METALS LIMITED

ASX:SVM

MARCH 2017 QUARTERLY REPORT

Sovereign Metals Limited ("the Company" or "Sovereign") is pleased to present its quarterly report for the period ending 31 March 2017.

The Company is focused on the large, high-grade Malingunde saprolite hosted graphite project in Malawi. The recently reported maiden JORC Mineral Resource Estimate ("MRE") for the Malingunde Project confirms its global significance and provides the basis for a potentially low capex and very low opex natural flake graphite operation.

HIGHLIGHTS:

Mineral Resource Estimate: world's largest reported saprolite-hosted flake graphite resource[1].

Malingunde confirmed as world's largest reported saprolite-hosted flake graphite resource:

- Total saprolite MRE (Indicated + Inferred): 28.8Mt @ 7.1% TGC (4.0% TGC cut-off).
- Includes high-grade saprolite component of: 8.9Mt @ 9.9% TGC (7.5% TGC cut-off).
- High-grade component to provide the focus for the Scoping Study which is well advanced and due for mid-late May completion.
- 80% of the total saprolite MRE is in the Indicated Mineral Resource category.
- All soft saprolite is within 30m of surface and will be free-digging with very low strip ratios, which should equate to much lower life-of-mine mining costs.
- The soft saprolite material does not require primary crushing or grinding which will result in substantially reduced processing costs compared to hard rock deposits.

Metallurgy Improvements: exceptional flake size distribution and very high purity concentrates.

Continued flotation test-work on Malingunde saprolite has achieved exceptional flake size distribution and very high purity concentrates:

- 71% of the final graphite concentrate exceeds 149µm in size, including 28% of +297µm jumbo flake and 9% of +500µm super jumbo flake.
- Average purity 98.6% graphite, with 99.0% achieved across a number of size fractions.

High -End Downstream Applications: world-class expandability characteristics.

World-class expandability characteristics shown for Malingunde graphite concentrates:

- Expansion ratios of 480 ml/g for +300µm jumbo flake and 450 ml/g for +500µm super-jumbo flake were achieved, well exceeding those of typical Chinese and Western concentrates currently available on the market.
- High expansion ratios such as those achieved from the +500µm super-jumbo and +300µm jumbo flake are required for the production of high value graphite foils and paper

ENQUIRIES: ***Dr Julian Stephens – Managing Director +618 9322 6322***

Introduction

Saprolite-hosted graphite deposits are sought after as they generally have lower capex requirements and low operating costs compared to hard rock graphite mines.

Sovereign explored the Malingunde area in 2015 and 2016, resulting in the discovery and definition of the world's largest reported saprolite-hosted graphite resource[1].

Beneficial features of the Malingunde deposit include:

- A high-grade core @ ~10% TGC which will provide the focus for the upcoming Scoping Study;
- Very soft, free-digging material for the life of mine and a very low strip ratio will equate to very low mining costs;
- No requirement for primary crushing and grinding, significantly reducing capital requirements and operating costs;
- Proximity to Malawi's capital means access to existing infrastructure – rail, water, power & labour;
- Best in class concentrates in terms of flake size and concentrate grade will equate to premium concentrate pricing.

The above features collectively show that Malingunde has the potential to be a world-class asset which will have low capital requirements, low operating costs and high revenues per tonne of concentrate, likely resulting in high operating margins.

Mineral Resource Estimate

During the Quarter, the Company received assay results for the final batch of resource drilling, completed in the December 2016 Quarter (ASX: 18th January, 21st February and 15th March 2017). The results formed the basis for the Malingunde Mineral Resource Estimate ("MRE"), undertaken by CSA Global and reported in accordance with the JORC Code (2012 Edition) (ASX: 18th April 2017).

At a 4% TGC lower cut-off grade, the MRE (Indicated + Inferred) comprises:

- 28.8Mt of saprolite @ 7.1% TGC;
- 17.0Mt of saprock @ 7.0% TGC;
- 19.3Mt of fresh rock @ 7.0% TGC.

The total Mineral Resource is 65.1Mt @ 7.1% TGC (saprolite, saprock & fresh rock; Indicated 80% + Inferred 20%).

At an increased 7.5% TGC lower cut-off grade, the saprolite-only resource is 8.9Mt @ 9.9% TGC (also Indicated 80% + Inferred 20%).

The saprolite component of the Mineral Resource all occurs within 30m of the natural ground surface. The Company's intention is to focus the upcoming Scoping Study on the high-grade saprolite Mineral Resource only. This 8.9Mt of high-grade material is expected to provide feed material for a significant mine life to be considered in the study.

