

## FURTHER HIGH-GRADE HAND AUGER RESULTS AT MALINGUNDE

Sovereign Metals Limited ("the Company" or "Sovereign") is pleased to report the latest results received from its Malingunde saprolite-hosted flake graphite deposit which continue to show excellent grades and mineralisation continuity. The Company has also commenced its maiden diamond drilling program at this exciting prospect and expects initial metallurgical results in September.

### Highlights:

- Hand auger assays continue to confirm and extend the substantial, high-grade saprolite-hosted flake graphite deposit at Malingunde:

- High-grade mineralisation has been identified over 3.4km strike with cumulative across strike widths locally exceeding 200m and averaging about 140m;
- New hand-auger results include:

<b>MGHA0869</b>	<b>8m @ 13.8% TGC</b>	<b>MGHA0870</b>	<b>7m @ 18.3% TGC</b>
<b>MGHA0871</b>	<b>9m @ 18.8% TGC</b>	<b>MGHA0876</b>	<b>9m @ 16.1% TGC</b>
<b>MGHA0887</b>	<b>6m @ 10.2% TGC</b>	<b>MGHA0889</b>	<b>7m @ 11.3% TGC</b>
<b>MGHA0894</b>	<b>10m @ 16.3% TGC</b>	<b>MGHA0895</b>	<b>8m @ 17.9% TGC</b>

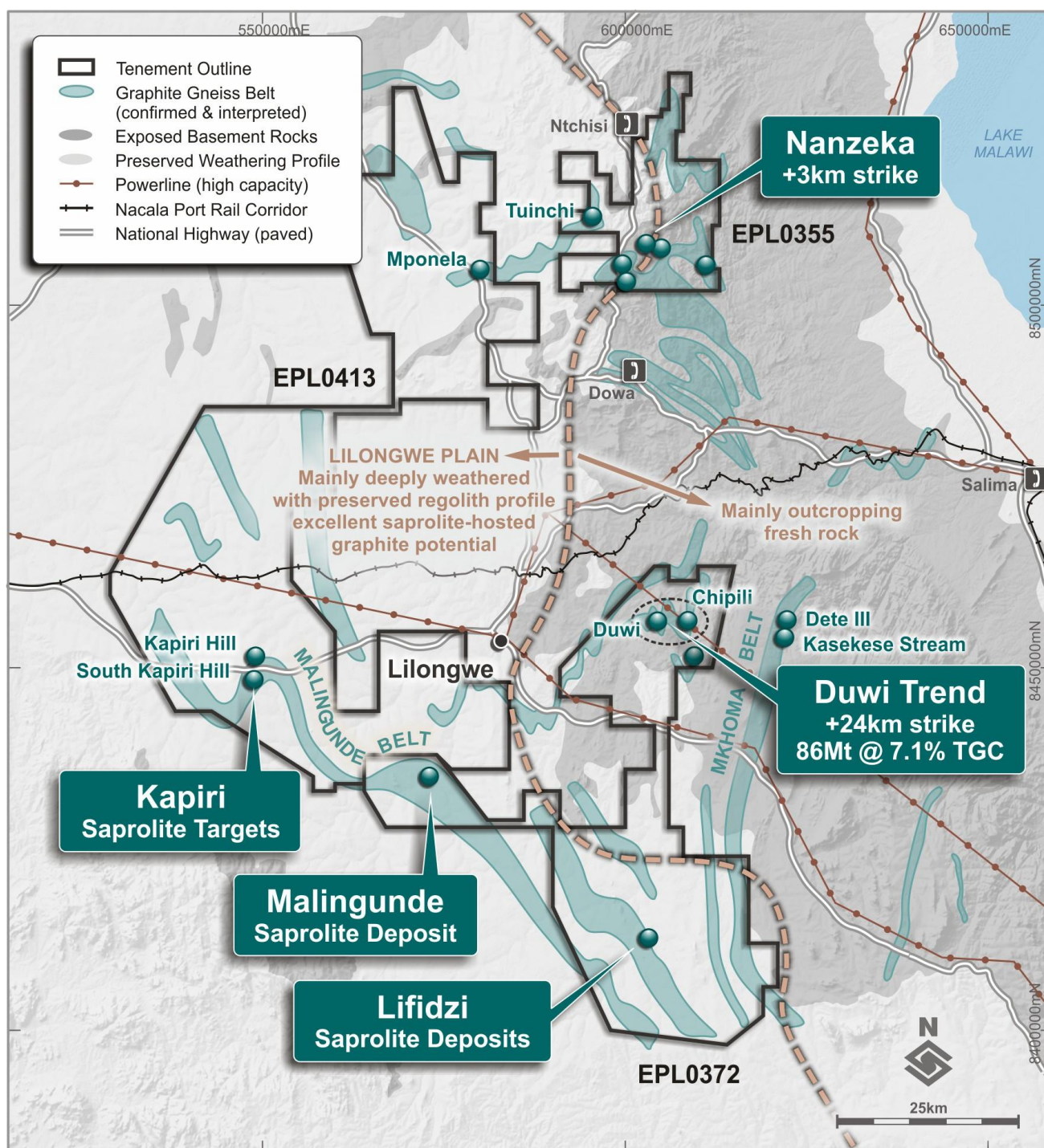
*\*all holes listed above ended in high-grade graphite mineralisation*

