SOVEREIGN METALS LIMITED

SEPTEMBER 2015 QUARTERLY REPORT

Sovereign Metals Limited ("the Company" or "Sovereign") is pleased to present its quarterly report for the period ending 31 September 2015. The Company's primary focus during the period continued to be the advancement of its graphite prospects in Malawi, including the major Duwi Flake Graphite Project and the Lifidzi and Malingunde Saprolite-Hosted Graphite Projects.

Highlights:

- *A Scoping Study confirmed Duwi can support a Base Case scenario with graphite concentrate production of ~110,000 tonnes per annum over an initial mine life of 20 years:*
  - *Life of mine operating cost estimate of US$498 per tonne of concentrate (including transport costs FOB Nacala Port) mean excellent operating margins;*
  - *Initial capital investment of US$112m (before contingency) with a 1.7 year payback;*
  - *Very low life of mine strip ratio of 0.67:1.00 waste:ore;*
  - *Excellent supply / demand outlook for Duwi type concentrate – flake size and purity 'footprint' indicates suitability for use in a wide range of traditional and emerging end-use applications;*
  - *Significant infrastructure advantages including proximity to existing rail, grid power, labour and fresh water supplies; and*
  - *Large resource and very substantial further exploration upside confirms Duwi as a potential multi-generational supplier of flake graphite.*
- *Ongoing metallurgical testwork for the Duwi Project produced further very high-grade flake graphite concentrates through conventional mineral processing techniques without chemical or thermal purification. Jumbo flake concentrates grading up to **99.2% C(t)** with combined coarse and jumbo flake categories (+150μm) averaging **97.5% C(t)** and combined concentrates across all flake size fractions grading up to **96.6% C(t)**.*
- *Exploration focused on a new saprolite-hosted graphite discovery at Ndumila II where hand auger drilling has now defined visually medium and high grade flake graphite zone over 3km of strike with cumulative widths ranging from 20m to 200m. A total of 6 major prospects at Malingunde (Ndumilla II) and Lifidzi (Thete, Junction, Mapembe, Chafumbwe & Chiziro) show multiple parallel zones of saprolitic flake graphite mineralisation that each range in across strike widths from ~10m to over 100m and have strike lengths of up to 3km, remaining mostly open in both strike directions and at depth.*
- *In October, Sovereign entered into a Strategic Offtake and Development Funding Partnership with major Chinese corporation, China Volant Industry Co Ltd ("**Volinco**"), pursuant to which Volinco and the Company will work together to secure development funding and long term graphite offtake arrangements for Sovereign in mainland China.*

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Operations

Sovereign is advancing its large and highly prospective tenement holding located in Malawi, near the capital city, Lilongwe. Activities during the September 2015 Quarter focussed on completion of the Scoping Study for the Company's Duwi Flake Graphite Project and continued exploration of saprolite targets at Malingunde.

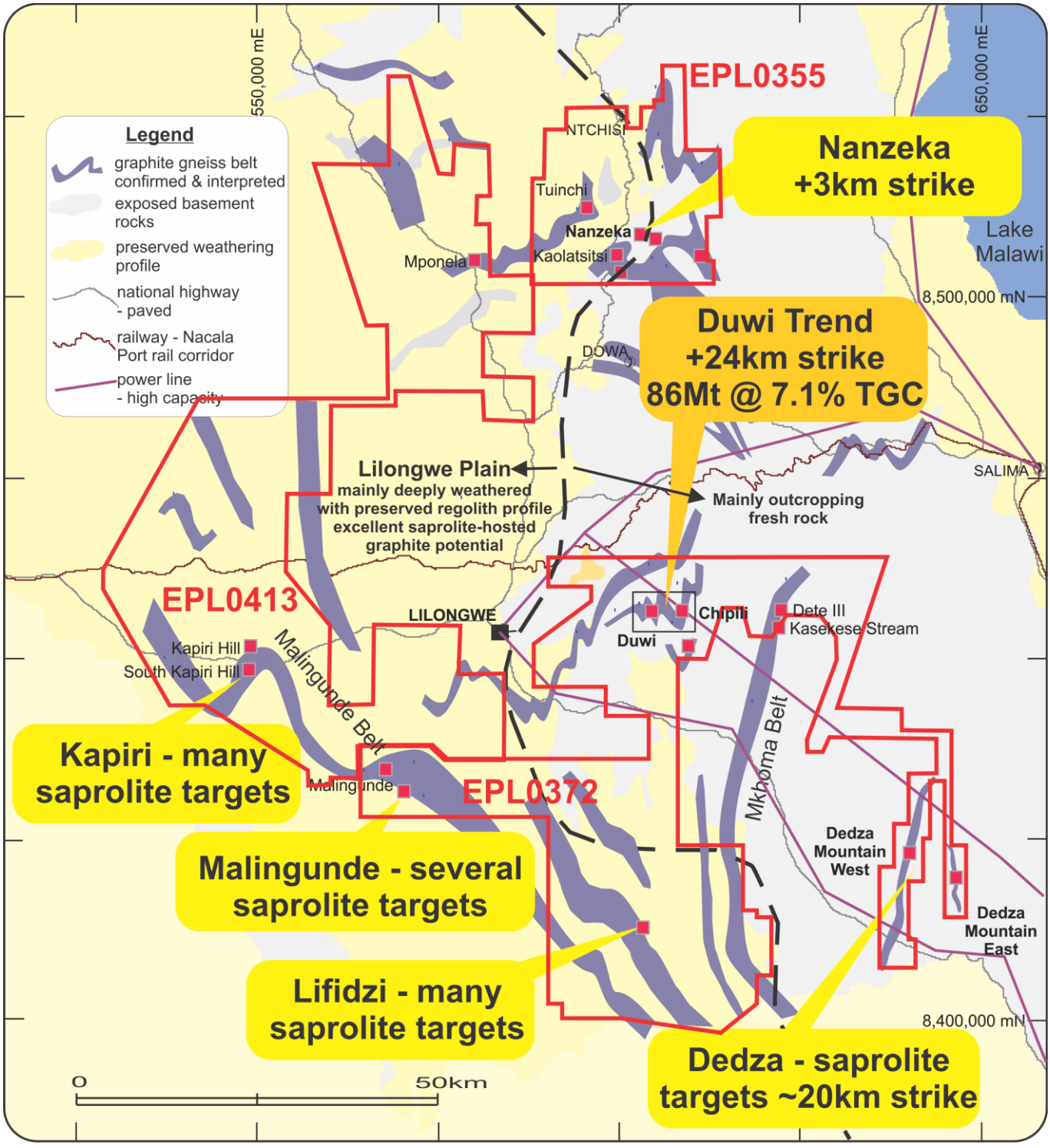

Figure 1. Simplified map showing major flake graphite prospects.

Duwi Flake Graphite Project

The Duwi Project is located within 20km of Lilongwe, the capital city of Malawi, and is well serviced by road, rail, electricity and other infrastructure (Figures 1 and 2).

The Company has identified three substantial proximal bodies of flake graphite mineralisation at Duwi – being Duwi Main, Duwi Bend and Nyama. A maiden Mineral Resource Estimate ("MRE") for these deposits was completed in October 2014, totalling 86Mt at 7.1% TGC (total graphitic carbon), containing 6.13Mt of graphite (5% TGC cut-off) (see ASX Announcement 17 October 2014).

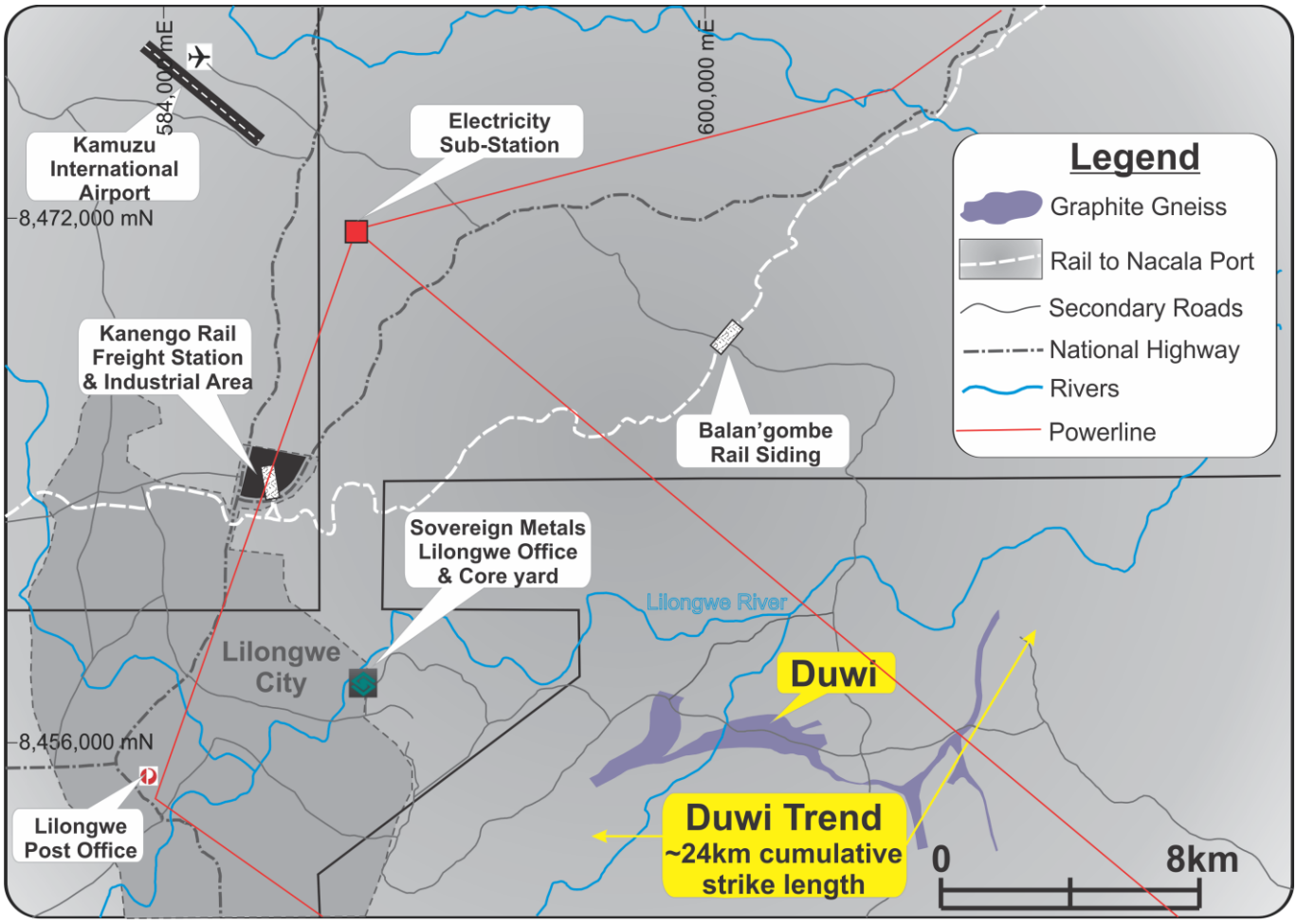

Figure 2. Map showing location of the Duwi Trend in relation to important infrastructure.