MALINGUNDE MINERAL RESOURCE ESTIMATE (4.0% CUT-OFF GRADE)						
	Indicated		Inferred		Total	
	Tonnes (Mt)	Grade (% TGC)	Tonnes (Mt)	Grade (% TGC)	Tonnes (Mt)	Grade (% TGC)
Saprolite	23.0	7.1%	5.7	7.3%	**28.8**	**7.1%**
Saprock	12.8	7.0%	4.2	7.1%	17.0	7.0%
Fresh Rock	-	-	19.3	7.0%	19.3	7.0%
Total	35.9	7.0%	29.2	7.1%	65.1	7.1%

MALINGUNDE MINERAL RESOURCE ESTIMATE (7.5% CUT-OFF GRADE)						
	Indicated		Inferred		Total	
	Tonnes (Mt)	Grade (% TGC)	Tonnes (Mt)	Grade (% TGC)	Tonnes (Mt)	Grade (% TGC)
Saprolite	7.1	9.6%	1.8	10.8%	**8.9**	**9.9%**
Saprock	3.8	9.4%	1.2	10.0%	5.0	9.5%
Fresh Rock	-	-	5.7	9.6%	5.7	9.6%
Total	10.9	9.5%	8.6	9.9%	19.5	9.7%

Table 1. Malingunde maiden JORC Mineral Resource Estimate at 4.0% and 7.5% TGC cut-off grades

