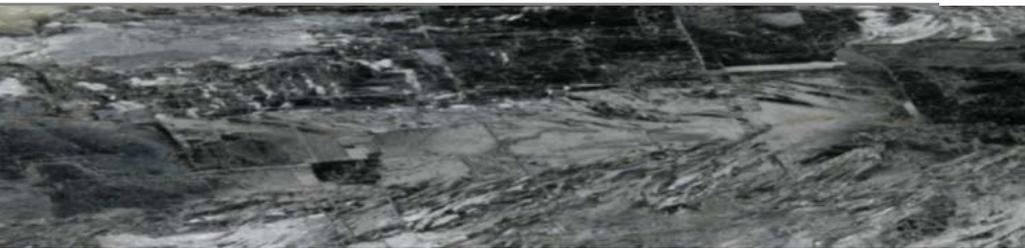


Compelling Natural Flake Graphite Opportunity for the Li-Ion Battery Revolution



SOVEREIGN
METALS LIMITED

June 2016

Malawi Flake Graphite Opportunity



- **Very strong outlook** driven by lithium-ion battery demand for electric/hybrid vehicles, home/business applications and traditional uses for expanded graphite foils (gaskets, fuel pumps, automotive etc). This new battery technology is transforming demand for natural flake graphite.
- **East African Graphite Province** – superior flake quality.
- **World-class project at Duwi in Malawi**
 - World class flake graphite resource, open in all directions, high-grade, open-pittable, very low strip ratio
 - Excellent coarse and jumbo graphite flake distribution in high grade concentrates
 - Enviably infrastructure: grid power, fresh water, rail to deep water port
- **Strategic Partner:** Offtake and development funding partnership with major Chinese corporation China Volant Industry Co Ltd (“Volinco”). Companies to work together to secure development funding and long term graphite offtake arrangements for Sovereign in mainland China.
- **Board & Management:** Dr Julian Stephens 22 years in minerals exploration industry & 10 years’ experience in Malawi to lead the team to advance the project to production. Chaired by Ian Middlemas with success in Mantra, Papillon, Berkeley, Salt Lake Potash.

