

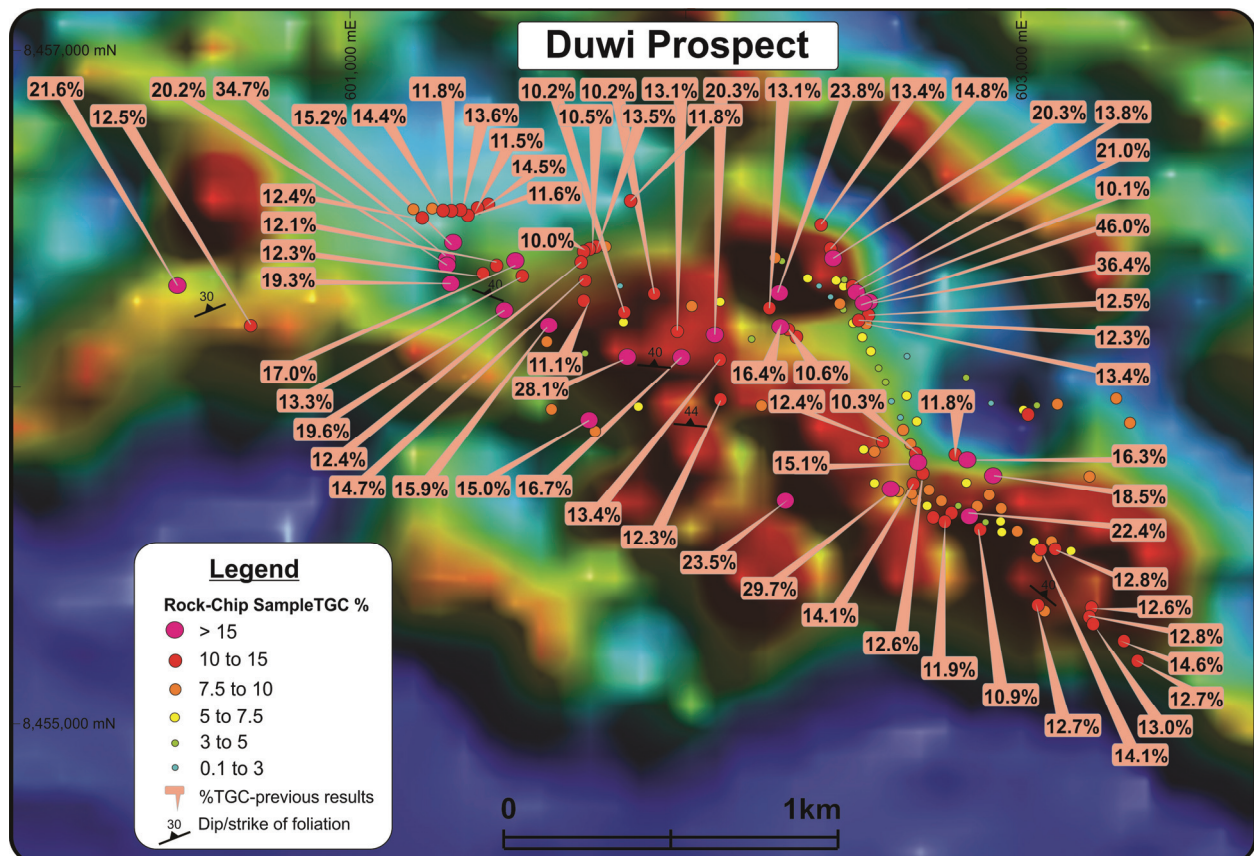


## **HELI-VTEM SURVEY IDENTIFIES LARGE NUMBER OF HIGHLY PROSPECTIVE GRAPHITE TARGETS**

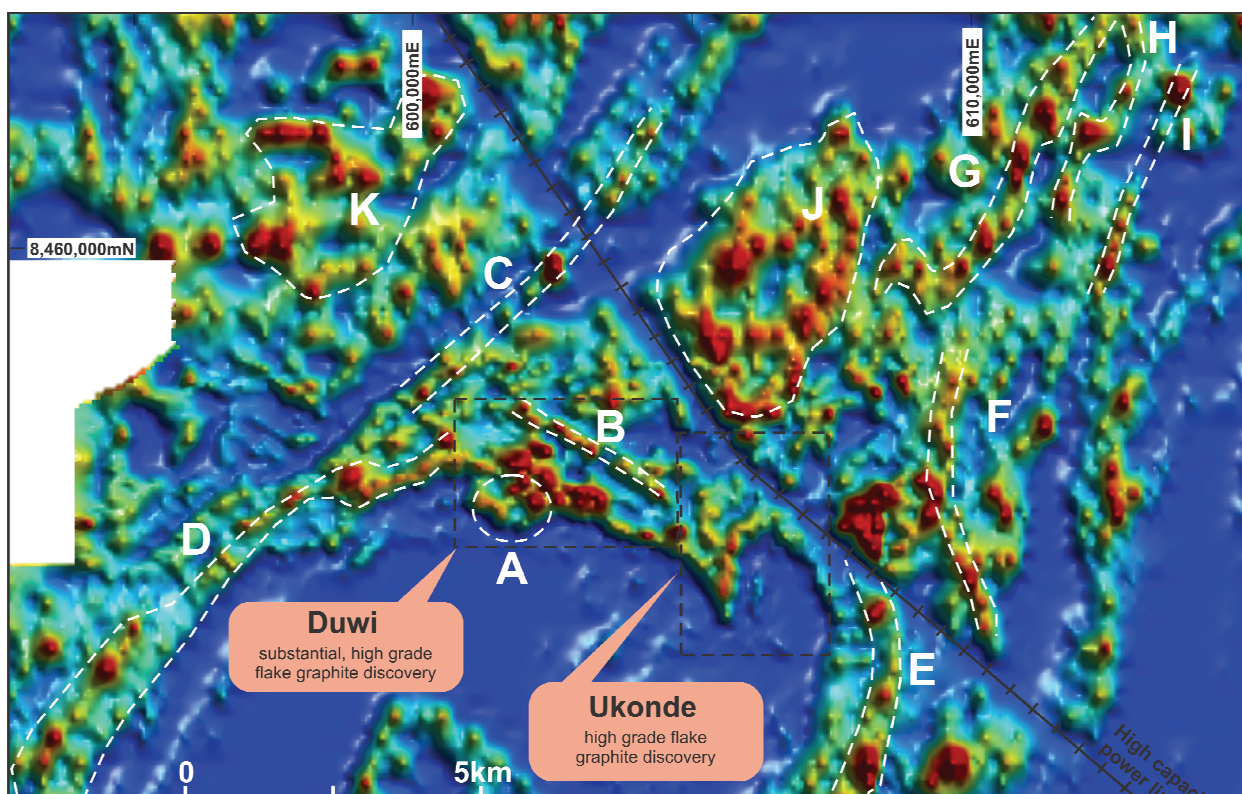
The Directors of Sovereign Metals Limited (“Sovereign” or “Company”) are pleased to announce preliminary results from the recently completed helicopter-borne VTEM survey flown over a substantial area of the Central Malawi Graphite Project (“CMGP”).

### **Highlights**

- **Initial interpretation of VTEM survey data confirms potential strike length of graphite gneisses in excess of two hundred kilometres.**
- **Good correlation between strong conductors and high-grade graphite gneisses in areas already covered by field work and laboratory rock-chip results.**
- **Large number of very strong conductors represent prime targets for additional discoveries of high grade graphite mineralisation:**
  - *At least 11 new conductivity targets, with equivalent or higher conductivity than the major Duwi discovery, have been identified within a 15km radius of Duwi (RL0146). Each very strong conductor ranges from 0.5km to 9km in strike length.*
  - *Within EPL0355, in excess of 20 very strong conductors that range from 0.3km to over 5km strike length have been identified. All show higher conductivity than Duwi and are high priority targets for further exploration.*



**Figure 1. Channel 15 VTEM image of Duwi discovery with surface rock-chip results**



**Figure 2. Channel 15 VTEM image showing 11 new high intensity conductors within the greater Duwi area (RL0146)**

Within the greater Duwi area, four substantial new zones of graphite mineralisation are indicated by high-intensity VTEM anomalies provisionally named A through D (Figure 2):

- Target “A” forms part of the Duwi main zone, and indicates substantial mineralisation in the south-centre of Duwi should be present under shallow soil/colluvium cover.
- Target “B” is a linear, high-conductivity zone about 3.5km long, immediately north of, and parallel to Duwi.
- Target “C” is a linear, locally high-conductivity zone about 5km long, to the north-east of Duwi.
- Target “D” is a significant ~7km strike extension to Duwi and is indicated by the continuation of a strong, linear conductor.