- Saprolite-hosted flake graphite deposits are sought after as they generally have substantially lower production costs than hard rock deposits. This is mainly due to their free-dig nature, generally very low strip ratios and very simple processing with no primary milling circuit required;
- An initial diamond drilling program of ~500m of large diameter PQ has commenced at Malingunde in order to ascertain vertical saprolite thicknesses and provide drill-core for ongoing metallurgical testwork;
- Initial metallurgical test-work on Malingunde saprolite has commenced at SGS Lakefield in Canada and will target a flowsheet that uses an upfront scrubber only to disaggregate the graphite flakes from the host material as opposed to a jaw crusher and rod mill used in hard-rock operations. Metallurgy results are due to be reported in September.

**Enquiries: Dr Julian Stephens – Managing Director +618 9322 6322**

## Malingunde & Lifidzi

Sovereign's Malingunde and Lifidzi areas occur on the Lilongwe Plain, which has a largely preserved, deep tropical weathering profile and hence significant thicknesses of saprolite (Figure 1). These areas are also underlain by the same paragneiss rock package that hosts Sovereign's hard rock Duwi flake graphite deposit, 15km east of Lilongwe.



**Figure 1. Map showing Sovereign's large 3,788km<sup>2</sup> ground package in Central Malawi with the major flake graphite deposits and target areas shown**