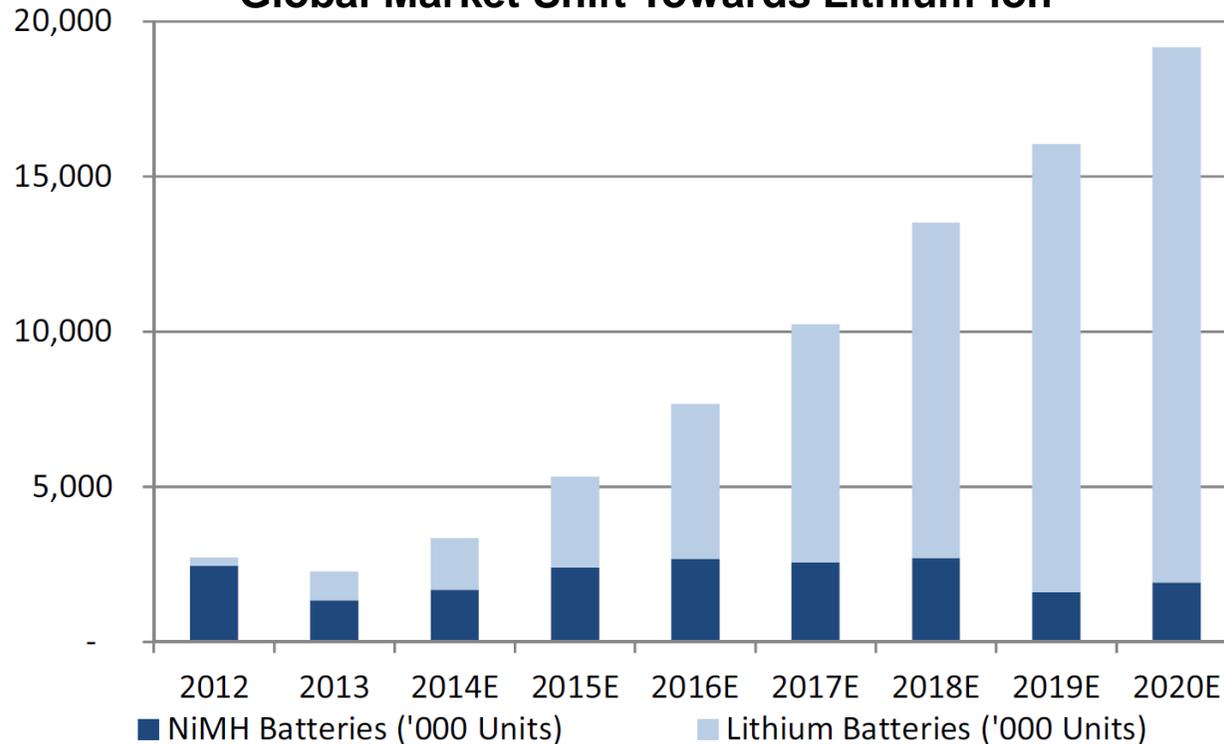
Battery Market



Demand for rechargeable batteries is increasing dramatically, and the attractive outlook for electric vehicles and energy storage systems is further accelerating growth.

Battery sales for power storage applications and electric vehicles are set to accelerate in the early 2020's, lifting growth beyond 2025.

Global Market Shift Towards Lithium-ion



Newly emerging trends towards battery use in transport equipment and power storage look set to provide a further upward step in market usage expanding production of Li-ion batteries as the next decade unfolds.

**VIRUTALLY ALL COMMERICAL
LI-ION BATTERIES USE
GRAPHITE**

The Growing Importance of Natural Graphite



Graphite is a key component of Lithium-ion batteries. Natural graphite is cheaper to use than Lithium Titanate and Synthetic graphite.

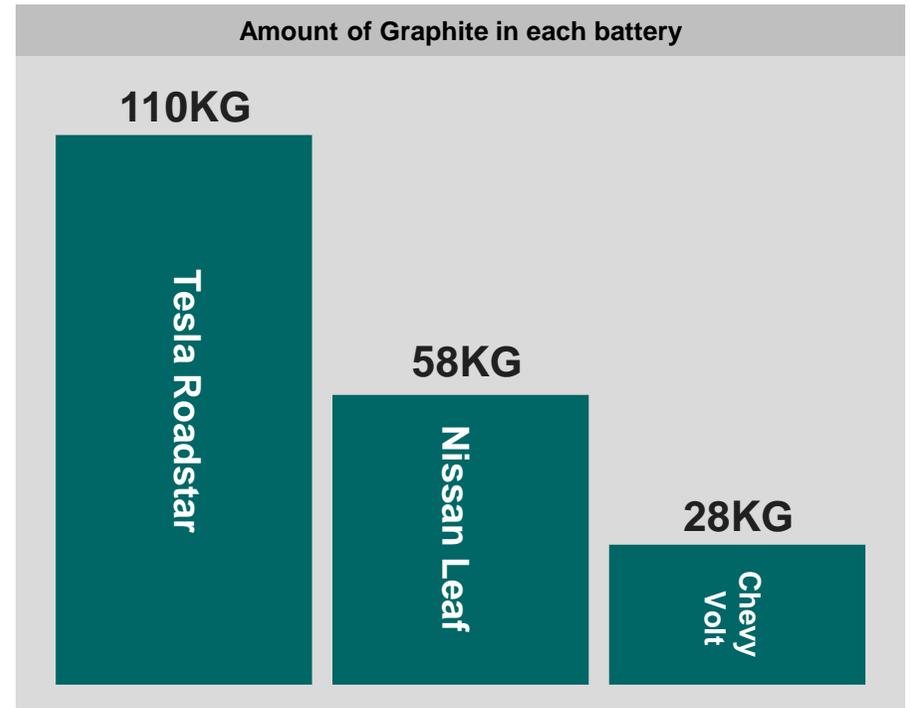


Natural graphite has been the strongest growing input for anodes in lithium batteries.

Strong shift away from synthetic (artificial) graphite as a result of cost, environment issues and supply.

Chinese graphite production and exports are trending lower, providing an opportunity for prospective producers elsewhere in the world.

Up to **15 times** more Graphite than Lithium is needed to make each battery.



Source: Visual Capitalist

Duwi Excellent Flake Size and Purity



Targeting growing lithium-ion battery market and traditional expanded graphite market

Flake distribution allows product flexibility with concentrate to be sold to the expandable graphite market or to the Li-ion battery markets.