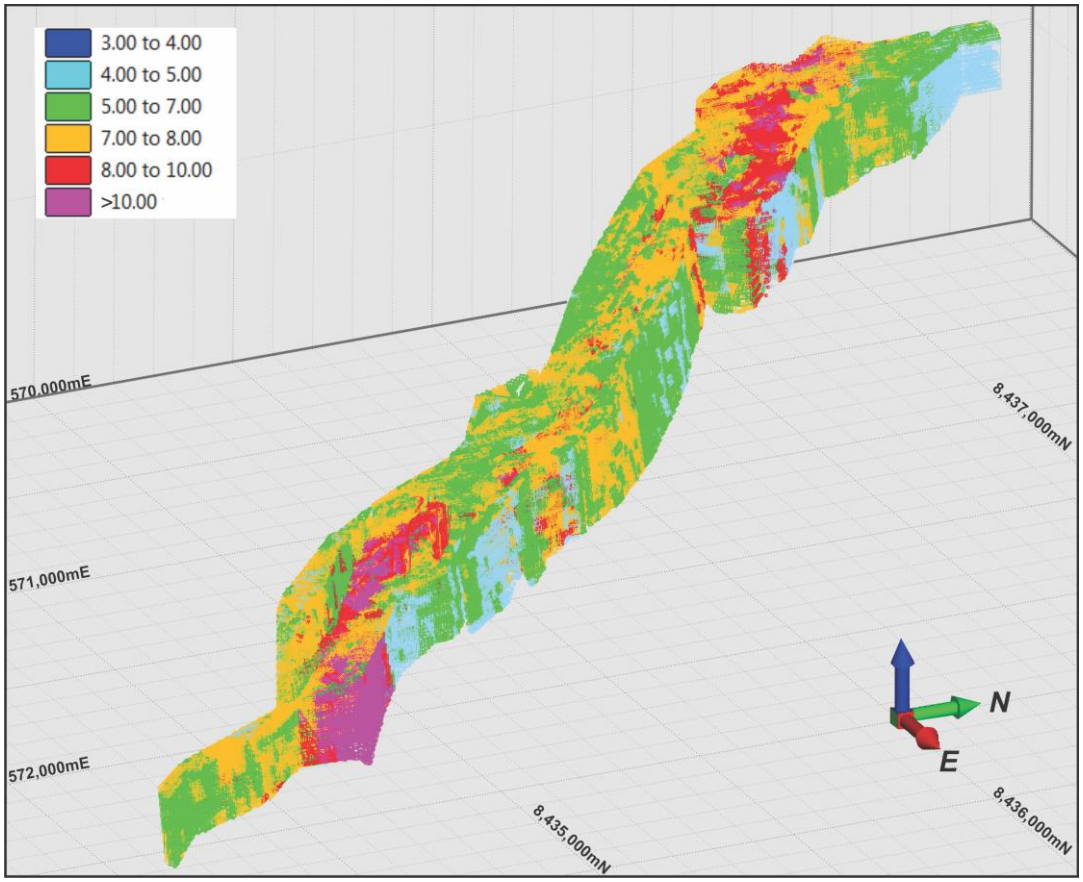

Figure 1. Oblique 3D view of Malingunde MRE block model

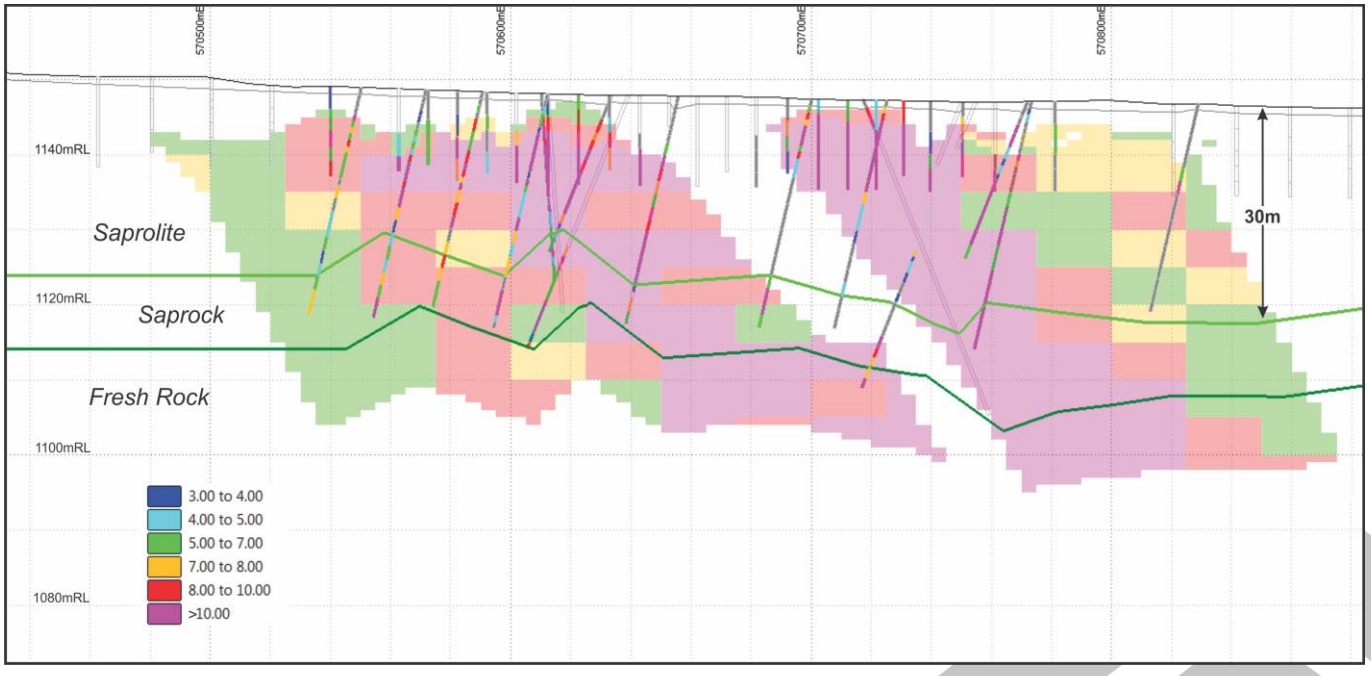

Figure 2. Cross-section 8,437,000mN showing MRE blocks and with TGC grade ranges

SOVEREIGN METALS LIMITED
ASX:SVM

Metallurgy Improvements

The Company continued with test-work that focused on understanding variability and optimisation of the flotation process flow-sheet during the Quarter.

A simple process flowsheet with no primary crush or grind was shown to produce both exceptional concentrate purity and outstanding flake distribution from the soft, saprolite-hosted graphite mineralisation. The results highlight the simplicity and flexibility of the Malingunde process flow sheet. This work showed increased grades of final concentrates were achieved with minimal deterioration in flake size.

The latest flotation test-work on Malingunde saprolite achieved exceptional purity concentrates averaging 98.6% graphite, with 99.0% grade achieved across a number of size fractions (Table 2). 71% of the final graphite concentrate exceeds 149µm in size, including 28% of +297µm jumbo flake and 9% of +500µm super jumbo flake.

Exceptional purity combined with outstanding flake distribution provides potential to attract a significant pricing premium and entry into traditional industrial markets as well as emerging Li-ion battery markets.

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	

Table 2. Results for latest flotation test-work on Malingunde saprolite material.