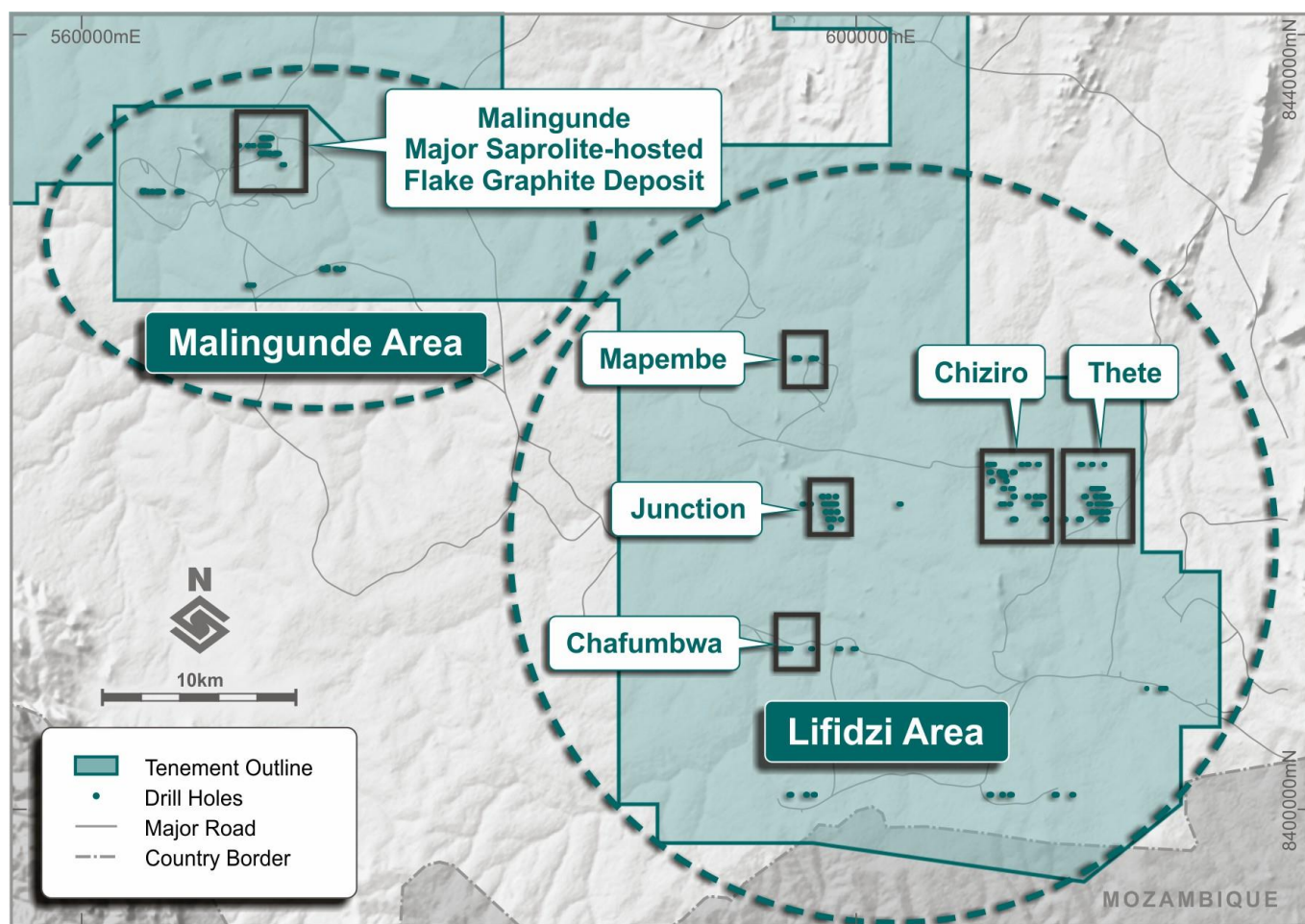


## Saprolite Targets

Saprolite or clay hosted flake graphite mining operations, similar to those in China and Madagascar, have significant capital and operational cost and environmental advantages over hard rock mining operations due to:

- The free-dig nature and very low strip ratios of the mineralised material which is generally at or near surface;
- Simple processing with the use of an upfront scrubber (similar to a trommel) to disaggregate the graphite flakes from the host material as opposed to a jaw crusher and rod mill used in hard-rock operations;
- The preservation of coarse graphite flakes in the weathering profile due to graphite's chemically inert properties; and
- The relative absence of sulphides offering significant tailings management advantages.

From late 2014 and through to mid-2016 Sovereign utilised hand-auger drilling to discover a major saprolite-hosted flake graphite deposit at Malingunde in addition to five satellite deposits at Lifidzi (Figure 2).