Classification	Size	Concentrate Grade	Distribution
Jumbo	> 300 μm	97.6%	20.6%
Large	150 μm - 300 μm	97.1%	28.9%
Medium	75 μm - 150 μm	96.8%	22.8%
Fine	< 75 μm	95.1%	27.7%

Expanded graphite market

Spherical graphite battery market



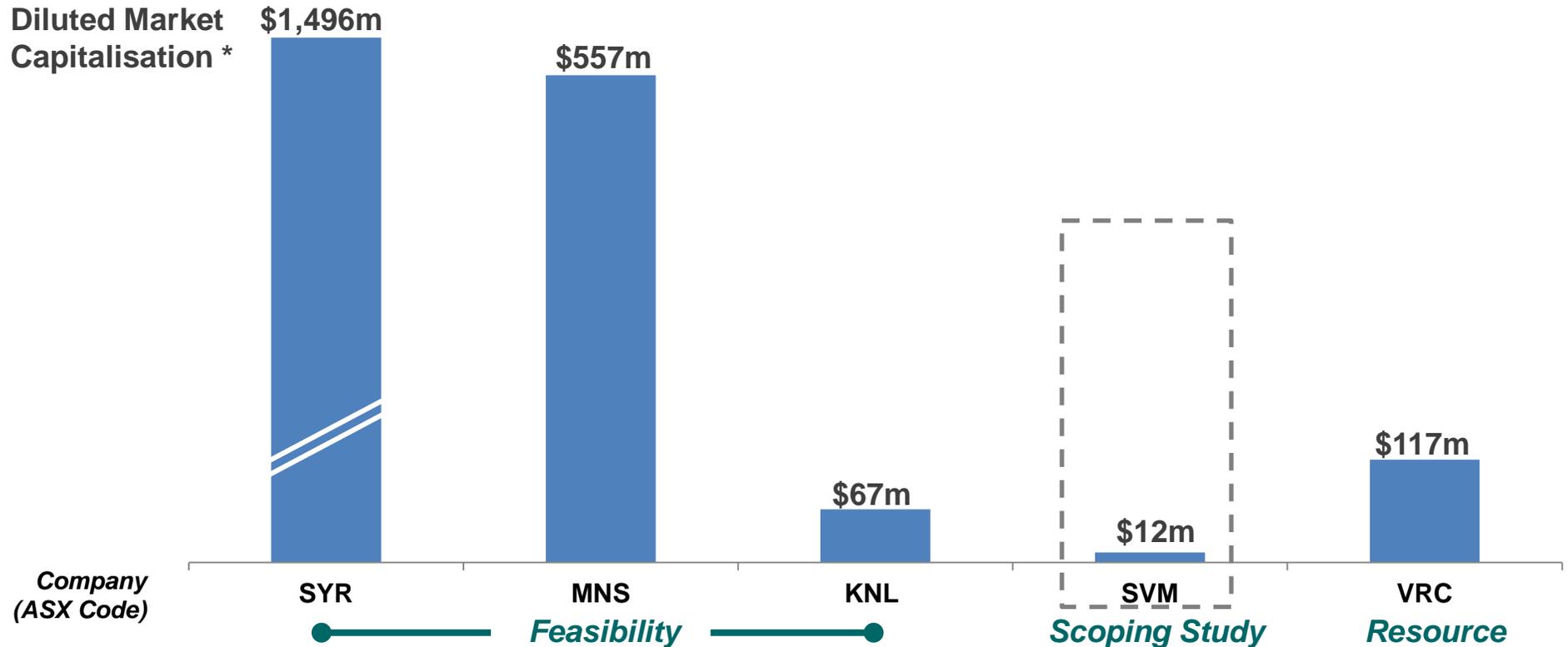
Very-high grades with very low impurities indicate that Duwi flake graphite products should be suitable for producing spherical graphite for use in emerging lithium-ion battery technologies.



Massive Valuation Upside

East Africa – the future of flake graphite products

Flake graphite characteristics superior to Chinese productions – Coarser, more crystalline, higher concentrate grades.



