



# SOVEREIGN METALS LIMITED

ACN 120 833 427

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## NOTICE OF ANNUAL GENERAL MEETING

**The Annual General Meeting of the Company will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Tuesday 28 November 2017 commencing at 3:00pm (WST).**

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*This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their stock broker, investment advisor, accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on + 61 8 9322 6322.***

**Shareholders are urged to attend or vote by lodging the Proxy Form enclosed with the Notice.**

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# SOVEREIGN METALS LIMITED

## ACN 120 833 427

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### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Sovereign Metals Limited (**Company**) will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Tuesday 28 November 2017 commencing at 3:00pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Sunday 26 November 2017 at 4:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

### AGENDA

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#### Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2017, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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#### 1. Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum."*

##### Voting Exclusion

A vote on this Resolution must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## **2. Resolution 2 – Re-election of Director – Mr Mark Pearce**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with article 6.3(c) of the Constitution and for all other purposes, Mr Mark Pearce, Director, retires and being eligible pursuant to article 6.3(f) of the Constitution, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."*

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## **3. Resolution 3 – Ratification of Prior Issue of Consultant Shares**

To consider and, if thought fit, to pass with or without amendment as an ordinary resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 376,081 Shares under Listing Rule 7.1 on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who participated in the issue of the Consultant Shares and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **4. Resolution 4 – Ratification of Prior Issue of Incentive Options**

To consider and, if thought fit, to pass with or without amendment as an ordinary resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 1,000,000 Options on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who participated in the issue of the Incentive Options and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **5. Resolution 5 – Approval of Additional 10% Placement Capacity**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Capacity and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
  - (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.
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**BY ORDER OF THE BOARD**



Clint McGhie  
**Company Secretary**

Dated: 24 October 2017

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# SOVEREIGN METALS LIMITED

## ACN 120 833 427

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### EXPLANATORY MEMORANDUM

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#### 1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Tuesday 28 November 2017 commencing at 3:00pm (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 – Remuneration Report
Section 5:	Resolution 2 – Re-election of Director – Mr Mark Pearce
Section 6:	Resolution 3 – Ratification of Prior Issue of Consultant Shares
Section 7:	Resolution 4 – Ratification of Prior Issue of Incentive Options
Section 8:	Resolution 5 – Approval of Additional 10% Placement Capacity
Schedule 1:	Definitions
Schedule 2:	Summary of the Terms and Conditions of Incentive Options
Schedule 3:	Listing Rule 7.3A.6 Disclosure

A Proxy Form is enclosed with the Notice.

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#### 2. Action to be taken by Shareholders

Shareholders should read the Notice (including this Explanatory Memorandum) carefully before deciding how to vote on the Resolutions.

##### 2.1 Proxies

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions set out in the Proxy Form. Returning the Proxy Form to the Company will not preclude a Shareholder from attending or (subject to the voting exclusions set out in the Notice) voting at the Meeting in person.

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 3:00pm (WST) on Sunday 26 November 2017, being at least 48 hours before the Meeting

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

## 2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

A vote on Resolution 1 must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on Resolution 1; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on Resolution 1, but expressly authorises the Chairperson to exercise the proxy even if Resolution 1 is connected with the remuneration of a member of the Key Management Personnel.

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## 3. Annual Report

In accordance with section 317 of the Corporations Act, the Annual Report for the financial year ended 30 June 2017 must be laid before the Meeting.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.sovereignmetals.com.au](http://www.sovereignmetals.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Auditor about:

- (a) the preparation and contents of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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## 4. Resolution 1 – Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out:

- (a) the Company's remuneration policy; and
- (b) the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with section 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Pursuant to the Corporations Act, Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive AGMs.

If a resolution on the Remuneration Report receives a Strike at two consecutive AGMs, the Company will be required to put to Shareholders at the second AGM, a resolution on whether another meeting

should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the Company's 2016 AGM. If the Remuneration Report receives a Strike at the Meeting, Shareholders should be aware that if a second Strike is received at the Company's 2018 AGM, this may result in the re-election of the Board.

The Chairperson will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary Resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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## 5. Resolution 2 – Re-election of Director – Mr Mark Pearce

Article 6.3(c) of the Constitution requires that at each AGM one third of the Directors (rounded down, if necessary, to the nearest whole number), excluding:

- (a) the Managing Director; and
- (b) any Director that was appointed by the Directors under Article 6.2(b) of the Constitution and is required to retire under Article 6.3(j) of the Constitution,

must retire.