The HeliVTEM survey results further support the Company’s view that it controls a unique and potentially large graphite province. Sovereign has previously identified three prime, large, high grade, flake graphite targets through sampling and mapping at Duwi, Ukonde and Nanzeka. The Company has now begun field work in order to confirm the existence graphite mineralisation at the prime conductivity targets identified in the HeliVTEM survey.

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## HeliVTEM Overview

The HeliVTEM (Versatile Time Domain Electromagnetic system) survey highlights areas of high bedrock conductivity (see Figures 4 & 5). Graphite is a highly conductive mineral and hence the survey was flown by the Company in order to define high grade graphite targets. A total of 4,116 VTEM line kilometres were completed in November and December 2012 at line spacing ranging between 0.2km and 7.2km over a substantial area of the CMGP.

The survey has confirmed that large areas of the Company's 8,070km<sup>2</sup> ground holdings are underlain by conductive and highly conductive rocks. In areas previously covered by historical exploration and more recent fieldwork carried out by the Company, there is a good correlation between graphite gneisses and/or pyrite-graphite gneisses and conductive zones.

Thirty one (31) new, high priority conductors ranging between 0.3km and 9km in strike length have so far been identified in the preliminary VTEM survey data, in conjunction with sampling and mapping results. It is expected that further detailed processing and interpretation of the VTEM data, including 3D modelling, coupled with a progressively increasing geological understanding will assist in refining priority targets and may also define additional targets.

