SOVEREIGN METALS LIMITED

DECEMBER 2015 QUARTERLY REPORT

Sovereign Metals Limited ("the Company" or "Sovereign") is pleased to present its quarterly report for the period ending 31 December 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:

- ***Assays confirm a substantial, high-grade saprolite-hosted flake graphite deposit at Malingunde:***
  - *Hand auger drilling has delineated a substantial, high-grade, saprolite-hosted graphite deposit at Ndumila II, located just 20km south-west of the Malawian capital, Lilongwe;*
  - *High-grade mineralisation identified over 3.4km strike with cumulative across strike widths locally exceeding 200m and averaging about 140m;*
  - *Results include:*

MGHA0153	***10m @ 26.3% TGC***	***MGHA0175***	***5m @ 14.5% TGC***
MGHA0178	***7m @ 10.0% TGC***	***MGHA0283***	***9m @ 10.7% TGC***
MGHA0290	***10m @ 16.7% TGC***	***MGHA0418***	***7m @ 15.7% TGC***
MGHA0423	***10m @ 15.3% TGC***	***MGHA0436***	***8m @ 20.6% TGC***
MGHA0535	***10m @ 15.2% TGC***	***MGHA0537***	***10m @ 10.7% TGC***
MGHA0545	***8m @ 20.6% TGC***	***MGHA0547***	***5m @ 17.1% TGC***

**all holes reported ended in high-grade graphite mineralisation*

  - *A further 5 major prospects have been identified at Lifidzi (Thete, Junction, Mapembe, Chafumbwe & Chiziro);*
  - *Each zone at Lifidzi shows multiple, parallel zones of saprolite-hosted flake graphite mineralisation that have cumulative across strike widths of ~10m to over 100m with strike lengths of up to 3km, remaining mostly open in both strike directions and at depth;*
  - *Saprolite-hosted flake graphite deposits are sought after as they generally have lower production costs than hard rock deposits. This is mainly due to their free-dig nature, very low strip ratios and simple processing with no primary milling circuit required;*
- *Bulk flake graphite concentrates produced and distributed to potential offtake partners and international carbon companies for testing and evaluation;*
- *In October, Sovereign entered into a Strategic Offtake and Development Funding 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.*

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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 December 2015 Quarter focussed on the continued exploration of saprolite targets at Malingunde and ongoing metallurgical testwork for the Duwi Flake Graphite Project.