Article 6.3(f) provides that a Director who retires under Article 6.3(c) of the Constitution is eligible for re-election.

Resolution 2 provides that Mr Mark Pearce retires by rotation and seeks re-election as a Director.

Details of Mr Mark Pearce's qualifications and experience are set out in the Annual Report.

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

The Board (excluding Mr Mark Pearce) unanimously supports the re-election of Mr Mark Pearce as a Director and recommends that Shareholders vote in favour of Resolution 2.

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## 6. Resolution 3 – Ratification of Prior Issue of Consultant Shares

### 6.1 General

On 11 August 2017, the Company issued 376,081 Shares to a consultant (**Consultant Shares**) as remuneration for their services, pursuant to the Company's 15% Placement Capacity.

Listing Rule 7.1 provides that the Company is entitled to issue Equity Securities up to 15% of its issued share capital through placements during any 12-month period, without needing prior shareholder approval (**15% Placement Capacity**).

Listing Rule 7.4 provides that if the Company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 3 will be to allow the Company to retain the flexibility to issue equity securities in the future up to the 15% Placement Capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Resolution 3 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

## **6.2 Specific information required by Listing Rule 7.5**

In accordance with Listing Rule 7.5, information is provided in relation to the issue of the Consultant Shares as follows:

- (a) the Company issued 376,081 Shares to a consultant on 11 August 2017. The consultant is not a related party of the Company and is an investor who qualifies under the exceptions to section 708 of the Corporations Act;
- (b) the Consultant Shares were issued to remunerate the consultant for their services and as a result no funds were raised from the issue of the Shares;
- (c) the Consultant Shares issued were all fully paid ordinary shares in the capital of the Company and were issued on the same terms and conditions as the Company's existing Shares;
- (d) the purpose of the issue of the Consultant Shares was to remunerate the consultant for their services; and
- (e) a voting exclusion statement is included in the Notice for Resolution 3.

## **6.3 Directors recommendation**

The Directors are unanimously in favour of Resolution 3.

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# **7. Resolution 4 – Ratification of Prior Issue of Incentive Options**

## **7.1 General**

The Company issued 1,000,000 options to a key consultant in April and June 2017 (**Incentive Options**) pursuant to the Company's 15% Placement Capacity as an incentive to attract and retain their services.

A summary of Listing Rules 7.1 and 7.4 is provided in Section 6.1.

Resolution 4 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 4.

## **7.2 Specific information required by Listing Rule 7.5**

In accordance with Listing Rule 7.5, information is provided in relation to the issue of the Incentive Options as follows:

- (a) the Company issued 300,000 Incentive Options to a key consultant on 7 April 2017, and a further 700,000 Incentive Options on 9 June 2017. The key consultant is not a related party of the Company;
- (b) the Incentive Options were issued for nil consideration and as a result no funds were raised from the issue of the Incentive Options;
- (c) the Incentive Options were issued in four tranches:
  - (i) Tranche A: 75,000 Incentive Options exercisable at \$0.10 each on or before 30 June 2018;
  - (ii) Tranche B: 100,000 Incentive Options exercisable at \$0.12 each on or before 31 July 2018;
  - (iii) Tranche C: 525,000 Incentive Options exercisable at \$0.15 each on or before 31 July 2019; and
  - (iv) Tranche D: 300,000 Incentive Options exercisable at \$0.18 each on or before 31 July 2020;
- (d) a summary of the terms and conditions of the Incentive Options are contained in Schedule 2;



- (e) the purpose of the issue of the Incentive Options was to attract and retain the services of the key consultant, as a cost effective and efficient reward to incentivise their performance; and
- (f) a voting exclusion statement is included in the Notice for Resolution 4.

### 7.3 Directors recommendation

The Directors are unanimously in favour of Resolution 4.

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## 8. Resolution 5 – Approval of Additional 10% Placement Capacity

### 8.1 General

Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued share capacity through placements over a 12 month period after the annual general meeting (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the Company's 15% Placement Capacity.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Capacity. The number of Equity Securities to be issued under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 8.2(c)).

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 5.

### 8.2 Listing Rule 7.1A

#### (a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Capacity is subject to Shareholder approval by way of a special resolution at an annual general meeting.