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

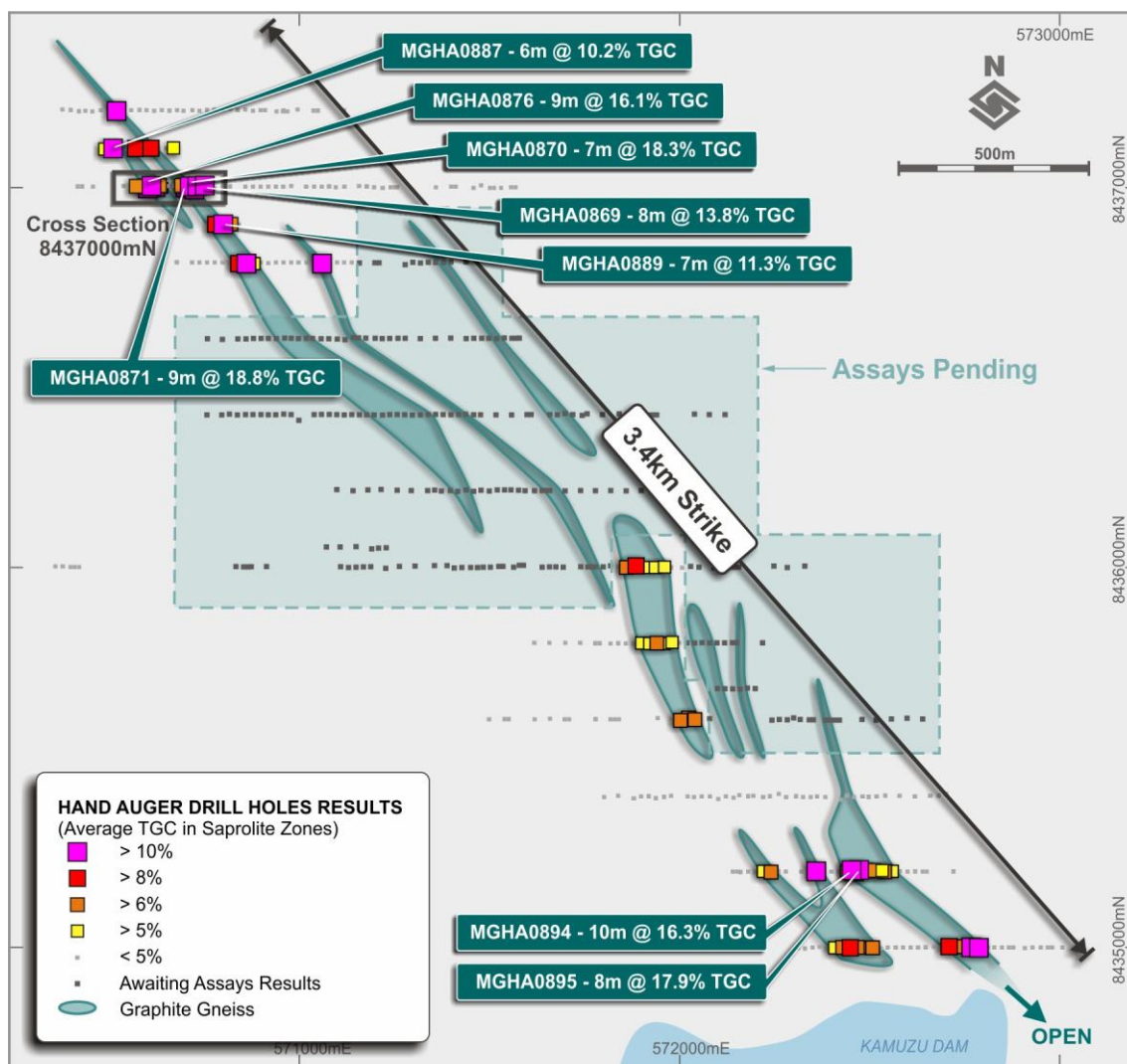
Results from the recent hand auger program at Malingunde continue to show excellent grades and continuity of the saprolite-hosted flake graphite mineralisation. Selected results are listed below, whilst a full table of results is provided in Appendix 1.

New hand-auger results from Malingunde include:

<b>MGHA0869</b>	<b>8m @ 13.8% TGC</b>	<b>MGHA0870</b>	<b>7m @ 18.3% TGC</b>
<b>MGHA0871</b>	<b>9m @ 18.8% TGC</b>	<b>MGHA0876</b>	<b>9m @ 16.1% TGC</b>
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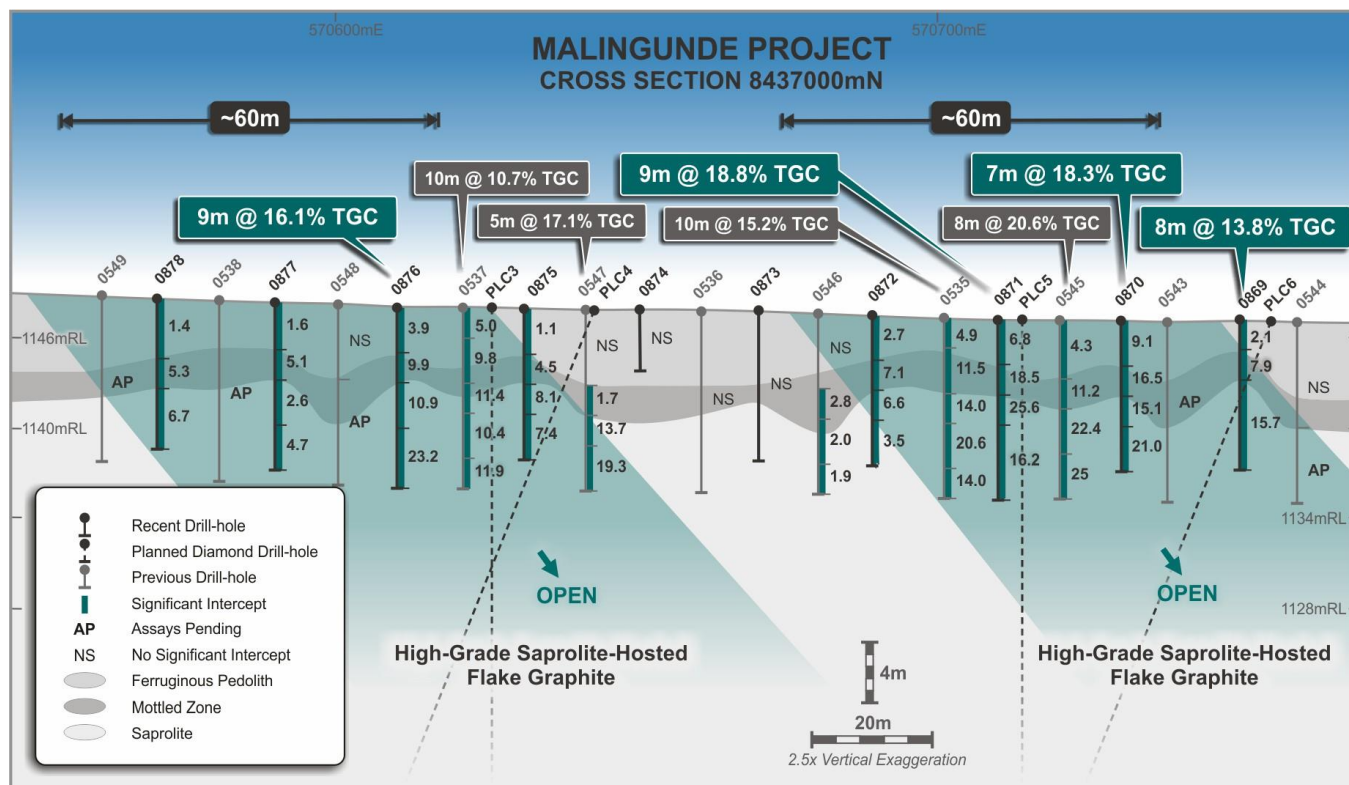
*\*all holes listed above ended in high-grade graphite mineralisation*

Significant saprolite thicknesses are suggested because the majority of holes ended at vertical depths of between 10m and 12m (the depth capacity of the hand auger tool) within saprolite.



**Figure 3. Map of the saprolite-hosted flake graphite deposit at Malingunde.**





**Figure 4. Cross-section (2.5 x vertical exaggeration) showing high-grade, saprolite-hosted graphite mineralisation at Malingunde. Note that all mineralisation remains open at depth. View is to the north.**

The Company has also just commenced a diamond drilling program at Malingunde in order to test the vertical thicknesses of saprolite-hosted flake graphite mineralisation as well as to provide core for ongoing metallurgical test-work.

Initial metallurgy samples from Malingunde are already at SGS Lakefield in Canada and first results of this test-work are expected in September.