Country	Mozambique	Tanzania	Tanzania	Malawi	Tanzania
Estimated Annual Production (tpa) ¹	313,000	220,000	40,000	110,000	n/a

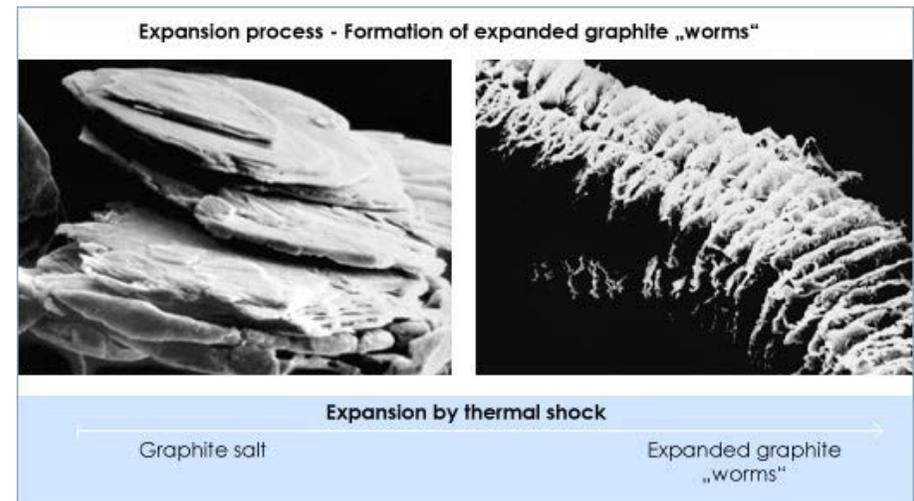
*Diluted Market Capitalisation calculated on an "in the money" basis as at 9 June 2016 closing price.

1. As per Company's released Technical Studies.

Demonstrated Highly Favourable Expanded Graphite Properties



- Coarse and jumbo flake graphite products are used to create expanded graphite.
- Expanded graphite is used to manufacture foils for use in gaskets, fuel pumps and other automotive applications.
- Jumbo and large flake samples from Duwi showed excellent expandability characteristics and very low contaminant levels, supporting suitability for a large range of applications.
- Duwi jumbo flake concentrate grading 98.7% C(t) showed:
 - expansion ratios of 345 ml/g (2.9 g/l) – in line with and exceeding typical expansion ratios for quality grades of many marketed jumbo flake products;
 - extremely low content of undesirable halogens at just 5ppm F and 6ppm Cl;
 - very small size of ash particles – maximum 0.8mm; and
 - all other specifications met or exceeded



