

## SOVEREIGN TO FAST-TRACK DUWI FLAKE GRAPHITE PROJECT

### PLACEMENT TO RAISE \$4.0M AND APPOINTMENT OF MANAGING DIRECTOR

Sovereign Metals Limited (“**Sovereign**” or “**Company**”) is pleased to announce that it will place up to 53.3 million ordinary shares at 7.5c each to raise \$4.0 million (before costs). The placement, to sophisticated investors including clients of Taylor Collison Limited, will enable the Company to fast-track the development of its 100%-owned Duwi Flake Graphite Project (“**Duwi**”) in Malawi.

The Company’s short-term objectives for Duwi include:

- Commence the pre-feasibility study (“PFS”), with key consultants to be appointed in the coming few weeks;
- Demonstrate product suitability for lithium ion battery anodes via an initial spherical graphite test-work program;
- Continue development of the Company’s expandable graphite products;
- Advance the existing partnership with Volinco with a view to securing binding offtake and project development funding;
- Progress additional offtake discussions with potential European, Korean, Japanese and North American customers; and
- Undertake additional RC and diamond drilling to upgrade a portion of the resource and to provide sample for further metallurgical test-work.

Existing Director, Dr Julian Stephens, has been appointed Managing Director of the Company effective today.

Dr Stephens identified and secured the Malawi graphite assets acquired by Sovereign in 2012 and has been closely involved in their subsequent exploration and development. He has extensive experience in the resources sector having spent in excess of 20 years in board, executive management, and senior operational roles including over 10 years working on projects in Malawi. Dr Stephens holds a PhD in from James Cook University and is a member of the Australian Institute of Geoscientists.

Dr Stephens said, *“It’s an exciting time for the Company with renewed interest in high quality flake graphite projects being driven by the rapidly growing rechargeable battery market. Sovereign is well placed to take full advantage of this as we fast-track our world-class Duwi Flake Graphite Project though the PFS and development”*.

The Company also advises that Mr Matthew Syme has resigned as Director of the Company, effective today. The Board would like to take this opportunity to acknowledge the significant contribution made by Mr Syme during his time with the Company and wish him every success in his future endeavours.

**Enquiries: Julian Stephens +618 9322 6322**

## Capital Raising

The Company will place up to 53,333,333 ordinary shares at \$0.075 each to sophisticated investors, to raise \$4.0 million before costs.

The funds raised will be used to expedite development of the Company's 100% owned Duwi Flake Graphite Project in Malawi, along with ongoing exploration of a number of other advanced flake graphite prospects and general working capital.

The placement will be completed in two tranches:

- (a) **Tranche A Placement Shares:** 30 million new ordinary shares at \$0.075 each to raise approximately \$2.25 million before costs under the Company's capacity under Listing Rules 7.1 and 7.1A; and
- (b) **Tranche B Placement Shares:** 23.3 million new ordinary shares at \$0.075 per share to raise \$1.75 million before costs. Tranche B is subject to shareholder approval at a general meeting of Shareholders to be held in early August 2016.

The Company expects to complete the Tranche A of the placement on or about 30 June 2016.

A Notice of General Meeting in respect of Tranche B will be issued shortly.

### *Information required under ASX Listing Rule 3.10.5A*

- (a) Dilution to existing shareholders as a result of the issue under Listing Rule 7.1A is 9.1%, dilution to existing shareholders as a result of the issue under Listing Rule 7.1 is 10% and the total dilution to existing shareholders is 17.4%. Details regarding the participation of existing and new security holders is not able to be determined yet and will be provided at completion;
- (b) Sovereign will issue 14,242,013 Tranche A Placement Shares under Listing Rule 7.1A as a placement was considered to be a more efficient mechanism for raising funds. The placement did not expose the Company to additional costs, a protracted process and market volatility that may have been experienced with a pro-rata issue or other type of issue in which existing ordinary security holders would have been eligible to participate;
- (c) No underwriting arrangements are in place for the placement under rule 7.1A; and
- (d) A fee of up to 5% may be paid to eligible brokers in connection with the placement under rule 7.1A.

## Conversion of Creditors

The Company also intends to seek shareholder approval for the issue of approximately 5 million new shares in conversion of amounts owing to creditors at the same price as the placement (\$0.075). Further details will be included in the Notice of General Meeting.

## Managing Director Remuneration

Dr Stephens will receive cash remuneration of A\$180,000 plus statutory superannuation entitlements. He will be employed on a rolling 12 month term and either party may terminate with three months written notice.

Dr Stephens (or his nominee) will also be granted the following incentive options:

- 1,500,000 incentive options exercisable at \$0.12 each on or before 31 July 2018, vesting on 31 July 2017 or a change in control / sale of major asset / financing event;
- 2,000,000 incentive options exercisable at \$0.15 each on or before 31 July 2019, vesting on 31 July 2018 or a change in control / sale of major asset / financing event;
- 2,500,000 incentive options exercisable at \$0.18 each on or before 31 July 2020, vesting on 31 July 2019 or a change in control / sale of major asset / financing event.

Subject to the Board's discretion, Dr Stephens may also be entitled to participate in the future issue of Performance Rights under the Company's Performance Rights Plan.

## About Sovereign's Malawi Graphite Projects

East Africa is well-known for its premium flake graphite quality, with major deposits located in Mozambique, Tanzania and Malawi. Sovereign Metals Limited (ASX:SVM) is developing its 100%-owned, Duwi flake graphite deposit located just 15km from Malawi's capital, Lilongwe. The Company is targeting the traditional expandable flake graphite market, and the fast-growing rechargeable battery market.

Sovereign's Duwi deposit is large and high grade (Indicated and Inferred Mineral Resource Estimate of 86Mt @ 7.2% TGC) with an excellent distribution of jumbo and coarse flake graphite able to be produced in high grade concentrates. Duwi has enviable infrastructure with grid power, rail, road networks and an international airport all easily accessible.

In 2015, Sovereign completed a Scoping Study which confirmed Duwi as having the potential to be a world-leading, high margin flake graphite project. The Study showed that Duwi could support a base case scenario with flake graphite concentrate production of ~110,000 tonnes per annum over an initial mine life of 20 years.

In October 2015 the Company 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 in mainland China for the Duwi Flake Graphite Project.



**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.*

**Competent Person Statement**

*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](http://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 in this report 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](http://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.*