



SOVEREIGN GOLD
COMPANY LIMITED

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Latest News

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Directors / Officers

Charles Thomas (Chairman)
Rocco Tassone (MD)
Patrick Glovac

ASX: SOC

Qualifying Statements

The information in this Report that relates to Exploration Information is based on information compiled by Michael Leu who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

Mr Leu is a qualified geologist and is the Chief Geologist of Sovereign Gold Company Limited.

Mr Leu 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 Resources. Mr Leu consents to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Sovereign Gold to acquire Nevada Lithium Project

- Sovereign Gold exercises option for 111 Clayton Valley Claims on revised acquisition terms with potential lithium-bearing aquifers and “subsurface lithium rich clay-style” deposits just 400 kilometres (3.5 hour drive) from the Tesla Mega-Factory (largest Lithium based battery manufacturer)
- The 111 Claims overlie the Clayton Valley Basin and a gravity survey by Rodinia¹ indicates a considerable thickness (400 – 800 metres from surface to basement) of potential lithium-bearing stratigraphy is present beneath the claims
- Adjacent and neighbouring Matica Enterprises and Pure Energy drilling results to date indicate the 111 claims are favourably situated for the potential existence of ash unit hosted lithium brines
- Sovereign Gold will be drill testing for eastward lateral extensions of aquifers discovered by Pure Energy in their adjacent claims and also drill test to the north where Matica’s (McGee) adjoining claims represent a very promising first order target for lithium brine exploration
- Sovereign Gold will look to appoint an in-country geologist and drilling operator
- Neighbouring Clayton Valley land holders include the largest Lithium Producer in the USA, producing since 1967, Albemarle Corp (NYSE: ALB) Market Cap US\$8.55bn, Lithium X (TSX-V: LIX) Market Cap US\$80M and Pure Energy Minerals (TSX-V: PE) Market Cap US\$25M
- Mt Adrah Gold Project and Halls Peak remains a strong focus for the company. Mt Adrah technical report is expected in the coming weeks
- Board continues to assess other significant Lithium and Gold opportunities

Sovereign Gold Company Ltd (“Sovereign Gold” or “the Company”) (ASX Code: SOC) is pleased to announce it has exercised its option to acquire 111 claims from the original 118 Clayton Valley Lithium claims in Nevada, USA (“Clayton Valley Option” or “111 Claims”), for a revised consideration.

¹ Gravity Survey completed for Rodinia Minerals, Inc in 2009 by Hasbrouck Geophysics



Acquisition Terms

The Company will acquire 100% of the issued capital of Nevlith Pty Ltd, which have exercised their option to acquire the 111 claims referred to in the Clayton Valley Option.

The consideration for the acquisition of the Project is:

- the allotment and issue of 12,500,000 fully paid ordinary shares in the Company. (**Consideration Shares**) at completion of the acquisition;
- the allotment and issue of 12,500,000 options at an exercise price \$0.006 on or before the date that is three years from their date of allotment and issue (**Consideration Options**) at completion of the acquisition;
- a payment in cash of US\$100,000 at completion of the acquisition (**Cash Consideration**); and;
- the allotment and issue of a further 35,000,000 fully paid ordinary shares (**Deferred Consideration Shares**) OR AU\$175,000 (**Cash Consideration**) at the discretion of Sovereign Gold Company upon confirmation of a JORC-complaint inferred lithium carbonate resource of at least 300,000 tonnes from the ground comprising the claims.

The securities will be issued following shareholder approval or through any share placement facility available to the Company under Listing Rules 7.1 and 7.1A.

Full form agreements are being drafted and completion of the acquisition is expected within four weeks.

Board Comments

Managing Director Rocco Tassone commented, *"I believe recent capital management initiatives have resulted in a healthy cash balance and the elimination of all debt has positioned the company for a significant turnaround in the second-half of 2016.*

"Acquiring the Lithium project in Nevada in the Lithium producing area of Clayton Valley is a significant step forward and I am encouraged by fellow ASX listed entity Global Geoscience Ltd (ASX: GSC) recognising the Lithium potential of Nevada. I am also excited to potentially add a further prospective Lithium project to our portfolio in the coming months.

"The board of Directors along with myself are buoyed by the overwhelming support of shareholders in the recent Rights Issue and at the recent AGM. We look forward to delivering for our shareholders".

The Board continues to identify and review highly prospective Lithium and Gold projects both domestic and internationally to complement and enhance its existing resources portfolio.

It will also provide an update to the market regarding Mt Adrah and Halls Peak, with both assets remaining a strong focus of the Company, which will assist in delivering additional upside to shareholders.

