






COMMENCEMENT OF PFS AT MALINGUNDE - THE WORLD'S LOWEST COST FLAKE GRAPHITE PROJECT

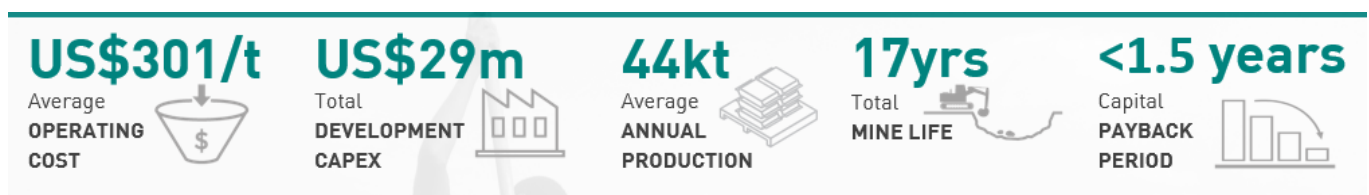
Sovereign Metals Limited (“the Company” or “Sovereign”) is pleased to announce that the Pre-feasibility Study (“PFS”) for the exceptionally low cost Malingunde Saprolite-Hosted Graphite Project (“Malingunde Project” or “the Project”) in Malawi has commenced.

PRE-FEASIBILITY STUDY OVERVIEW

The PFS will build on the outstanding results delivered in the Scoping Study, which highlighted the potential for a very low capital and operating cost operation with annual graphite concentrate production of approximately 44,000 tonnes over an initial mine life of 17 years. Key aspects of the PFS are outlined below:

- 
Company fully funded to complete PFS and DFS: Recent A\$6.5M capital raise to Australian and North American institutions enabling completion of all technical works associated with pre-feasibility and definitive feasibility studies.
- 
Experienced company personnel appointed: PFS Project Manager, Environmental Manager and Malawi-based Operations Manager appointed.
- 
Key consultants appointed: Metallurgical, environmental, groundwater and tailings consultants appointed. Further appointments to occur in the coming weeks.
- 
Key work programs underway to fast-track completion by mid-2018: Baseline environmental studies have been ongoing since April 2017, PFS metallurgical program has commenced at SGS Lakefield in Canada.
- 
Resource infill and regional exploration drilling to commence shortly: ~6,000m resource infill and regional drilling program set to commence shortly.

SCOPING STUDY OUTCOMES



Sovereign’s Managing Director, Dr Julian Stephens, said “Sovereign is now fully funded to complete all the required technical studies on the 100%-owned, world class Malingunde saprolite hosted graphite project in Malawi. The PFS will build on the outcomes of the Scoping Study that clearly demonstrated the Project’s world-class potential centred on very low operating and capital costs, with high revenues derived from a premium graphite product.”

ENQUIRIES

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Dr Julian Stephens – Managing Director

Dominic Allen – Business Development Manager

MALINGUNDE PRE-FEASIBILITY STUDY

Sovereign reported the results of the Scoping Study for the Malingunde Project in June 2017. A number of opportunities were identified in the Scoping Study to further enhance the project economics. The Company has completed a comprehensive review of the Scoping Study to assess these opportunities and define key work programs for the PFS. Following completion of the review, the scope of work for the PFS has been finalised, with key activities including:

- A 6,000m infill and extensional aircore drilling program, to commence shortly. The program is designed to increase the resource classification level for the mine plan, as well as test a number of other prospects for high-grade saprolite hosted graphite mineralisation.
- Mine design, including optimisation of the mining schedule and mine-site layout.
- A substantial metallurgical program, processing multiple samples to optimise the flotation regime, producing concentrates for evaluation by offtake partners and for further downstream test-work.
- Process design and engineering works based on the results of the metallurgy program.
- Ground water assessment, with numerous monitoring bores to be installed this year.
- On site infrastructure requirements including preliminary design of the tailings storage facility.
- The continuation of the environmental baseline studies which commenced in April. These include terrestrial fauna and flora, aquatic biology, air quality, surface water and groundwater studies.
- Commencement of major stakeholder engagement program including with local communities, Government and NGOs.