### Concluding Comments

A substantial, high-grade saprolite-hosted flake graphite has been discovered at Malingunde in addition to a number of additional deposits at Lifidzi. Further significant potential exists to expand all deposits along strike and at depth. In addition, only ~20% of the area of Sovereign's tenements that are prospective for saprolite-hosted graphite deposits have been explored to date suggesting substantial additional potential.

An initial bench scale metallurgical program has commenced and an aircore drilling program is planned for later in 2016 to advance Sovereign's significant saprolite-hosted flake graphite deposits in parallel with further advancement on the PFS for the Duwi flake graphite deposit.

### **Competent Person Statement**

*The information in this report that relates to Exploration Results is based on information compiled by Dr Julian Stephens, a Competent Person who is a member of the Australian Institute of Geoscientists (AIG). Dr Stephens is the Managing Director of Sovereign Metals Limited and a substantial holder of shares, a holder of options and performance rights in Sovereign Metals Limited. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Stephens consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The information in this Report that relates to 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.*

### **Forward Looking Statement**

*This release may include forward-looking statements, which may be identified by words such as "expects", "anticipates", "believes", "projects", "plans", and similar expressions. These forward-looking statements are based on Sovereign's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Sovereign, which could cause actual results to differ materially from such statements. There can be no assurance that forward-looking statements will prove to be correct. Sovereign makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.*

## Appendix 1

Table A. Malingunde hand auger drill-hole information

HoleID	East	North	RL	Total Hole Depth	Intercept Length (metres)	TGC(%)
MGHA0869	570751	8437001	1147	10	8	13.8
MGHA0870	570731	8437000	1147	10	7	18.0
MGHA0871	570711	8436999	1147	12	9	18.8
MGHA0872	570690	8437002	1148	10	4	6.9
MGHA0873	570671	8437001	1148	10	NSI	
MGHA0874	570652	8437001	1148	4	NSI	
MGHA0875	570632	8437001	1148	10	7	6.8
MGHA0876	570611	8437001	1148	12	9	16.1
MGHA0877	570591	8436999	1148	11	8	4.0
MGHA0878	570571	8437000	1149	10	6	6.2
MGHA0879	570610	8437100	1144	10	7	8.2
MGHA0880	570630	8437100	1144	10	NSI	
MGHA0881	570650	8437100	1144	4	NSI	
MGHA0882	570669	8437100	1143	10	7	5.7
MGHA0883	570590	8437100	1143	10	8	2.7
MGHA0884	570570	8437099	1143	6	2	9.7
MGHA0885	570550	8437099	1144	8	NSI	
MGHA0886	570530	8437099	1144	8	5	4.8
MGHA0887	570510	8437099	1131	10	6	10.2
MGHA0888	570489	8437097	1146	8	3	5.8
MGHA0889	570800	8436900	1148	12	7	11.3
MGHA0890	570820	8436900	1147	12	8	7.0
MGHA0891	570840	8436900	1145	12	NSI	
MGHA0892	570780	8436900	1148	12	8	9.0
MGHA0893	570760	8436900	1148	12	NSI	
MGHA0894	572451	8435202	1114	12	10	16.3
MGHA0895	572471	8435203	1115	10	8	17.9
MGHA0896	572490	8435203	1115	10	8	6.9
MGHA0897	572510	8435202	1115	10	7	6.6
MGHA0898	572531	8435202	1116	10	7	5.4