Geological Setting

Six aquifers have been defined in the Clayton Valley Basin and aquifers with Lithium brines are potentially present within the 111 Claims. A gravity survey (NI 3-101 Inferred Resource Report, Pure Energy Minerals) shows the 111 Claims overlie a considerable thickness of deep basin sediments (Figures 3 and 4) that in places, on the western side, can extend 400 - 800 metres vertically to basement. This potential lithium-bearing stratigraphy encompasses the depth range of the two lithium-bearing aquifers discovered to date by Pure Energy in their adjacent claims.

Potential exists for the lithium-bearing aquifers beneath the 111 Claims and based on Pure Energy's drilling results to date it is apparent the 111 Claims are favourably situated for the potential existence of ash unit hosted lithium brines.

Sovereign Gold will look to appoint an in-country geologist and drilling operator to drill test for eastward lateral extensions of aquifers discovered by Pure Energy in their adjacent Claims and also to the north where Matica's (McGee) adjoining claims represent a very promising first order target for lithium brine exploration.

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Some portions of the thick basin fill units within the Clayton Valley have been proven to contain large aquifer systems and these will be the prime exploration targets within the 111 Claims. From extrapolation of published data in similar areas within the Clayton Valley it is assumed that the basin fill will contain numerous discrete aquifers and that lithium values will vary from one aquifer to another.

The 111 Claims are primarily focused on brine deposits but also have primary senior rights to surface and subsurface lithium-rich clays. The 111 Claims overlie a north-eastern portion of the Clayton Valley and thus could potentially contain aquifer hosted brines.

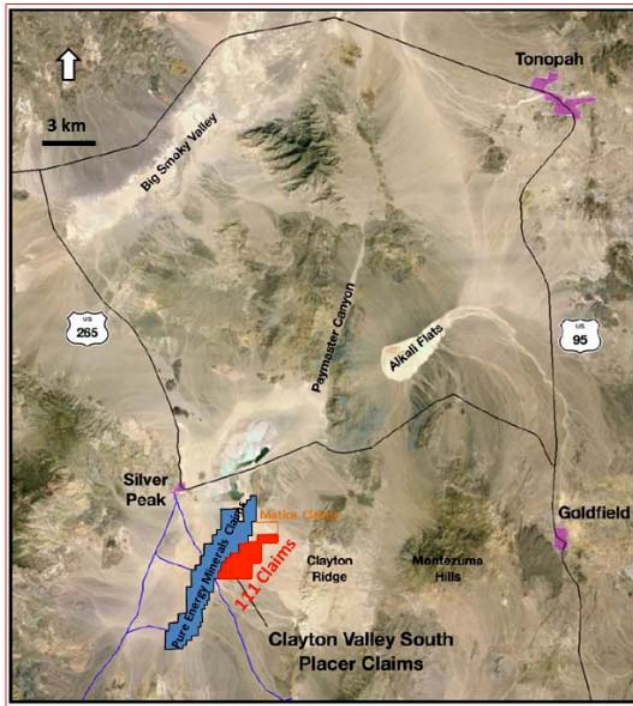


Figure 1: The 111 Claims directly abuts the Pure Energy Minerals and Matica Enterprises Claims that host lithium bearing clays and lithium brine bearing aquifers (modified from Pure Energy Minerals Technical Report NI 43-101, July 2015).

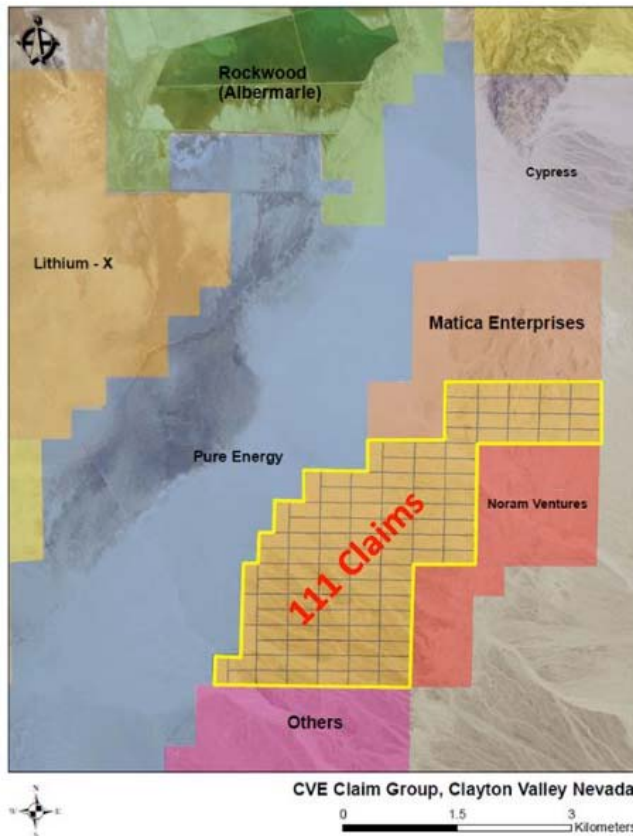


Figure 2: The 111 Claims in relation to claims held by Pure Energy, Matica Enterprises, Lithium-X and Cypress.