Scoping Study

Sovereign engaged Nova Projects Pty Ltd ("Nova"), a specialist engineering and metallurgical consultancy with considerable expertise in Malawi, to prepare a Scoping Study ("Study") evaluating the production and export of flake graphite products from Duwi. The focus of the Study was the Duwi Main and Duwi Bend deposits which collectively total 77.3 Mt at 7.2% TGC (Indicated and Inferred) for 5.57 Mt contained graphite (5% TGC cut-off).

The Study considered two production scenarios:

- **The 1.5 Mtpa Base Case**: Processing 30 Mt of Indicated and Inferred material from Duwi Main and Duwi Bend at a rate of 1.5 Mtpa over a 20-year life to produce approximately 110,000 tpa of flake graphite concentrate (>95% TGC). The life of mine ("LOM") throughput of 30 Mt comprises 77% in the Indicated mineral resource category and 23% in the Inferred category.
- **The 0.55 Mtpa Low Tonnage Case**: Mining and processing of 11 Mt of Indicated Duwi Main ore at a mining and processing rate of 0.55 Mtpa over a 20-year life to produce approximately 40,000 tpa of flake graphite concentrate. The 11 Mt is comprised entirely of material in the Indicated mineral resource category.

The Study adopted the Base Case for the project assessment, focussing on the development of a 1.5 Mtpa mining and processing project. Cost estimates and production parameters for the Low Tonnage Case were extrapolated from the Base Case. The study highlights included:

- Simple open pit mining, amenable to a contract mining operation with a very low strip ratio of 0.67 for the Base Case and 0.51 for the Low Tonnage Case.
- High graphite recoveries (93.7%) using a simple flotation-based flowsheet to achieve high grade (>95% TGC) products, without further chemical processing.
- Ongoing test-work has confirmed the world class, large flake characteristics of Duwi concentrates with 63% > 150 µm including 33.5% in the highest value extra-large / jumbo (+300 µm) flake fraction. The proportion of jumbo and large flake is among the highest reported flake distributions of graphite projects worldwide and significantly enhances the Project's commercial appeal.
- A long life of mine (LOM) over 20 years with an opportunity to use flexible production configurations. Both production cases suggested very profitable operations allowing a flexible approach to staging processing capacity and product composition to generate optimum cashflow outcomes.
- Low operating costs of $36.90 per tonne ore processed or $498 per tonne concentrate loaded (FOB) at the Mozambique port of Nacala.
- Initial capital investment of US$112m (excluding a US$26m contingency, sustaining/deferred, working and owner's costs) for the Base Case and US$55m for the Low Tonnage Case.
- The Project's location only 15 km from Lilongwe provides excellent access to services and infrastructure, including 25km haul to existing railway infrastructure, access to power and water capable of being sourced within the Project area.

The Scoping Study provides an overview of the project and the economics of the project business case (see ASX Announcement 1 September 2015). The key financial and physical parameters over the LOM are summarised in Table 1.

Table 1. Key Project Parameters and Assumptions

Parameter	Base Case Scenario *(1.5 Mtpa)*	Low Tonnage Scenario *(0.55 Mtpa)*
Mine Life (minimum)	20 years	20 years
Strip Ratio	0.67	0.51
Proportion of Indicated Resources	77%	100%
Mining Inventory (ore)	1,500,000 tpa	550,000 tpa
	7.53% TGC	7.76% TGC
Recovery	93.7%	93.7%
Concentrate production	111,160 tpa	42,006 tpa
	95% TGC	95% TGC
Basket Price	US$1,303.50	US$1,303.50
Operating Costs	US$498/t conc.	US$610/t conc.
Initial Capital Investment	US$112.4m	US$54.6m
Contingency	US$26.1m	US$14.0m
Sustaining & Deferred	US$18.0m	US$9.6m
Owner's Costs	US$7.9m	US$6.0m
Total Capital Cost	US$164.4m	US$84.2m
Capital Intensity	US$110 / tpa	US$153 / tpa
Discount Rate	10%	10%
Payback	1.7 years	2.8 years

Mining and Mine Design

The proposed method of mining is by an open pit located on the Duwi Main deposit and a shallow satellite pit on the Duwi Bend deposit. Scindian Resource Consultants undertook Whittle optimisations and produced a pro-forma mining schedule based on a global average grade and throughput of 1.5 Mtpa mining from the Duwi Main and Duwi Bend deposits for the Base Case.

The Base Case contemplates mining 30 Mt of mineralisation over 20 years at a strip ratio of 0.67 : 1.00. The mining inventory is comprised of 77% Indicated Mineral Resources and 23% Inferred Mineral Resources. Overall, the first 9.5 years of mining is supported 100% by Indicated material, whilst the remaining 10.5 years of the mining schedule is made up of 57% Indicated and 43% Inferred material for a LOM average of 77% Indicated.

The Duwi Main open pit will be mined in several stages and will have eventual dimensions of ~1,500m long and ~240m deep.

Sufficient material has been identified to extend the operation significantly if required.

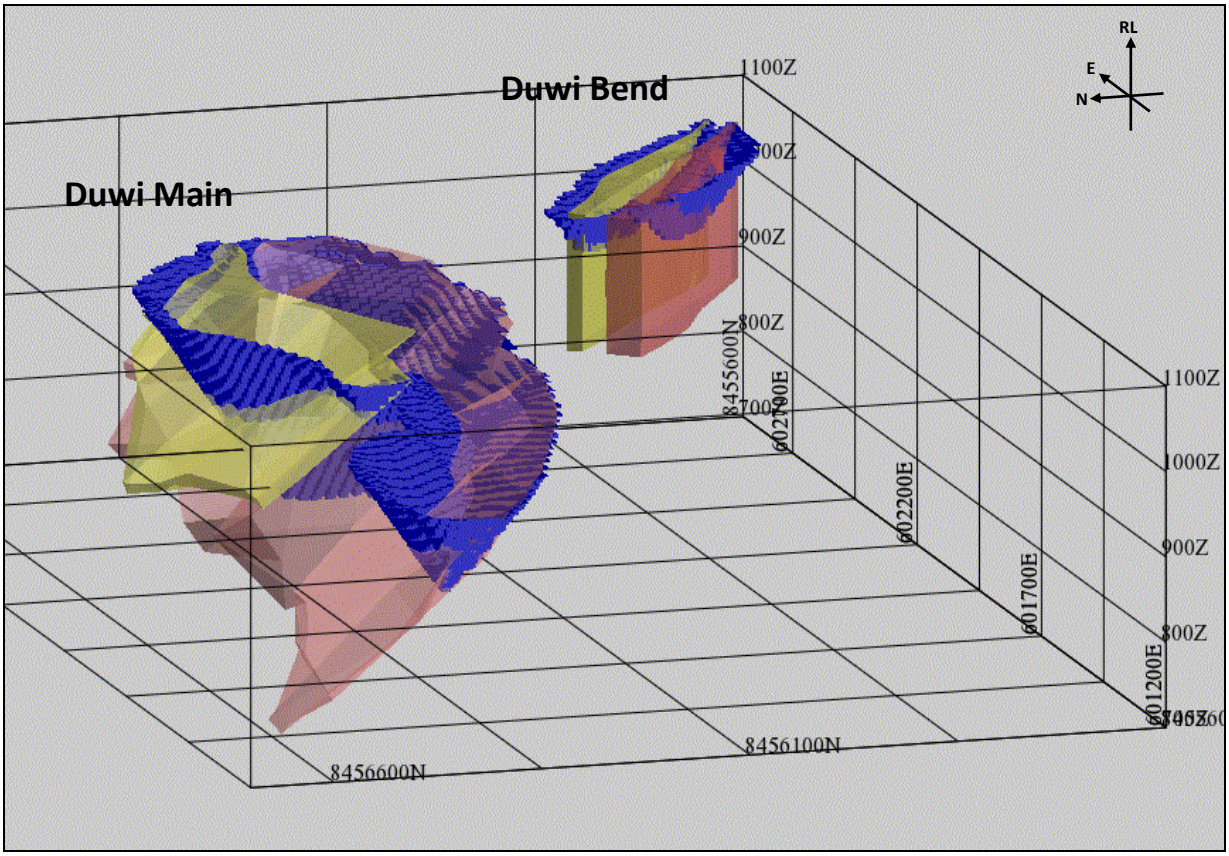

Figure 3. Base Case Whittle pit shell (blue) showing footwall (red) and hangingwall (yellow) mineralised wireframes at 5% TGC cut-off (view looking SE).

Metallurgy and Processing

Sovereign has undertaken a range of characterisation and mineralogical examinations and test-work programs on fresh ore and surface saprolite material from the Duwi deposit.

