

MALINGUNDE PFS AND MARKETING UPDATE

Sovereign Metals Limited (“**the Company**” or “**Sovereign**”) is pleased to update the market on the progress of the Pre-feasibility Study (“**PFS**”) for the exceptionally low cost Malingunde Saprolite-Hosted Graphite Project (“**Malingunde Project**” or “**the Project**”).

The PFS has been designed to 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 ~44,000 tonnes over an initial mine life of 17 years.

SUMMARY OF KEY ACTIVITIES

- ❖ **Engineering:** DRA Global (Minnovo Pty Ltd in Perth) has been selected as the project engineering consultant and have started a review process of historical project information. DRA have significant experience in the development of graphite operations in Africa and North America.
- ❖ **Mining:** Pit optimisations have been completed and preliminary mine schedules developed. Requests for quotes have been sent to mining contractors for costing purposes. Detailed mine design will commence shortly.
- ❖ **Resource drilling:** 210 holes for 6,212 metres of aircore drilling was completed in late 2017, with the first batch of high grade aircore results released to the market. Further assay results to define and upgrade the resource classification levels and to test graphite mineralisation at Malingunde South Extension and other targets will be reported as they become available.
- ❖ **Processing:** A program to test the suitability of a scrubber in place of primary crush and mill units at the front-end of processing is progressing well. Variability testwork has also commenced, with results from both programs to be reported once received.
- ❖ **Infrastructure:** A location study for the tailings storage facility, waste dumps, stockpiles and processing plant has been completed and preferred options selected. Pump testing of the new hydro-monitoring wells for pit dewatering investigations are nearing completion.
- ❖ **Environmental:** Baseline specialist environmental studies are continuing with wet season site visits in progress. The ESIA Scoping Study report is scheduled for completion in late Q1.
- ❖ **Social:** The first round of stakeholder consultations has been completed. A second round of consultations will commence after the submission of the Scoping Study report.
- ❖ **Corporate Social Responsibility:** In late 2017 the Company installed two water bores for the communities surrounding the Malingunde Deposit. An inauguration ceremony for the bores involving the community, government and NGO representatives was recently held.
- ❖ **PFS on schedule:** The PFS remains on track for completion in mid-2018, with certain work programs designed to continue directly through into the DFS stage.

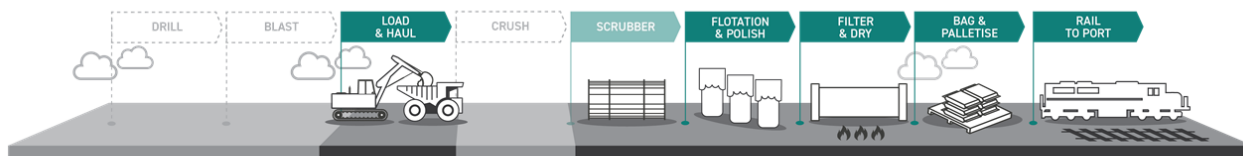
ENQUIRIES

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THE SAPROLITE ADVANTAGE



HARD ROCK

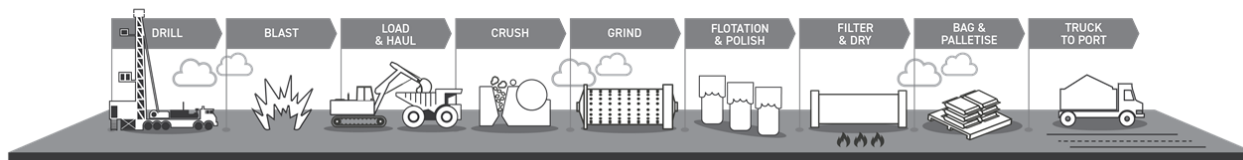


Figure 1 (LHS): Pump testing of the new hydro-monitoring wells for pit dewatering investigations at Malingunde.

Figure 2 (RHS): Drum scrubber used for PFS test-work program at ALS Global (Perth).



Figure 3 (LHS): A new water bore and pump installed for local communities by Sovereign Services Ltd, a subsidiary of Sovereign Metals.

Figure 4 (RHS): Sovereign Country Manager Dries Kruger at the inauguration of the bores and pumps with local Community, Government and NGO representatives.

SALES & MARKETING UPDATE

Sovereign executives have recently travelled to North America, Europe and China to advance product sales & marketing activities, with Sovereign's high-quality concentrates attracting significant interest from purchasers of graphite.

On the back of discussions with industry participants, it is evident that the highest value graphite concentrates remain the large, jumbo and super-jumbo flake fractions, primarily used in industrial applications such as refractories, foundries and expandable products. Sovereign's marketing team estimates that these sectors currently make up the significant majority of total global natural flake graphite market by value.

Given the Malingunde Project's bias to large, jumbo and super-jumbo flake concentrates, Sovereign is developing substantial relationships with purchasers of high-value graphite in order to progress credible sales agreements with the potential to underpin project economics.

The Company notes that spherical graphite used in Lithium-Ion batteries remains an exciting source of demand for graphite concentrates, with lower-value medium and small sized raw concentrates generally used as feedstock to the spherical graphite process. The Company continues to progress activities designed to qualify Malingunde material for use by major battery end users.



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.