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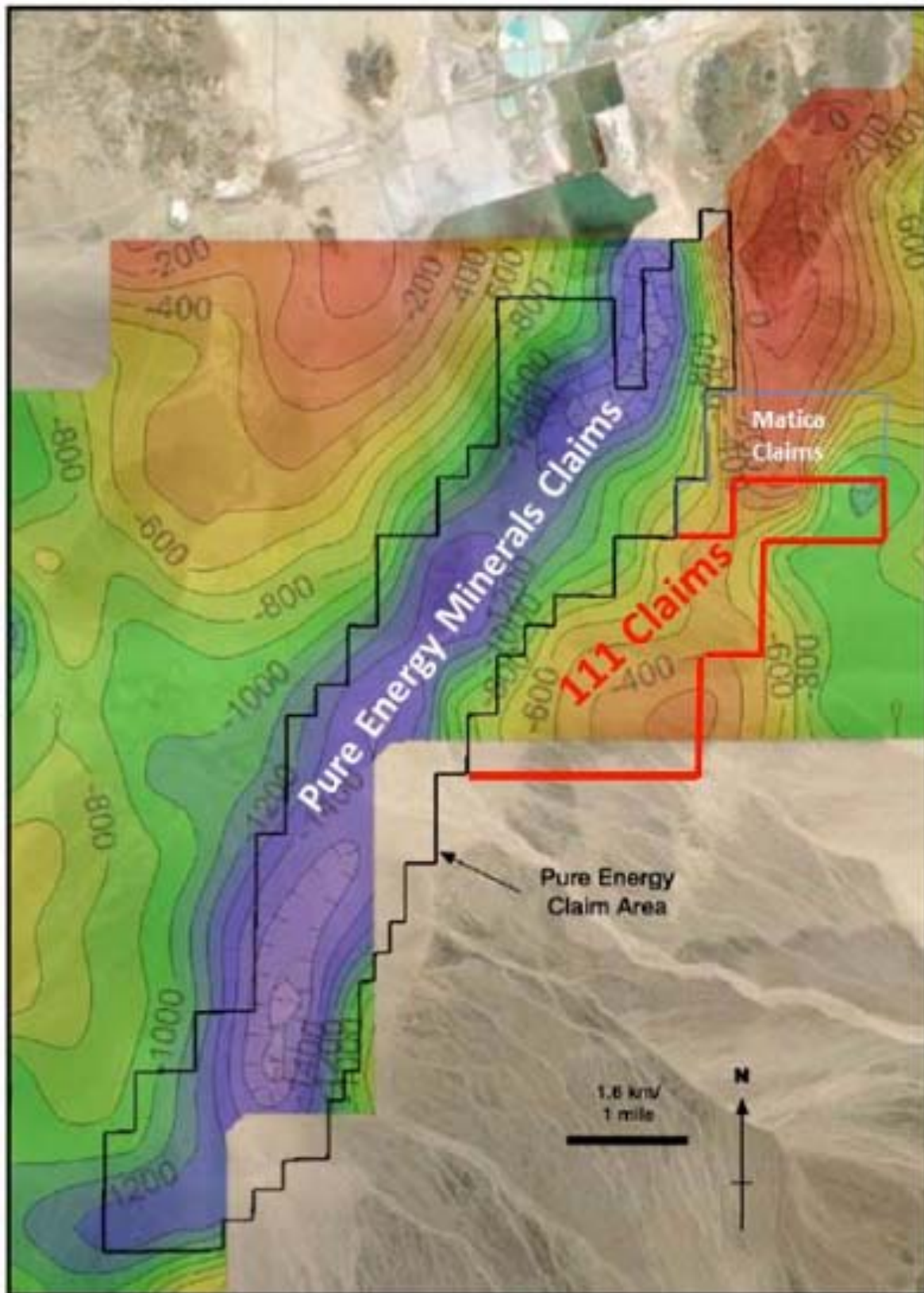


Figure 3: The 111 Claims (approximated by red outline) adjoins the Pure Energy Minerals and Matica Enterprises Claims. Gravity survey (interpreted depth to basement in metres) overlayed on satellite image (modified from Pure Energy Minerals Technical Report NI 43-101, July 2015).