The key element of the work has been the flotation programs designed to optimise graphite recovery whilst also maximising flake size and integrity. Work to date has prioritised development of an optimal flotation flowsheet, which was used as the basis for the Scoping Study. The process flowsheet objective is to maximise recovery of jumbo (+300 µm) flakes and minimise production of amorphous powder (-75 µm).

All processing will take place in a dedicated, purpose-built processing plant located close to the deposit. The flake graphite product will be packed and containerised on site and transported via road/rail and ship to the end-users.

The process flow sheet is based on flotation test-work carried out at SGS Canada (Lakefield). This constitutes a conventional flotation concentrator plant incorporating crushing, screening, flash flotation, milling, de-sanding and graphite flotation/polishing to recover commercial grade graphite flake (Figure 4).

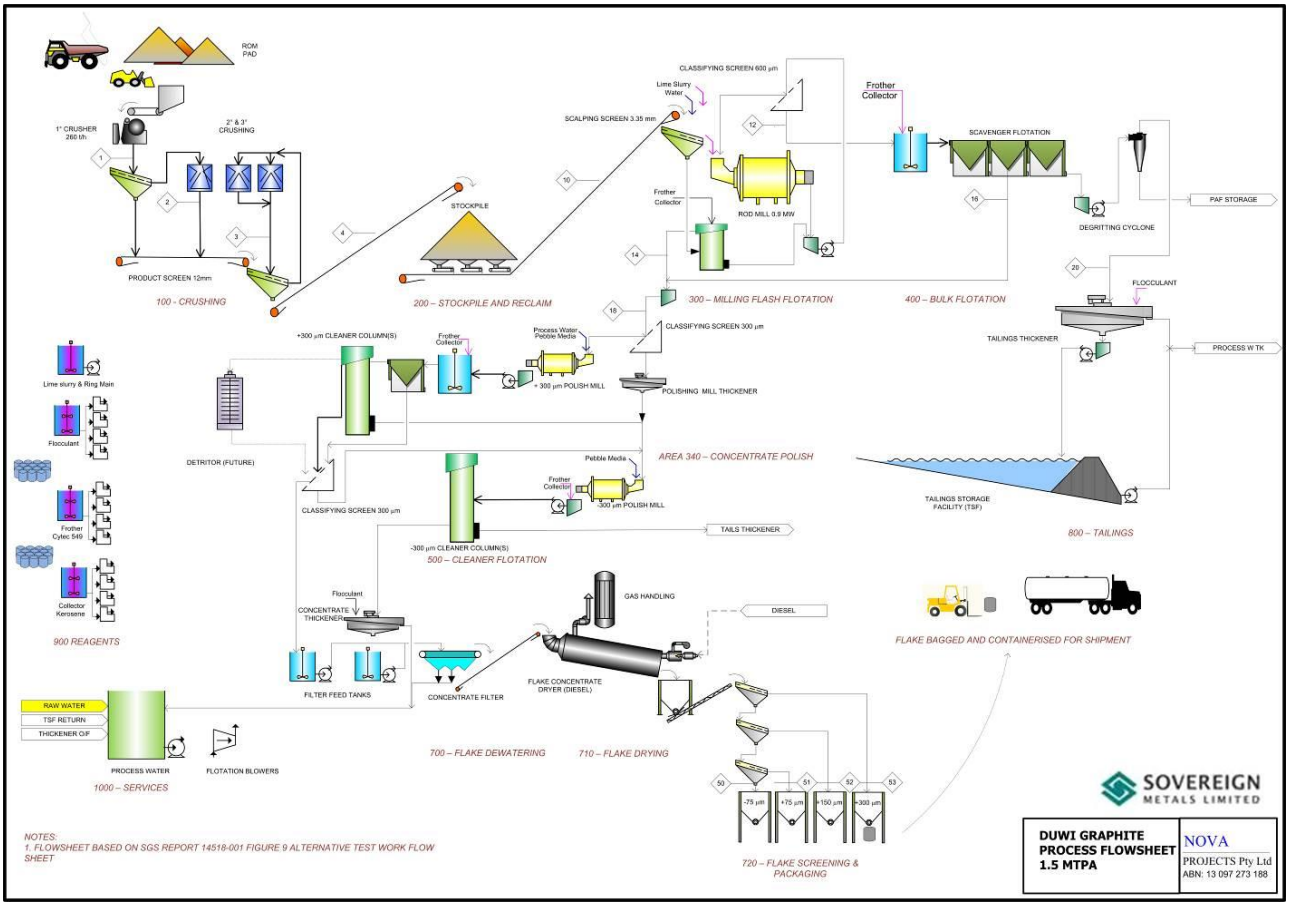

Figure 4. Base Case 1.5 Mtpa Process Flowsheet

The estimated installed power for the process plant and services is 5.29 MW with annual power consumption of 29,235 MWh. The Malawi transmission authority ESCOM maintains a 330 kV high voltage transmission trunk line which passes within 4 km to the north of Duwi. Both grid power and on site generation will be used at Duwi.

The processing plant will be a net water consumer and effectively a zero-discharge operation under all normal conditions. An overall water consumption of 0.33 to 0.50 m^3/t has been assumed in the mass balance. Water is relatively plentiful in the immediate area and, subject to hydrogeological and hydrology investigation, the site is likely to be able to source sufficient water within the project area. Also the (permanent) Lilongwe River lies just 4 km north of the Duwi Deposit and has very reliable supply.

Infrastructure

Duwi is located approximately 15 km east of Lilongwe, Malawi's capital, and hence boasts good access to services and infrastructure. The site will be serviced by an 18 km unsealed road, reconditioned and maintained by Sovereign, which will access the main Malawian M1 highway at Lilongwe.

The proximity to Lilongwe gives the project a number of benefits:

- Access to a large workforce with daily (commuting) access for the Lilongwe-based personnel, removing the requirement for site accommodation and construction camps.
- Short 25 km haul to existing road and rail infrastructure at operational intermodal rail sidings at Kanengo and Balan'gombe.

Site Layout, Access and Logistics

The existing 18 km access road will be upgraded for all-weather, heavy access suitable for heavy vehicle transit. Local and Lilongwe-based road use studies will be conducted as part of the project feasibility study evaluation before arriving at a final design.

The design and planning of the layout and on-site infrastructure for the Project is governed by a number of physical, economic and social constraints. Desktop option studies were completed on locations of the principal elements of the project including the process plant, tailings storage facility (TSF), mine waste dump and infrastructure, water storage dam and watercourse diversions.

Capital Costs

The capital cost estimate for the 1.5 Mt/year process plant and associated site infrastructure was developed based on an engineering, procurement and construction management (EPCM) contracting strategy, with some component supply based on a lump-sum turnkey delivery basis (LSTK), managed by the EPCM contractor.

The scope of work covered in the capital estimate includes contractor mining and owner infrastructure, crushing, grinding, flotation, tails handling and storage, plant infrastructure, site infrastructure, spares, commissioning and temporary facilities. This estimate also includes external roads, upgrade of the existing Lilongwe public road, water storage facilities, watercourse diversion and storage pads.

The overall estimated capital cost for the project scope of work and a breakdown by area is presented in Table 2.

Table 2. Project Capital Cost Summary

	Base Case Scenario ***(1.5 Mtpa)***	**Low Tonnage Scenario** ***(0.55 Mtpa)***
Initial Capital Investment	US$112.4m	US$54.6m
Owners Costs	US$7.9m	US$6.0m
Contingency (20%)	US$26.1m	US$14.0m
Sustaining & Deferred	US$18.0m	US$9.6m
Total Capital Cost	US$164.4m	US$84.2m
Capital Intensity	US$109.6 / tpa	US$153.0 / tpa
Pre-production Labour	OPEX	OPEX
Working Capital	US$16.1m	US$5.9m

The project payback time (for Initial Capital Investment) is 1.7 years from commencement of operations of the Base Case and 2.8 years from commencement of operations of the Low Tonnage Case. In both instances, the payback period is covered by Indicated material in accordance with the pro-forma mining schedule.

Operating Costs

All costs are presented in Q4 2015 US dollars with cost inputs jointly prepared by Nova and Sovereign personnel using a range of sources. The operating cost accuracy is estimated to be ±35% in line with the nature of the Scoping Study.

A summary is outlined in Table 3.

Table 3. Project Operating Cost Summary

	LOM US$m	**Average Annual** US$m	**Average US $/t Ore**	**Average $/t Concentrate**
OPEX – Base Case Scenario *(1.5 Mtpa)*				
Mining	284.8	14.2	9.5	128.1
Processing	326.0	16.3	10.9	146.6
Environmental & Social	24.6	1.2	0.8	11.1
General & Administration	70.1	3.5	2.3	31.5
Royalties	114.4	5.7	3.8	51.5
Transport (FOB Nacala)	286.6	14.3	9.6	128.9
Total Operating	**1,106.5**	**55.3**	**36.9**	**497.7**
OPEX – Low Tonnage Scenario *(0.55 Mtpa)*				
Mining	120.4	6.0	10.9	143.4
Processing	159.8	8.0	14.5	190.2
Environmental & Social	14.4	0.7	1.3	17.1
General & Administration	70.2	3.5	6.4	83.6
Royalties	39.4	2.0	3.6	46.9
Transport (FOB Nacala)	108.3	5.4	9.8	128.9
Total Operating	**512.5**	**25.6**	**46.6**	**610.1**

Mining costs are based on a contract mining fleet using rates from a 2013 study by Nova, adjusted for time and to the specifics of Duwi.

Transport costs of $128 per tonne are based on cost estimates received for rail haul of bagged graphite concentrate in 40’ shipping containers to Nacala, Mozambique, and include trucking to the Kanengo railhead in Lilongwe, estimated wharf handling and customs clearance charges and insurance. Sovereign expects there is potential to reduce transport and port expenses, and these opportunities will be considered in future studies.

