

SOVEREIGN METALS LIMITED

ACN 120 833 427

PROSPECTUS

For a non-renounceable pro rata offer to Shareholders on the basis of one (1) new Share for every five (5) Shares held at the Record Date at an issue price of \$0.06 per Share to raise up to \$1,246,084.

THE OFFER CLOSSES AT 5.00PM WST ON 10 APRIL 2015

VALID ACCEPTANCES MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Prospectus and on the accompanying Acceptance Form regarding the acceptance of the Offer or Shortfall Offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE SECURITIES OFFERED BY THIS PROSPECTUS ARE OF A HIGHLY SPECULATIVE NATURE.

CORPORATE DIRECTORY

Directors
Mr Ian Middlemas –Chairman Mr Matthew Syme – Managing Director Mr Peter Woodman – Technical Director Mr Mark Pearce – Non-Executive Director
Company Secretary
Mr Clinton McGhie
Registered and Corporate Office
Level 9, BGC Centre 28 The Esplanade Perth WA 6000
Telephone: +61 8 9322 6322 Facsimile: +61 8 9322 6558
Share Registry
Computershare Investor Services Pty Limited Level 2 45 St Georges Terrace Perth WA 6000
Telephone: 1300 850 505 International: +61 3 9415 4000
Stock Exchange Listing
Australian Securities Exchange ASX Code for Shares: SVM
Solicitors to the Company
Hardy Bowen Lawyers

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Important Information

This Prospectus is dated 11 March 2015 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 9, BGC Centre, 28 The Esplanade, Perth, Western Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 5.3).

The Prospectus will be made available in electronic form. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus (free of charge) from the Company's principal place of business by contacting the Company. The Offer contemplated by this Prospectus in electronic form is only available to persons receiving an electronic version of this Prospectus and the Application Form attached to, or accompanying, this Prospectus within Australia and New Zealand.

The Company will apply to ASX within 7 days of the date of this Prospectus for Official Quotation by ASX of the Securities offered by this Prospectus.

The Securities offered by this Prospectus should be considered highly speculative. Please refer to Section 3 for details relating to investment risks.

Applications for Securities by Shareholders can only be made on an original Entitlement and Acceptance Form sent with this Prospectus. The Entitlement and Acceptance Form sets out a Shareholders' Entitlement to participate in the Offer. If acceptance is by BPAY®¹ there is no need to return the original Entitlement and Acceptance Form.

Applications for Shortfall Shares by parties to whom the Company makes a Shortfall Offer can only be made on the appropriate Shortfall Acceptance Form sent with this Prospectus.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

No person is authorised to give any information or to make any representation in connection with the Offer and Shortfall Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer and Shortfall Offer.

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

¹ ® Registered to BPAY Pty Ltd ABN 69 079 137 518

PROPOSED TIMETABLE

Announcement of Offer	24 February 2015
Lodgement of Prospectus with ASIC and ASX	11 March 2015
Notice of Offer sent to Shareholders	13 March 2015
Shares quoted on an "EX" basis	16 March 2015
Record Date for determining Entitlements	18 March 2015
Prospectus and Entitlement and Acceptance Form despatched to Shareholders	23 March 2015
Opening Date of Offer	23 March 2015
Closing Date of Offer	10 April 2015
Securities quoted on a deferred settlement basis	13 April 2015
Notification of Shortfall	15 April 2015
Anticipated date for issue of the Securities	17 April 2015

This timetable is indicative only and subject to change.

* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the Securities.

1. Details of the Offer

1.1 The Offer

The Company is making a non-renounceable pro rata offer of Shares at an issue price of \$0.06 per Share to Shareholders on the basis of one (1) new Share for every five (5) Share held at 4:00 pm (WST) on the Record Date, to raise up to \$1,246,084 (before costs) (**Offer**).

The Company has on issue as at the date of this Prospectus 103,840,328 Shares, 8,750,000 Performance Shares, 2,950,000 Performance Share Rights and 5,250,000 unlisted Options exercisable at various prices.

On the basis that no existing Performance Shares or Performance Share Rights are converted and no unlisted Options are exercised prior to the Record Date, the Offer will be for a total of 20,768,065 new Shares.

Holders of Performance Shares, Performance Share Rights and unlisted Options are not entitled to participate in the Offer unless they exercise or convert these securities into Shares prior to the Record Date.

Up to a total of 24,158,065 new Shares could be issued under the Offer, depending on the number of Performance Shares or Performance Share Rights converted or the number of unlisted Options exercised (if any) between the date of this Prospectus and the Record Date.

Where the determination of the Entitlement of Shareholders results in a fraction of a Share, such fraction will be rounded down to the nearest whole Share.

Refer to Section 5.1 for a summary of the rights attaching to the Shares.

1.2 Purpose of the Offer

Completion of the issue of Securities offered by this Prospectus will result in an increase in the cash on hand of up to approximately \$1,246,084 (before payment of associated costs).

The funds raised pursuant to the Offer will allow the Company to continue exploration activities and to pursue a range of strategic discussions with potential partners for its graphite projects located in Malawi.

The funds raised under the Offer are proposed to be expended as follows during the next twelve months:

Description of Cash Outflows	Offer (A\$)
Exploration activities	470,000
Business development and investor relations	143,000
Corporate and administrative costs	417,000
Costs of the Offer	39,817
Working capital	176,267
Total funds raised under the Offer	\$1,246,084

Actual expenditure may differ significantly from the above estimates due to a number of factors including market conditions, the development of new opportunities, the results obtained from the staged approach to exploration, appraisal and development activities and other factors (including the risk factors outlined in Section 3).

