



# SOVEREIGN METALS LIMITED

ACN 120 833 427

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## NOTICE OF ANNUAL GENERAL MEETING

**The Annual General Meeting of the Company will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday 30 November 2016 commencing at 11:00am (WST).**

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*This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their stock broker, investment advisor, accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on + 61 8 9322 6322.***

**Shareholders are urged to attend or vote by lodging the Proxy Form enclosed with the Notice.**

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# SOVEREIGN METALS LIMITED

## ACN 120 833 427

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### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Sovereign Metals Limited (**Company**) will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday 30 November 2016 commencing at 11:00am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday 28 November 2016 at 4:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

### AGENDA

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#### 1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2016, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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#### 2. Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum."*

##### Voting Exclusion

A vote on this Resolution must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### 3. Resolution 2 – Re-election of Director – Mr Ian Middlemas

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with article 6.3(c) of the Constitution and for all other purposes, Mr Ian Middlemas, Director, retires and being eligible pursuant to article 6.3(f) of the Constitution, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."*

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### 4. Resolution 3 – Ratification of Prior Placement of Shares

To consider and, if thought fit, to pass with or without amendment as an ordinary resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 10,000,001 Shares under Listing Rule 7.1 at an issue price of \$0.11 each (**Prior Placement Shares**), on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associate of such a person) who participated in the issue of the Prior Placement Shares and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 5. Resolution 4 – Ratification of Prior Issue of Consultant Shares

To consider and, if thought fit, to pass with or without amendment as an ordinary resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 130,000 Shares under Listing Rule 7.1 to a consultant (**Consultant Shares**), on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who participated in the issue of the Consultant Shares and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 5. Resolution 5 – Ratification of Prior Issue of Incentive Options

To consider and, if thought fit, to pass with or without amendment as an ordinary resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 3,000,000 Incentive Options on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who participated in the issue of the Incentive Options and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **7. Resolution 6 – Approval of Additional 10% Placement Capacity**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Capacity and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**BY ORDER OF THE BOARD**



Clint McGhie  
**Company Secretary**

Dated: 27 October 2016

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**SOVEREIGN METALS LIMITED**  
**ACN 120 833 427**

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**EXPLANATORY MEMORANDUM**

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**1. Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday 30 November 2016 commencing at 11:00am (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 – Remuneration Report
Section 5:	Resolution 2 – Re-election of Director – Mr Ian Middlemas
Section 7:	Resolution 3 – Ratification of Prior Placement of Shares
Section 8:	Resolution 4 – Ratification of Prior Issue of Consultant Shares
Section 9:	Resolution 5 – Ratification of Prior Issue of Incentive Options
Section 10:	Resolution 6 – Approval of Additional 10% Placement Capacity
Schedule 1:	Definitions
Schedule 2:	Summary of the Terms and Conditions of Incentive Options
Schedule 3:	Listing Rule 7.3A.6 Disclosure

A Proxy Form is enclosed with the Notice.

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**2. Action to be taken by Shareholders**

Shareholders should read the Notice (including this Explanatory Memorandum) carefully before deciding how to vote on the Resolutions.

**2.1 Proxies**

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions set out in the Proxy Form. Returning the Proxy Form to the Company will not preclude a Shareholder from attending or (subject to the voting exclusions set out in the Notice) voting at the Meeting in person.

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 11:00am (WST) on Monday 28 November 2016, being at least 48 hours before the Meeting

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

## **2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)**

A vote on Resolution 1 must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on Resolution 1; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on Resolution 1, but expressly authorises the Chairperson to exercise the proxy even if Resolution 1 is connected with the remuneration of a member of the Key Management Personnel.

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## **3. Annual Report**

In accordance with section 317 of the Corporations Act, the Annual Report for the financial year ended 30 June 2016 must be laid before the Meeting.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.sovereignmetals.com.au](http://www.sovereignmetals.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Auditor about:

- (a) the preparation and contents of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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## **4. Resolution 1 – Remuneration Report**

In accordance with section 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out:

- (a) the Company's remuneration policy; and
- (b) the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with section 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Pursuant to the Corporations Act, Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive AGMs.