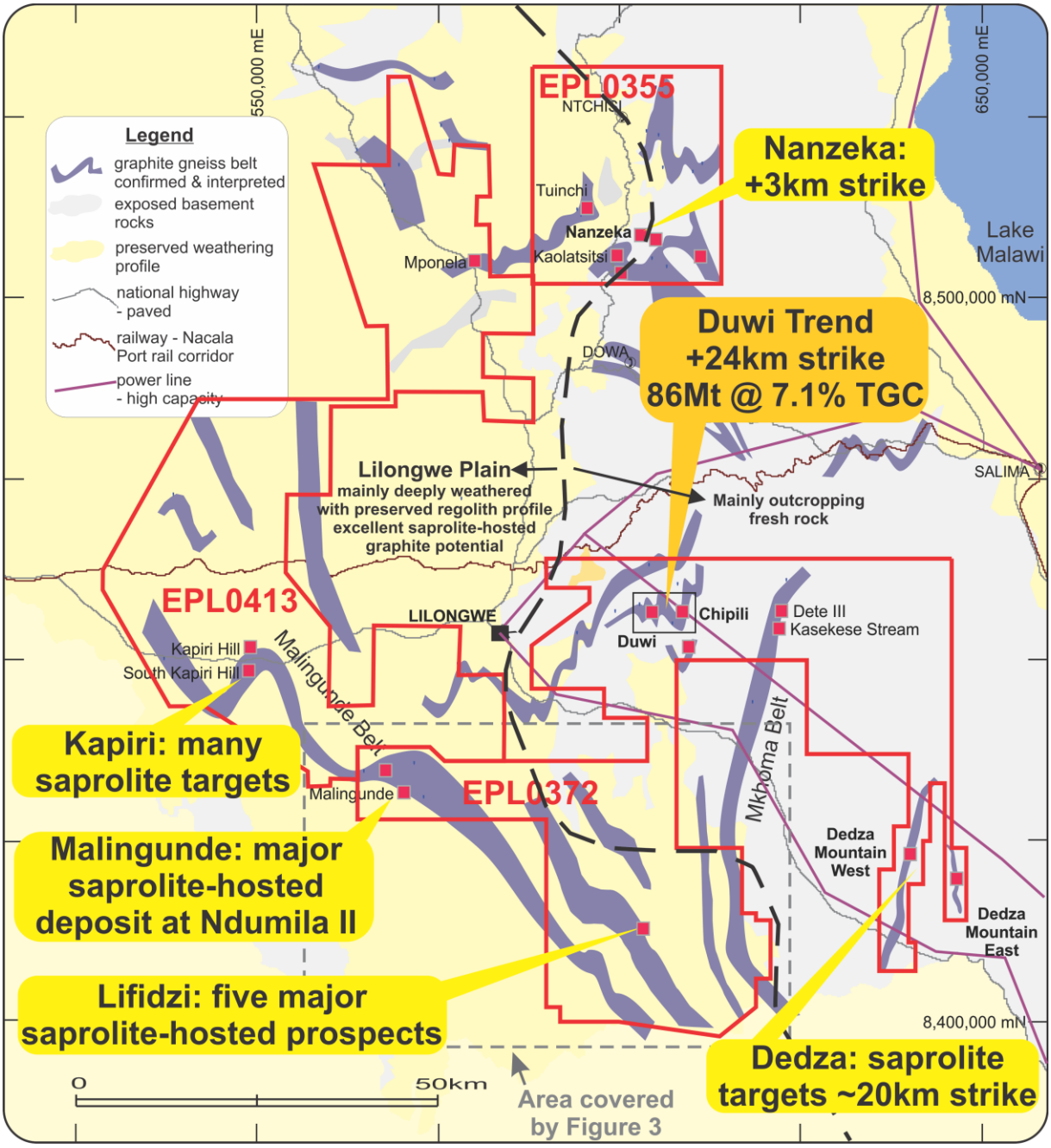

Figure 1. Simplified map showing major flake graphite prospects.

Saprolite Targets

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).

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 generally 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.

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.

Malingunde & Lifidzi

Sovereign's Malingunde and Lifidzi areas occur on the Lilongwe Plain, which has a largely preserved, deep tropical weathering profile and hence significant thicknesses of saprolite. These areas are also underlain by the same paragneiss rock package that hosts Sovereign's hard rock Duwi flake graphite deposit, 15km east of Lilongwe.

During late 2014 and throughout 2015 the Company's exploration efforts focused on saprolite-hosted flake graphite mineralisation in these areas. Geological mapping, Heli-VTEM and ground EM were followed up by hand auger drilling on conductive anomalies. To date, a total 1,055 hand auger holes for 8,931 metres of drilling has been completed in these areas.

This work has resulted in the discovery of a major saprolite-hoisted flake graphite deposit at Ndumilla II in the Malingunde area. Additionally, five other prospects have been identified at Lifidzi (Thete, Junction, Mapembe, Chafumbwe & Chiziro).

