

COMMENCEMENT OF PRE-FEASIBILITY STUDY FOR THE DUWI FLAKE GRAPHITE PROJECT

Sovereign Metals Limited (“**Sovereign**” or “**Company**”) is pleased to announce that it has commenced a Pre-Feasibility Study (“**PFS**”) on the Duwi Flake Graphite Project located in Malawi.

Highlights:

- *The PFS, to be managed by Nova Projects, is underpinned by the robust economics of the Duwi Flake Graphite Project highlighted in the 2015 Scoping Study.*
- *The scope of the PFS will include the evaluation of a number of production capacity versus capex, opex and revenue scenarios.*
- *Additional diamond drilling is set to commence at Duwi in the coming weeks in order to provide samples for further metallurgical and upstream (spherical & expandable) test-work, as well as provide concentrates for testing by prospective offtake partners.*
- *A comprehensive graphite characterisation testing program is currently being conducted by an established and world-renowned German industrial minerals laboratory. This work will assess the Duwi concentrates for suitability in Li-Ion battery technology (spherical graphite) and further assess its expandable properties.*
- *Meetings are scheduled in the coming weeks to progress the existing strategic partnership with Volinco with a view to securing binding offtake and future project development funding in the coming months.*
- *The Company continues to assess additional offtake and partnership options both within China and in other Asian, European and North American jurisdictions.*

Managing Director Dr Julian Stephens said, “We are delighted to be able to launch the PFS for the Duwi Project in Malawi. This PFS will generate substantial news flow over the coming months, and we are looking forward to releasing the results as the study advances.”

“The strong fundamentals of the Duwi Project and our recent capital raising means that we are now very well placed to take full advantage of the rapidly growing spherical and traditional flake graphite markets”.

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About Sovereign's Malawi Graphite Project

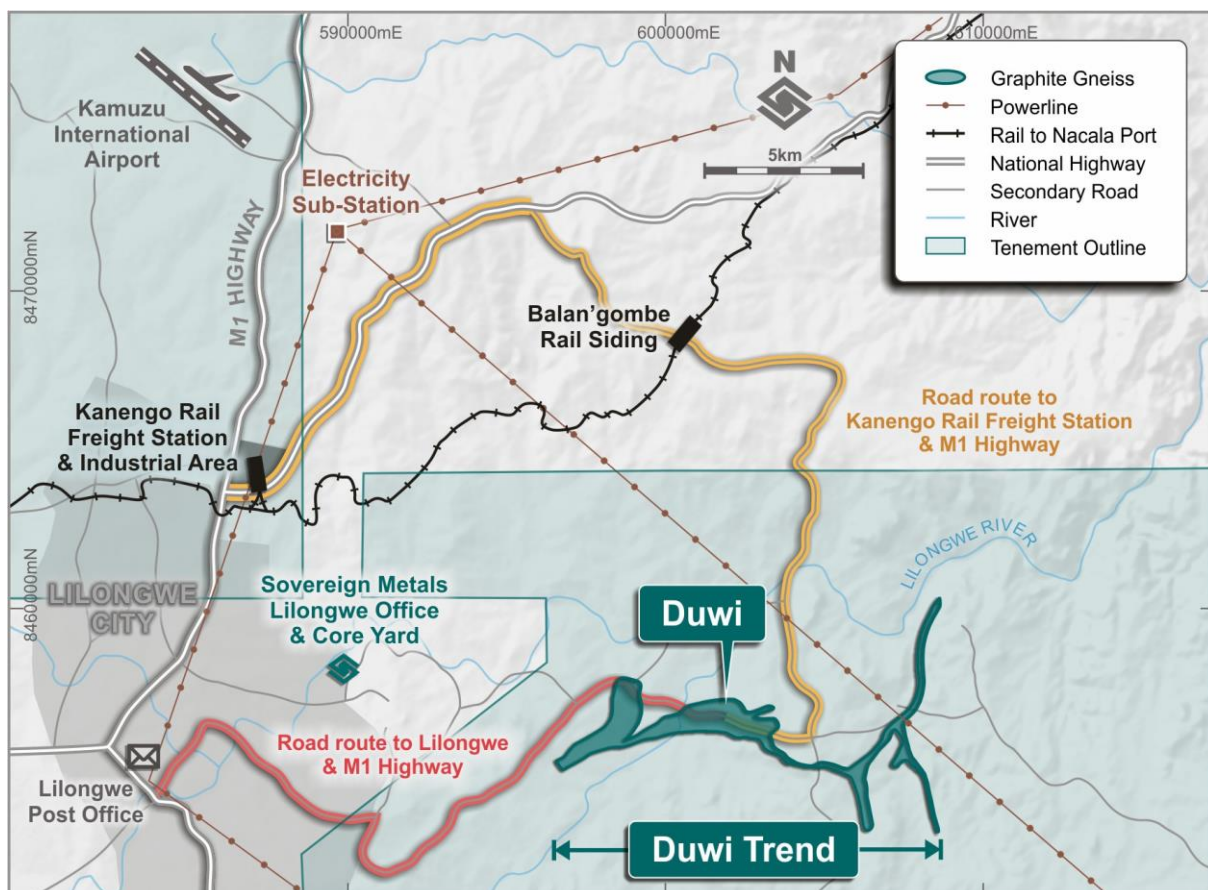
East Africa is well-known for its premium flake graphite quality, with major deposits located in Mozambique, Tanzania and Malawi. Sovereign Metals Limited (ASX:SVM) is developing its 100%-owned flake graphite deposits all located within a 20km radius from Malawi's capital, Lilongwe. The Company is targeting the traditional expandable flake graphite market, and the fast-growing rechargeable battery market.

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

In 2015, Sovereign completed a Scoping Study which confirmed Duwi as having the potential to be a world-leading, high margin flake graphite project.

A soft saprolite-hosted deposit discovered in 2015 at Malingunde may provide an additional option for the Company, as saprolite-hosted deposits can have significantly lower capital and operational costs than hard rock graphite deposits.

In October 2015 the Company entered into a Strategic Offtake and Development Funding Partnership with major Chinese corporation China Volant Industry Co Ltd ("Volinco"), pursuant to which Volinco and the Company will work together to secure development funding and long term graphite offtake arrangements in mainland China for the Duwi Flake Graphite Project.



Forward Looking Statement

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

Competent Person Statement

The information in this report that relates to Mineral Resources is extracted from the report entitled 'Maiden JORC Resource Confirms Duwi as one the World's Largest Graphite Deposits' dated 17 October 2014. The announcement is available to view on www.sovereignmetals.com.au. 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.