If a resolution on the Remuneration Report receives a Strike at two consecutive AGMs, the Company will be required to put to Shareholders at the second AGM, a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the Company's 2015 AGM. If the Remuneration Report receives a Strike at the Meeting, Shareholders should be aware that if a second Strike is received at the Company's 2017 AGM, this may result in the re-election of the Board.

The Chairperson will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary Resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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## **5. Resolution 2 – Re-election of Director – Mr Ian Middlemas**

Article 6.3(c) of the Constitution requires that at each AGM one third of the Directors (rounded down, if necessary, to the nearest whole number), excluding:

- (a) the Managing Director; and
- (b) any Director that was appointed by the Directors under Article 6.2(b) of the Constitution and is required to retire under Article 6.3(j) of the Constitution,

must retire.

Article 6.3(f) provides that a Director who retires under Article 6.3(c) of the Constitution is eligible for re-election.

Resolution 2 provides that Mr Ian Middlemas retires by rotation and seeks re-election as a Director.

Details of Mr Ian Middlemas' qualifications and experience are set out in the Annual Report.

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

The Board (excluding Mr Ian Middlemas) unanimously supports the re-election of Mr Ian Middlemas as a Director and recommends that Shareholders vote in favour of Resolution 2.

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## **6. Resolution 3 – Ratification of Prior Placement of Shares**

### **6.1 General**

Resolution 3 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of 10,000,001 Shares on 20 October 2016 pursuant to the Company's capacity under Listing Rule 7.1 (**Prior Placement Shares**).

### **6.2 Listing Rule 7.1**

In accordance with Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 3 will be to allow the Company to issue securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without obtaining prior Shareholder approval.

Resolution 3 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

### **6.3 Specific information required by Listing Rule 7.5**

In accordance with Listing Rule 7.5, information is provided in relation to the Prior Placement Shares as follows:

- (a) 10,000,001 Shares were issued pursuant to Listing Rule 7.1;
- (b) the Shares were issued to institutional and sophisticated investors in Australia all of whom are not related parties or associates of related parties of the Company;
- (c) the Shares issued under Listing Rule 7.1 were issued for \$0.11 per Share;
- (d) the Shares issued were all fully paid ordinary shares in the capital of the Company and were issued on the same terms and conditions as the Company's existing Shares; and
- (e) the purpose of the issue was to enable the continued exploration of the Company's Malingunde deposit and general working capital.
- (f) a voting exclusion statement is included in the Notice for Resolution 3.

### **6.4 Directors recommendation**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

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## **7. Resolution 4 – Ratification of Prior Issue of Consultant Shares**

### **7.1 General**

On 20 October 2016, the Company issued 130,000 Shares to a consultant (**Consultant Shares**), forming part of their remuneration for services.

### **7.2 Listing Rule 7.1**

In accordance with Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 4 will be to allow the Company to issue securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without obtaining prior Shareholder approval.

Resolution 4 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 4.

### **7.3 Specific information required by Listing Rule 7.5**

In accordance with Listing Rule 7.5, information is provided in relation to the issue of the Consultant Shares as follows:



- (a) the Company issued 130,000 Shares to a consultant on 20 October 2016. The consultant is not a related party of the Company and is a sophisticated and professional investor;
- (b) the Consultant Shares were issued for nil consideration and as a result no funds were raised from the issue of the Shares;
- (c) The Consultant Shares issued were all fully paid ordinary shares in the capital of the Company and were issued on the same terms and conditions as the Company's existing Shares;
- (d) the purpose of the issue of the Consultant Shares was as a cost effective and efficient reward to remunerate the consultant for their services; and
- (e) a voting exclusion statement is included in the Notice for Resolution 4.

#### **7.4 Directors recommendation**

The Directors are unanimously in favour of Resolution 4.

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## **8. Resolution 5 – Ratification of Prior Issue of Incentive Options**

### **8.1 General**

On 20 October 2016, the Company issued 3,000,000 Incentive Options to an employee in accordance with their employment agreement as an incentive to attract and retain their services.