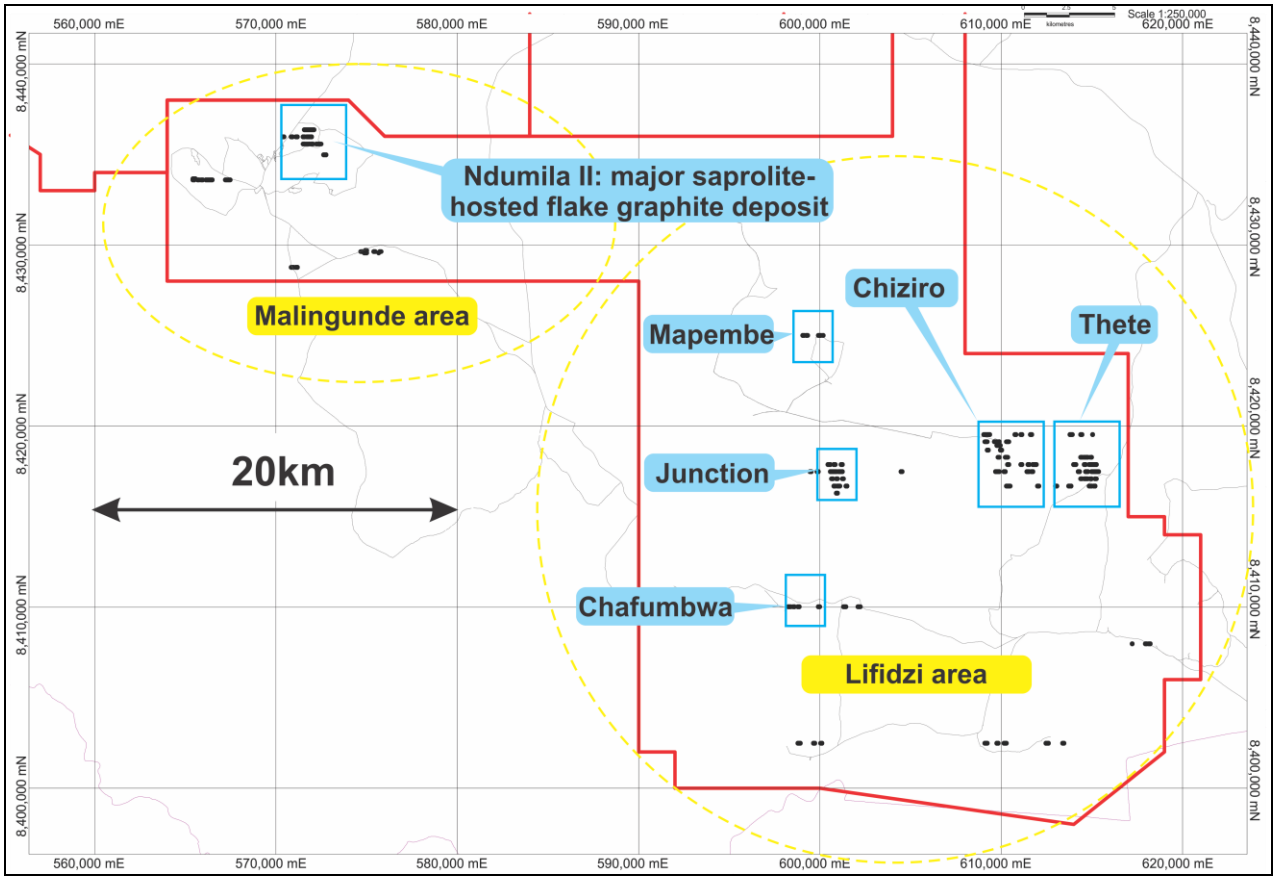

Figure 2. Map of Lifidzi and Malingunde areas showing the major saprolite-hosted flake graphite prospects.

At Ndumila II, numerous parallel zones high-grade, saprolite-hosted mineralisation identified over 3.4km strike with cumulative across strike widths locally exceeding 200m and averaging about 140m. Results include:

MGHA0153	***10m @ 26.3% TGC***
MGHA0175	***5m @ 14.5% TGC***
MGHA0178	***7m @ 10.0% TGC***
MGHA0283	***9m @ 10.7% TGC***
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MGHA0545	***8m @ 20.6% TGC***
MGHA0547	***5m @ 17.1% TGC***

**all holes reported ended in high-grade graphite mineralisation*

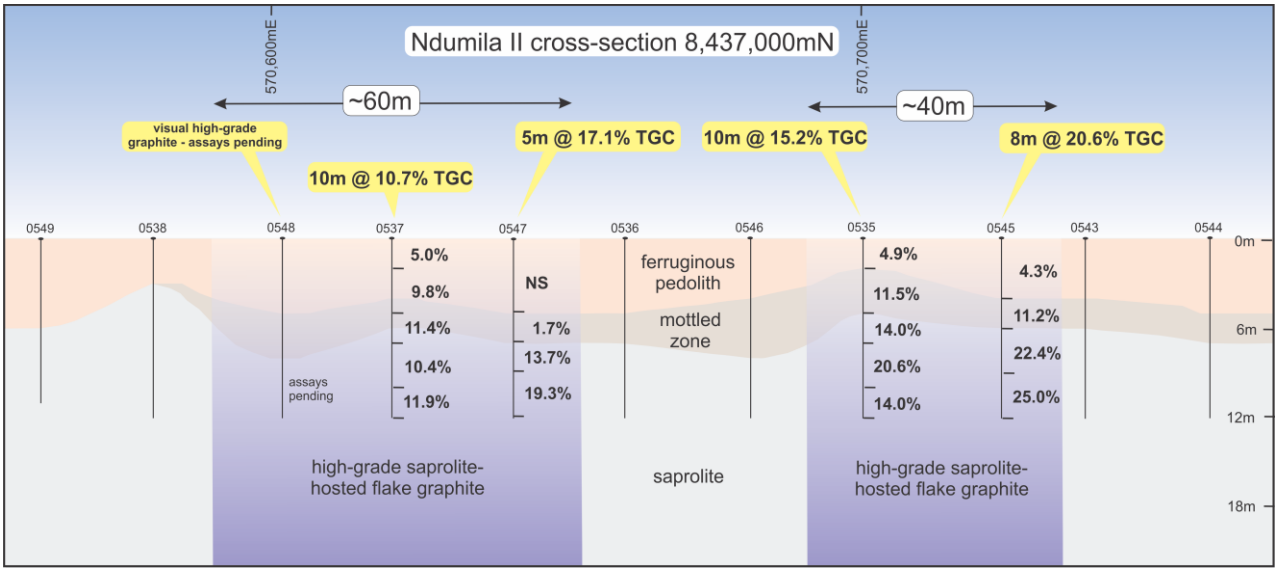

Figure 3. Cross-section (2.5 x vertical exaggeration) showing high-grade, saprolite-hosted graphite mineralisation at Ndumila II. Note that all mineralisation remains open at depth. View is to the north.

