

STRONGLY SUPPORTED PLACEMENT TO RAISE A\$4.3 MILLION

Sovereign Metals Limited (**Sovereign or the Company**) is pleased to announce that it has successfully completed a bookbuild and secured commitments from investors in Australia and overseas to subscribe for 66,700,000 new ordinary shares of the Company, to raise gross proceeds of A\$4.3 million (**Placement**).

In addition to the Placement the Company intends to issue up to an additional A\$1 million through a Share Purchase Plan (**SPP**) which allows eligible shareholders the opportunity to each invest up to A\$14,950.

Proceeds from the Placement will be used to expedite development of the Company's Malingunde Flake Graphite Project in Malawi, including further technical works, the definitive feasibility study and additional metallurgical and exploration activities for the recently identified Rutile potential.

Directors of the Company intend to subscribe for a total of 7 million shares in the Placement, including 5,000,000 shares by the Company's Chairman, Mr Ian Middlemas, 400,000 shares by the Managing Director, Dr Julian Stephens and 1,600,000 shares by Non-Executive Director, Mr Mark Pearce, subject to the necessary shareholder approvals.

The issue price for the Placements and SPP of A\$0.065 represents a 11% discount to the 30-day ASX VWAP and a 17% discount to the 5-day ASX VWAP.

Sovereign's Managing Director, Julian Stephens, said: *"We are pleased with the strong support received for this Placement from overseas and domestic investors. It reflects the quality of the Malingunde Flake Graphite Project and the emerging significant rutile potential recently identified. The funds will allow Sovereign to accelerate the Graphite DFS and advance the Rutile potential."*

ENQUIRIES:
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Dr Julian Stephens – Managing Director
Sam Cordin – Business Development Manager

Share Purchase Plan Details

The Company intends to undertake a SPP to enable participation by eligible shareholders to subscribe for an amount of up to A\$14,950 per shareholder, at a price of A\$0.065 per share, representing a 17% discount to the 5-day ASX VWAP. The SPP will raise up to A\$1 million and is not underwritten. Shareholder approval is not required for the SPP. The Record Date for the SPP is 31 January 2019. Further details of the SPP will be released on the ASX, including an SPP Offer Document (**Offer Document**) which details the eligibility requirements of shareholders. The Offer Document will be distributed to eligible shareholders in due course.

Incentive Options

Subject to shareholder approval, Managing Director, Dr Julian Stephens (or his nominee) will also be granted the following incentive options:

- 2,000,000 incentive options exercisable at \$0.10 each on or before 30 June 2021; and
- 2,000,000 incentive options exercisable at \$0.14 each on or before 30 June 2022.

In addition the Company will also issue the following incentive options to key consultants and employees:

- 3,750,000 incentive options exercisable at \$0.10 each on or before 30 June 2021; and
- 3,750,000 incentive options exercisable at \$0.14 each on or before 30 June 2022.

Information required under ASX Listing Rule 3.10.5A:

- (a) Dilution to existing shareholders as a result of the Placement issue under Listing Rule 7.1A is 8.2%, dilution to existing shareholders as a result of the Placement issue under Listing Rule 7.1 is 9.5% and the total dilution to existing shareholders is 17.7%. 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 27,669,607 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 5.0% may be paid to eligible brokers in connection with the Placement under rule 7.1A.

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

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subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.