Malawi Graphite Projects

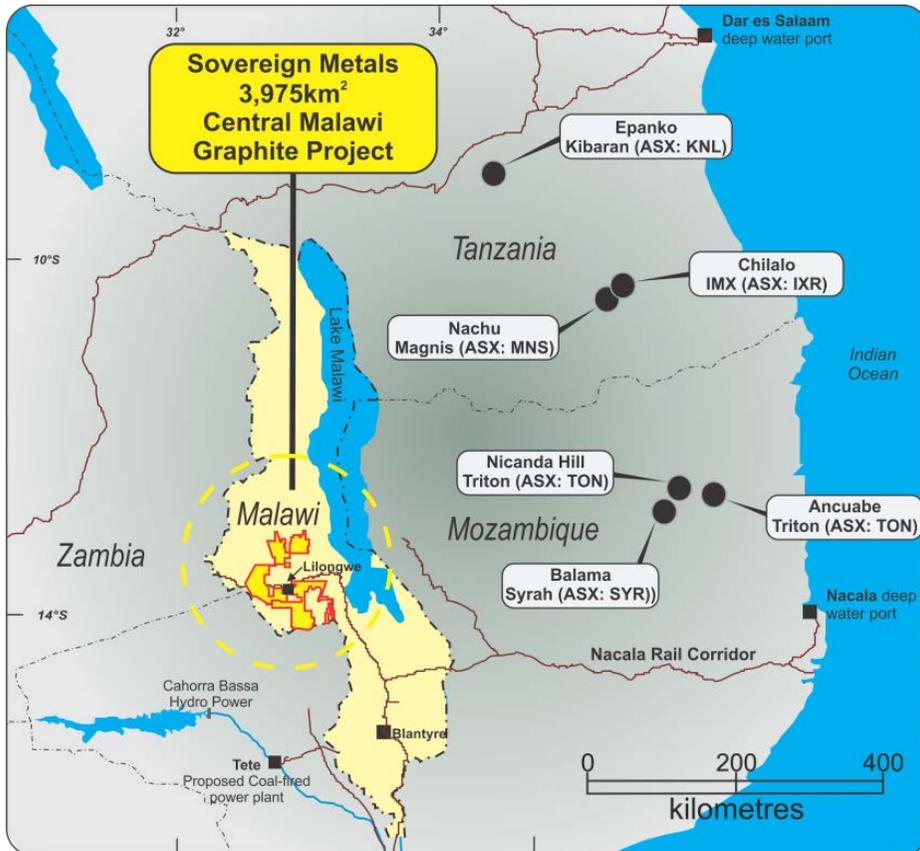


Duwi

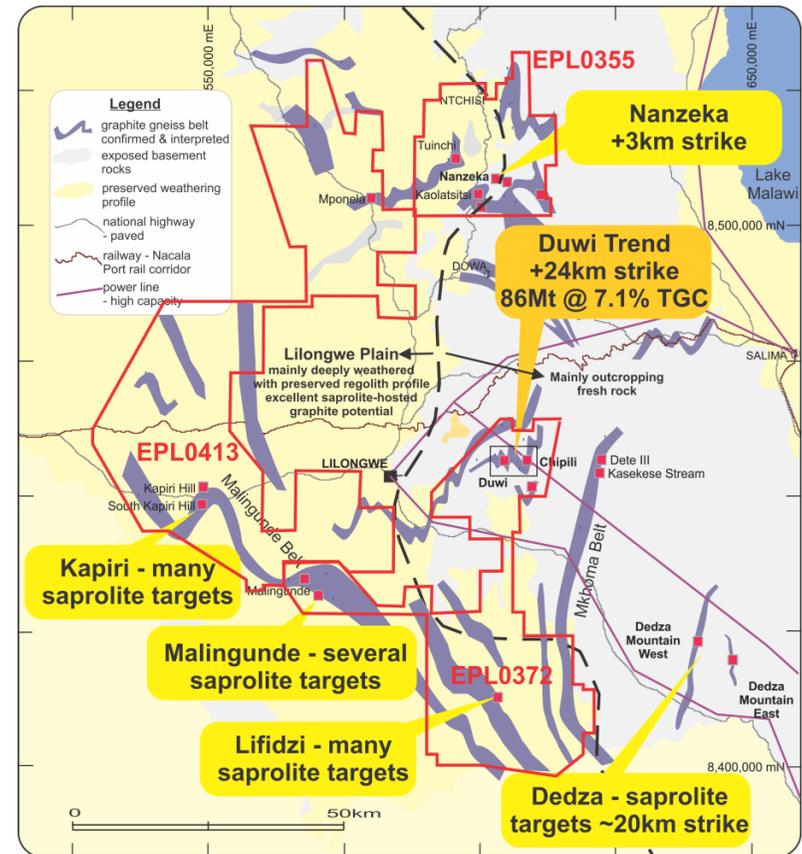
- World class graphite resource – 6.13Mt TGC contained, open in all directions.
- Excellent flake distribution and concentrate grade.
- Excellent infrastructure.

Exploration Potential

- 3,975km² tenement package.
- A number of advanced prospects.
- Just “scratched the surface” – huge exploration potential.