Graphite mineralisation at Ndumila II remains open along strike to the south (Figure 4).

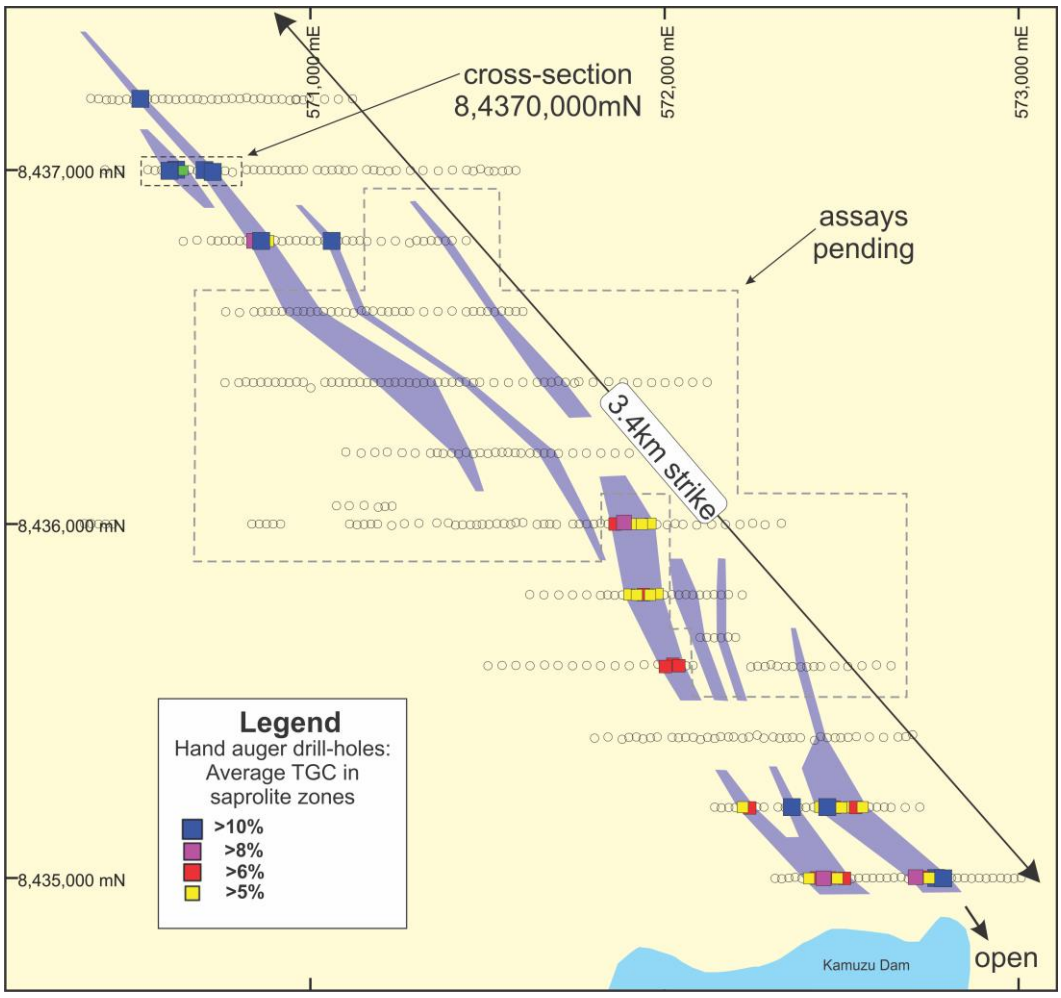

Figure 4. Map of Ndumila II saprolite-hosted flake graphite deposit at Malingunde.

All 5 major prospects at Lifidzi show substantial cumulative widths of mineralisation ranging from 20m to over 200m across strike and strike lengths of generally 1 to 3km, generally open in both directions.

Hand auger holes in all areas ended at maximum depths of 12m and with saprolite mineralisation remaining open at depth across all of the prospects. Thick saprolite profiles are indicated by hand auger results and will need to be drilled with aircore in order to fully define depth extents.

Less than 10% of the combined area at Malingunde and Lifidzi has been explored with ground EM and hand auger drilling. Hand augering of targets at Malingunde and Lifidzi continues in the current quarter.

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.