### **8.2 Listing Rule 7.1**

In accordance with Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 5 will be to allow the Company to issue securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, without obtaining prior Shareholder approval.

Resolution 5 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 5.

### **8.3 Specific information required by Listing Rule 7.5**

In accordance with Listing Rule 7.5, information is provided in relation to the issue of the Incentive Options as follows:

- (a) the Company issued 3,000,000 Incentive Options to a key employee on 20 October 2016. The key employee is not a related party of the Company and is a senior manager of the Company to whom disclosure is not required under the Corporations Act;
- (b) the Incentive Options were issued for nil consideration and as a result no funds were raised from the issue of the Incentive Options;
- (c) the Incentive Options were issued in three tranches:
  - (i) Tranche A: 750,000 Incentive Options exercisable at \$0.12 each on or before 31 July 2018, vesting 31 July 2017;
  - (ii) Tranche B: 1,000,000 Incentive Options exercisable at \$0.15 each on or before 31 July 2019, vesting 31 July 2018; and
  - (iii) Tranche C: 1,250,000 Incentive Options exercisable at \$0.18 each on or before 31 July 2020 vesting 31 July 2019;
- (d) a summary of the terms and conditions of the Incentive Options are contained in Schedule 2;

- (e) the purpose of the issue of the Incentive Options was to attract and retain the services of the key employee, as a cost effective and efficient reward to incentivise their performance; and
- (f) a voting exclusion statement is included in the Notice for Resolution 5.

#### 8.4 Directors recommendation

The Directors are unanimously in favour of Resolution 5.

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## 9. Resolution 6 – Approval of Additional 10% Placement Capacity

### 9.1 General

Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued share capacity through placements over a 12 month period after the annual general meeting (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the Company's 15% annual placement capacity.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Capacity. The number of Equity Securities to be issued under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 9.2(c)).

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 6.

### 9.2 Listing Rule 7.1A

#### (a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Capacity is subject to Shareholder approval by way of a special resolution at an annual general meeting.

#### (b) Equity Securities

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue Shares and Convertible Securities.

#### (c) Formula for calculating 10% Placement Capacity

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not

include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;

(D) less the number of fully paid shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the 15% annual placement capacity.

At the date of the Notice, the Company has on issue 217,329,083 Shares and subject to the passing of Resolutions 3, 4 and 5, currently has a capacity to issue:

- (i) 32,599,362 Equity Securities under Listing Rule 7.1; and
- (ii) subject to obtaining Shareholder approval being sought under Resolution 6, 21,732,083 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 9.2(c)).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date described in Section 9.2(e)(i), the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Capacity under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

**9.3 Listing Rule 7.1A**

The effect of Resolution 6 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% annual placement capacity.

**9.4 Specific information required by Listing Rule 7.3A**

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date described in Section 9.4(a)(i), the date on which the Equity Securities are issued.
- (b) If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
- (iii) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (iv) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (c) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Ordinary Securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.
- (d) The table also shows:
- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of Ordinary Securities the Company has on issue. The number of Ordinary Securities on issue may increase as a result of issues of Ordinary Securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future general meeting; and
  - (ii) two examples of where the issue price of Ordinary Securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0625 50% decrease in Issue Price	\$0.125 Issue Price	\$0.25 100% increase in Issue Price
Current Variable 'A' 217,329,083 Shares	10% voting dilution	21,732,908 Shares	21,732,908 Shares	21,732,908 Shares
	Funds raised	\$1,358,307	\$2,716,613	\$5,433,227
50% increase in current Variable 'A' 325,993,624 Shares	10% voting dilution	32,599,362 Shares	32,599,362 Shares	32,599,362 Shares
	Funds raised	\$2,037,460	\$4,074,920	\$8,149,840
100% increase in current Variable 'A' 434,658,166 Shares	10% voting dilution	43,465,816 Shares	43,465,816 Shares	43,465,816 Shares
	Funds raised	\$2,716,613	\$5,433,227	\$10,866,454