#### (b) Equity Securities

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue once class of quoted Equity Securities, being Shares (ASX:SVM).

#### (c) Formula for calculating 10% Placement Capacity

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

**(A x D) – E**

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the 15% Placement Capacity.

At the date of the Notice, the Company has on issue 217,705,164 Shares and has the capacity to issue:

- (i) 29,223,281 Equity Securities under Listing Rule 7.1; and
- (ii) 21,732,908 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 8.2(c)).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date described in Section 8.2(e)(i), the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Capacity under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

**8.3 Listing Rule 7.1A**

The effect of Resolution 5 will be to allow the Company to issue Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% Placement Capacity.

**8.4 Specific information required by Listing Rule 7.3A**

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date described in Section 8.4(a)(i), the date on which the Equity Securities are issued.

- (b) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,
- which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (c) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Ordinary Securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.
- (d) The table also shows:
- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of Ordinary Securities the Company has on issue. The number of Ordinary Securities on issue may increase as a result of issues of Ordinary Securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future general meeting; and
  - (ii) two examples of where the issue price of Ordinary Securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.065 50% decrease in Issue Price	\$0.13 Issue Price	\$0.26 100% increase in Issue Price
Current Variable 'A' 217,705,164 Shares	10% voting dilution	21,770,516 Shares	21,770,516 Shares	21,770,516 Shares
	Funds raised	\$1,415,516	\$2,830,167	\$5,660,335
50% increase in current Variable 'A' 326,557,746 Shares	10% voting dilution	32,655,775 Shares	32,655,775 Shares	32,655,775 Shares
	Funds raised	\$2,122,625	\$4,245,251	\$8,490,501
100% increase in current Variable 'A' 435,410,328 Shares	10% voting dilution	43,541,033 Shares	43,541,033 Shares	43,541,033 Shares
	Funds raised	\$2,830,167	\$5,660,334	\$11,320,669

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Capacity.
- (ii) No Options are converted into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% Placement Capacity.
- (vi) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are converted into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

- (vii) The issue price is \$0.13, being the closing price of the Shares on ASX on 20 October 2017.
- (e) The Company will only issue Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (f) The Company may seek to issue Equity Securities for the following purposes:
  - (i) cash consideration for the continued exploration and development of the Company's resource projects, general working capital, and/or the acquisition of new resource assets or investments; or
  - (i) non-cash consideration for the acquisition of the new resource assets and investments (in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3).
- (g) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
  - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).
- (i) The subscribers under the 10% Placement Capacity have not been determined as at the date of the Notice but may include existing substantial Shareholders or new Shareholders (or both) who are not a related party or an associate of a related party of the Company.
- (j) Further, if the Company is successful in acquiring new resource assets or investments, it is likely that the subscribers under the 10% Placement Capacity will be the vendors of the new resources assets or investments.
- (k) The Company previously obtained Shareholder approval under Listing Rule 7.1A at its 2016 annual general meeting. In the 12 months preceding the date of the Meeting, the Company issued a total of 3,376,081 Equity Securities which represents 1.46% of the total number of Equity Securities on issue 12 months prior to the date of the Meeting (at the date of the Notice). Further detail as required under Listing Rule 7.3A.6 in respect of these Equity Securities issues is set out in Schedule 3.
- (l) A voting exclusion statement is included in the Notice for Resolution 5.

## **8.5 Directors' Recommendation**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

## Schedule 1 - Definitions

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In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**10% Placement Capacity** has the meaning given to that term in Section 8.1.

**10% Placement Period** has the meaning given to that term in Section 8.2(f).

**15% Placement Capacity** has the meaning given to that term in Section 6.1.

**AGM** means an annual general meeting of the Shareholders

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2017.

**ASX** means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Auditor** means the Company's auditor from time to time (being Deloitte as at the date of the Notice).

**Auditor's Report** means the Auditor's report on the Financial Report.

**Board** means the board of Directors of the Company.

**Chairperson** means the person appointed to chair the Meeting convened by the Notice.

**Closely Related Party** means in relation to a member of a Key Management Personnel:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Sovereign Metals Limited ACN 120 833 427.

**Constitution** means the constitution of the Company as at the commencement of the Meeting.

**Consultant Shares** has the meaning given to that term in Section 6.1.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Security** has the meaning given to that term in the Listing Rules.