Conclusion

A substantial, high-grade saprolite-hosted flake graphite has been discovered at Ndumila II within the Malingunde area. In addition, five separate medium to high-grade saprolite hosted graphite prospects have been discovered at Lifidzi. Further significant potential exists to expand all prospects along strike and at depth. In addition, only ~10% of Sovereign's tenements that are prospective for saprolite-hosted graphite deposits have been explored to date suggesting substantial additional potential.

An aircore drilling program and an initial bench scale metallurgical program are planned for 2016 to advance Sovereign's significant saprolite-hosted flake graphite deposits in parallel with further advancement on the Duwi Flake Graphite Deposit.

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 (Figure 5).

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).

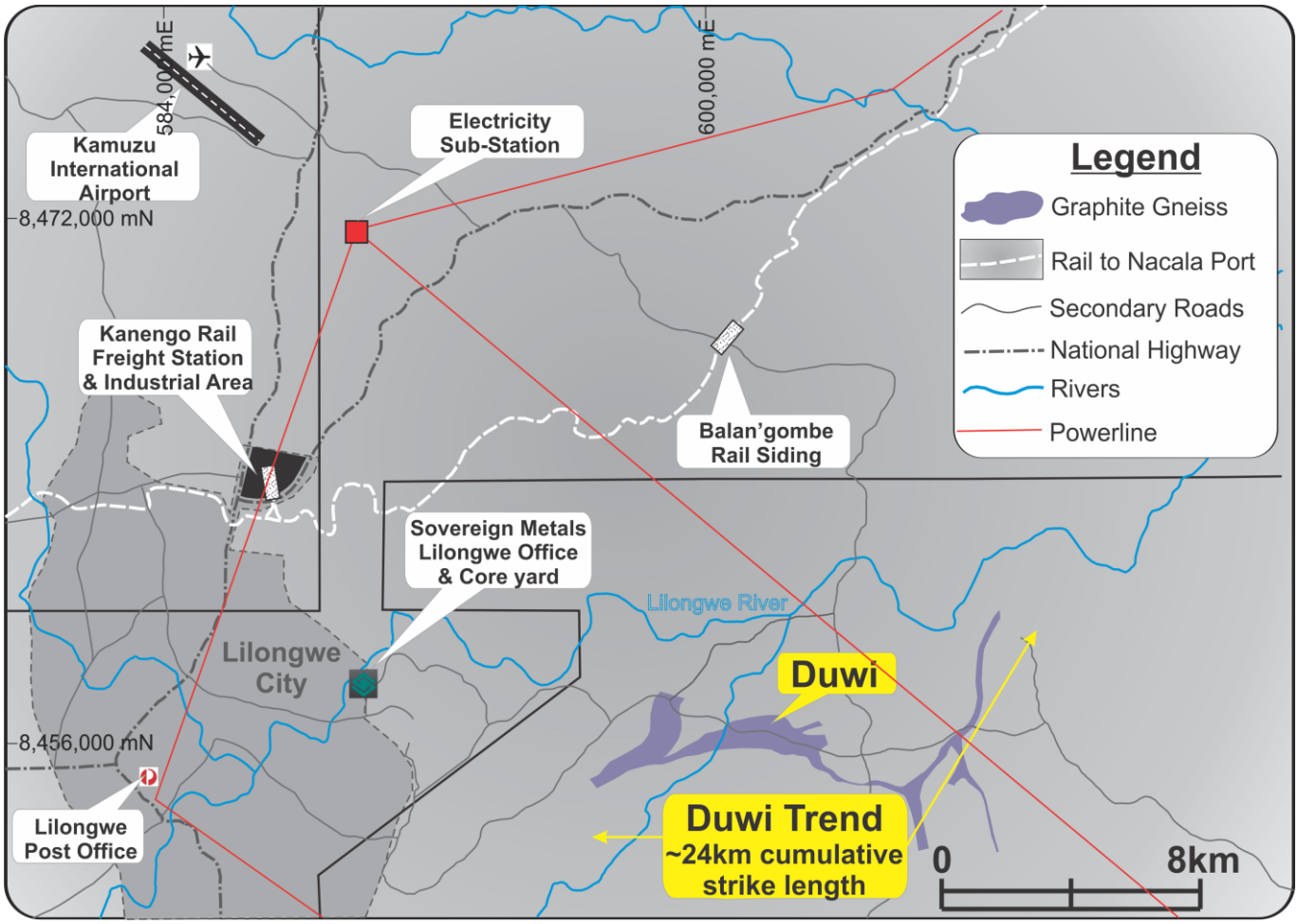

Figure 5. Map showing location of the Duwi Trend in relation to important infrastructure.