The table has been prepared on the following assumptions:

- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Capacity.
- (iv) No Options are converted into Shares before the date of the issue of the Equity Securities.
- (v) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

- (vii) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% annual placement capacity.
- (viii) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are converted into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (ix) The issue price is \$0.125, being the closing price of the Shares on ASX on 20 October 2016.
- (e) The Company will only issue Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (f) The Company may seek to issue Equity Securities for the following purposes:
  - (i) cash consideration for the continued exploration and development of the Company's resource projects, general working capital, and/or the acquisition of new resource assets or investments; or
  - (i) non-cash consideration for the acquisition of the new resource assets and investments (in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3).
- (g) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
  - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).
- (i) The subscribers under the 10% Placement Capacity have not been determined as at the date of the Notice but may include existing substantial Shareholders or new Shareholders (or both) who are not a related party or an associate of a related party of the Company.
- (j) Further, if the Company is successful in acquiring new resource assets or investments, it is likely that the subscribers under the 10% Placement Capacity will be the vendors of the new resources assets or investments.
- (k) The Company previously obtained Shareholder approval under Listing Rule 7.1A at its 2015 annual general meeting. In the 12 months preceding the date of the Meeting, the Company issued a total of 83,908,944 Equity Securities which represents 58.9% of the total number of Equity Securities on issue 12 months prior to the date of the Meeting (at the date of the Notice). Further detail as required under Listing Rule 7.3A.6 in respect of these Equity Securities issues is set out in Schedule 3.
- (l) A voting exclusion statement is included in the Notice for Resolution 6.
- (m) At the date of the Notice, the Company has not approached any particular Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of Equity Securities. No Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## 9.5 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

## Schedule 1 - Definitions

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In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**10% Placement Capacity** has the meaning given to that term in Section 9.1.

**10% Placement Period** has the meaning given to that term in Section 9.2(f).

**AGM** means an annual general meeting of the Shareholders.

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2016.

**ASX** means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Auditor** means the Company's auditor from time to time (being Deloitte as at the date of the Notice).

**Auditor's Report** means the Auditor's report on the Financial Report.

**Board** means the board of Directors of the Company.

**Chairperson** means the person appointed to chair the Meeting convened by the Notice.

**Closely Related Party** means in relation to a member of a Key Management Personnel:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Sovereign Metals Limited ACN 120 833 427.

**Constitution** means the constitution of the Company as at the commencement of the Meeting.

**Convertible Securities** has the meaning given to that term in the Listing Rules.

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

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Security** has the meaning given to that term in the Listing Rules.

**Explanatory Memorandum** means this explanatory memorandum which forms part of the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Incentive Options** means an Option on the terms and conditions in Schedule 2.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Managing Director** means the managing Director.

**Meeting** has the meaning given to that term in the introductory paragraph of the Notice.

**Notice** means the notice of the Meeting and includes the agenda, Explanatory Memorandum and the Proxy Form.

**Option** means an option which entitles the holder to subscribe for a Share.

**Ordinary Securities** has the same meaning given to that term in the Listing Rules.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution proposed pursuant to the Notice.

**Schedule** means a schedule to this Explanatory Memorandum.

**Section** means a section of this Explanatory Memorandum.

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

**Shareholder** means a registered holder of a Share.

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**VWAP** means volume weighted average price.

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

## **Schedule 2 – Summary of the Terms and Conditions of Incentive Options**

The Incentive Options entitle the holder to the following terms and conditions:

### **1. Entitlement**

Each Incentive Option entitles the holder to subscribe for one Share upon exercise.

### **2. Exercise Price, Vesting Date and Expiry Date**

The Exercise Price and Vesting Date of each Incentive Option is referred to in the below table and the terms Exercise Price, Vesting Date and Expiry Date shall be interpreted accordingly.

<b>Incentive Option Class</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Vesting Date <sup>(1)</sup></b>	<b>Expiry Date</b>
Class A	750,000	A\$0.12	31 July 2017	31 July 2018
Class B	1,000,000	A\$0.15	31 July 2018	31 July 2019
Class C	1,250,000	A\$0.18	31 July 2019	31 July 2020

<sup>(1)</sup> The Incentive Options immediately vest if a Change in Control Event or Financing Event occurs in respect of the Shares and/or assets of the Company. Refer to item 4 below.