**Explanatory Memorandum** means this explanatory memorandum which forms part of the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Incentive Options** has the meaning given to that term in Section 7.1

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Managing Director** means the managing Director.

**Meeting** has the meaning given to that term in the introductory paragraph of the Notice.

**Notice** means the notice of the Meeting and includes the agenda, Explanatory Memorandum and the Proxy Form.

**Option** means an option which entitles the holder to subscribe for a Share.

**Ordinary Securities** has the same meaning given to that term in the Listing Rules.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution proposed pursuant to the Notice.

**Schedule** means a schedule to this Explanatory Memorandum.

**Section** means a section of this Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**VWAP** means volume weighted average price.

**WST** means Australian Western Standard Time, being the time in Perth, Western Australia.

## **Schedule 2 – Summary of the Terms and Conditions of Incentive Options**

The Incentive Options entitle the holder to the following terms and conditions:

### **1. Entitlement**

Each Incentive Option entitles the holder to subscribe for one Share in the Company upon exercise of each Incentive Option.

### **2. Exercise Price, Expiry Date and Vesting Condition**

The Exercise Price, Expiry Date and Vesting Condition of each Incentive Option is referred to in the below table.

<b>Tranche</b>	<b>Number of Incentive Options</b>	<b>Exercise Price</b>	<b>Vesting Condition</b>	<b>Expiry Date</b>
A	75,000	\$0.10	Nil	30 June 2018
B	100,000	\$0.12	Nil	31 July 2018
C	525,000	\$0.15	Nil	31 July 2019
D	300,000	\$0.18	Nil	31 July 2020

### **3. Exercise period**

Each Incentive Option is exercisable at any time after issue and before the Expiry Date.

### **4. Notice of exercise**

- (a) The Incentive Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Incentive Option being exercised.
- (b) Any notice of exercise of an Incentive Option received by the Company (**Notice of Exercise**) will be deemed to be a notice of the exercise of that Incentive Option as at the date of receipt.
- (c) The Incentive Options must be exercised in minimum parcels of 50,000 Incentive Options, but the Board may, in its absolute discretion, accept a Notice of Exercise that does not comply with this item 4(c).

### **5. Shares issued on exercise**

Shares issued on exercise of Incentive Options rank equally with the then shares of the Company.

### **6. Quotation of Shares on exercise**

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of Incentive Options.

### **7. Timing of issue of Shares**

Within 20 business days after the later of the following:

- (a) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Incentive Option being exercised; and
- (b) the earlier to occur of:
  - (i) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information the relevant date will be the date of receipt of a Notice of Exercise as set out in item 7(a) above; or
  - (ii) the holder elects that the Shares to be issued pursuant to the exercise of the Incentive Options will be subject to a holding lock for a period of 12 months in accordance with item 8 below,

the Company will:

- (c) allot and issue the Shares pursuant to the exercise of the Incentive Options;
- (d) in the circumstances where item 7(b)(i) applies, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares issued upon exercise of the Incentive Options for resale under section 708A(11) of the Corporations Act;
- (e) in the circumstances where item 7(b)(ii) applies, apply a holding lock in accordance with item 8 in respect of the Shares issued upon exercise of the Incentive Options; and

- (f) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Incentive Options.

#### **8. Holding lock**

- (a) The holder may make an election as set out in item 7(b)(ii) at any time following delivery of a Notice of Exercise and payment of the Exercise Price for each Incentive Option being exercised.
- (b) If the holder makes an election pursuant to item 7(b)(ii), then:
  - (i) the Company will apply a holding lock on the Shares to be issued;
  - (ii) the Company shall release the holding lock on the Shares on the earlier to occur of:
    - (A) the date that is 12 months from the date of issue of the Shares; or
    - (B) the date the Company issues a disclosure document that qualifies the Shares for trading in accordance with section 708A(11) of the Corporations Act; or
    - (C) the date a transfer of the Shares occurs pursuant to item 8(b)(iii); and
  - (iii) the Shares shall be transferable by the holder and the holding lock will be lifted provided that:
    - (A) the offer of the Shares for sale does not require disclosure under section 707(3) of the Corporations Act;
    - (B) the transferee warrants for the benefit of the holder and the Company that they are an exempt investor pursuant to one of the exemptions in section 708 of the Corporations Act; and
    - (C) the transferee of the Shares agrees to the holding lock applying to the Shares following their transfer for the balance of the period in item 8(b)(ii).