A Scoping Study ("Study") evaluating the production and export of flake graphite products from Duwi was completed in September 2015. The focus of the Study was the Duwi Main and Duwi Bend deposits which collectively total 77.3 Mt at 7.2% total graphitic carbon ("TGC") (Indicated and Inferred) for 5.57 Mt contained graphite (5% TGC cut-off).

Results of the Study confirmed Duwi as a potential world class, high margin flake graphite project (refer ASX Announcement 1 September 2015).

The Study considered two production scenarios:

- **The 1.5 Mtpa Base Case ("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 ("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 positive outcomes of the Scoping Study support the ongoing development of Duwi. The Company will continue with ongoing metallurgical testwork, including an assessment of end use application suitability, and will now look to proceed to the next stage of development with a pre-feasibility study.

Ongoing Metallurgical Testwork

During the Quarter, the Company undertook the production of bulk flake graphite concentrates through SGS Canada under the supervision of Mr Oliver Peters (MSc, P.Eng, MBA). A total of 16kg of concentrates were produced with some of this being distributed to potential offtake partners and international carbon companies for testing and evaluation.

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 October 2015, entered into a Strategic Offtake and Development Funding 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.

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

In January 2016, Dr Julian Stephens was appointed Non-Executive Technical Director following the resignation of Mr Peter Woodman. Dr Stephens identified and secured the Malawi graphite assets acquired by Sovereign in 2012. He has been closely involved with the subsequent exploration and development of these assets, including the discovery of the Duwi Flake Graphite Project and completion of the recent successful Scoping Study.

Dr Stephens has extensive experience in the resources sector having spent in excess of 20 years in board, executive management, and senior operational and economic geology research roles for a number of companies. Dr Stephens holds a PhD from James Cook University, Queensland and is a member of the Australian Institute of Geoscientists and the Society of Economic Geologists.

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 director of 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 Ontario ('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 from 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 & Lifidzi significant hand auger results

Project	Hole ID	E	N	RL	Metres	TGC(%)	Comments
Malingunde	MGHA0099	571860	8436000	1134	7	6.5	
Malingunde	MGHA0100	571910	8436000	1133	6	5.5	
Malingunde	MGHA0101	571960	8436000	1134	7	5.1	
Malingunde	MGHA0139	571886	8436005	1131	6	9.2	
Malingunde	MGHA0140	571936	8436000	1132	7	5.9	
Malingunde	MGHA0153	572787	8435000	1125	10	26.3	
Malingunde	MGHA0156	572003	8435598	1121	8	6.6	
Malingunde	MGHA0157	572024	8435604	1123	8	7.2	
Malingunde	MGHA0158	572040	8435600	1123	10	7.4	
Malingunde	MGHA0175	572767	8435000	1103	5	14.5	
Malingunde	MGHA0176	572748	8435000	1104	2	5.5	
Malingunde	MGHA0177	572728	8435002	1105	9	7.3	
Malingunde	MGHA0178	572709	8435003	1105	7	10.0	
Malingunde	MGHA0185	572508	8435000	1098	3	6.6	
Malingunde	MGHA0186	572468	8435000	1097	4	7.0	
Malingunde	MGHA0197	572489	8435000	1102	5	5.6	
Malingunde	MGHA0198	572449	8435000	1103	2	8.2	
Malingunde	MGHA0199	572429	8435000	1104	8	6.8	
Malingunde	MGHA0200	572408	8435000	1105	11	5.4	
Malingunde	MGHA0275	572560	8435200	1118	8	4.5	
Malingunde	MGHA0279	572520	8435200	1119	9	5.0	
Malingunde	MGHA0280	572480	8435200	1118	8	7.5	
Malingunde	MGHA0281	572440	8435201	1118	10	5.0	
Malingunde	MGHA0283	572360	8435200	1117	9	10.7	
Malingunde	MGHA0286	572240	8435199	1119	9	6.3	
Malingunde	MGHA0289	572500	8435200	1115	10	5.7	
Malingunde	MGHA0290	572459	8435200	1114	10	16.7	
Malingunde	MGHA0295	572220	8435200	1112	6	5.4	
Malingunde	MGHA0300	572540	8435200	1114	3	6.0	
Malingunde	MGHA0346	571980	8435803	1138	4	5.5	
Malingunde	MGHA0347	571940	8435800	1137	8	6.3	
Malingunde	MGHA0348	571901	8435800	1136	9	5.5	
Malingunde	MGHA0357	571960	8435800	1131	8	5.0	
Malingunde	MGHA0358	571921	8435800	1127	10	5.6	
Malingunde	MGHA0409	570880	8436800	1147	9	5.2	
Malingunde	MGHA0410	570840	8436800	1148	7	8.1	
Malingunde	MGHA0418	571060	8436799	1152	7	15.7	
Malingunde	MGHA0423	570860	8436800	1155	10	15.3	
Malingunde	MGHA0436	570520	8437201	1136	8	10.6	