If less than \$1,246,084 is raised pursuant to the Offer, the Company will firstly pay the associated expenses of the Offer and then scale back funds available for exploration activities and working capital.

1.3 Opening and Closing Dates

The Offer will be open from the Opening Date, being 23 March 2015, until 5.00pm WST on the Closing Date, being 10 April 2015 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.4 Minimum subscription

There is no minimum subscription for the Offer.

1.5 Shortfall Securities

The Offer is not underwritten. In the event that not all Shareholders accept their full entitlement pursuant to the Offer, the Directors reserve the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules to issue the Shortfall Securities at their sole discretion. See Section 5.10 for further details of the Shortfall Offer.

1.6 No rights trading

The Entitlement is non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your rights to subscribe for Securities to any other party. If you do not take up your Entitlement by the Closing Date, the Offer to you will lapse.

1.7 Acceptance Form

Acceptance of a completed Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Securities accepted. The Acceptance Form does not need to be signed to be a binding acceptance of Securities.

If an Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat an Acceptance Form as valid and how to construe, amend or complete the Acceptance Form, is final.

1.8 Issue and dispatch

All Securities offered by this Prospectus are expected to be issued, and security holder statements dispatched, on or before the date specified in the timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive their holding statements will do so at their own risk.

1.9 Application Monies held on trust

All Application Monies received for the Securities will be held in trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Securities are issued. All Application Monies will be returned (without interest) if the Securities are not issued.

1.10 ASX quotation

Application will be made to ASX no later than 7 days after the date of this Prospectus for Official Quotation of the Securities. If permission is not granted for Official Quotation of the Securities within 3 months after the date of this Prospectus (or such period as ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.11 CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Securities.

If you are broker sponsored, ASX Settlement will send you a CHESS statement.

The CHESS statement will set out the number of Securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Securities.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Computershare Investor Services Pty Limited and will contain the number of Securities issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.12 Overseas Shareholders

The Offer is not being extended to any Shareholders whose registered address is outside Australia or New Zealand. The Company is of the view that it is unreasonable to make the Offer to shareholders outside Australia and New Zealand, having regard to:

- (a) the number of those Shareholders;
- (b) the number and value of Shares to be offered to those persons; and
- (c) the cost of complying with overseas legal requirements.

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer other than for Shareholders in Australia and New Zealand. The Company is not required to make offers under the Prospectus to Shareholders other than in Australia and New Zealand. Where the Prospectus has been despatched to Shareholders domiciled outside Australia or New Zealand and where the country's legislation prohibits or restricts in any way the making of the offer contemplated by the Prospectus, the Prospectus is provided for information purposes only.

Shareholders resident in Australia or New Zealand holding shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.13 Risk factors

An investment in Securities should be regarded as highly speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are in Section 3.

1.14 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

1.15 Major activities and financial information

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2014 is in the Annual Financial Report which was lodged with ASX on 26 September 2014 and for the half-year ended 31 December 2014 is in the Interim Financial Report which was lodged with ASX on 11 March 2015.

The Company's continuous disclosure notices (i.e. ASX announcements) since 26 September 2014, being the date the Annual Financial Report was lodged with ASX, are listed in Section 5.3.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.16 Privacy

The Company collects information about each Applicant provided on an Acceptance Form for the purposes of processing the Acceptance and, if the Acceptance is successful, to administer the Applicant's security holding in the Company.

By submitting an Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Acceptance Form the Company may not be able to accept or process your Acceptance.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.17 Effect on control

As a result of the Offer and Shortfall Offer, no Shareholder will increase their Voting Power to above 20% or further increase their Voting Power above 20%.

1.18 Withdrawal

The Directors may, at any time, decide to withdraw this Prospectus and the Offer, in which case the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.19 Enquiries concerning Prospectus

Enquiries concerning an Acceptance Form can be obtained by contacting the Company Secretary by telephone on +61 8 9322 6322.

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on +61 8 9322 6322.

2. Action required by Shareholders

2.1 Acceptance of Securities under this Prospectus

Should you wish to accept all of your Entitlement, then applications under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, bank draft or money order for the Application Monies indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars drawn on an Australian branch of a financial institution, crossed "Not Negotiable" and made payable to "**Sovereign Metals Limited**" and lodged and received at any time after the Opening Date and on or before the Closing Date at the Company's share registry at:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001
Australia

If you wish to pay via BPAY you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlements upon receipt of the BPAY payment by the Company. Shareholders who elect to pay via BPAY do not need to return their completed Entitlement and Acceptance Form.

If you elect to pay via BPAY you should be aware that your financial institution may implement earlier cut off times with regards to electronic payment, and you should therefore take this into consideration when making your payment. It is your responsibility to ensure that funds submitted through BPAY are received before the close of the Offer.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY payment.

2.2 If you wish to take up part of your Entitlement only

Should you wish to only take up part of your Entitlement, then applications under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY payment in respect of the portion of your Entitlement you wish to take up, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of Shares you wish to accept and the Application Monies (calculated at \$0.06 per Share accepted), and attach a cheque, bank draft or money order for the appropriate Application Monies.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars drawn on an Australian branch of a financial institution, crossed "Not Negotiable" and made payable to "**Sovereign Metals**

Limited” and lodged and received at any time after the Opening Date and on or before the Closing Date at the Company’s share registry at:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001
Australia

If you wish to pay via BPAY you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlements upon receipt of the BPAY payment by the Company. Shareholders who elect to pay via BPAY do not need to return their completed Entitlement and Acceptance Form.