Sovereign has now achieved production of concentrates very similar to those from Magnis Resources Limited's (ASX: MNS) Nachu deposit, considered by many analysts to be one of the benchmark products in terms of purity and flake distribution (Figure 3). Exceptional purity combined with outstanding flake distribution provides potential to attract a significant pricing premium and gain entry to a diverse range of market sectors.

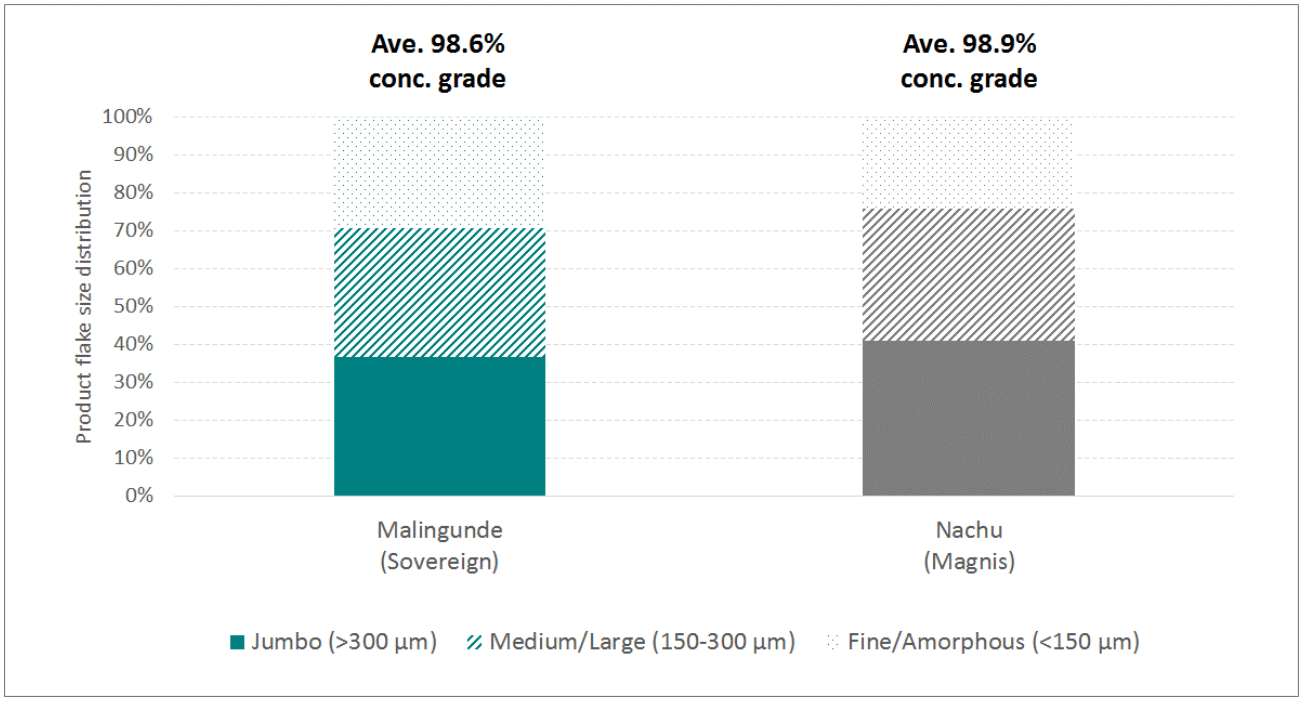

Figure 3. Product flake size distribution and average concentrate purity[1]

Expandability Results

Results from expandability test-work conducted on Malingunde flake graphite concentrates by a renowned German industrial minerals laboratory show world-class expandability characteristics across a number of different graphite concentrate size fractions.

The excellent results enhance Sovereign's ability to target entry into existing, traditional markets for its flake graphite products as the base case to underpin Malingunde development. Developing markets relying on new and evolving technologies (such as Li-ion batteries) remain as attractive future upside potential.

Expansion ratios of 480 ml/g for +300µm jumbo flake and 450 ml/g for +500µm super-jumbo flake were achieved, well exceeding those of typical Chinese and Western concentrates currently available on the market. High expansion ratios such as those achieved from the +500µm super-jumbo and +300µm jumbo flake products are required for the production of high value graphite foils, paper and knitted tape.

The concentrates were free of quartz grains and hence represent a good base material for the preparation of expandable graphite and production of graphite foils.