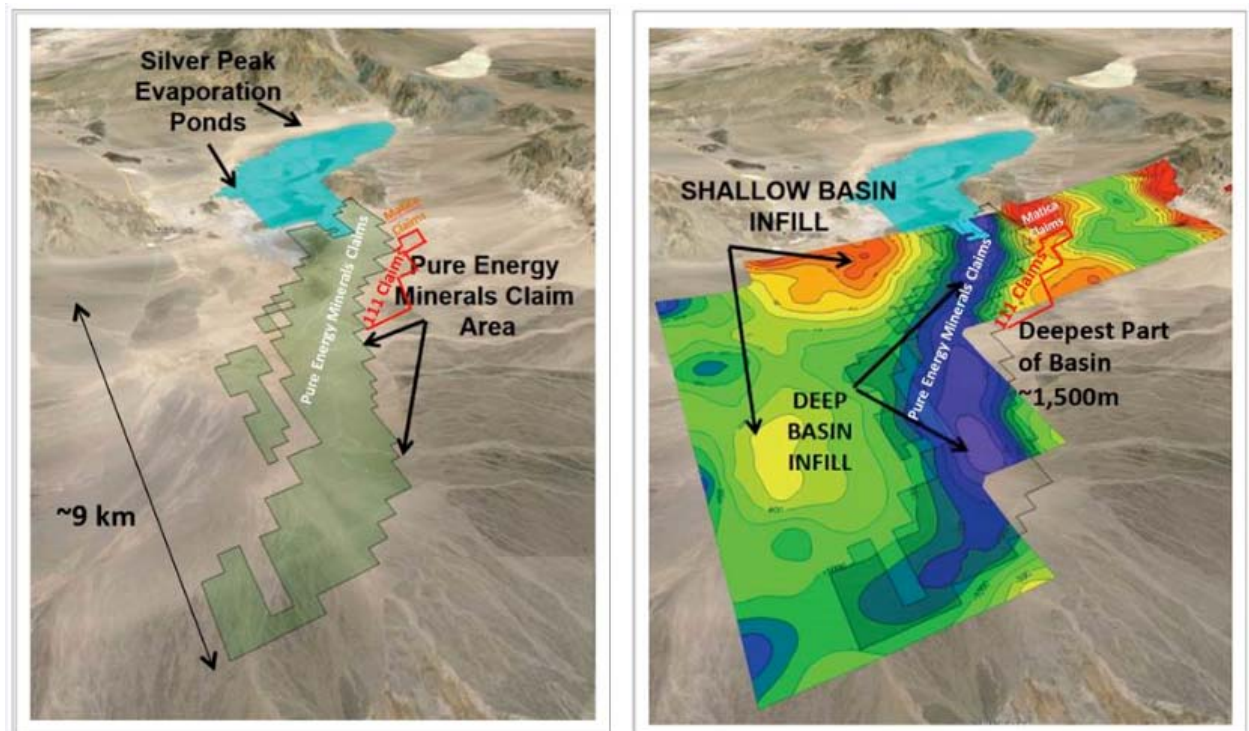


Figure 4: The 111 Claims adjoins the Pure Energy Minerals and Matica Enterprises Claims. LHS: Note the close proximity of the 111 Claims to the lithium producing evaporation ponds of the Silver Peak Lithium Mine. RHS: Gravity survey (interpreted depth to basement in metres) overlaid on satellite image (modified from Pure Energy Minerals Technical Report NI 43-101, July 2015).

Historic and present drilling programs in adjacent and nearby properties suggest the potential for discovery of lithium-bearing brines. Matica Enterprises hold the Matica North McGee Claims that share part of the 111 Claims northern boundary and extend north from there and like the 111 Claims share a common boundary with the eastern perimeter of the Pure Energy Minerals Claim.

Surface samples of mineralised claystone-volcanic ash sequence from Matica's McGee tenements, that extends north from the 111 Claims, have returned up to 1070ppm lithium from clays. Matica has reason to expect that higher Li levels will be found at depth below the exposed, mineralised claystone-volcanic ash sequence. At levels below the water table, Matica predicts that lithium bearing brines may be found. Matica states, "Two high quality Li targets are currently recognized on the property. First, the outcropping, mineralised claystones and interbedded ash units in the central portion of the property are a highly attractive exploration target as these materials are used to build evaporation ponds. Secondly, subsurface brine targets are also readily apparent. Ground water directly below the outcrops is very likely to contain lithium brines due to the observed mineralisation at surface. This would include the known presence of multi-metre thick ash units which serve as the primary lithium brine aquifers in the Clayton Valley." Similar potential should exist in the 111 Claims.