If you elect to pay via BPAY you should be aware that your financial institution may implement earlier cut off times with regards to electronic payment, and you should therefore take this into consideration when making your payment. It is your responsibility to ensure that funds submitted through BPAY are received before the close of the Offer.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY payment.

2.3 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

2.4 Enquiries concerning your Entitlement

If you have any queries concerning your Entitlement please contact the Company Secretary by telephone on +61 8 9322 6322.

3. Risk Factors

Activities in the Company and its controlled entities, as in any business, are subject to risks, which may impact on the Company's future performance. The Company and its controlled entities have implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks of increasing your investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

3.1 Specific Risks associated with the Company, the Offer and the Shortfall Offer

(a) Limited Operating History

The Company has limited operating history on which it can base the evaluation of its prospects.

The success of the Company in the short to medium term is dependent upon a number of factors, including the successful:

- i. identification of additional graphite resources sufficient to support mining operations in the future;
- ii. completion of positive technical and feasibility studies which demonstrates that mining of graphite can be economically undertaken on the Project;
- iii. design, construction and commissioning of the infrastructure required for the Project;
- iv. identification of, and agreement with, strategic partners to assist with the development of the Project;
- v. raising of the funding required to explore, develop and operate mining operations at the Project; and
- vi. identification, acquisition and exploration of new projects in the resources sector.

The prospects of the Company must be considered in light of the considerable risks, expenses and difficulties frequently encountered by companies in the early stage of resource exploration and development activities.

There can be no assurance that any current or new projects will be profitable in the future. Should production commence, the operating expenses and capital expenditures of the projects may increase in future years as targeted resources are more difficult to extract.

The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond the Company's control.

The Company expects to incur losses unless and until such time as any current or new projects enter into commercial production and generate sufficient revenues to fund their continuing operations. The development of current or new projects will require the commitment of substantial resources. There can be no assurance that the Company will generate any revenues or achieve profitability.

(b) Additional Requirements for Funding

The Company's funding requirements depend on numerous factors including the Company's ability to generate income from its Project, the results of joint venture operations, future exploration and work programs and the acquisition of new projects.

If less than \$1,246,084 is raised pursuant to the Offer and Shortfall Offer, the Company will need to scale back funds available as outlined in Section 1.2. Furthermore, the Company may require further funding in addition to current cash reserves and proceeds from the Offer and Shortfall Offer to fund exploration activities.

Additional equity financing, if available, may be dilutive to Shareholders and at lower prices than the current market price. Debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

(c) Graphite Price Risks

The price of graphite fluctuates widely and is affected by numerous factors beyond the control of the Company, such as product specifications, industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events.

The price that the Company receives for future graphite produced from the Project, if any, will be dependent on the quality of the concentrate. This is determined by the flake size and purity. The prices vary significantly with higher prices paid for large flake graphite. Bench-scale metallurgical testwork conducted by independent laboratories have confirmed the large flake characteristics of fresh rock and saprolite graphite samples tested to date. However, further work is required to test variability and optimise process flow sheets before these results can be verified on a pilot plant or commercial scale.

In addition to adversely affecting future reserve estimates, if any, of the Project, declining commodity prices can impact operations by requiring a reassessment of the feasibility of the Project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to the Project. Even if the Project is ultimately determined to be economically viable, the need to conduct such a

reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Future production, if any, from the Company's Project will be dependent upon the price of graphite being adequate to make the Project economic. Future price declines in the market value of graphite could cause continued development of, and eventually commercial production from, the Project to be rendered uneconomic. Depending on the price of graphite, the Company could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, the Project. There is no assurance that, even if commercial quantities of graphite are produced, a profitable market will exist for them.

(d) Graphite Sector and increased market volatility

The graphite sector has been subject to extensive capital market interest over the course of the last two years driven by the potential for new industrial applications, including use in lithium-ion batteries in the short term, and the potential use in producing graphene and in pebble bed nuclear reactors in the long term. The future requirements for the ongoing and anticipated use of natural graphite in these new industrial applications is uncertain and demand in the long term cannot be reliably estimated. There are no guarantees that current demand will continue or that expected growth in demand will eventuate. There can also be no guarantee that replacements for natural graphite (such as synthetic graphite) will not be developed or improved, thus reducing the overall demand for natural graphite.

The recent capital market interest in the graphite sector has encouraged a large number of new graphite exploration and development projects worldwide. The capital market interest in the graphite sector and large number of new graphite projects has resulted in high price volatility for listed junior graphite explorers and developers.

Whilst it is not expected that all exploration projects will reach production, the current graphite market is relatively small and there is the possibility of an oversupply of graphite in the longer term. Accordingly, the success of the Company's Project may be dependent on the ability of the Company to obtain funding in a highly competitive capital market for graphite explorers and developers and to bring its Project into production ahead of other graphite exploration and development projects.

(e) Competition

The success of the Company's Project may be dependent on the ability of the Company to market any future production, if any, in a competitive market with a relatively small number of customers with individual product requirements. The Company is yet to establish sales or off-take agreements in respect of future production from its Project (if any). In the event that the Company is unable to enter into an off-take agreement on acceptable terms in respect of future production from its Project, or there is an oversupply of graphite in the medium to longer term, it may impact the ability of the Company to obtain funding for the development of the Project.