Natural flake graphite is expanded via intercalation. This is a process whereby an expansion agent is inserted between the graphene layers of a graphite crystal or particle. Application of high temperature causes the expansion agent to gasify, producing enough pressure to push adjacent graphite layers apart. This results in large overall decreases in bulk density and increases in surface area. The resultant material is known as expanded flake graphite.

Expanded flake graphite has a wide variety of uses in fuel cells, seals and gaskets, fire retardants, flow batteries, thermal management for consumer electronics, and many other products.

MALINGUNDE 2017 EXPANDABILITY RESULTS	
PARTICLE SIZE (µm)	ml/g
+ 500	450
+ 300	480
+180	340
+106	210
+75	160
- 75	105

Table 3. Expandability test-work results for Malingunde flake graphite concentrates

Carpentaria Joint Venture

Mount Isa Mines (MIM), a Glencore Company, continues to manage and sole fund exploration on all tenements comprising the Carpentaria Joint Venture ("CJV"). Sovereign currently holds a ~30% diluting interest in the tenements.

Competent Person Statement

The information that relates to Mineral Resources is extracted from an announcement dated 18 April 2017. This announcement is available to view on www.sovereignmetals.com.au. The information in the original ASX Announcement that related to Mineral Resources was based on, and fairly represents, information compiled by Mr David Williams, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Williams is employed by CSA Global Pty Ltd, an independent consulting company. Mr Williams has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity 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 included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. 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 announcement.

The information in this report that relates to Metallurgical Test-work Results, is extracted from an announcement dated 20 March 2017. This announcement is available to view on www.sovereignmetals.com.au. The information in the original ASX Announcement that related to Metallurgical Test-work 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) 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'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. 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 announcement.

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 1

The Malingunde Mineral Resource is understood by the Company to be the largest known saprolite-hosted flake graphite deposit in the world that has been reported under recognised western Mineral Resource reporting codes (i.e. JORC, NI 43-101, SAMREC).

SOVEREIGN METALS LIMITED
ASX:SVM

Appendix 1: Summary of Mining Tenements

As at 31 March 2017, the Company had an interest in the following tenements:

Project Name	Permit Number	Percentage Interest	Joint Venture Partner	Status
Malawi				
Central Malawi Graphite Project	EPL 0413	100%	-	Granted
	EPL 0372	100%	-	Granted
	EPL 0355	100%	-	Granted
Queensland, Australia:				
Mt Marathon	EPM 8586	29.91%	Mount Isa Mines	Granted
Mt Avarice	EPM 8588	29.91%	Mount Isa Mines	Granted
Fountain Range	EPM 12561	29.91%	Mount Isa Mines	Granted
Corella River	EPM 12597	29.91%	Mount Isa Mines	Granted
Saint Andrews Extended	EPM 12180	29.91%	Mount Isa Mines	Granted

Beneficial percentage interests in Farm-out agreements disposed during the quarter ending 31 March 2017:

Project Name	Permit Number	Type of change	Interest at beginning of quarter	Interest disposed of during quarter	Interest at end of quarter
Carpentaria JV:					
Mt Marathon	EPM 8586	Farm out	30.2%	0.29%	29.91%
Mt Avarice	EPM 8588	Farm out	30.2%	0.29%	29.91%
Fountain Range	EPM 12561	Farm out	30.2%	0.29%	29.91%
Corella River	EPM 12597	Farm out	30.2%	0.29%	29.91%
Saint Andrews Ext.	EPM 12180	Farm out	30.2%	0.29%	29.91%

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SOVEREIGN METALS LIMTED

ABN	**Quarter ended ("current quarter")**
71 120 833 427	31 MARCH 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(671)	(1,750)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(100)	(281)
	(e) administration and corporate costs	(108)	(416)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	17	44
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material):		
	- Business development	-	(61)
1.9	**Net cash from / (used in) operating activities**	**(862)**	**(2,464)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(8)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**(8)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	2,850
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(323)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**2,527**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	**3,711**	**2,794**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(862)	(2,464)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,527
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,849**	**2,849**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	31	71
5.2	Call deposits	2,818	3,640
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,849**	**3,711**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	119
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Not applicable

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Not applicable

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	300
9.2	Development	-
9.3	Production	-
9.4	Staff costs	100
9.5	Administration and corporate costs	110
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**510**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EPM 8586 EPM 8588 EPM 12561 EPM 12597 EPM 12180	Reduction of interest in accordance with terms of joint venture agreement.	30.2%	29.91%
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: 28 April 2017
(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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.