

A\$6.5 MILLION INSTITUTIONAL PLACEMENT TO FUND MALINGUNDE FEASIBILITY STUDIES

Sovereign Metals Limited (“Sovereign” or “the Company”) is pleased to announce that it has secured commitments from institutional and sophisticated investors in Australia and the United States to subscribe for 59.1 million new ordinary shares of the Company, to raise gross proceeds of \$6.5 million.

Proceeds from the Placement will be used to expedite development of the Company’s 100% owned Malingunde Flake Graphite Project in Malawi, including all technical works, enabling completion of the pre-feasibility and definitive feasibility studies.

Sovereign’s Chairman has also agreed to subscribe for a total of 2 million shares in the Placement, subject to the necessary approvals.

The issue price of A\$0.11 represents a 15% discount to the last closing price of \$0.13 on ASX and to the 10-day ASX VWAP.

Dr Julian Stephens, Sovereign’s Managing Director commented, *“We are delighted to have raised funds to complete all technical disciplines required to proceed to a final investment decision at Malingunde. The significant institutional support received from Australia and the United States highlights the demand for simple, low-cost projects in the rapidly expanding graphite space.”*

Capital Raising

The Company will place up to 59,090,909 ordinary shares at \$0.11 each to institutional and sophisticated investors, to raise \$6.5 million before costs.

The placement will be completed in two tranches:

- (a) **Tranche 1 Placement Shares:** 38,956,189 new ordinary shares at \$0.11 each to raise approximately \$4.3 million before costs under the Company’s capacity under Listing Rules 7.1 (17,223,281 shares) and 7.1A (21,732,908 shares). Following the issue of these shares and unlisted options (see below), the Company will have no remaining issue capacity under Listing Rule 7.1 and Listing Rule 7.1A; and
- (b) **Tranche 2 Placement Shares:** 20,134,720 new ordinary shares at \$0.11 each to raise approximately \$2.2 million before costs. Tranche B is subject to shareholder approval at a general meeting of Shareholders to be held on or around 8 December 2017.

The Company expects to complete Tranche 1 of the placement on or about 2 November 2017. A Notice of General Meeting in respect of Tranche 2 will be issued shortly.

ENQUIRIES:

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Dr Julian Stephens – Managing Director

Dominic Allen – Business Development Manager

Information required under ASX Listing Rule 3.10.5A:

- (a) Dilution to existing shareholders as a result of the issue under Listing Rule 7.1A is 9.1%, dilution to existing shareholders as a result of the issue under Listing Rule 7.1 is 7.3% and the total dilution to existing shareholders is 15.2%. Details regarding the participation of existing and new security holders is not able to be determined yet and will be provided at completion;
- (b) Sovereign will issue 21,732,908 Tranche 1 Placement Shares under Listing Rule 7.1A as a placement was considered to be a more efficient mechanism for raising funds. The placement did not expose the Company to additional costs, a protracted process and market volatility that may have been experienced with a pro-rata issue or other type of issue in which existing ordinary security holders would have been eligible to participate;
- (c) No underwriting arrangements are in place for the placement under rule 7.1A; and
- (d) A fee of up to 6.0% may be paid to eligible brokers in connection with the placement under rule 7.1A.

Sovereign also intends to issue 12 million unlisted options exercisable at \$0.18 each on or before 31 July 2020 to a key advisor assisting the Company with offtake arrangements.

Not for release in the United States

This announcement has been prepared for publication in Australia and may not be released in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

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.