(f) Payment Obligations

The Project licences and the Malawi Mining Law requires the holder of the Project licences to satisfy certain expenditure requirements and pay an annual

fee. Failure to meet these payments and obligations may render the Project licences liable to be cancelled.

(g) Government Policies and Legislation

Any material adverse changes in government policies, legislation or shifts in political attitude in Malawi that affect mineral exploration activities, tax laws, royalty regulations, government subsidies and environmental issues may affect the viability and profitability of the Project.

No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining or more stringent implementation thereof could have a substantial adverse impact on the Project and hence the Company.

(h) Legal System

The legal system operating in Malawi may be less developed than in countries such as Australia, which may result in risks including:

- i. political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- ii. a higher degree of discretion on the part of governmental agencies;
- iii. inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and
- iv. the relative inexperience of the judiciary and courts in such matters.

There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely effected by the actions of the government authorities or others and the effectiveness of and enforcement of such arrangements cannot be assured.

(i) Sovereign and Operating Risks in Malawi

The Project is located in Malawi, and there are risks attaching to exploration and development operations in a developing country which are not necessarily present in a developed country. These can include sovereign risk, safety, security, costs, ability to operate, country policy, fiscal provisions and laws, and can lead to delays or even the suspension of operations. No assurance can be given regarding future stability of exploration and mining activities in Malawi.

The operations of the Project, should it commence production, may have to be shut down or operations may otherwise be disrupted by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, fire, explosions and other accidents at the mine, processing plant or related facilities.

Furthermore, future operations could be adversely affected if the Project encounters difficulties obtaining equipment and other supplies on a timely basis. In the event that the Project is unable to secure required mining equipment on a timely basis, the construction of infrastructure, production, productivity and costs could be negatively affected.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(j) Previous Exploration

Historical and current activities on the Project licences could in the future give rise to costs for environmental rehabilitation, damage, control and losses. The Company has received no indication or instruction that rehabilitation of these areas is required. The enforcement of any environmental regulation could lead to increased costs for the Project which in turn could adversely affect the Project's financial performance and available cash reserves.

(k) Foreign Exchange Risks

The Project's operating and capital expenditures are typically to be incurred in currencies other than Australian dollars (including Malawian kwacha (MWK) and United States dollars (USD)) and any future revenues from the sale of graphite are also likely to be in currencies other than Australian dollars. Any fluctuations in the exchange rates between these currencies and the Australian dollar could have a material adverse effect on the Company's business, financial position and operating results.

3.2 Mineral Industry Risks

(a) Exploration and development risks

The exploration tenements of the Company are in the early stages of exploration and potential investors should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

There is no assurance that exploration and development of the mineral interests owned by the Company, or any other projects that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a highly speculative business, characterised by a number of significant risks, including,

among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in the Company expending significant resources (financial and otherwise) on a property without receiving a return. There is no certainty that expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. The Company believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognised industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in developing its properties.

There can be no assurance that the Company's mineral exploration activities will be successful. If such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realise value or may even be required to abandon its business and fail as a "going concern".

(b) Resource estimates

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, Ore Reserves are valued based on future costs and future prices and consequently, the actual Ore Reserves and Mineral Resources may differ from those estimated, which may result in either a positive or negative effect on operations.

Should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource

estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

(c) Title

The Company's mining exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licenses, which may be withdrawn or made subject to limitations. The maintaining of license, obtaining renewals, or getting licenses granted, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and that the licenses, tenements, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

(d) Operating risks

The operations of the Company may be affected by various factors including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

(e) Results of Studies

Subject to the results of any future exploration and testing programs, the Company may progressively undertake a number of studies in respect to the Company's current or new projects. These studies may include scoping, pre-feasibility and bankable feasibility studies.

These studies will be completed within certain parameters designed to determine the economic feasibility of the Company's current or new projects within certain limits. There can be no guarantee that any of the studies will confirm the economic viability of the Company's current or new projects or the results of other studies undertaken by the Company (e.g. the results of a feasibility study may materially differ to the results of a scoping study).

Further even if a study determines the economics of the Company's current or new projects, there can be no guarantee that the current or new projects will be successfully brought into production as assumed or within the estimated parameters in the feasibility study once production commences including but not limited to operation costs, mineral recoveries and commodity prices. In addition the ability of the Company to complete a study may be dependent on the Company's ability to raise further funds to complete the study if required.

(f) Metallurgy

Metal or mineral recoveries are dependent upon the metallurgical process, and by its nature processing contains elements of significant risk such as:

- (i) identifying a metallurgical process through test work to produce a saleable metal or concentrate;

- (ii) developing an economic process route to produce a metal or concentrate; and
- (iii) changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

No assurance can be given that any particular level of recovery from mineral resources or reserves will in fact be realised or that an identified mineral resource will ever qualify as commercially viable which can be legally and economically exploited.

(g) Reliance on key personnel

The Company is reliant on a number of key personnel. The loss of one or more of its key personnel could have an adverse impact on the business of the Company.

Furthermore, it may be particularly difficult for the Company to attract and retain suitably qualified and experienced people, given the current high demand in the industry and relatively small size of the Company, compared with other industry participants.