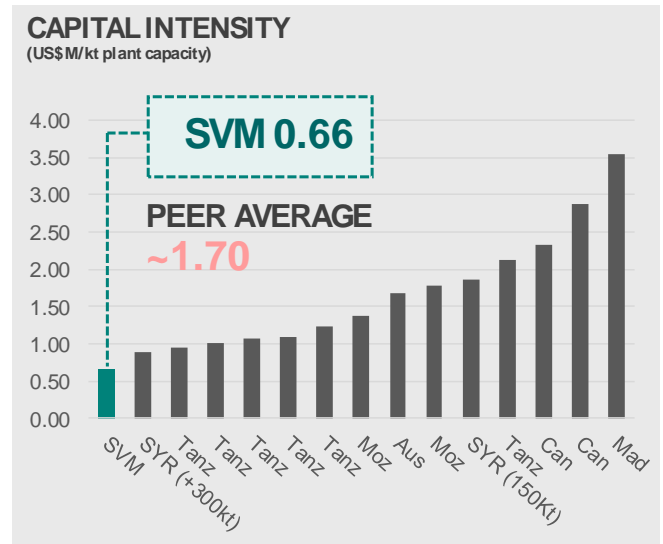
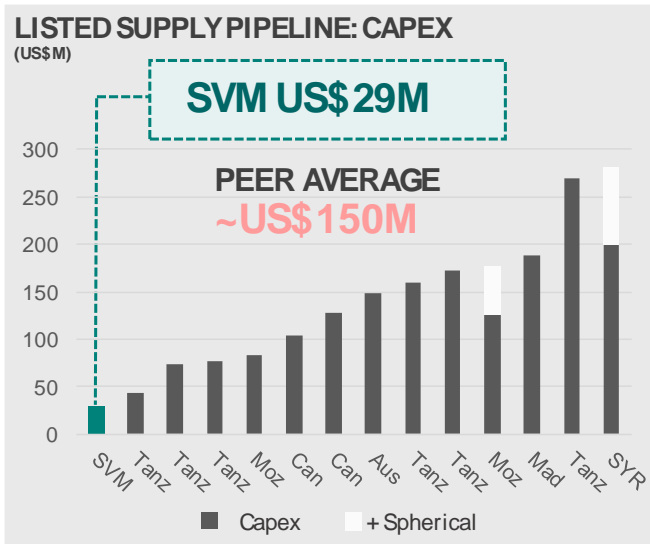
Outside the PFS, approximately 1,000m of aircore drilling is planned on regional saprolite targets generated by the Company's hand auger drilling program.

Sovereign is targeting completion of the PFS in mid-2018, with certain work programs designed to continue directly through into the DFS stage. It is expected that the various work programs forming the PFS will generate significant news flow over the coming 6 – 8 months.

ABOUT THE MALINGUNDE GRAPHITE PROJECT

LOWEST KNOWN CAPITAL PROFILE OF FUTURE GRAPHITE SUPPLY

The results of the previous Scoping Study demonstrated the potential for extremely low capital costs and capital intensity. The low capital costs enable extremely fast payback of development capital, even in extreme downside pricing scenarios. This is a significant advantage when seeking potential offtake partners and financing for development.



Figures 1 (a) and (b): Capital cost and capital intensity – project profile¹

EXTREMELY LOW, FIRST QUARTILE CASH OPERATING COSTS

The Malingunde Project is projected to have an average life of mine unit operating cost of approximately US\$301 per tonne concentrate Free On Board (“FOB”) for its high quality graphite concentrates, producing an average of 44 ktpa.

Production from Malingunde is anticipated to have amongst the very lowest unit operating cost of the future graphite development pipeline, at a scale that can easily be placed into existing traditional markets, primarily in China.



Figure 2: Unit operating cost – project profile¹

1. Source: Company reports. SYR (150Kt) based on years 0-2, SYR (300+) based on year 2+ per Syrah Resources March Quarterly report, 28 April 2017

POTENTIAL FOR LOW COST, HIGH MARGIN OPERATION OF MARKETABLE SCALE

Sovereign is in a unique position of targeting the economic production of graphite without relying on extreme size to achieve economies of scale, or assuming very optimistic product pricing assumptions.

The Company takes a very conservative view on future graphite pricing. The results of the Scoping Study demonstrate the potential for exceptionally high operating margins and cash flow generation given the low operating costs of the Malingunde Project, in both upside and downside pricing scenarios.

The combination of low opex, low capex and high-quality concentrates enables Sovereign to focus upon initial entry into existing primary end-markets, including refractories and foundries, allowing the product to compete on price point with China; the world’s largest supplier and consumer of natural flake graphite.

The potential for entry into developing markets such as the Lithium-ion battery supply chain are retained as future upside.