Project	Hole ID	E	N	RL	Metres	TGC(%)	Comments
Malingunde	MGHA0535	570700	8437000	1147	10	15.2	
Malingunde	MGHA0537	570620	8437000	1148	10	10.7	
Malingunde	MGHA0545	570724	8436994	1141	8	20.6	
Malingunde	MGHA0547	570641	8436998	1142	5	17.1	
Lifidzi	LFHA0001	609876	8418947	1222	2	12.0	Previously reported
Lifidzi	LFHA0003	614295	8417496	1243	2	4.1	Previously reported
Lifidzi	LFHA0008	614685	8417500	1239	4	4.4	Previously reported
Lifidzi	LFHA0009	615175	8417500	1249	3	6.5	Previously reported
Lifidzi	LFHA0034	615154	8417500	1244	6	4.3	Previously reported
Lifidzi	LFHA0038	615255	8417499	1245	5	6.0	Previously reported
Lifidzi	LFHA0048	600875	8417500	1192	8	5.6	Previously reported
Lifidzi	LFHA0050	600915	8417500	1191	7	6.2	Previously reported
Lifidzi	LFHA0051	600855	8417500	1192	7	4.6	Previously reported
Lifidzi	LFHA0053	600625	8417500	1192	1	9.9	Previously reported
Lifidzi	LFHA0056	600605	8417500	1191	2	5.5	Previously reported
Lifidzi	LFHA0068	598309	8410000	1212	4	5.1	Previously reported
Lifidzi	LFHA0071	598350	8409996	1215	4	5.2	Previously reported
Lifidzi	LFHA0073	598390	8409999	1205	3	4.2	Previously reported
Lifidzi	LFHA0124	604480	8417501	1223	4	5.3	
Lifidzi	LFHA0126	609857	8418955	1228	6	7.5	
Lifidzi	LFHA0127	609837	8418955	1228	5	5.2	
Lifidzi	LFHA0128	609897	8418955	1231	6	4.4	
Lifidzi	LFHA0129	609917	8418955	1228	7	9.5	
Lifidzi	LFHA0133	609937	8418955	1230	4	4.1	
Lifidzi	LFHA0251	609301	8419497	1223	3	5.3	
Lifidzi	LFHA0252	609322	8419495	1221	2	12.6	
Lifidzi	LFHA0253	609343	8419498	1220	2	6.5	
Lifidzi	LFHA0254	609280	8419497	1220	6	8.0	
Lifidzi	LFHA0313	615178	8417098	1259	8	7.7	
Lifidzi	LFHA0441	600704	8417500	1189	7	6.4	
Lifidzi	LFHA0448	600744	8417097	1207	8	11.5	
Lifidzi	LFHA0453	600970	8417100	1217	4	6.2	
Lifidzi	LFHA0481	601049	8416700	1213	4	9.3	
Lifidzi	LFHA0484	601026	8416697	1216	7	4.0	

^All holes are vertical

Table B. Malingunde hand auger drill-hole information (assays pending)

HoleID	East	North	RL	Depth
MGHA0543	570738	8436996	1141	12
MGHA0544	570759	8436997	1141	12
MGHA0545	570724	8436994	1141	12
MGHA0546	570681	8436997	1142	12
MGHA0547	570641	8436998	1142	12
MGHA0548	570602	8436997	1142	12
MGHA0549	570561	8436998	1143	11
MGHA0550	571221	8436996	1144	12
MGHA0551	571470	8435998	1132	11
MGHA0552	571452	8435998	1132	12
MGHA0553	571429	8435998	1133	12
MGHA0554	571409	8435997	1134	12
MGHA0555	571390	8436003	1134	12
MGHA0556	571357	8436003	1135	12
MGHA0557	571306	8436002	1137	12
MGHA0558	571265	8436001	1138	12
MGHA0559	571229	8435996	1139	12
MGHA0560	574001	8433000	1099	12
MGHA0561	573962	8432997	1102	12
MGHA0562	573922	8432996	1104	12
MGHA0563	573880	8432998	1105	12
MGHA0564	573840	8432997	1106	12
MGHA0565	573800	8432997	1090	12
MGHA0566	573761	8432996	1103	12
MGHA0567	573719	8432996	1104	12
MGHA0568	573679	8432996	1101	12
MGHA0569	573642	8432997	1100	12
MGHA0570	573600	8432997	1098	12
MGHA0571	574039	8432998	1102	12
MGHA0572	574086	8432995	1103	12
MGHA0573	574125	8432996	1105	12
MGHA0574	574162	8432998	1105	12
MGHA0575	574204	8432998	1107	12
MGHA0576	574242	8432996	1107	12
MGHA0577	574285	8432997	1107	9
MGHA0578	574323	8432997	1108	12