(h) Insurances

Insurance of all risks associated with exploration and production is not always available and, where it is available, the cost may be high. The Company will have insurance in place considered appropriate for the Company's needs.

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability, particularly as the Company is seeking to acquire new projects which are located in other jurisdictions or involve a new commodity.

It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

3.3 Environmental risks

(a) Environmental risk

The operations and activities of the Company are subject to regulations concerning the environment. The Government and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

The Company has not incurred any significant costs for contamination resulting from its activities to date and the Board believes that it is in material compliance with all applicable laws relating to the protection of the environment, including laws regulating the discharge of materials. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

3.4 General Risks

(a) Securities investments

There are risks associated with any securities investment. The prices at which the Securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Securities regardless of the Company's operational performance.

(b) Share market conditions

Share market conditions may affect the value of Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;

- (iii) changes in investor sentiment toward particular market sectors;
- (iv) the demand for, and supply of, capital; and
- (v) terrorism or other hostilities.

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the Company.

(c) **Economic Risk**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, the rate of growth of gross domestic product in Australia, or any other country in which the Company operates, interest rates and the rate of inflation.

(d) **Changes In Government Policies and Legislation**

Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire economic interests may affect the viability and profitability of the Company.

(e) **Competition**

The Company will compete with other companies, including major mineral exploration and mining companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce minerals, but also carry out refining operations and produce other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

3.5 Investment Highly Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities. Potential investors should consider that the investment in the Company is highly speculative and should consult their professional adviser before deciding whether to apply for Securities pursuant to this Prospectus.

4. Effect of the Offer

4.1 Capital structure on completion of the Offer

On the basis that the Offer is fully subscribed, the capital structure of the Company at the completion of the Offer would be as follows:

	Number of Shares	Number of Performance Shares ⁽²⁾	Number of Performance Share Rights ⁽³⁾	Number of unlisted Options ⁽⁴⁾
Balance at the date of this Prospectus	103,840,328	8,750,000	2,950,000	5,250,000
To be issued under the Offer ⁽¹⁾	20,768,065	-	-	-
Other changes ⁽⁵⁾	-	-	-	(500,000)
Balance after the Offer (if fully subscribed)	124,608,393	8,750,000	2,950,000	4,750,000

(1) The number of Shares to be issued under the Offer assumes that the Offer is fully subscribed and no Performance Shares or Performance Share Rights are converted and no unlisted Options are exercised before the Record Date. Up to 24,158,065 Shares could be issued under the Offer, depending on the number of Performance Shares or Performance Share Rights converted, or unlisted Options exercised (if any) between the date of the Prospectus and the Record Date.

(2) 8,750,000 Class B Performance Shares, issued on 7 November 2012, are convertible into one ordinary Share each upon the announcement by the Company to ASX of the results of a positive Scoping Study, within four years from the date of issue.

(3) 2,950,000 Performance Share Rights are on issue at the date of this Prospectus in the following classes:

- 750,000 Tranche 2 Performance Share Rights convertible into one ordinary Share each upon the announcement of a positive Scoping Study for the Project in accordance with the provisions of the JORC Code and the Company making a decision to proceed to a Feasibility Study for the Project. The Tranche 2 Performance Share Rights expire 31 December 2016;
- 1,100,000 Tranche 3 Performance Share Rights convertible into one ordinary Share each upon the announcement of a positive PFS or DFS for the Project in accordance with the provisions of the JORC Code. The Tranche 3 Performance Share Rights expire 31 December 2017; and
- 1,100,000 Tranche 4 Performance Share Rights convertible into one ordinary Share each in the event any of the following:
 - the occurrence of:
 - financing the development to production of the Project; or
 - achievement of a binding off-take agreement for the sale of 10,000 tonne of flake graphite concentrate per year, for at least a 5 year period; or
 - subject to the satisfaction of the Feasibility Study Milestone, the occurrence of:
 - sale of greater than 20% of the Project (at the Project or Corporate Entity level) to a strategic partner; or
 - sale of at least 30% of one of the Prospects forming part of the Project (including farm-out or joint venture).

The Tranche 4 Performance Share Rights expire on 31 December 2018.

(4) Unlisted Options on issue at the date of the Offer have exercise prices and expiry dates as follows:

- 500,000 unlisted Options exercisable at \$0.35 each on or before 31 March 2015;
- 250,000 unlisted Options exercisable at \$0.22 each on or before 30 September 2015;
- 1,500,000 unlisted Options exercisable at \$0.33 each on or before 15 May 2015;
- 1,500,000 unlisted Options exercisable at \$0.40 each on or before 15 May 2017; and
- 1,500,000 unlisted Options exercisable at \$0.47 each on or before 15 May 2018.

(5) The number of unlisted Options on issue after the Offer assumes the expiry of 500,000 unlisted Options, exercisable at \$0.35 each, on 31 March 2015.