### **3. Ceasing to be an Employee or Contractor**

The Incentive Options will immediately lapse on that date which is the earlier of:

- (a) the Expiry Date referred to in the above table; or
- (b) in respect of the Incentive Options that have not already vested by the Vesting Date referred to in the above table, the date the Employee, Consultant or Director ceases to be an Employee, Consultant or Director of the Company because of:
  - (i) retirement (excluding retirement by rotation as a Director at a meeting of Shareholders where re-elected);
  - (ii) removal or termination (other than in the circumstances in item 3(c) below);
  - (iii) voluntary cessation;
  - (iv) by mutual agreement (unless the Board resolves otherwise); or
- (c) in respect of the Incentive Options whether vested or unvested as outlined above, the date the Employee, Consultant or Director ceases to be engaged as an Employee, Consultant or a Director of the Company because of dismissal by the Company:
  - (i) if the holder is an Employee, the date the holder is dismissed from employment with the Company for negligence, incompetence or misconduct;
  - (ii) if the holder is a Consultant, the date the holder's appointment is terminated for negligence, incompetence or misconduct;
  - (iii) if the holder is a Director, the date the holder is:
    - (A) disqualified from holding the office of director; or
    - (B) convicted of any criminal offence (other than an offence under any road traffic legislation in Australia or elsewhere for which a fine or non-custodial penalty is imposed) which in the reasonable opinion of the Board brings the holder or the Company into disrepute,

and thereafter no party shall have any claim against any other party arising under or in respect of the Incentive Options.



For the purposes of this item 3, "**Consultant**" means the consultant or Director who was issued or who nominated a party that was issued the Incentive Options by the Company in accordance with a consultancy agreement with the Company or as a result of being a Director with the Company.

#### 4. **Change in Control or Financing Event**

The Incentive Options will immediately vest if a Change in Control Event or Financing Event occurs in respect of the Shares and/or assets of the Company.

For the purposes of this item 4, a "**Change in Control Event**" means:

- (a) an "**Asset Sale**" which means the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of the Company has been completed; or
- (b) a "**Share Sale**" which means:
  - (i) the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Incentive Options); or
  - (ii) the announcement by the Company that shareholders of the Company have, at a Court convened meeting of shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party, and the Court, by order, approves the proposed scheme of arrangement;

provided that:

- (c) in the event of an Asset Sale, the total amount of consideration received by the Company is at least equivalent to A\$0.15 per Share on issue at the time of completion (as adjusted to take into account any pro rata issue of securities, bonus issue of securities, or reconstruction of issued capital, including consolidation, sub-division, reduction or return taking place after the grant or issue of Incentive Options); and
- (d) in the event of a Share Sale, the price paid per Share acquired must be at least A\$0.15 (as adjusted to take into account any pro rata issue of securities, bonus issue of securities, or reconstruction of issued capital, including consolidation, sub-division, reduction or return taking place after the grant or issue of Incentive Options).

For the purposes of this item 4, "**Financing Event**" means:

- (a) the occurrence of:
  - (i) sale of greater than 20% of the Company's Malawi Graphite Projects to a strategic partner; or
  - (ii) financing of the development to production of the Central Malawi Graphite Project; and
  - (iii) achieving a share price 90-Day VWAP of at least A\$0.45; or
- (b) the raising of a minimum of A\$25 million of new equity at a minimum price of A\$0.45 per share.

#### 5. **Exercise Period**

The Incentive Options are exercisable at any time after the Vesting Date on or prior to the Expiry Date.

#### 6. **Notice of Exercise**

- (a) The Incentive Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Incentive Option being exercised.
- (b) Any notice of exercise of an Incentive Option received by the Company (**Notice of Exercise**) will be deemed to be a notice of the exercise of that Incentive Option as at the date of receipt.