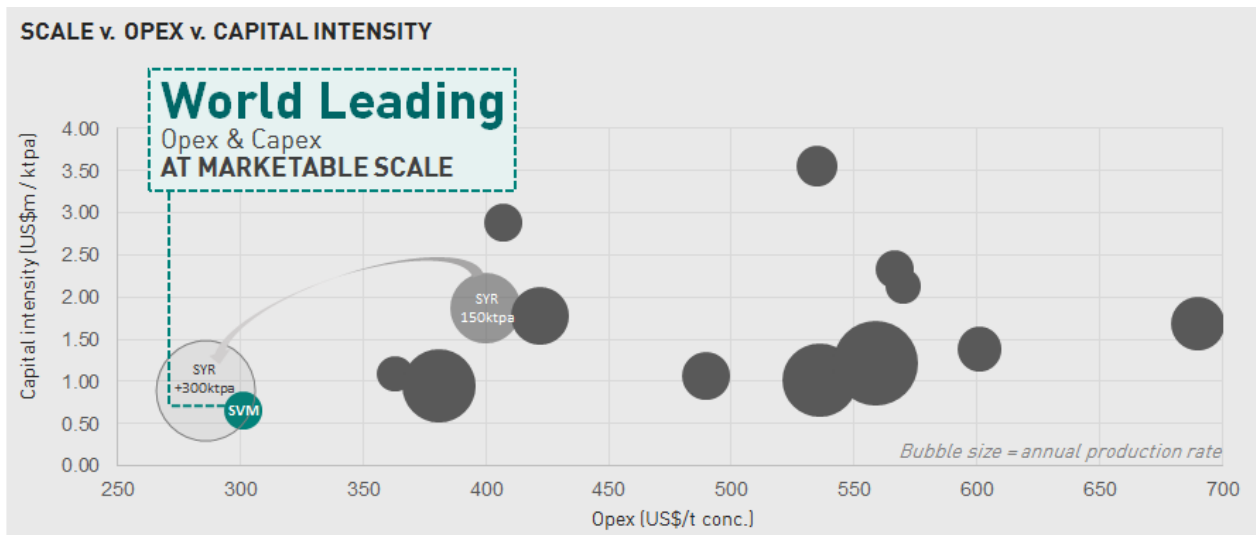
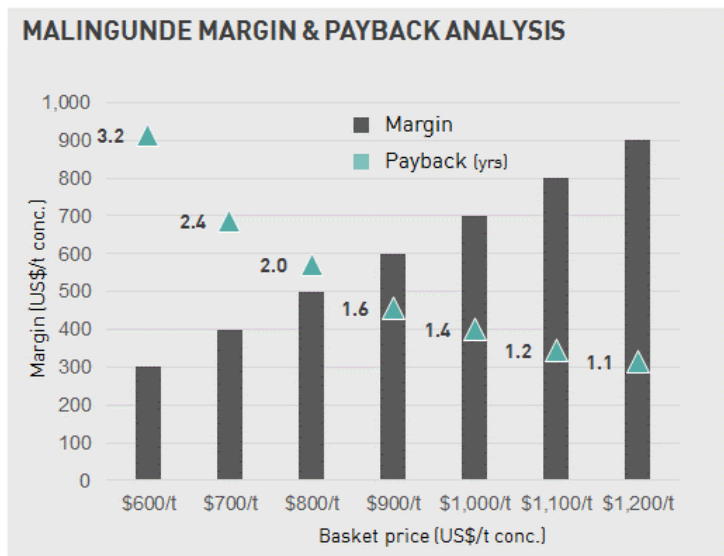
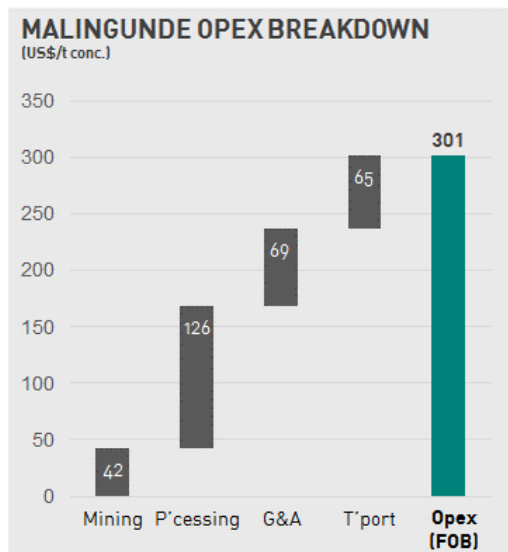
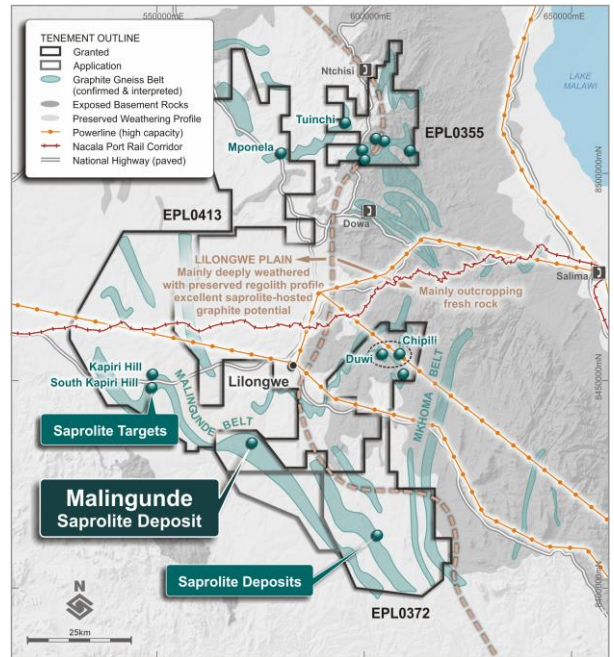
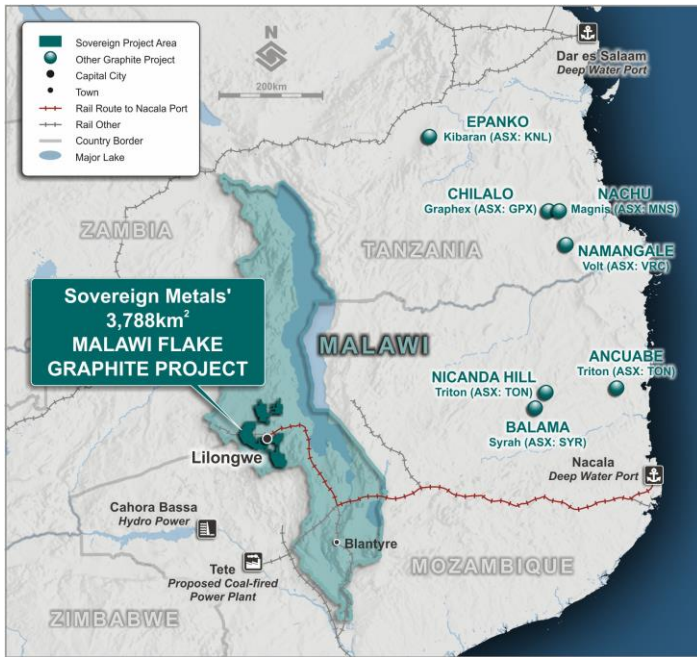