4.2 Pro forma statement of financial position

	Pro-forma Adjustments			Pro-forma
	Reviewed	Material	Issue of	Statement of
	31 December	changes since	Securities	Financial
	2014	review date		Position
	\$	\$	\$	\$
Current assets				
Cash and cash equivalents	933,391	(340,125)	1,206,267	1,799,533
Trade and other receivables	60,953	(38,713)	-	22,240
Total current assets	994,344	(378,838)	1,206,267	1,821,773
Non-current assets				
Exploration and evaluation	7,170,282	-	-	7,170,282
Property, plant and equipment	177,469	-	-	177,469
Total non-current assets	7,347,751	-	-	7,347,751
Total Assets	8,342,095	(378,838)	1,206,267	9,169,524
Current liabilities				
Trade and other payables	890,835	(174,126)	-	716,709
Employee entitlements	9,608	-	-	9,608
Total current liabilities	900,443	(174,126)	-	726,317
Total liabilities	900,443	(174,126)	-	726,317
Net assets	7,441,652	(204,712)	1,206,267	8,443,207
Equity				
Contributed equity	23,073,057	-	1,206,267	24,279,324
Reserves	803,080	-	-	803,080
Accumulated losses	(16,434,485)	(204,712)	-	(16,639,197)
Total equity	7,441,652	(204,712)	1,206,267	8,443,207

Basis of Preparation

The pro forma statement of financial position is based on the reviewed statement of financial position as at 31 December 2014 that has been adjusted to reflect the following transactions and events:

- the issue of 20,768,065 Shares at an issue price of \$0.06 per Share pursuant to this Prospectus to raise \$1,246,084 of new equity;
- the application of proceeds of the Offer to the costs associated with the Offer of approximately \$39,817. These costs are described in Section 5.12; and
- net cash outflows from operating activities of \$340,125 as a result of normal operations of the Company from 1 January 2015.

Investors should also note that the statement of financial position that will arise following the Offer will be based on the actual assets and liabilities as at the conclusion of the Offer. Accordingly the actual balance sheet will differ to the indicative position set out above.

4.3 Market price of Shares

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$0.11 per Share on 16 December 2014 and 18 December 2014

Lowest: \$0.08 per Share on 3 March 2015, 4 March 2015 and 6 March 2015

The latest available market sale price of the Company's Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.08 per Share on 6 March 2015.

4.4 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5. Additional information

5.1 Rights attaching to Shares

(a) General

The Shares to be issued pursuant to this Prospectus are ordinary shares and will, as from their allotment, rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the Shares arise from a combination of the Constitution, statute and general law. Copies of the Constitution are available for inspection during business hours at its registered office. The Constitution has been lodged with ASIC.

A summary of the more significant rights is set out below and assumes that the Company is admitted to the Official List. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

(b) Reports and Notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Constitution, the Corporations Act and Listing Rules.

(c) General Meetings

Directors may call a meeting of members whenever they think fit. Shareholders may call a meeting as provided by the Corporations Act. All Shareholders are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is 2 eligible voters.

The Company will hold annual general meetings in accordance with the Corporations Act and Listing Rules.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a company) to speak and to vote at general meetings of the Company.

(d) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(e) Dividends

The Directors may declare and authorise the distribution from the profits of the Company, dividends to be distributed to shareholders according to their rights and interests. The Directors may determine the property to constitute the dividend and fix the time for distribution. Except to the extent that the terms of issue of shares provide otherwise, each dividend must be distributed according to the amount paid up on the share in a manner calculated in accordance with the Constitution.

(f) Winding Up

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among the Shareholders in the proportions which the amount paid (including amounts credited) on the Shares of a Shareholder is of the total amounts paid and payable (including amounts credited) on the Shares of all Shareholders.

Subject to any rights or restrictions attached to a class of Shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the Shareholders:

- (i) distribute among Shareholders the whole or any part of the property of the Company; and
- (ii) decide how to distribute the property as between the Shareholders or different classes of Shareholders.

The liquidator of the Company may settle any problem concerning a distribution.

(g) Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, and to the registration of the transfer not resulting in a contravention of, or failure to observe, the provisions of a law of Australia.

(h) Issue of Further Shares

The Directors may, subject to any restrictions imposed by the Constitution and the Corporations Act, allot, issue, grant options over, or otherwise dispose of, further Shares with or without preferential rights, on such terms and conditions as they see fit.

(i) Directors

The business of the Company is to be managed by or under the direction of the Directors.

Directors are not required under the Constitution to hold any Shares.

Unless changed by the Company in general meeting, the minimum number of Directors is 3 and there is no maximum. The existing Directors may appoint a new Director to fill a casual vacancy or as an addition to the Board. Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as a Director).

The Constitution contains provisions relating to the rotation and election of directors. No Director other than the Managing Director may hold office later than the third annual general meeting after his or her appointment or election without submitting himself or herself for re-election.

For a person to be eligible for election as a Director, a nomination for the office of Director and the written consent of the proposed director must be received at the Company's registered office:

- (i) 30 business days prior to the meeting, in the case of a meeting of members that the Directors have been requested by members to call; and
- (ii) 35 business days prior to the meeting, in any other case.

(j) Offer of Shares

Subject to the requirements of the Corporations Act and if applicable, the Listing Rules, the issue of Shares by the Company is under the control of the Directors. Under the Constitution, the Company is empowered, without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, to issue shares with preferred, deferred or other rights.

(k) Variation of Shares and Rights Attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(l) Unmarketable Parcels

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than \$500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(m) Share Buy-Backs

The Company may buy-back Shares in itself in accordance with the provisions of the Corporations Act.

(n) Indemnity and Insurance of Officers

Under the Constitution the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

To the extent permitted by law the Company may also pay the premium on any insurance policy for any person who is or has been an officer against a

liability incurred by that person in his or her capacity as an officer of the Company provided that the liability does not arise out of conduct involving a wilful breach of duty.