** Drill hole information for all other holes with results reported in this announcement have been reported previously. ^All holes are vertical*

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 hand 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.
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.	No bias related to preferential loss or gain of different materials has occurred.
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.	Each entire sample was crushed to nominal 100% -3mm in a Boyd crusher then pulverised to 85% -75µm. Approximately 100g pulp is collected for analysis at Intertek-Genalysis Perth.
	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.*	The assaying and laboratory procedures are considered to be appropriate for reporting graphite mineralisation, according to industry best practice. Each entire sample was crushed to nominal 100% -3mm in a Boyd crusher then pulverised to 85% -75µm. Approximately 100g pulp is collected for analysis at Intertek-Genalysis Perth.

Criteria	JORC Code explanation	Hand Auger Drilling Commentary
		A sample of 0.2g is removed from the 100 gram pulp, first digested in HCl to remove carbon attributed to carbonate, and is then heated to 450°C to remove any organic carbon. An Eltra CS-2000 induction furnace infra-red CS analyser is then used to determine the remaining carbon which is reported as Total Graphitic Carbon (TGC) as a percentage.
	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 derivation, etc.	No non-laboratory devices were used for analysis.
	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.	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.
Verification of sampling & assaying	*The verification of significant intersections by either independent or alternative company personnel.*	Significant mineralisation intersections were verified by qualified, alternative company personnel.
	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.	No assay adjustment has occurred.
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.*	Differential GPS was used to pick up all hand auger collars containing significant mineralisation. 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 the DGP pickups is used.
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 by new data in this report.
	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 drilling 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*	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 Malingunde and Lifidzi areas 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.
	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.*	A minimum 4% TGC cut-off grade was applied. Mineralisation occurring in soil or ferruginous pedolith is excluded from intercepts as it is considered the flake size is too fine to warrant extraction in these zones.
	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 short lengths of high grades occur.
	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.*	Information gathered at a regional scale from 100K mapping suggest moderately to steeply dipping mineralised zones dominate.
	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 somewhat uncertain. However, map patterns and limited outcrop suggest moderate to steep dips.
	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.*	Representative low and high grades 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 31 December 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	34.09%	Mount Isa Mines	Granted
Mt Avarice	EPM 8588	34.09%	Mount Isa Mines	Granted
Fountain Range	EPM 12561	34.09%	Mount Isa Mines	Granted
Corella River	EPM 12597	34.09%	Mount Isa Mines	Granted
Saint Andrews Extended	EPM 12180	34.09%	Mount Isa Mines	Granted

Beneficial percentage interests in Farm-out agreements disposed during the quarter ending 31 December 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	34.17%	0.08%	34.09%
Mt Avarice	EPM 8588	Farm out	34.17%	0.08%	34.09%
Fountain Range	EPM 12561	Farm out	34.17%	0.08%	34.09%
Corella River	EPM 12597	Farm out	34.17%	0.08%	34.09%
Saint Andrews Ext.	EPM 12180	Farm out	34.17%	0.08%	34.09%

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	31 DECEMBER 2015

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (6 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(163)	(461)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(132)	(276)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	7	14
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	- Business development	(38)	(101)
	- Project Marketing	-	-
	Net Operating Cash Flows	(326)	(824)
	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)	(326)	(824)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(326)	(824)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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	(5)	(57)
	Net financing cash flows	(5)	798
	Net increase (decrease) in cash held	**(331)**	**(26)**
1.20	Cash at beginning of quarter/year to date	1,371	1,066
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	**1,040**	**1,040**

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	66
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 consulting fees 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	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	(200)
4.2	Development	-
4.3	Production	-
4.4	Administration	(150)
	Total	**(350)**

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	7
5.2	Deposits at call	1,033	1,364
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**1,040**	**1,371**

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.	34.17%	34.09%
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**	142,420,139	142,420,139	Not applicable	Not applicable
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	9,500,000	9,500,000	-	-
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	1,100,000	-	-	31 December 2017
	- Perform. Rights	1,100,000	-	-	31 December 2018
7.8	Issued during quarter				

+ See chapter 19 for defined terms.

7.9	Exercised during quarter - *Perform. Rights*	Rights 750,000	-	*Exercise price* -	*Expiry date* 31 December 2016
7.10	Expired during quarter				
7.11	**Performance Shares**				
7.12	Changes during quarter *Exercised* - *Class B*	8,750,000	-	*Exercise price* -	*Expiry date* 7 November 2016
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: 28 January 2016
(~~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 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.

+ See chapter 19 for defined terms.

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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