The 111 Claims abut the north-eastern perimeter of Pure Energy Minerals Claim then extends east towards Clayton Ridge. The Pure Energy Minerals Claim (PEMC) overlies the deepest portions of a trough detected by a gravity survey. However, the 111 Claims cover the eastern flank of this gravity trough and contain some north-south structures (faults) that potentially can act as controls to lithium brine movement.

The Pure Energy Mineral's Lithium Brine Project has a Lithium Carbonate Equivalent (LCE) Inferred Resource ((NI 3-101 Inferred Resource Report, Pure Energy Minerals July 2015) of 816,000 metric tonnes; the brine contains grades of lithium ranging from 37 parts per million (ppm) to 400 ppm (PEM website). The resource is a salty groundwater (brine) with high levels of lithium contained in two aquifers (Main Ash Aquifer and Lower Aquifer System) that underlie Pure Energy's claim area.

The brine can be simply 'mined' by drilling boreholes into the aquifers and pumping the brine to surface for lithium removal. The lithium brines are hosted within loose sediments (gravels, sands, silts etc.) that infill the extensive and deep basin beneath Pure Energy's claim area. To date, drilling by Pure Energy has encountered lithium-bearing brines from approximately 450 ft (137 metres) below ground level,

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down to approximately 1,600 ft (488 metres) below ground level (Pure Energy Mineral's website). As stated above the 111 Claims overlie a considerable thickness (400 – 800 metres from surface to basement) of potential lithium-bearing stratigraphy that encompass the depth range of the two lithium-bearing aquifers discovered to date by Pure Energy.

Sovereign Gold has reviewed data in the Pure Energy (TSX-V: PE) NI 43-101 Technical Report titled "Inferred Resource Estimate for Lithium, Clayton Valley South Project", dated July 17, 2015. The data appears to indicate favourable lithium brine exploration targets along the western and west central portions of the 111 Claims. Drilling can test if the two lithium-bearing aquifers discovered by Pure Energy extend laterally beneath the 111 Claims.

The 111 Claims are positioned along the north-eastern flank of a SW-NE trending gravity trough that defines the topographic low keel of the basin. This topographic position has potential to host basin brines at depth below the 111 Claims. Gravity data (NI 3-101 Inferred Resource Report, Pure energy Minerals) shows the 111 Claims are underlain by a very thick sequence (mostly extending from 400 – 800 metres from surface to basement) of basin fill stratigraphy. The 111 Claims cover a north-eastern part of the gravity low, interpreted to be an elongated infilled basin (Figures 3 and 4). The eastern boundary of the basin is steeper than that of the western edge. Pure Energy suggests this may be due to steeper or more pronounced normal faulting along the eastern edge, and/or the presence of more complex faulting along the western edge of the graben. They note the presence, location and orientation of the faults are likely important factors in controlling the lateral extent of lithium-bearing brines.

Clayton Valley Basin Overview

The Clayton Valley Basin is endowed in places with both lithium-rich brines and clays. Sovereign Gold's claims are situated at the north-east side of south end of the Clayton Valley Basin and to the south of the only producing lithium mine in North America. The location is well suited to service the US domestic market with lithium brines exploited by scalable, staged development that can be expanded with increasing demand.

Nevada's Clayton Valley is the site of the only lithium brine production operation in North America. Nevada has been and continues to be an active area of lithium exploration and mining. The Silver Peak lithium mine to the north-east of the property has extracted lithium minerals from brines continuously since 1966.

Clayton Valley is located within the Basin and Range Province in southern Nevada. It is a closed-basin that is fault bounded on the north by the Weepah Hills, the east by Clayton Ridge, the south by the Palmetto Mountains and the west by the Silver Peak Range and Mineral Ridge. The basin-filling strata compose the aquifer system and host the Li-rich brines that have currently been shown to be present in six different aquifers (Munk et al., 2011). The north and east parts of Clayton Valley are flanked with Miocene to Pliocene sediments containing multiple primary and reworked volcanic ash deposits within fine-grained clay and silt units. These deposits are a part of the Esmeralda Formation. The Late Miocene to Pliocene tuffaceous lacustrine facies of the Esmeralda Formation contain up to 1,300 ppm lithium and an average of 100 ppm lithium (Kunasz, 1974; Davis and Vine, 1979). (Pure Energy, NI 43-101 report, July 2015).

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