Marketing

Graphite is used in refractory applications, as a conductor of heat and electricity and in lubrication, and increasingly in advanced energy storage applications such as lithium ion batteries. The largest users of natural flake graphite are steelmaking, non-ferrous metals, and other high-temperature processes including cement and glass production.

Another important and potentially growing market is in anodes for lithium ion batteries. Graphite is a significant component of many types of battery and graphite anodes are currently made by sphericising and treating large flake graphite. The technological impetus towards battery-based energy storage devices will almost certainly create increased demand for natural graphite.

China is the dominant supplier of natural graphite products, accounting for approximately 60-70% of the global market. The rapidly growing number of offtake agreements struck between Chinese graphite companies and foreign graphite developers, particularly with East African assets, underlines the level of interest in China for securing new long term sources of large flake graphite.

Sovereign conducted preliminary market investigations and recently signed a partnership agreement with major Chinese corporation China Volant Industry Co Ltd ("Volinco"), pursuant to which Volinco and the Company will work together to secure development funding and long term graphite offtake arrangements for Sovereign in mainland China.

Prices of graphite are contingent on product purity and flake size. Four flake size classifications have been projected at 95% purity, based on Sovereign's previous and ongoing metallurgical testwork, for the purposes of estimating the basket value of Duwi concentrate.

The natural graphite market is relatively opaque as the majority of sales are through confidential offtake agreements, and for a wide range of individual product specifications. In determining the prices used for this Study, Sovereign has undertaken a review of historical prices, forecasts by independent industrial mineral specialists, publicly reported offtake agreements and benchmarking comparable peer studies.

For the purposes of the Scoping Study, an estimated revenue of US$1,304/t of Duwi concentrate was used.

Excellent High-Grade Metallurgical Results from Duwi

Sovereign's third independent metallurgical test-work program for the Duwi Flake Graphite Project was conducted during the September Quarter at SGS Canada Inc. under the supervision of Mr Oliver Peters (MSc, P.Eng, MBA).

The primary objectives of the test-work were threefold:

- To continue to verify the excellent flake graphite concentrate characteristics demonstrated by the earlier MINTEK and SGS test-work programs across different parts of the Duwi Deposit.
- To test various comminution media and flowsheets to attempt to improve already high-grade graphite concentrates, to expand the marketability of Duwi graphite products.
- To produce a sufficient quantity of concentrate samples to distribute to potential customers and end users for downstream application property testing/characterisation.

The test-work was performed on a new composite of half HQ core from 3 diamond holes drilled within the core of the Duwi Indicated Mineral Resource area grading 8.5% TGC. All drill core was staged crushed to -3.35mm and homogenised prior to being rotary split into 2 kg test charges for subsequent flotation tests.

The major difference in this metallurgical program was the addition of an attrition scrubbing stage to upgrade the concentrates to >95% C(t), as opposed to the circa 91% to 92% C(t) concentrates previously produced at Mintek and SGS. A total of six separate attrition tests were carried out under slightly differing conditions for each. An example of results for one of these is shown below in Table 4.

Table 4. Results of attrition scrubbing tests on B2 concentrate Test # U-15.

		U-15	
Mesh	**Micron**	**Assays % [1]C (t)**	**Distribution % C (t)**
+48 mesh	+300 µm	*97.6*	20.6
-48/+100 mesh	-300/+150 µm	*97.1*	28.9
-100/+200 mesh	-150/+75 µm	*96.8*	22.8
-200 mesh	-75 µm	*95.1*	27.7
Avg. ->	Total ->	*96.6*	100.0

[1] The chemical analysis used to determine the total carbon content employs combustion of a sample followed by infrared detection on a LECO SC-632 instrument. All reported analytical results have an associated measurement uncertainty based on the expected precision and accuracy relating to the method and sample concentration. Values at 100% should not be treated as pure products without additional impurity testing. The estimated measurement uncertainty for total carbon values greater than 90% C is 1.7% (relative) with a resolution of 1 significant figure.

Overall carbon recoveries ranged between 83% and 89% across tests B2 (U13-U18). However, as the test-work was not closed circuit, it is expected that the actual recoveries will be higher.

Overall, the attrition tests produced excellent upgrading results with concentrates averaging 96.2% C(t) with some of the jumbo flake portions grading as high as 99.2% C(t). Importantly, these results show that Duwi flake graphite can consistently be upgraded to >95% C(t) and hence has the flake size and grade characteristics pre-requisite for producing Li-ion battery grade spherical graphite. Additionally, this test-work showed that slightly altering the grinding and attritioning conditions can produce higher grades (i.e. >95% C(t)) and slightly finer flake distribution OR can be set to produce lower grades (i.e. ~92% C(t)) with excellent coarse flake distribution. This will provide the Company maximum flexibility to produce flake graphite concentrates to order for specific applications.

This latest phase of metallurgical test-work has shown that Duwi can consistently produce graphite concentrates with an excellent coarse and jumbo flake size distribution and very high grade concentrates using only simple physical comminution (crushing, grinding, and scrubbing) and flotation. This means that the Company is in a position to potentially produce a large range of different graphite concentrates possibly suited to a variety of downstream applications including refractories and products for emerging markets such as Li-ion battery anodes.

A separate independent laboratory test-work program will test the suitability of Duwi concentrates for producing spherical graphite, in addition to expandability and various other physical properties tests. Samples of bulk flotation concentrates have also been distributed to potential customers and end users for downstream application property testing/characterisation.

Saprolite Targets at Lifidzi and Malingunde

Saprolite or clay hosted flake graphite mining operations, similar to those in China and Madagascar, have significant cost and environmental advantages over hard rock mining operations due to:

- Simple, low cost exploration with auger or air-core drilling prevalent;
- The free-dig nature and very low strip ratios of the mineralised material, which is by definition close to or at surface;
- Simple processing with no primary milling circuit results in large capital and operating cost advantages;
- The preservation of coarse graphite flakes in the weathering profile due to graphite's chemically inert properties; and
- The relative absence of sulphides offers substantial tailings management advantages.

Sovereign initially discovered widespread saprolite hosted graphite mineralisation at the Dedza Prospect and metallurgical test-work on samples from Dedza subsequently indicated very favourable large flake characteristics (ASX Announcement 17 June 2014).

After assessing the potential cost advantages and high value flake characteristics of saprolite-hosted graphite, Sovereign's attention turned to its permits at Lifidzi, Malingunde and Kapiri.

These areas occur on the Lilongwe Plain, which has a largely preserved, deep tropical weathering profile and therefore potentially significant thicknesses of saprolite.

In the December 2014 and March 2015 Quarters the Company undertook a program of ground electromagnetic (EM) surveys at Dedza, Lifidzi and Malingunde and a program of hand auger drilling at Lifidzi.

During the June and September Quarters, auger drilling was focussed on the substantial Ndumila II prospect in Malingunde area;

- A total of 345 hand auger holes for 4,061 metres of drilling was completed during the Quarter.
- Numerous parallel zones of saprolite-hosted flake graphite within a 3km by 0.5km zone.
- Individual mineralised zones range in across strike width from 20m to 200m.
- Graphite mineralisation at Ndumila II remains open along strike in both directions.
- Collectively, 6 major saprolite-hosted graphite prospects have been identified to date by hand auger drilling (Malingunde (Ndumilla II) and Lifidzi (Thete, Junction, Mapembe, Chafumbwe & Chiziro)).
- All 6 major prospects have been shown to be substantial with widths ranging from 20m to over 200m across strike and strike lengths of generally 1 to 3km, open in both directions.
- All mineralised auger holes ended in saprolite at depths between 6m and 12m due to the presence of water (and hence the limit of hand auger drilling). This indicates a deep saprolite profile is potentially present.
- Less than 10% of the combined area at Malingunde and Lifidzi has been explored with ground EM and hand auger drilling.

- At Kapiri, to the north of Malingunde, a large area underlain by conductive rocks shows a number of sub-cropping graphite occurrences, and importantly has a mostly preserved, deep weathering profile, suggesting additional significant potential for saprolite-hosted flake graphite mineralisation.