East African Graphite Province



Sovereign's Identified Graphite Targets



Duwi – World Class Largest Flake Graphite Resource

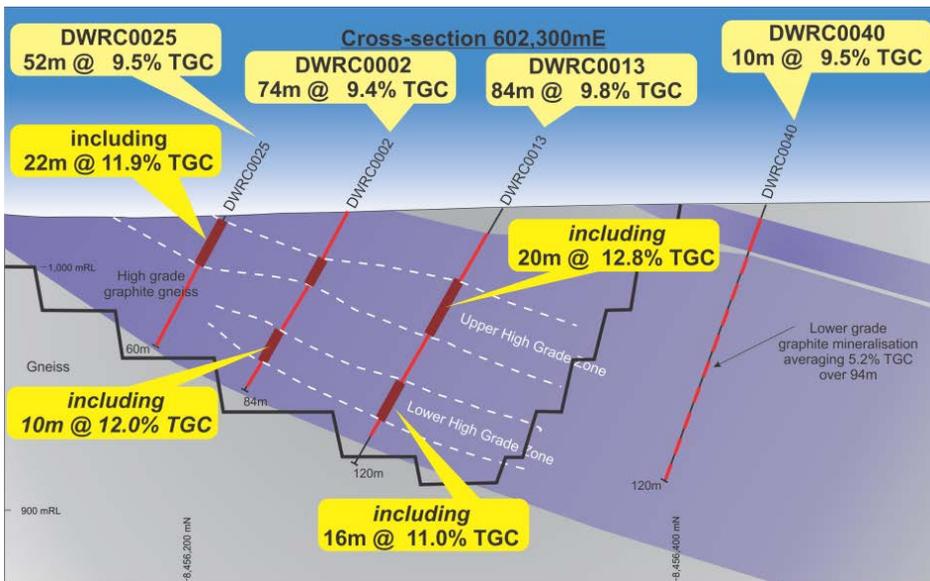
- Total Resource **86Mt @ 7.1% TGC**
- Indicated Resource **17.3Mt @ 8.1% TGC**
- Open along strike and at depth in all areas – only 2.2km of 24km strike drilled
- Moderate dip creates ideal mining scenario with low strip ratio 0.67: 1

Table 1. Total Duwi Mineral Resources at 5% TGC lower cut-off grade.

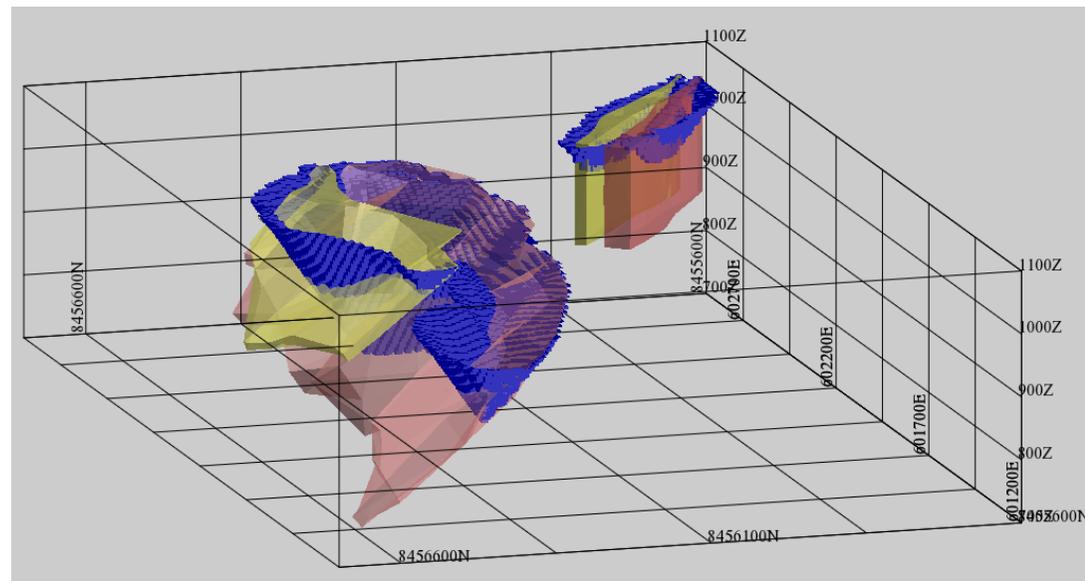
Category	Tonnage (MT)	Grade (% TGC)	Contained Graphite (Mt)
Indicated	35.2	7.2	2.52
Inferred	50.7	7.1	3.61
Total	85.9	7.1	6.13

Table 2. Total Duwi Mineral Resources at 7% TGC lower cut-off grade.