Figure 3: Chart of production scale v. opex v. capital intensity of selection of key undeveloped graphite projects¹



Figures 4 (a) and (b): Malingunde unit operating cost breakdown; project margin & payback sensitivities at a conservative basket pricing range

1. Source: Company reports. SYR (150Kt) based on years 0-2, SYR (300+) based on year 2+ per Syrah Resources March Quarterly report, 28 April 2017



Figures 5 (a) & (b): Maps showing location of the Malingunde Project

Competent Person Statements

The information in this Announcement that relates to Production Targets is extracted from an announcement entitled "Malingunde Scoping Study Delivers Rare Combination of Exceptionally Low Capex & Opex" dated 20 June 2017. This announcement is available to view on www.sovereignmetals.com.au. The information in the original announcement that related to Production Targets is based on and fairly represents information compiled or reviewed by Mr David Dodd, who is a Fellow of the Southern Africa Institute of Mining and Metallurgy. Mr Dodd has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken. 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 that all material assumptions underpinning the Production Target included in the original 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 Production Target referred to in this announcement is based on Sovereign Metals Limited's Scoping Study for the Malingunde Project released to the ASX on 20 June 2017. The information in relation to the Production Target that the Company is required to include in a public report in accordance with ASX Listing Rules 5.16 and 5.17 was included in SVM's ASX Announcement released on 20 June 2017. The Company confirms that the material assumptions underpinning the Production Target referenced in the 20 June 2017 release continue to apply and have not materially changed.

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.