**7. Shares issued on exercise**

Shares issued on exercise of the Incentive Options rank equally with the then Shares of the Company.

**8. Quotation of Shares on exercise**

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Incentive Options.

**9. Timing of issue of Shares and quotation of Shares on exercise**

Within 15 Business Days after the later of the following:

- (a) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Incentive Option being exercised; and
- (b) the earlier to occur of:
  - (i) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information the relevant date will be the date of receipt of a Notice of Exercise as set out in item 9(a) above; or
  - (ii) the holder elects that the Shares to be issued pursuant to the exercise of the Incentive Options will be subject to a holding lock for a period of 12 months in accordance with item 10 below,

the Company will:

- (c) allot and issue the Shares pursuant to the exercise of the Incentive Options;
- (d) in the circumstances where item 9(b)(i) applies, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares issued upon exercise of the Options for resale under section 708A(11) of the Corporations Act;
- (e) in the circumstances where item 9(b)(ii) applies, apply a holding lock in accordance with item 10 in respect of the Shares issued upon exercise of the Incentive Options; and
- (f) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Incentive Options.

**10. Holding lock**

- (a) The holder may make an election as set out in item 9(b)(ii) at any time following delivery of a Notice of Exercise and payment of the Exercise Price for each Incentive Option being exercised.
- (b) If the holder makes an election pursuant to item 9(b)(ii), then:
  - (i) the Company will apply a holding lock on the Shares to be issued;
  - (ii) the Company shall release the holding lock on the Shares on the earlier to occur of:
    - A. the date that is 12 months from the date of issue of the Shares; or
    - B. the date the Company issues a disclosure document that qualifies the Shares for trading in accordance with section 708A(11) of the Corporations Act; or
    - C. the date a transfer of the Shares occurs pursuant to item 10(b)(iii); and
  - (iii) the Shares shall be transferable by the holder and the holding lock will be lifted provided that:
    - A. the offer of the Shares for sale does not require disclosure under section 707(3) of the Corporations Act;
    - B. the transferee warrants for the benefit of the holder and the Company that they are an exempt investor pursuant to one of the exemptions in section 708 of the Corporations Act; and

- C. the transferee of the Shares agrees to the holding lock applying to the Shares following their transfer for the balance of the period in item 9(b)(ii).

**11. Participation in new issues**

There are no participation rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Incentive Options the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.

**12. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Incentive Option will be increased by the number of Shares which the Incentive Optionholder would have received if the holder of Incentive Options had exercised the Incentive Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

**13. Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Incentive Option.

**14. Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders of Incentive Options may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

**15. Adjustment for compliance with Listing Rules**

The terms of the Incentive Options may be amended from time to time by the issue of a notice from the Company to the holder setting out the details of such amended terms. Any such amendment may only be made by the Company solely to the extent that it is necessary for the Company to comply with the Listing Rules.

**16. Quotation of Incentive Options**

No application for quotation of the Incentive Options will be made by the Company.

**17. Incentive Options non transferable**

The Incentive Options are not transferable.

**18. Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Incentive Options with the appropriate remittance should be lodged at the Company's Registry.