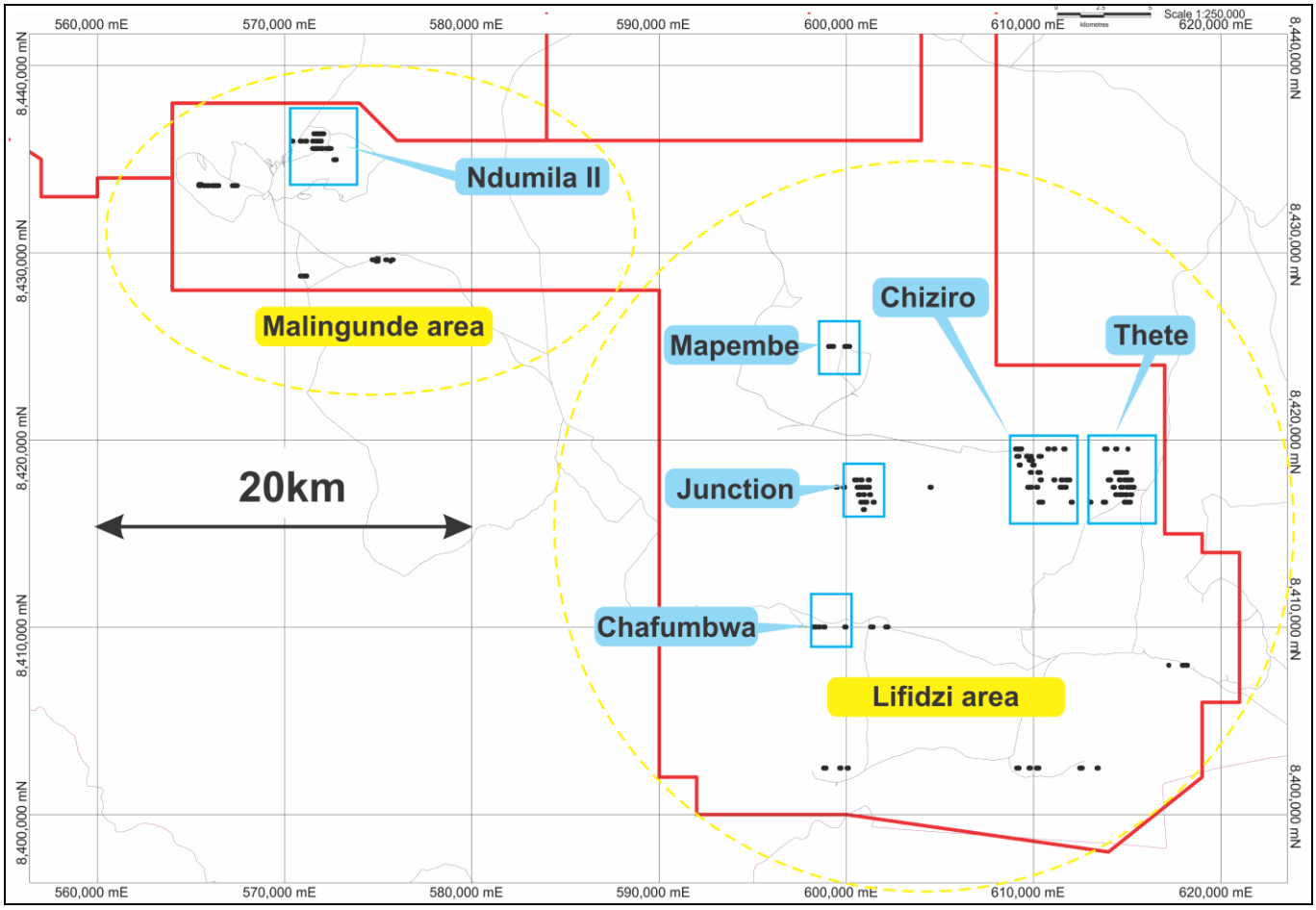

Figure 5. Map of the Lifidzi and Malingunde areas showing the four main saprolite-hosted graphite prospects identified so far in hand auger drilling

Conclusion

Six substantial saprolite-hosted flake graphite prospects in zones ranging up to 200m wide (cumulative across strike width) have been identified so far at Malingunde and Lifidzi with under 10% of the areas explored. Ndumila II, at Malingunde, is the most substantial prospect identified to date with multiple, wide graphitic saprolite zones over 3km strike length remiing open in both directions.

Current exploration information – geological mapping, VTEM, ground EM, auger and aircore drilling - indicates that there is potentially several hundred kilometres of cumulative strike length of saprolitic graphite mineralisation across the project areas.

Carpentaria Joint Venture

Mount Isa Mines, a Glencore Company, continues to manage and sole fund exploration on all tenements comprising the Carpentaria Joint Venture ("CJV").

Corporate

In August 2015, the Company completed a placement of 8,333,333 Shares to the clients of Empire Capital Partners, raising $500,000 before costs.

In October 2015, entered into a Strategic Offtake and Development Funding Partnership with major Chinese corporation China Volant Industry Co Ltd ("**Volinco**"), pursuant to which Volinco and the Company will work together to secure development funding and long term graphite offtake arrangements for Sovereign in mainland China.

Pursuant to the Partnership, Volinco will assist Sovereign in securing development finance and engineering and construction commitments in China. Sovereign and Volinco have also agreed to negotiate (on a best endeavours basis) an offtake and/or marketing agreement for all flake graphite concentrates produced by the Company in Malawi.

The Partnership reflects Volinco's assessment that the Duwi Project represents one of the best emerging large flake graphite projects in the world, and that East Africa will be the main centre for new flake graphite production to meet burgeoning demand for existing high value applications and also the rapidly growing battery graphite market.

Volinco is a limited liability company established under the modern enterprise system in China, with multiple equity-holders, among which China Aerospace Science and Industry Corporation (CASIC) is the holding company. Volinco's core business covers import & export of aerospace products and technologies, export of complete equipment, overall contracting of international engineering projects, resources trade, international economic and technical cooperation and general trading business. For further information see http://www.volinco.com

Competent Person Statement

The information in this report that relates to Exploration Results, not including Geophysical Results, is based on information compiled by Dr Julian Stephens, a Competent Person who is a member of the Australasian Institute of Geoscientists (AIG). Dr Stephens is a consultant to Sovereign Metals Limited and is also a substantial holder of shares, and a holder of convertible performance shares and performance rights in Sovereign Metals Limited. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Stephens consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Metallurgical Testwork Results is extracted from the report entitled 'Excellent High Grade Metallurgical Results From Duwi' dated 16 September 2015. This report is available to view on www.sovereignmetals.com.au. The information in the original ASX Announcement that related to Metallurgical Testwork Results was based on, and fairly represents, information compiled by Mr Oliver Peters, M.Sc., P.Eng., MBA, who is a Member of the Professional Engineers of Ontrario ('PEO'), a 'Recognised Professional Organisation' ('RPO'). Mr Peters is a consultant of SGS Canada Inc. ('SGS'). SGS is engaged as a consultant by Sovereign Metals Limited. Mr Peters has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information including in the original market announcement. 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 information in this Report that relates to Mineral Resources is extracted from the report entitled 'Maiden JORC Resource Confirms Duwi as one the World's Largest Graphite Deposits' dated 17 October 2014. The announcement is available to view on www.sovereignmetals.com.au. The information in the original ASX Announcement that related to Mineral Resources was based on, and fairly represents, information compiled by Mr David Williams, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Williams is employed by CSA Global Pty Ltd, an independent consulting company. Mr Williams has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. 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, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market 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 information on this page that relates to the Scoping Study is extracted form the report entitled 'Scoping Study Confirms Potential For World Class, High Margin Flake Graphite Project at Duwi' dated 1 September 2015. The announcement is available to view on www.sovereignmetals.com.au.

- *The information in the original ASX Announcement that relates to metallurgy, processing and infrastructure is based on, and fairly represents, information compiled by Mr Les Middleditch, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Middleditch is an employee of Nova Projects, an independent consulting engineering company. Mr Middleditch has sufficient experience which is relevant to the metallurgy under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".*
- *The information in the original ASX Announcement that relates to Whittle optimisation is based on, and fairly represents, information compiled by Mr Sean Richardson, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Richardson is an employee of Scindian Resource Consultants, an independent consulting mining engineering company. Mr Richardson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".*

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. 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 Company advises that the information relating to the Scoping Study referred to in this report is based on lower-level technical and preliminary economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

Production Target

The Production Target stated in this Report is based on the Company's Scoping Study for the Duwi Project as released to the ASX on 1 September 2015. The information in relation to the Production Target that the Company is required to include in a public report in accordance with ASX Listing Rule 5.16 was included in the Company's ASX Announcement released on 1 September 2015.

The Company confirms that the material assumptions underpinning the Production Target referenced in the 1 September 2015 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.

Appendix 1

Table A. Malingunde hand auger drill-hole information

HoleID	East	North	RL	Depth	Azimuth	Dip
MGHA0198	572449	8435000	1103	4	360	-90
MGHA0199	572429	8435000	1104	10	360	-90
MGHA0200	572408	8435000	1105	11	360	-90
MGHA0201	572388	8434999	1106	12	360	-90
MGHA0202	572100	8435680	1136	8	360	-90
MGHA0203	572120	8435680	1129	10	360	-90
MGHA0204	572141	8435679	1129	10	360	-90
MGHA0205	572160	8435679	1129	12	360	-90
MGHA0206	572179	8435681	1129	10	360	-90
MGHA0207	572200	8435680	1129	12	360	-90
MGHA0208	572688	8434998	1104	8	360	-90
MGHA0209	572569	8435000	1103	10	360	-90
MGHA0210	572529	8434998	1103	5	360	-90
MGHA0211	572369	8435002	1105	12	360	-90
MGHA0212	572351	8435000	1105	12	360	-90
MGHA0213	572331	8434998	1104	10	360	-90
MGHA0214	572312	8434999	1106	9	360	-90
MGHA0215	572030	8436001	1139	12	360	-90
MGHA0216	572052	8435999	1139	12	360	-90
MGHA0217	572091	8435997	1139	12	360	-90
MGHA0218	572133	8435999	1140	12	360	-90
MGHA0219	572172	8435999	1140	12	360	-90
MGHA0220	572213	8435999	1140	12	360	-90
MGHA0221	572249	8436002	1140	12	360	-90
MGHA0222	572284	8435998	1140	9	360	-90
MGHA0223	572330	8436002	1140	9	360	-90
MGHA0224	571559	8436399	1145	11	360	-90
MGHA0225	571518	8436399	1144	12	360	-90
MGHA0226	571478	8436400	1144	12	360	-90
MGHA0227	571439	8436401	1144	12	360	-90
MGHA0228	571460	8436400	1144	12	360	-90
MGHA0229	571421	8436400	1144	12	360	-90
MGHA0230	571400	8436400	1143	12	360	-90
MGHA0231	571380	8436400	1143	12	360	-90
MGHA0232	571360	8436400	1143	12	360	-90
MGHA0233	571341	8436401	1142	12	360	-90
MGHA0234	571320	8436399	1143	12	360	-90
MGHA0235	571299	8436399	1142	12	360	-90
MGHA0236	571279	8436399	1143	12	360	-90
MGHA0237	571259	8436400	1143	11	360	-90
MGHA0238	571239	8436400	1148	12	360	-90
MGHA0239	571220	8436399	1149	12	360	-90
MGHA0240	571199	8436399	1149	12	360	-90
MGHA0241	571179	8436400	1149	10	360	-90
MGHA0242	571160	8436400	1149	12	360	-90
MGHA0243	571120	8436399	1147	12	360	-90
MGHA0244	571080	8436400	1148	12	360	-90
MGHA0245	571040	8436400	1149	12	360	-90
MGHA0246	571000	8436385	1150	12	360	-90
MGHA0247	570961	8436401	1151	12	360	-90
MGHA0248	571140	8436400	1148	12	360	-90