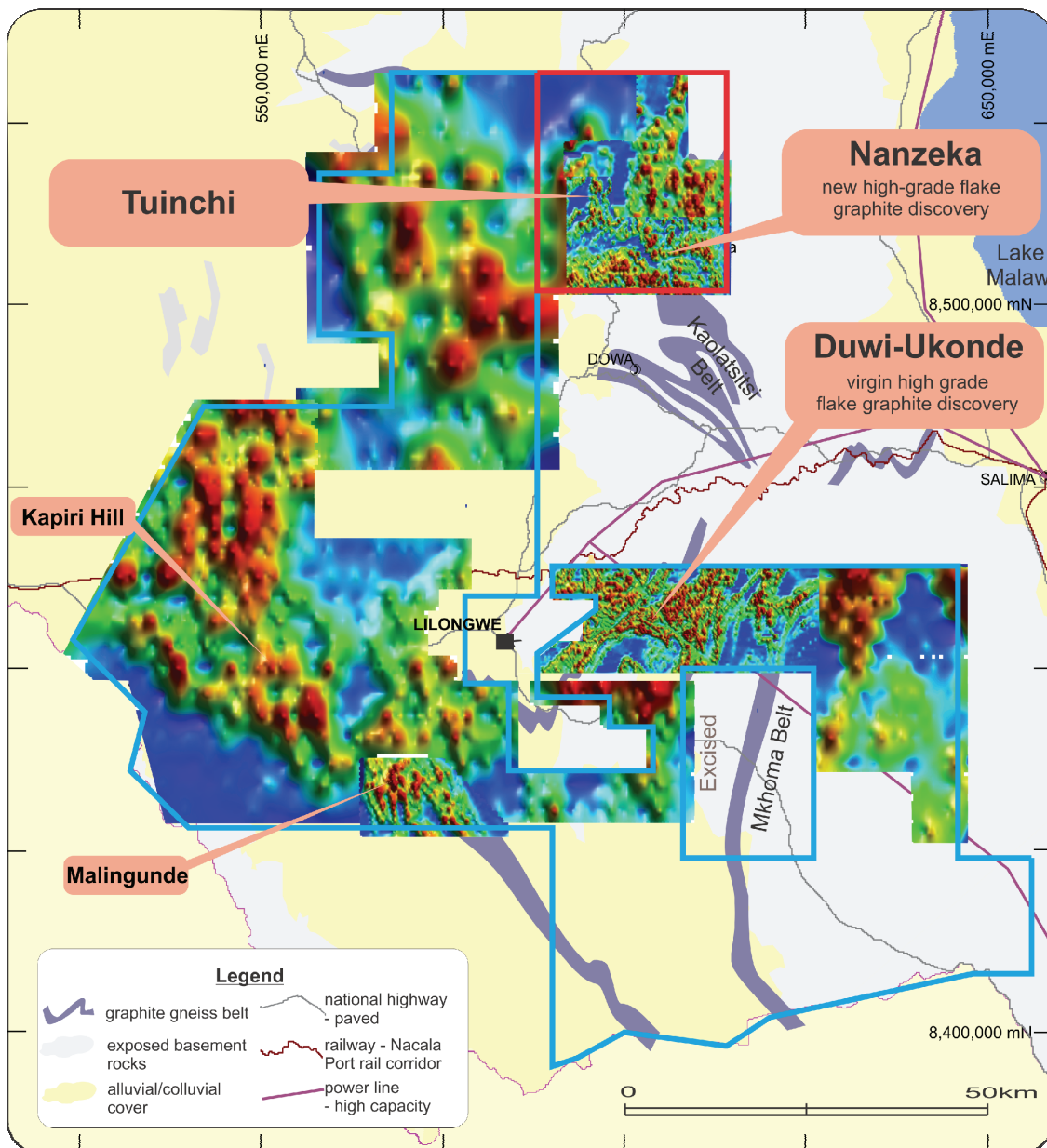


Figure 3. Channel 15 VTEM image showing area surveyed at the CMGP.

## **VTEM Results – greater Duwi-Ukonde area within RL0146**

The high-grade Duwi-Ukonde prospects and surrounding areas were flown at tight VTEM line spacing of between 200m and 400m. This resulted in the definition of 11 new conductors, with equivalent or higher conductivity than the major Duwi discovery, being identified within a 15km radius of Duwi (Figure 2). Each of these high priority conductors ranges from 0.5km to 9km in strike length.

At the main high-grade Duwi prospect, there is a good correlation between high intensity conductors and high-grade graphite gneisses in areas already covered by field work and rock chip results (e.g. Figure 1).

Initial fieldwork at new targets “B” and “D” has shown graphite gneiss is present over substantial widths. Analytical results for rock-chip samples for targets “B” and “D” are expected progressively over the coming months. The Company is currently working to assess each of the priority targets identified by the survey.

## **VTEM Results – EPL0355**

Within EPL0355 in excess of 20 very strong conductors that range from 0.3km to over 5km strike length have been identified. Limited field work has been completed to date on these target areas, however, all identified conductors initially selected show a higher conductivity than Duwi and hence represent prime targets for further exploration.

## **Other areas**

The entire western two thirds of RL0146 show very substantial areas of conductivity anomalism (Figure 3). Very little field work has been undertaken so far in this area by the Company, due mostly to the fact that bedrock is obscured by shallow alluvial and colluvial cover. Rock-chip sampling results from limited areas of outcrop however show a number of zones at Malingunde and Kapiri with medium to high grade graphite gneisses. Further exploration work will be undertaken to confirm if substantial volumes of graphite gneisses are present in this area.

## **Ongoing Exploration Program**

The exploration program at the CMGP continues with the following activities occurring over the coming months:

- Ground field work including mapping and rock-chip sampling to confirm high-priority targets identified by VTEM survey data is ongoing, with a steady flow of results expected. Numerous new graphite prospects continue to be discovered by the Company’s geologists and these will be systematically followed up in due course.
- Sighter metallurgical and mineralogical test work has begun on 4 separate 60kg samples, with results expected to be released progressively.
- Trenching programs are planned to begin at Duwi, Ukonde, Chipili, Nyama and Nanzeka, to be followed by an initial diamond drilling program.



**Figure 4. HeliVTEM system ready for flight. View looking east from Lilongwe over the greater Duwi area.**



**Figure 5. HeliVTEM system in action over the Duwi area.**

**Competent Person**

*The information in this announcement that relates to geophysical data and imagery is based on information compiled by Mr Mathew Cooper (B.App.Sc (Geophysics) Hons.) of Core Geophysics, who was engaged by Sovereign Metals Limited to provide geophysical consulting services. Mr Cooper is a member of The Australian Institute of Geoscientists and has sufficient experience which is relevant to activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cooper 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 Exploration Results is based on information compiled by Mr Peter Woodman, who is a member Australian Institute of Mining and Metallurgy. Mr Woodman is an employee of Sovereign Metals Limited. Mr Woodman 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Woodman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*