## Schedule 3 – Listing Rule 7.3A.6 Disclosure

No.	Date of Issue	Number	Class	Persons to whom the securities were issued	Issue price	Discount to market price	Consideration	
1.	30 June 2016	30,000,000	Ordinary Shares	Sophisticated investors in Australia and overseas.	A\$0.075 each	16.7% discount to closing price on day of issue	Total consideration:	\$2,250,000
							Amount of consideration spent:	A\$374,000
							What consideration was spent on:	Exploration activities - \$270,000 Administration - \$84,000 Business Development - \$20,000
							Intended use for remaining consideration:	Exploration activities - \$1,250,000 Administration - \$426,000 Business Development - \$200,000
2.	5 August 2016	11,445,610	Ordinary Shares	Creditors of the Company following Shareholder approval	A\$0.075 each – issued in satisfaction of amounts owed by the Company.	11.5% discount to closing price on day of issue	Non-cash consideration paid:	Conversion of amounts owed for services provided to the Company totaling \$858,421
							Current value of non-cash consideration:	\$1,430,701 - based on closing price of Shares on ASX on 20 October 2016, being \$0.125
3.	5 August 2016	6,000,000	Incentive Options	Dr Julian Stephens – Managing Director following Shareholder approval	Nil	Not applicable (\$0.087 closing price on day of issue)	Non-cash consideration paid:	Issued as an incentive to the Managing Director.
							Current value of non-cash consideration:	\$433,184 - Value of options using Binomial option valuation model based on closing price of Shares on ASX on 20 October 2016, being \$0.125.
4.	11 August 2016	23,333,333	Ordinary Shares	Sophisticated investors in Australia and overseas following Shareholder approval	A\$0.075 each	17.6% discount to closing price on day of issue	Total consideration:	A\$1,750,000
							Amount of consideration spent:	Nil
							What consideration was spent on:	Not applicable
							Intended use for remaining consideration:	Exploration activities - \$1,450,000 Administration - \$200,000 Business Development - \$100,000
5	20 October 2016	10,000,001	Ordinary Shares	Institutional and Sophisticated investors in Australia and overseas	\$0.11	12.0% discount to closing price on day of issue	Total consideration:	A\$1,100,000
							Amount of consideration spent:	Nil
							What consideration was spent on:	Not applicable
							Intended use for remaining consideration:	Exploration activities - \$800,000 Administration - \$200,000 Business Development - \$100,000
6.	20 October 2016	3,000,000	Incentive Options	An employee of the Company.	Nil	Not applicable (\$0.125 closing price on day of issue)	Non-cash consideration paid:	Issued as an incentive to an employee of the Company.
							Current value of non-cash consideration:	\$216,592 - Value of options using Binomial option valuation model based on closing price of Shares on ASX on 20 October 2016, being \$0.125.
7.	20 October 2016	130,000	Ordinary Shares	Key Consultant	Nil	Not applicable (\$0.125 closing price on day of issue)	Non-cash consideration paid:	Services provided to the Company by a Consultant.
							Current value of non-cash consideration:	\$16,250 – Value of Shares based on closing price of Shares on ASX on 20 October 2016, being \$0.125.

# SOVEREIGN METALS LIMITED

ACN 120 833 427

## PROXY FORM

The Company Secretary  
Sovereign Metals Limited

### By delivery:

Level 9, 28 The Esplanade  
PERTH WA 6000

### By post:

PO Box Z5083  
PERTH WA 6831

### By facsimile:

+61 8 9322 6558

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark  to indicate your directions. Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting. Further instructions are provided overleaf.

### Step 1 – Appoint a Proxy to Vote on Your Behalf

I/we being Shareholder/s of the Company hereby appoint:

The Chairperson  
(mark box)

OR if you are NOT appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson, as my/our proxy to act generally on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Sovereign Metals Limited to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Wednesday 30 November 2016 commencing at 11:00am (WST) and at any adjournment or postponement of such meeting. If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is [ ]% of the Shareholder's votes / [ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

### Important – If the Chairperson is your proxy or is appointed your proxy by default

The Chairperson intends to vote all available proxies in favour of Resolution 1. If the Chairperson is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 1, you will be expressly authorising the Chairperson to vote in accordance with the Chairperson's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

### Step 2 – Instructions as to Voting on Resolutions

#### INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Remuneration Report			
Resolution 2	Re-election of Director – Mr Ian Middlemas			
Resolution 3	Ratification of Prior Placement of Shares			
Resolution 4	Ratification of Prior Issue of Consultant Shares			
Resolution 5	Ratification of Prior Issue of Incentive Options			
Resolution 6	Approval of Additional 10% Placement Capacity			

\* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

The Chairperson intends to vote all available proxies in favour of each Resolution.

#### Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

**Proxy Notes:**

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Level 9, 28 The Esplanade, Perth, WA, 6000, or by post to PO Box Z5083, Perth, WA, 6831 or Facsimile (08) 9322 6558 if faxed from within Australia or +618 9322 6558 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).