HoleID	East	North	RL	Depth	Azimuth	Dip
MGHA0249	571100	8436400	1148	12	360	-90
MGHA0250	571060	8436400	1149	12	360	-90
MGHA0251	570980	8436400	1150	12	360	-90
MGHA0252	570940	8436399	1149	12	360	-90
MGHA0253	570920	8436400	1150	12	360	-90
MGHA0254	570901	8436400	1148	12	360	-90
MGHA0255	570880	8436400	1148	12	360	-90
MGHA0256	570860	8436400	1148	10	360	-90
MGHA0257	570839	8436399	1149	10	360	-90
MGHA0258	570818	8436401	1149	12	360	-90
MGHA0259	570798	8436399	1150	12	360	-90
MGHA0260	570759	8436399	1150	12	360	-90
MGHA0261	572558	8435600	1124	12	360	-90
MGHA0262	572599	8435602	1123	10	360	-90
MGHA0263	572640	8435600	1123	12	360	-90
MGHA0264	571695	8435999	1139	12	360	-90
MGHA0265	571676	8436000	1139	12	360	-90
MGHA0266	571659	8436000	1140	12	360	-90
MGHA0267	571640	8435999	1138	12	360	-90
MGHA0268	571151	8436053	1138	12	360	-90
MGHA0269	571109	8436052	1141	12	360	-90
MGHA0270	571073	8436052	1140	12	360	-90
MGHA0271	571192	8436047	1138	12	360	-90
MGHA0272	571210	8436049	1137	8	360	-90
MGHA0273	571230	8436050	1137	8	360	-90
MGHA0274	572600	8435200	1035	12	360	-90
MGHA0275	572560	8435200	1118	12	360	-90
MGHA0276	572640	8435200	1116	12	360	-90
MGHA0277	572680	8435200	1115	12	360	-90
MGHA0278	572721	8435200	1112	12	360	-90
MGHA0279	572520	8435200	1119	12	360	-90
MGHA0280	572480	8435200	1118	12	360	-90
MGHA0281	572440	8435201	1118	12	360	-90
MGHA0282	572400	8435200	1117	12	360	-90
MGHA0283	572360	8435200	1117	12	360	-90
MGHA0284	572320	8435200	1118	12	360	-90
MGHA0285	572280	8435200	1119	12	360	-90
MGHA0286	572240	8435199	1119	12	360	-90
MGHA0287	572620	8435200	1117	12	360	-90
MGHA0288	572580	8435200	1117	12	360	-90
MGHA0289	572500	8435200	1115	12	360	-90
MGHA0290	572459	8435200	1114	12	360	-90
MGHA0291	572420	8435200	1119	11	360	-90
MGHA0292	572380	8435200	1104	12	360	-90
MGHA0293	572340	8435199	1119	12	360	-90
MGHA0294	572260	8435200	1115	12	360	-90
MGHA0295	572220	8435200	1112	12	360	-90
MGHA0296	572200	8435200	1112	12	360	-90
MGHA0297	572181	8435200	1112	12	360	-90
MGHA0298	572161	8435199	1112	12	360	-90
MGHA0299	572141	8435200	1111	12	360	-90

HoleID	East	North	RL	Depth	Azimuth	Dip
MGHA0300	572540	8435200	1114	5	360	-90
MGHA0301	572307	8435398	1118	12	360	-90
MGHA0302	572281	8435395	1119	12	360	-90
MGHA0303	572262	8435404	1119	12	360	-90
MGHA0304	572221	8435395	1116	12	360	-90
MGHA0305	572181	8435398	1117	12	360	-90
MGHA0306	572325	8435395	1116	12	360	-90
MGHA0307	572345	8435396	1116	12	360	-90
MGHA0308	572362	8435397	1116	12	360	-90
MGHA0309	572384	8435396	1116	12	360	-90
MGHA0310	572424	8435389	1116	12	360	-90
MGHA0311	572460	8435396	1116	12	360	-90
MGHA0312	572238	8435398	1129	12	360	-90
MGHA0313	572195	8435399	1129	12	360	-90
MGHA0314	572158	8435400	1128	12	360	-90
MGHA0315	572142	8435394	1127	12	360	-90
MGHA0316	572122	8435397	1126	10	360	-90
MGHA0317	572102	8435391	1125	12	360	-90
MGHA0318	572081	8435397	1124	10	360	-90
MGHA0319	572059	8435397	1123	12	360	-90
MGHA0320	572039	8435396	1122	12	360	-90
MGHA0321	572022	8435397	1121	12	360	-90
MGHA0322	571979	8435398	1119	8	360	-90
MGHA0323	571960	8435396	1118	12	360	-90
MGHA0324	571939	8435393	1117	12	360	-90
MGHA0325	571920	8435398	1117	12	360	-90
MGHA0326	571899	8435397	1116	12	360	-90
MGHA0327	571881	8435392	1110	12	360	-90
MGHA0328	571840	8435398	1108	12	360	-90
MGHA0329	571802	8435395	1110	12	360	-90
MGHA0330	572498	8435396	1121	12	360	-90
MGHA0331	572541	8435400	1120	12	360	-90
MGHA0332	572579	8435399	1118	12	360	-90
MGHA0333	572619	8435397	1116	12	360	-90
MGHA0334	572519	8435397	1119	12	360	-90
MGHA0335	572482	8435397	1119	12	360	-90
MGHA0336	572441	8435400	1119	12	360	-90
MGHA0337	572660	8435398	1115	12	360	-90
MGHA0338	572682	8435400	1114	12	360	-90
MGHA0339	572701	8435404	1113	12	360	-90
MGHA0340	572020	8435800	1127	12	360	-90
MGHA0341	572060	8435800	1131	12	360	-90
MGHA0342	572099	8435800	1129	12	360	-90
MGHA0343	572140	8435800	1129	12	360	-90
MGHA0344	572180	8435800	1137	12	360	-90
MGHA0345	572219	8435800	1137	12	360	-90
MGHA0346	571980	8435803	1138	12	360	-90
MGHA0347	571940	8435800	1137	12	360	-90
MGHA0348	571901	8435800	1136	12	360	-90
MGHA0349	571860	8435799	1130	12	360	-90
MGHA0350	571820	8435799	1128	12	360	-90
MGHA0351	571780	8435800	1127	12	360	-90
MGHA0352	572160	8435800	1133	12	360	-90
MGHA0353	572119	8435800	1133	12	360	-90
MGHA0354	572080	8435800	1133	12	360	-90

HoleID	East	North	RL	Depth	Azimuth	Dip
MGHA0355	572040	8435800	1132	12	360	-90
MGHA0356	572000	8435800	1132	12	360	-90
MGHA0357	571960	8435800	1131	12	360	-90
MGHA0358	571921	8435800	1127	12	360	-90
MGHA0359	571880	8435800	1126	12	360	-90
MGHA0360	571839	8435800	1127	12	360	-90
MGHA0361	571740	8435800	1131	12	360	-90
MGHA0362	571701	8435800	1131	12	360	-90
MGHA0363	571659	8435800	1130	12	360	-90
MGHA0364	571620	8435801	1132	12	360	-90
MGHA0365	571700	8436200	1143	12	360	-90
MGHA0366	571741	8436200	1143	12	360	-90
MGHA0367	571780	8436200	1145	12	360	-90
MGHA0368	571820	8436200	1145	12	360	-90
MGHA0369	571860	8436200	1139	12	360	-90
MGHA0370	571900	8436200	1140	12	360	-90
MGHA0371	571660	8436200	1138	12	360	-90
MGHA0372	571620	8436200	1139	10	360	-90
MGHA0373	571595	8436200	1135	12	360	-90
MGHA0374	571578	8436201	1136	12	360	-90
MGHA0375	571558	8436202	1134	11	360	-90
MGHA0376	571541	8436202	1135	12	360	-90
MGHA0377	571501	8436199	1136	12	360	-90
MGHA0378	571460	8436198	1135	12	360	-90
MGHA0379	571418	8436198	1135	12	360	-90
MGHA0380	571375	8436199	1136	12	360	-90
MGHA0381	571522	8436202	1135	12	360	-90
MGHA0382	571479	8436201	1135	12	360	-90
MGHA0383	571440	8436202	1135	12	360	-90
MGHA0384	571399	8436200	1136	12	360	-90
MGHA0385	571358	8436202	1136	12	360	-90
MGHA0386	571339	8436200	1136	12	360	-90
MGHA0387	571296	8436200	1137	10	360	-90
MGHA0388	571259	8436201	1139	12	360	-90
MGHA0389	571217	8436203	1139	12	360	-90
MGHA0390	571182	8436202	1127	12	360	-90
MGHA0391	571143	8436200	1147	12	360	-90
MGHA0392	571100	8436203	1139	13	360	-90
MGHA0393	571640	8436200	1136	12	360	-90
MGHA0394	571680	8436200	1137	12	360	-90
MGHA0395	571040	8436800	1157	12	360	-90
MGHA0396	571079	8436799	1155	12	360	-90
MGHA0397	571120	8436800	1156	12	360	-90
MGHA0398	571160	8436799	1155	14	360	-90
MGHA0399	571200	8436799	1155	14	360	-90
MGHA0400	571240	8436799	1147	12	360	-90
MGHA0401	571280	8436794	1146	12	360	-90
MGHA0402	571320	8436798	1142	12	360	-90
MGHA0403	571360	8436800	1141	12	360	-90
MGHA0404	571400	8436800	1140	12	360	-90
MGHA0405	571440	8436801	1142	12	360	-90
MGHA0406	570999	8436800	1146	12	360	-90
MGHA0407	570960	8436800	1147	12	360	-90
MGHA0408	570920	8436799	1147	12	360	-90
MGHA0409	570880	8436800	1147	12	360	-90