Category	Tonnage (MT)	Grade (% TGC)	Contained Graphite (Mt)
Indicated	17.3	8.1	1.40
Inferred	27.2	7.9	2.16
Total	44.5	8.0	3.56

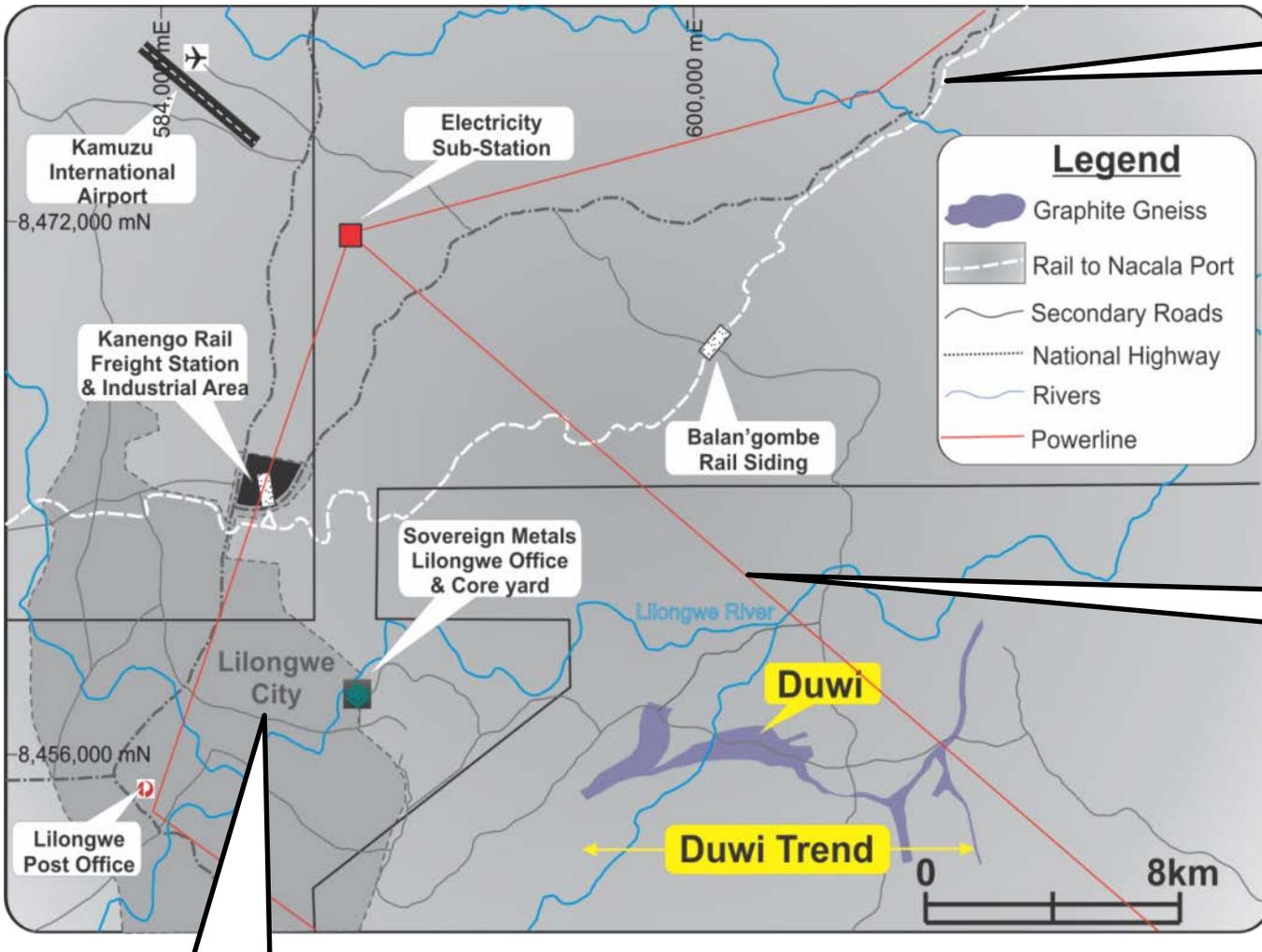


Duwi Cross Section



Duwi Resource Block Model

Excellent Infrastructure



Operational **railway** with siding located just 21km by road from Duwi – links to deep water port at Nacala, Mozambique



High-capacity **power** line passes within 3km of Duwi deposit

Lilongwe, the **capital city** of Malawi, lies just **15km** to the west of Duwi

Scoping Study Supports Robust Economics



Base case scenario to mine & process 1.5mtpa, producing 110ktpa of concentrates

- Total Capex < US\$140m
- Opex < US\$500/t
- Revenue US\$1,300/t



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

Forward Plan and News Flow



- Commence spherical graphite test-work in the coming weeks to demonstrate applicability for lithium ion battery technology – major work program with internationally renowned, German independent graphite experts.
- Further work program planned to develop expanded graphite products using major international carbon company.
- Securing binding offtake with Volinco and Korean, Japanese, European & North American customers for the full production from Duwi.
- Additional drilling at Duwi to upgrade the resource category and to obtain samples for further metallurgical test-work.
- Immediate commencement of Pre-feasibility Study after completed positive Scoping Study.