#### **9. Participation in new issues**

There are no participation rights or entitlements inherent in Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of Incentive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Incentive Options the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.

#### **10. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Incentive Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Incentive Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

#### **11. Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Incentive Option.

#### **12. Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of Incentive Optionholders may be varied to comply the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

#### **13. Quotation of Incentive Options**

No application for quotation of Incentive Options will be made by the Company.

#### **14. Incentive Options transferable**

Incentive Options are transferable provided that the transfer of Incentive Options complies with section 707(3) of the Corporations Act.

#### **15. Lodgement instructions**

Cheques shall be in Australian currency made payable to the Company and crossed 'Not Negotiable'. The application for Shares on exercise of the Incentive Options with the appropriate remittance should be lodged at the Company's Registry.

## Schedule 3 – Listing Rule 7.3A.6 Disclosure

No.	Date of Issue	Number	Class	Persons to whom the securities were issued	Issue price	Discount to market price	Consideration	
1.	30 December 2016	2,000,000	Unlisted Options exercisable at \$0.15 on or before 31 December 2018.	Key consultant	Nil	Not applicable	Total consideration:	Issued to a key consultant in part remuneration as an incentive to perform. The current value of the options is nil as the options have been cancelled.
2.	7 April 2017	300,000	75,000 unlisted Options exercisable at \$0.10 on or before 30 June 2018. 100,000 unlisted Options exercisable at \$0.12 on or before 31 July 2018. 125,000 unlisted Options exercisable at \$0.15 on or before 31 July 2019..	Key consultant	Nil	Not applicable	Total consideration: Current value of non-cash consideration	Issued to a key consultant as an incentive to attract and retain their services. The current value of the options is \$16,553 <sup>1</sup> .
3.	9 June 2017	700,000	400,000 unlisted Options exercisable at \$0.15 on or before 31 July 2019. 300,000 unlisted Options exercisable at \$0.18 on or before 31 July 2020.	Key consultant	Nil	Not applicable	Total consideration: Current value of non-cash consideration	Issued to a key consultant as an incentive to retain their services. The current value of the options is \$45,354 <sup>1</sup> .
4.	11 August 2017	376,081	Ordinary Shares	Key consultant	\$0.117 (deemed)	Not applicable	Total consideration: Current value of non-cash consideration	Issued to a key consultant as remuneration for their services. The current value of the Shares is \$48,891 <sup>2</sup> .

Note:

<sup>1</sup> The current value measured using the Black & Scholes option pricing model as at 20 October 2017.

<sup>2</sup> This value is based on the closing price of the Shares on 20 October 2017 of \$0.13.



# SOVEREIGN METALS LIMITED

ACN 120 833 427

## PROXY FORM

The Company Secretary  
Sovereign Metals Limited

### By delivery:

Level 9, 28 The Esplanade  
PERTH WA 6000

### By post:

PO Box Z5083  
PERTH WA 6831

### By facsimile:

+61 8 9322 6558

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark  to indicate your directions. Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting. Further instructions are provided overleaf.

### Step 1 – Appoint a Proxy to Vote on Your Behalf

I/we being Shareholder/s of the Company hereby appoint:

The Chairperson  
(mark box)

OR if you are NOT appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson, as my/our proxy to act generally on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Sovereign Metals Limited to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Tuesday, 28 November 2017 commencing at 3:00pm (WST) and at any adjournment or postponement of such meeting. If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is [ ]% of the Shareholder's votes / [ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

### Important – If the Chairperson is your proxy or is appointed your proxy by default

The Chairperson intends to vote all available proxies in favour of Resolution 1. If the Chairperson is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 1, you will be expressly authorising the Chairperson to vote in accordance with the Chairperson's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

### Step 2 – Instructions as to Voting on Resolutions

#### INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Remuneration Report			
Resolution 2	Re-election of Director – Mr Mark Pearce			
Resolution 3	Ratification of Prior Issue of Consultant Shares			
Resolution 4	Ratification of Prior Issue of Incentive Options			
Resolution 5	Approval of Additional 10% Placement Capacity			

\* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

The Chairperson intends to vote all available proxies in favour of each Resolution.

#### Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

**Proxy Notes:**

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Level 9, 28 The Esplanade, Perth, WA, 6000, or by post to PO Box Z5083, Perth, WA, 6831 or Facsimile (08) 9322 6558 if faxed from within Australia or +618 9322 6558 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).