HoleID	East	North	RL	Depth	Azimuth	Dip
MGHA0410	570840	8436800	1148	12	360	-90
MGHA0411	570800	8436800	1148	12	360	-90
MGHA0412	570760	8436800	1148	12	360	-90
MGHA0413	570720	8436800	1148	12	360	-90
MGHA0414	570680	8436801	1148	12	360	-90
MGHA0415	571381	8436800	1150	12	360	-90
MGHA0416	571341	8436800	1150	12	360	-90
MGHA0417	571300	8436800	1150	12	360	-90
MGHA0418	571060	8436799	1152	12	360	-90
MGHA0419	571020	8436800	1155	12	360	-90
MGHA0420	570980	8436800	1155	12	360	-90
MGHA0421	570940	8436800	1154	12	360	-90
MGHA0422	570900	8436800	1154	12	360	-90
MGHA0423	570860	8436800	1155	12	360	-90
MGHA0424	570819	8436800	1156	12	360	-90
MGHA0425	570780	8436800	1156	12	360	-90
MGHA0426	570739	8436800	1157	12	360	-90
MGHA0427	570640	8436799	1158	12	360	-90
MGHA0428	570840	8437200	1139	12	360	-90
MGHA0429	570800	8437201	1140	12	360	-90
MGHA0430	570760	8437201	1140	12	360	-90
MGHA0431	570720	8437200	1139	12	360	-90
MGHA0432	570680	8437200	1140	12	360	-90
MGHA0433	570640	8437200	1141	12	360	-90
MGHA0434	570600	8437200	1140	12	360	-90
MGHA0435	570560	8437200	1140	12	360	-90
MGHA0436	570520	8437201	1136	12	360	-90
MGHA0437	570501	8437198	1141	12	360	-90
MGHA0438	570480	8437200	1142	12	360	-90
MGHA0439	570458	8437197	1149	12	360	-90
MGHA0440	570439	8437199	1150	12	360	-90
MGHA0441	570423	8437198	1151	12	360	-90
MGHA0442	570401	8437201	1152	12	360	-90
MGHA0443	570860	8437202	1139	12	360	-90
MGHA0444	570879	8437198	1140	12	360	-90
MGHA0445	570900	8437200	1139	12	360	-90
MGHA0446	570920	8437200	1142	12	360	-90
MGHA0447	570942	8437197	1142	12	360	-90
MGHA0448	570959	8437197	1136	12	360	-90
MGHA0449	570979	8437197	1136	12	360	-90
MGHA0450	570997	8437202	1137	12	360	-90
MGHA0451	571040	8437199	1137	12	360	-90
MGHA0452	571079	8437199	1136	12	360	-90
MGHA0453	570960	8437200	1142	12	360	-90
MGHA0454	570819	8437204	1138	12	360	-90
MGHA0455	570778	8437201	1138	12	360	-90
MGHA0456	570739	8437199	1137	12	360	-90
MGHA0457	570697	8437198	1139	12	360	-90
MGHA0458	570660	8437199	1139	12	360	-90
MGHA0459	570620	8437198	1140	12	360	-90
MGHA0460	570581	8437201	1139	12	360	-90
MGHA0461	570540	8437201	1141	12	360	-90
MGHA0462	571119	8437201	1137	12	360	-90
MGHA0463	570380	8437202	1144	12	360	-90
MGHA0464	571201	8436600	1145	12	360	-90

HoleID	East	North	RL	Depth	Azimuth	Dip
MGHA0465	571177	8436601	1145	12	360	-90
MGHA0466	571158	8436601	1146	12	360	-90
MGHA0467	571122	8436597	1147	12	360	-90
MGHA0468	571101	8436598	1147	12	360	-90
MGHA0469	571079	8436599	1147	12	360	-90
MGHA0470	571059	8436599	1147	12	360	-90
MGHA0471	571036	8436600	1148	12	360	-90
MGHA0472	570999	8436600	1146	12	360	-90
MGHA0473	570963	8436601	1149	12	360	-90
MGHA0474	571144	8436602	1139	12	360	-90
MGHA0475	571239	8436600	1138	12	360	-90
MGHA0476	571280	8436600	1138	12	360	-90
MGHA0477	571320	8436600	1138	12	360	-90
MGHA0478	571360	8436600	1145	12	360	-90
MGHA0479	571400	8436601	1145	12	360	-90
MGHA0480	571440	8436600	1146	12	360	-90
MGHA0481	571481	8436600	1145	12	360	-90
MGHA0482	571520	8436600	1144	12	360	-90
MGHA0483	571560	8436600	1140	12	360	-90
MGHA0484	571600	8436600	1140	12	360	-90
MGHA0485	571580	8436601	1140	12	360	-90
MGHA0486	571540	8436601	1140	12	360	-90
MGHA0487	571500	8436601	1140	12	360	-90
MGHA0488	571461	8436600	1141	12	360	-90
MGHA0489	571261	8436600	1139	12	360	-90
MGHA0490	571220	8436600	1139	12	360	-90
MGHA0491	571020	8436600	1146	12	360	-90
MGHA0492	570980	8436600	1146	12	360	-90
MGHA0493	570941	8436600	1147	12	360	-90
MGHA0494	570920	8436600	1146	12	360	-90
MGHA0495	570901	8436600	1163	12	360	-90
MGHA0496	570881	8436600	1158	12	360	-90
MGHA0497	570861	8436599	1155	13	360	-90
MGHA0498	570840	8436599	1153	12	360	-90
MGHA0499	570800	8436598	1152	12	360	-90
MGHA0500	570760	8436599	1150	12	360	-90
MGHA0501	571140	8436800	1145	12	360	-90
MGHA0502	571101	8436800	1146	12	360	-90
MGHA0503	571198	8436997	1147	12	360	-90
MGHA0504	571242	8436998	1147	12	360	-90
MGHA0505	571282	8436998	1147	12	360	-90
MGHA0506	571318	8436998	1147	12	360	-90
MGHA0507	571361	8436997	1146	12	360	-90
MGHA0508	571401	8436999	1146	12	360	-90
MGHA0509	571441	8436999	1146	12	360	-90
MGHA0510	571460	8436996	1146	12	360	-90
MGHA0511	571480	8437003	1146	12	360	-90
MGHA0512	571503	8436996	1147	12	360	-90
MGHA0513	571519	8436996	1147	12	360	-90
MGHA0514	571542	8436996	1146	12	360	-90
MGHA0515	571559	8436998	1146	12	360	-90
MGHA0516	571580	8436998	1146	12	360	-90
MGHA0517	571179	8437000	1147	12	360	-90
MGHA0518	571159	8437001	1147	12	360	-90
MGHA0519	571120	8436999	1147	12	360	-90

HoleID	East	North	RL	Depth	Azimuth	Dip
MGHA0520	571098	8436998	1148	12	360	-90
MGHA0521	5711141	8436996	1143	12	360	-90
MGHA0522	571080	8437000	1055	12	360	-90
MGHA0523	571060	8437000	1143	12	360	-90
MGHA0524	571040	8436999	1142	12	360	-90
MGHA0525	571020	8437000	1144	12	360	-90
MGHA0526	570980	8437000	1144	12	360	-90
MGHA0527	570959	8437000	1145	12	360	-90
MGHA0528	570940	8437000	1144	12	360	-90
MGHA0529	570920	8436999	1145	12	360	-90
MGHA0530	570900	8437000	1144	11	360	-90
MGHA0531	570880	8437000	1144	12	360	-90
MGHA0532	570860	8437000	1143	12	360	-90

HoleID	East	North	RL	Depth	Azimuth	Dip
MGHA0533	570820	8437000	1148	12	360	-90
MGHA0534	570780	8436993	1148	12	360	-90
MGHA0535	570700	8437000	1147	12	360	-90
MGHA0536	570660	8437000	1147	12	360	-90
MGHA0537	570620	8437000	1148	12	360	-90
MGHA0538	570580	8437000	1148	12	360	-90
MGHA0539	570540	8437000	1150	12	360	-90
MGHA0540	570460	8436999	1146	12	360	-90
MGHA0541	570420	8437000	1144	12	360	-90
MGHA0542	570840	8437000	1144	12	360	-90

Appendix 2: JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Hand Auger Drilling Commentary
Sampling Techniques	*Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*	Hand augers of 62mm diameter was employed to generate samples with geologically determined sample intervals, which were composited and riffle split through a 50/50 splitter to form analysis samples.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	Duplicate samples were taken on average every 20th sample to provide checks on sample representivity.
	Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	Weathering and lithological information logged from 1m auger samples is used to define sample intervals for each individual hole. Position in the weathering profile is the main control on sample intervals, with the upper weathering profile (soil, laterite and ferruginous pedolith) being deemed to be less representative than the lower weathering profile able to be drilled with auger, such as the mottled and saprolite zones. Once the whole metre assay sample intervals are determined, the 1m auger samples are composited and split to reduce shipping weight. Samples are awaiting shipment to the assay laboratory.
Drilling Techniques	*Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	62mm auger bits are used with 1m long steel rods. Each 1m of sample is collected into separate bulk sample bags and set aside. The auger bits are cleaned between metres to eliminate contamination.
Drill Sample Recovery	*Method of recording and assessing core and chip sample recoveries and results assessed.*	Samples are assessed visually for recoveries. Overall, recovery is very good.
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	The company's trained geologists oversee augering on a 1 team : 1 geologist basis and are responsible for ensuring due care is taken to gather representative samples.
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Not applicable – no assays are reported.
Logging	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation mining studies and metallurgical studies.*	All 1m auger intervals are geologically logged, recording relevant data to a set template using company codes. A small representative sample is kept of each 1m interval in an appropriately labelled chip tray for future reference.
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.	All logging included lithological features, and estimates of mineralisation percentages and flake characteristics.
	The total length and percentage of the relevant intersection logged	100% of samples are geologically logged.
Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.*	Not applicable – not core drilling
	If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.	1m samples are composited on geological intervals and then riffle split 1:2 through a 50/50 splitter to form analysis samples. Wet samples are dried and broken up using a mortar and pestle prior to compositing or splitting.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	Not applicable – no assays are reported.
	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	Field QC procedures involve the use of certified reference material assay standards, blanks, duplicates, replicates for company QC measures, and laboratory standards, replicate assaying and barren washes for laboratory QC measures. The insertion rate of each of these averaged better than 1:20.
	Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.	1:20 field duplicate samples (a second sample split from the same interval) were taken to attempt to quantify the equality. Review of these samples against the original samples showed consistency.
	Whether sample sizes are appropriate to the grain size of the material being sampled.	The sample size is considered appropriate for the material sampled. It is believed that grain size has no bearing on the grade of the sampled material.
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	Not applicable – no assays are reported.
	For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their	No non-laboratory devices were used for analysis.