(o) Changes to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(p) Listing Rules

Provided the Company remains admitted to the Official List, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Constitution will be deemed to comply with the Listing Rules as amended from time to time.

5.2 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Securities.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.3 below).

5.3 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC.

The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of the Annual Financial Report for the year ended 30 June 2014 which was lodged with ASX on 26 September 2014 and the Interim Financial Report for the Half Year Ended 31 December 2014 which was lodged with ASX on 11 March 2015.

The following continuous disclosure notices have been given by the Company to notify ASX of information relating to the Company during the period from the date of the lodgement of the Annual Financial Report on 26 September 2014 to the date of this Prospectus:

Date Lodged	Subject of Announcement
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3 October 2014	Strong Final Results From Duwi Project Drilling
3 October 2014	Change of Directors Interest Notice x 2
16 October 2014	Trading Halt
17 October 2014	Maiden JORC Resource Confirms Duwi one of the Largest Graphite Deposits
21 October 2014	Further Metallurgical Testwork Confirms Exceptional Large Flake Characteristics
24 October 2014	Notice of Annual General Meeting/Proxy Form
24 October 2014	Annual Report to shareholders
31 October 2014	September 2014 Quarterly Reports
25 November 2014	Results of Annual General Meeting
25 November 2014	Constitution
9 December 2014	Encouraging Results from Saprolite Hosted Graphite Work
9 December 2014	Appendix 3B
12 December 2014	Change of Directors Interest Notice x 3
30 January 2015	December 2014 Quarterly Report
10 February 2015	Becoming a substantial holder x 3
24 February 2015	Entitlements Issue
11 March 2015	Half Year Accounts

The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the registered office of the Company at Level 9, BGC Centre, 28 The Esplanade, Perth, Western Australia:

- (a) this Prospectus;
- (b) Constitution; and
- (c) the consents referred to in Section 5.13 and the consents provided by the Directors to the issue of this Prospectus.

5.4 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

5.5 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Securities under this Prospectus.

5.6 Directors' interests

Except as disclosed in this Prospectus, no Director holds or has held within the two years preceding the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer or Shortfall Offer; or
- (c) the Offer or Shortfall Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (d) as an inducement to become or qualify as a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer or Shortfall Offer.

5.7 Directors' interests in Company's Securities

The Directors or their nominees currently hold at the date of this Prospectus Securities in the Company as follows:

	Shares Held	Performance Share Rights Held	Unlisted Options Held	Entitlement to subscribe for Shares ¹	Intention to subscribe for Shares ²
Ian Middlemas	3,385,000	-	-	677,000	677,000
Matthew Syme	210,000	300,000	4,500,000	42,000	42,000
Peter Woodman	300,000	900,000	500,000	60,000	60,000
Mark Pearce	383,076	300,000	-	76,615	76,615

Notes:

¹ Entitlement to subscribe for Shares pursuant to the Offer.

² Based on the intentions of the Directors as at the date of this Prospectus to subscribe for Shares pursuant to the Offer.

5.8 Remuneration of Directors

The Constitution provides that the Company may remunerate the Directors. The remuneration shall, subject to any resolution of a general meeting, be fixed by the Directors.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Directors received the following remuneration for the preceding two financial years:

Directors	Year	Salary & Fees \$	Super-annuation \$	Share based payments \$	Other Non-Cash Benefits \$	Total \$
Ian Middlemas	2013	36,000	3,240	-	-	39,240
	2014	36,000	-	-	-	36,000
Matthew Syme	2014	19,435	1,798	38,661	831	60,725
Peter Woodman	2013	20,000	1,800	23,488	7,284	52,572
	2014	20,000	1,850	-	-	21,850
Mark Pearce	2013	20,000	1,800	2,557	-	24,357
	2014	20,000	1,850	-	-	21,850

Mr Matthew Syme, Managing Director, was appointed Managing Director on 5 June 2015. Mr Syme has a letter of appointment with the Company dated 20 May 2014. The contract provided for an annual salary of \$200,000 plus superannuation (2014: 9.25% and 2015: 9.5%). The terms of Mr Syme's employment have subsequently been amended with effect from 1 March 2015, whereby Mr Syme will be employed as a consultant with a fixed fee of \$1,000 per day.

There has been no other changes in Directors remuneration levels since 1 July 2014.

5.9 Other Interests

Apollo Group Pty Ltd, a company in which Mr Pearce is a director and beneficial shareholder. With effect from 1 March 2015, Apollo receives a monthly retainer of \$16,000 for providing administration and company secretarial services and serviced office facilities. Apollo Group Pty Ltd was paid \$26,000 per month for the period 1 July 2014 to 28 February 2015. For the year ended 30 June 2014, Apollo received \$288,000 (2013: \$284,000).

5.10 Shortfall Offer

In the event that the Offer is not fully subscribed, the Directors reserve the right, subject to any restrictions imposed by the Corporations Act and Listing Rules to issue the Shortfall Shares at their sole discretion (**Shortfall Offer**).

The Shortfall Offer is a separate offer made pursuant to this Prospectus and may remain open after the Closing Date. Shortfall Shares offered under the Shortfall Offer will be at a price of \$0.06 per Share. The Shortfall Shares will have the same rights as the Shares set out in Section 5.1.

Applications for Shortfall Securities can only be made by completing and returning the Shortfall Acceptance Form which will be sent with this Prospectus to the parties to whom the Company makes Shortfall Offers. The Shortfall Offer will open following the Closing Date and remain open until it is closed by the Directors. Shortfall Securities will not be issued more than 3 months after the Closing Date.