Appendix



Management Team with a Proven Track Record of Success



Ian Middlemas (Chairman)

Mr Middlemas is a Chartered Accountant and was a Senior Group Executive for Normandy Mining for more than ten years, which was Australia's largest gold miner (+2m ounces per annum) before merging with Newmont Mining. He is currently Chairman of Salt Lake Potash Limited, Berkeley Energia Limited and a number of other listed resource companies. Mr Middlemas was also previously Chairman of Papillon Resources Limited and Mantra Resources Limited.

Dr Julian Stephens (Founder & Director)

Geologist with over 20 years experience in mineral exploration across many commodity types who has spent 10 years working on minerals projects in Malawi. Julian identified and secured the Malawi flake graphite projects. He led the team that discovered the Duwi Flake Graphite Project and managed the recent successful Scoping Study for Sovereign.

Matt Syme (Director)

Chartered Accountant with over 25 years of experience in mining and company management. Former MD of Berkeley Resources and Sierra Mining.

Mark Pearce (Director)

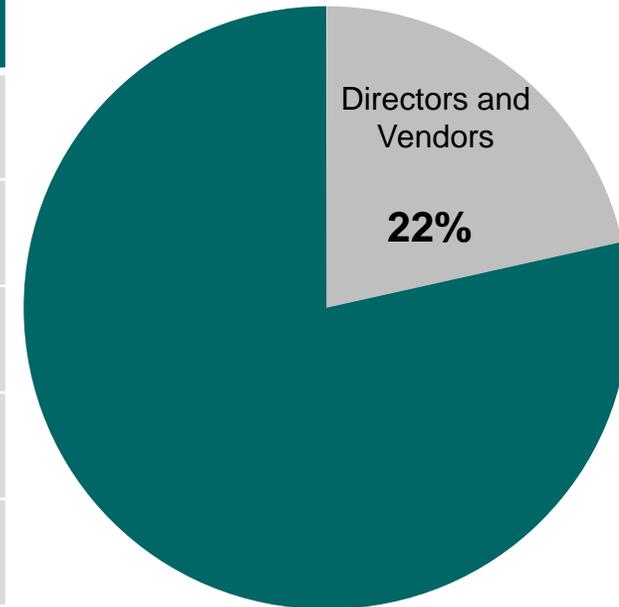
Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies and has worked for several large international Chartered Accounting firms.

Capital Structure



Capital Structure *	
Current Shares on Issue	142,420,139
Unlisted Options (\$0.10 to \$0.47)	5,416,667
Performance Rights (Feasibility and Commercial Transaction vesting milestones)	1,600,000
Un-Diluted Market Capitalisation (@ \$0.08)	A\$11.4m
Cash (31 March 2016)	~A\$0.8m

Holding Structure



* As at 9 June 2016



Why is Volinco partnership such a breakthrough?



VOLINCO CHINA VOLANT INDUSTRY CO., LTD.

Volinco are part of a massive SASAC (ie Beijing) State Owned Enterprise, China Aerospace, Science and Industry Corp.

Proposal to accept all 110,000 t p/a of Duwi flake graphite concentrates for their own internal use & to trade to their Chinese SOEs

Will network SVM with other Chinese graphite companies

Very experienced at foreign construction and engineering

Malawi – Stable and Mining Friendly



- Population 16.4m
- Government highly supportive of mining
- Corporate tax rate – 30%
- Mining royalty rate – 5%
- Peaceful presidential election in May 2014 – 5 years (Peter Mutharika)



Local Village Children

Disclaimer Notice & Competent Persons Statement



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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 Persons Statement

The information in this presentation 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 presentation 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 in the presentation 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 presentation 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.