Criteria	JORC Code explanation	Hand Auger Drilling Commentary
	derivation, etc.	
	Nature of quality control procedures adopted (e.g. standards, blanks, duplicate, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	Not applicable – no assays are reported.
Verification of sampling & assaying	*The verification of significant intersections by either independent or alternative company personnel.*	Not applicable – no assays are reported.
	The use of twinned holes.	No auger hole twinning has occurred at this early stage of exploration.
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	All data was collected initially on paper logging sheets and codified to the Company's templates. This data was hand entered to spreadsheets and validated by Company geologists. This data was then imported to a Microsoft Access Database then validated automatically and manually.
	Discuss any adjustment to assay data.	Not applicable – no assays are reported.
Location of data points	*Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	The Company's geologists use handheld Garmin GPS units to determine the collar location of the auger holes. Handheld GPS units have inherent error values of 3-10m in the XY plane and up to 10m in the Z plane, however given the early stage of exploration this is deemed acceptable. No downhole surveys are necessary given the drilling techniques employed.
	Specification of the grid system used.	WGS84 UTM Zone 36 South
	Quality and adequacy of topographic control.	At this early stage of exploration no topographic control outside of handheld GPS capabilities is employed.
Data spacing & distribution	*Data spacing for reporting of Exploration Results.*	At this stage of exploration, testing the anomalies to determine their nature and tenor of graphite mineralisation rather than pattern drilling. As such, a single line of 20m spaced auger holes over an anomaly is deemed to be sufficient to intercept any graphite body of mineable width.
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	Not applicable, no Mineral Resource or Ore Reserve estimations are covered in this release.
	Whether sample compositing has been applied.	No sample compositing has occurred.
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known considering the deposit type*	No bias attributable to orientation of sampling has been identified due to insufficient information. It is unlikely however that the intervals reported represent true widths of mineralisation.
	If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	No bias attributable to orientation of sampling upgrading of results has been identified.
Sample security	*The measures taken to ensure sample security*	Samples were stored in secure storage from the time of augering, through gathering and splitting. The samples were sealed as soon as splitting was completed, and again securely stored awaiting shipment.
Audits or reviews	*The results of any audits or reviews of sampling techniques and data*	An audit of the sampling techniques was carried out by an independent, qualified, 3rd party geologist. No material issues were identified. It is considered by the Company that industry best practice methods have been employed at all stages of the exploration.

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Lifidzi Hand Auger Drilling Commentary
Mineral tenement & land tenure status	*Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environment settings.*	The Company owns 100% of 3 Exclusive Prospecting Licences (EPLs) in Malawi. EPL0355 granted in 2012 for 3 years, EPL0372 granted in 2013 for 3 years, EPL0413 granted in 2014 for 3 years. All EPLs are renewable for two additional periods of 2 years each upon expiry.
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	The tenements are in good standing and no known impediments to exploration or mining exist.
Exploration done by other parties	*Acknowledgement and appraisal of exploration by other parties.*	No other parties were involved in exploration.
Geology	*Deposit type, geological setting and style of mineralisation*	The graphite mineralisation occurs as multiple bands of graphite gneisses, hosted within a broader Proterozoic paragneiss package. In the Lifidzi area specifically, a deep topical weathering profile is preserved, resulting in significant vertical thicknesses from near surface of saprolite-hosted graphite mineralisation.
Drill hole information	*A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all material drill holes: easting and northings of the drill hole collar; elevation or RL (Reduced Level-elevation above sea level in metres of the drill hole collar); dip and azimuth of the hole; down hole length and interception depth; and hole length*	Refer Tables A & B in Appendix 1. Samples are awaiting shipment to the assay laboratory and accordingly no assays are reported.
	If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case	Not Applicable, no information has been excluded.
Data aggregation methods	*In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.*	Not applicable – no assays are reported.
	Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	Not applicable – no assays are reported.
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	No metal equivalent values are used in this report.
Relationship between mineralisation widths & intercept lengths	*These relationships are particularly important in the reporting of Exploration Results.*	At this early stage of exploration the dip and dip direction is unknown at local scale. Information gathered at a regional scale from 100K mapping suggests a broadly N-S strike dipping moderately to steeply to the east and west.
	If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.	At this stage of exploration and given the lack of outcrop in the field this relationship is unknown.
	If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'.	Down-hole length, true width not known.
Diagrams	*Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of the drill collar locations and appropriate sectional views.*	See Figures within the main text of this report.
Balanced reporting	*Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of exploration results.*	Not applicable – no assays are reported.
Other substantive exploration data	*Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples - size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	No additional meaningful and material exploration data has been excluded from this report that has not previously been reported to the ASX.
Further work	*The nature and scale of planned further work (e.g. test for lateral extensions or depth extensions or large-scale step-out drilling).*	Additional hand-auger drilling is being undertaken in order to expand areas of known saprolitic graphite mineralisation.
	Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	See Figures within text.

Appendix 3: Summary of Mining Tenements

As at 30 September 2015, the Company had an interest in the following tenements:

Project Name	Permit Number	Percentage Interest	Joint Venture Partner	Status
Malawi				
Central Malawi Graphite Project	EPL 0413	100%	-	Granted
	EPL 0372	100%	-	Granted
	EPL 0355	100%	-	Granted
Queensland, Australia:				
Mt Marathon	EPM 8586	34.17%	Mount Isa Mines	Granted
Mt Avarice	EPM 8588	34.17%	Mount Isa Mines	Granted
Fountain Range	EPM 12561	34.17%	Mount Isa Mines	Granted
Corella River	EPM 12597	34.17%	Mount Isa Mines	Granted
Saint Andrews Extended	EPM 12180	34.17%	Mount Isa Mines	Granted

Beneficial percentage interests in Farm-out agreements disposed during the quarter ending 30 September 2015:

Project Name	Permit Number	Type of change	Interest at beginning of quarter	Interest disposed of during quarter	Interest at end of quarter
Carpentaria JV:					
Mt Marathon	EPM 8586	Farm out	34.40%	0.23%	34.17%
Mt Avarice	EPM 8588	Farm out	34.40%	0.23%	34.17%
Fountain Range	EPM 12561	Farm out	34.40%	0.23%	34.17%
Corella River	EPM 12597	Farm out	34.40%	0.23%	34.17%
Saint Andrews Ext.	EPM 12180	Farm out	34.40%	0.23%	34.17%

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

SOVEREIGN METALS LIMTED

ABN	Quarter ended ("current quarter")
71 120 833 427	30 SEPTEMBER 2015

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(297)	(297)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(144)	(144)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	7	7
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	- Business development	(64)	(64)
	- Project Marketing	-	-
	Net Operating Cash Flows	(498)	(498)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(498)	(498)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(498)	(498)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	855	855
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	- Share issue costs	(52)	(52)
	Net financing cash flows	803	803
	Net increase (decrease) in cash held	**305**	**305**
1.20	Cash at beginning of quarter/year to date	1,066	1,066
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	**1,371**	**1,371**

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	103
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments include director and consulting fees, superannuation and provision of a fully serviced office.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-

+ See chapter 19 for defined terms.

3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	(250)
4.2	Development	-
4.3	Production	-
4.4	Administration	(140)
	Total	**(390)**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	7	16
5.2	Deposits at call	1,364	1,050
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**1,371**	**1,066**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	EPM 8586 EPM 8588 EPM 12561 EPM 12597 EPM 12180	Reduction of interest in accordance with terms of joint venture agreement.	34.40%	34.17%
6.2	Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	132,920,139	132,920,139	Not applicable	Not applicable
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	14,249,999	14,249,999	$0.06	$0.06
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options/ Rights**	Options		*Exercise price*	*Expiry date*
	- Unlisted options	1,500,000	-	$0.33	15 May 2016
	- Unlisted options	1,500,000	-	$0.40	15 May 2017
	- Unlisted options	1,500,000	-	$0.47	15 May 2018
	- Unlisted options	1,000,000	-	$0.10	30 June 2018
	- Unlisted options	1,416,667	-	$0.15	30 September 2018
		Rights			
	- Perform. Rights	750,000	-	-	31 December 2016
	- Perform. Rights	1,100,000	-	-	31 December 2017
	- Perform. Rights	1,100,000	-	-	31 December 2018

+ See chapter 19 for defined terms.

7.8	Issued during quarter	Options		*Exercise price*	*Expiry date*
	- Unlisted options	1,000,000	-	$0.10	30 June 2018
	- Unlisted options	1,416,667	-	$0.15	30 September 2018
7.9	Exercised during quarter				
7.10	Expired during quarter	Options		*Exercise price*	*Expiry date*
	- Unlisted options	250,000	-	$0.22	30 September 2015
7.11	**Performance Shares** - *Class B*	8,750,000	-	Not Applicable	*Conversion date* 7 November 2016
7.12	Changes during quarter				
7.13	**Debentures** *(totals only)*				
7.14	**Unsecured notes** *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: ..... Date: 30 October 2015
(~~Director~~/Company secretary)

Print name: Clint McGhie

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a

+ See chapter 19 for defined terms.

mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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