In relation to the Shortfall Offer, the Company reserves the right to issue to an applicant a lesser number of Securities than the number applied for in a Shortfall Acceptance Form, reject an application or not proceed with the issuing of the Shortfall Securities or part thereof. If the number of Securities issued is less than the number applied for in a Shortfall Acceptance Form, surplus Application Monies will be refunded in full. Interest will not be paid on Application Monies refunded.

5.11 Interests of other persons

Except as disclosed in this Prospectus, no

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company,

holds, or has held within the two years preceding the date of this Prospectus, any interest in:

- (c) the formation or promotion of the Company;
- (d) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (e) the formation or promotion of the Company; or
- (f) the Offer.

Hardy Bowen will be paid fees of approximately \$6,000 (plus GST) in relation to the preparation of this Prospectus. In the past two years Hardy Bowen has provided legal services to the Company to a total value of approximately \$19,218.

Computershare Investor Services Pty Limited has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

5.12 Expenses of issue

The estimated expenses of the issue are as follows:

ASIC lodgement fee	\$2,290
ASX quotation fee	\$5,451
Stamping and Shortfall Fee	\$15,576
Legal expenses	\$6,000
Printing, mailing and other expenses	\$10,500
Total	\$39,817

The Company may pay a broker stamping fee of up to 5% of the funds raised under the Offer as a result of Shareholders accepting their Entitlement where the Entitlement and Acceptance Form contains the broker stamp of certain participating brokers as determined by the Directors in their sole discretion (**Stamping Fee**) and a broker placement fee of up to 5% of the funds raised under the Shortfall Offer where the Shortfall Acceptance Form contains the broker stamp of certain participating brokers as determined by the Directors in their sole discretion, apart from monies introduced by the Company (**Shortfall Fee**).

5.13 Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with ASIC:

Hardy Bowen has given, and has not withdrawn, their written consent to being named in this Prospectus as solicitors to the Company. Hardy Bowen have not authorised or caused the issue of this Prospectus or the making of offers under this Prospectus. Hardy Bowen make no representation regarding, and to the extent permitted by law exclude any responsibility for, any statements in or omissions from any part of this Prospectus.

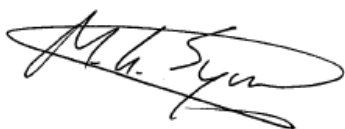
Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as share registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as share registrar of the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

6. Authorisation

This Prospectus is authorised by each of the Directors of the Company and lodged with ASIC pursuant to section 718 of the Corporations Act.

Each of the Directors of the Company has consent to the lodgement of this Prospectus with ASIC, in accordance with section 720 of the Corporations Act, and has not withdrawn that consent.

This Prospectus is signed for and on behalf of Company by:

A handwritten signature in black ink, appearing to read 'M. Syme', written in a cursive style.

Matthew Syme
Director

Dated: 11 March 2015

7. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus. Words denoting the singular include the plural and vice versa.

\$ means Australian dollars.

Acceptance means a valid application for Shares made pursuant to this Prospectus on an Entitlement and Acceptance Form.

Acceptance Form means an Entitlement and Acceptance Form or Shortfall Acceptance Form accompanying this Prospectus or all of them, as the case requires.

Applicant means a person who submits an Acceptance Form.

Application Monies means application monies for Securities received by the Company.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means 10 April 2015 or such later date as the Directors may determine.

Company means Sovereign Metals Limited ACN 120 833 427.

Constitution means the constitution of the Company as at the date of this Prospectus.

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

Director means a director of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form or **Form** means the Entitlement and Acceptance Form attached to this Prospectus that sets out the entitlement of Shareholders to subscribe for Shares pursuant to the Offer.

Feasibility Study or **DFS** has the meaning given in the JORC Code.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition), as amended from time to time.

Listing Rules means the listing rules of ASX.

Mineral Resource has the meaning given in the JORC Code.

Offer has the meaning given in Section 1.1.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Opening Date means 23 March 2015.

Option means the right to acquire one Share in the capital of the Company.

Ore Reserve has the meaning given in the JORC Code.

Performance Share or **Performance Share Right** means a right granted to the holder to be issued or transferred (as applicable) one Share upon satisfaction of certain conditions.

Preliminary Feasibility Study or **PFS** has the meaning given in the JORC Code.

Project means the Company's Central Malawi Graphite Project located in Malawi, near the capital city of Lilongwe.

Prospectus means this prospectus dated 11 March 2015.

Record Date means 4.00pm (WST) on 18 March 2015.

Scoping Study means a preliminary assessment of the technical and economic viability of the exploitation of a Mineral Resource, based on the delineation of an Inferred Mineral Resources.

Section means a section of this Prospectus.

Securities means any securities including Shares issued or granted by the Company pursuant to this Prospectus.

Shareholder means a holder of Shares.

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

Shortfall Acceptance Form means a shortfall acceptance form accompanying this Prospectus in respect of the Shortfall Offer.

Shortfall Fee has the meaning given in Section 5.12.

Shortfall Offer has the meaning given in Section 5.10.

Shortfall Securities means Securities issued pursuant to the Shortfall Offer.

Shortfall Shares means the number of Shares that have not been subscribed for under the Offer.

Stamping Fee has the meaning given in Section 5.12.

Voting Power has the meaning given in section 610 of the Corporations Act.

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