^All holes are vertical, NSI denotes no significant intercept

## Appendix 2: JORC Code, 2012 Edition – Table 1

### Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Hand Auger Drilling Commentary
<b>Sampling Techniques</b>	<i>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i>	Hand augers of 62mm diameter was employed to generate samples with geologically determined sample intervals, which were composited and riffle split through a 50/50 splitter to form analysis samples.
	<i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i>	Duplicate samples were taken on average every 20th sample to provide checks on sample representivity.
	<i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</i>	Weathering and lithological information logged from 1m auger samples is used to define sample intervals for each individual hole. Position in the weathering profile is the main control on sample intervals, with the upper weathering profile (soil, laterite and ferruginous pedolith) being deemed to be less representative than the lower weathering profile able to be drilled with hand auger, such as the mottled and saprolite zones. Once the whole metre assay sample intervals are determined, the 1m auger samples are composited and split to reduce shipping weight.
<b>Drilling Techniques</b>	<i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i>	62mm auger bits are used with 1m long steel rods. Each 1m of sample is collected into separate bulk sample bags and set aside. The auger bits are cleaned between metres to eliminate contamination.
<b>Drill Sample Recovery</b>	<i>Method of recording and assessing core and chip sample recoveries and results assessed.</i>	Samples are assessed visually for recoveries. Overall, recovery is very good.
	<i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i>	The company's trained geologists oversee augering on a 1 team : 1 geologist basis and are responsible for ensuring due care is taken to gather representative samples.
	<i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i>	No bias related to preferential loss or gain of different materials has occurred.
<b>Logging</b>	<i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation mining studies and metallurgical studies.</i>	All 1m auger intervals are geologically logged, recording relevant data to a set template using company codes. A small representative sample is kept of each 1m interval in an appropriately labelled chip tray for future reference.
	<i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.</i>	All logging included lithological features, and estimates of mineralisation percentages and flake characteristics.
	<i>The total length and percentage of the relevant intersection logged</i>	100% of samples are geologically logged.
<b>Sub-sampling techniques and sample preparation</b>	<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i>	Not applicable – not core drilling
	<i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i>	1m samples are composited on geological intervals and then riffle split 1:2 through a 50/50 splitter to form analysis samples. Wet samples are dried and broken up using a mortar and pestle prior to compositing or splitting.
	<i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i>	Each entire sample was crushed to nominally 100% -3mm in a Boyd crusher then pulverised to 85% -75µm. Approximately 100g pulp is collected for analysis at Intertek-Genalysis Perth.
	<i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i>	Field QC procedures involve the use of certified reference material assay standards, blanks, duplicates, replicates for company QC measures, and laboratory standards, replicate assaying and barren washes for laboratory QC measures. The insertion rate of each of these averaged better than 1:20.
	<i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i>	1:20 field duplicate samples (a second sample split from the same interval) were taken to attempt to quantify the equality. Review of these samples against the original samples showed consistency.
	<i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	The sample size is considered appropriate for the material sampled. It is believed that grain size has no bearing on the grade of the sampled material.
<b>Quality of assay data and laboratory tests</b>	<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i>	The assaying and laboratory procedures are considered to be appropriate for reporting graphite mineralisation, according to industry best practice.  Each entire sample was crushed to nominally 100% -3mm in a Boyd crusher then pulverised to 85% -75µm. Approximately 100g pulp is collected for analysis at Intertek-Genalysis Perth.



Criteria	JORC Code explanation	Hand Auger Drilling Commentary
		A sample of 0.2g is removed from the 100 gram pulp, first digested in HCl to remove carbon attributed to carbonate, and is then heated to 450°C to remove any organic carbon. An Eltra CS-2000 induction furnace infra-red CS analyser is then used to determine the remaining carbon which is reported as Total Graphitic Carbon (TGC) as a percentage.
	<i>For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i>	No non-laboratory devices were used for analysis.
	<i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicate, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i>	Field QC procedures involve the use of certified reference material assay standards, blanks, duplicates, replicates for company QC measures, and laboratory standards, replicate assaying and barren washes for laboratory QC measures. The insertion rate of each of these averaged better than 1:20.
<b>Verification of sampling &amp; assaying</b>	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	Significant mineralisation intersections were verified by qualified, alternative company personnel.
	<i>The use of twinned holes.</i>	No auger hole twinning has occurred at this early stage of exploration.
	<i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i>	All data was collected initially on paper logging sheets and codified to the Company's templates. This data was hand entered to spreadsheets and validated by Company geologists. This data was then imported to a Microsoft Access Database then validated automatically and manually.
	<i>Discuss any adjustment to assay data.</i>	No assay adjustment has occurred.
<b>Location of data points</b>	<i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i>	Differential GPS was used to pick up all hand auger collars containing significant mineralisation, except for MGHA0869 to MGHA0898, which have been picked up using a hand held GPS capable of 3-5m accuracy, and the collars have been preserved for DGPS pickup.  No downhole surveys are necessary given the drilling techniques employed.
	<i>Specification of the grid system used.</i>	WGS84 UTM Zone 36 South
	<i>Quality and adequacy of topographic control.</i>	DGPS pickups are considered adequate topographic control
<b>Data spacing &amp; distribution</b>	<i>Data spacing for reporting of Exploration Results.</i>	Auger holes at nominally 20m by 200m are deemed to be sufficient to intercept any graphite body of mineable width and for this early stage of exploration.
	<i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i>	Not applicable, no Mineral Resource or Ore Reserve estimations are covered by new data in this report.
	<i>Whether sample compositing has been applied.</i>	No sample compositing has occurred.
<b>Orientation of data in relation to geological structure</b>	<i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known considering the deposit type</i>	No bias attributable to orientation of sampling has been identified due to insufficient information. It is unlikely however that the intervals reported represent true widths of mineralisation.
	<i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i>	No bias attributable to orientation of drilling has been identified.
<b>Sample security</b>	<i>The measures taken to ensure sample security</i>	Samples were stored in secure storage from the time of augering, through gathering and splitting. The samples were sealed as soon as splitting was completed, and again securely stored awaiting shipment.
<b>Audits or reviews</b>	<i>The results of any audits or reviews of sampling techniques and data</i>	It is considered by the Company that industry best practice methods have been employed at all stages of the exploration.

## Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Lifidzi Hand Auger Drilling Commentary
<b>Mineral tenement &amp; land tenure status</b>	Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environment settings.	The Company owns 100% of 3 Exclusive Prospecting Licences (EPLs) in Malawi. EPL0355 granted in 2015 for 2 years, EPL0372 granted in 2016 for 2 years, EPL0413 granted in 2014 for 3 years. All EPLs are renewable for two additional periods of 2 years each upon expiry.
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	The tenements are in good standing and no known impediments to exploration or mining exist.
<b>Exploration done by other parties</b>	Acknowledgement and appraisal of exploration by other parties.	No other parties were involved in exploration.
<b>Geology</b>	Deposit type, geological setting and style of mineralisation	The graphite mineralisation occurs as multiple bands of graphite gneisses, hosted within a broader Proterozoic paragneiss package. In the Malingunde and Lifidzi areas specifically, a deep topical weathering profile is preserved, resulting in significant vertical thicknesses from near surface of saprolite-hosted graphite mineralisation.
<b>Drill hole information</b>	A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all material drill holes: easting and northings of the drill hole collar; elevation or RL (Reduced Level-elevation above sea level in metres of the drill hole collar); dip and azimuth of the hole; down hole length and interception depth; and hole length	Refer Table A in Appendix 1.
	If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case	Not Applicable, no information has been excluded.
<b>Data aggregation methods</b>	In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually material and should be stated.	A minimum 5% TGC cut-off grade was applied. Mineralisation occurring in soil or ferruginous pedolith is excluded from intercepts as it is considered the flake size is too fine to warrant future extraction in these zones.
	Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	Not applicable – no short lengths of high grades occur.
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	No metal equivalent values are used in this report.
<b>Relationship between mineralisation widths &amp; intercept lengths</b>	These relationships are particularly important in the reporting of Exploration Results.	Information gathered at a regional scale from 100K mapping suggest moderately to steeply dipping mineralised zones dominate.
	If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.	At this stage of exploration and given the lack of outcrop in the field this relationship is somewhat uncertain. However, map patterns and limited outcrop suggest moderate to steep dips.
	If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'.	Down-hole length, true width not known.
<b>Diagrams</b>	Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of the drill collar locations and appropriate sectional views.	See Figures within the main text of this report.
<b>Balanced reporting</b>	Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of exploration results.	Representative low and high grades are reported.
<b>Other substantive exploration data</b>	Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples - size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	No additional meaningful and material exploration data has been excluded from this report that has not previously been reported to the ASX.
<b>Further work</b>	The nature and scale of planned further work (e.g. test for lateral extensions or depth extensions or large-scale step-out drilling).	Additional hand-auger drilling is being undertaken in order to expand areas of known saprolitic graphite mineralisation.