



SOVEREIGN
METALS LIMITED

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2023**

ABN 71 120 833 427

CORPORATE DIRECTORY

Directors

Mr Benjamin Stoikovich	Chairman
Mr Frank Eagar	Managing Director and CEO
Mr Ian Middlemas	Non-Executive Director
Dr Julian Stephens	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Nigel Jones	Non-Executive Director

Company Secretary

Mr Dylan Browne

London Office

Unit 3C, 38 Jermyn Street, London
 SW1Y 6DN, United Kingdom
 Telephone: +44 207 478 3900

Cape Town Office

Ground Floor, Block C,
 The Terraces, Steenberg Office Park
 Cape Town, South Africa

Operations Office

Area 4
 Lilongwe
 Malawi

Registered and Principal Office

Level 9, 28 The Esplanade
 Perth WA 6000
 Telephone: +61 8 9322 6322

Stock Exchange Listings

Australia

Australian Securities Exchange
 ASX Code: **SVM – Ordinary Shares**

United Kingdom

London Stock Exchange (AIM)
 AIM Code: **SVML – Depository Interests**

Nominated Advisor & Broker

SP Angel Corporate Finance LLP
 Prince Frederick House
 35-39 Maddox Street
 London W1S 2PP, United Kingdom

Brokers

Berenberg, Gossler & Co, KG, London Branch
 60 Threadneedle Street
 London EC2R 8HP
 United Kingdom
 T: +44 20 3753 3132

Share Register

Australia

Computershare Investor Services Pty Ltd
 Level 17
 221 St Georges Terrace
 Perth WA 6000

Telephone: 1300 850 505
 International: +61 8 9323 2000
 Facsimile: +61 8 9323 2033

United Kingdom

Computershare Investor Services PLC
 The Pavilions,
 Bridgewater Road,
 Bristol BS99 6ZZ
 Telephone: +44 370 702 0000

Solicitors

Thomson Geer

Auditor

Ernst & Young

Bankers

National Australia Bank
 Standard Bank – Malawi

CONTENTS

	Page
Directors' Report	1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Financial Statements	11
Directors' Declaration	15
Competent Person Statement	16
Auditor's Independence Declaration	17
Independent Auditor's Review Report	18

The Directors of Sovereign Metals Limited present their report on Sovereign Metals Limited (**Sovereign** or the **Company** or **Parent**) and the entities it controlled at the end of, or during, the half year ended 31 December 2023 (**Consolidated Entity** or **Group**).

DIRECTORS

The names of Directors in office at any time during the financial period or since the end of the financial period are:

Current Directors

Mr Benjamin Stoikovich	Chairman
Mr Frank Eagar	Managing Director and CEO (appointed 20 October 2023)
Mr Ian Middlemas	Non-Executive Director
Dr Julian Stephens	Non-Executive Director (previously Managing Director, Non-Executive as of 20 October 2023)
Mr Mark Pearce	Non-Executive Director
Mr Nigel Jones	Non-Executive Director

All Directors were in office from 1 July 2023 until the date of this report, unless otherwise noted.

REVIEW AND RESULTS OF OPERATIONS

KASIYA RUTILE-GRAPHITE PROJECT

Sovereign is focused on the development of its Kasiya rutile-graphite project (**Kasiya** or **the Project**) in Malawi. The Pre-Feasibility Study (**PFS**) confirmed Kasiya as a potentially major critical minerals project delivering industry-leading economic returns and sustainability metrics.

The Company's objective is to develop a large-scale, long life rutile-graphite operation, focusing on developing an environmentally and socially responsible, sustainable operation.



Figure 1: Sovereign's Kasiya project displaying location in South-East Africa

Kasiya is the largest rutile deposit in the world with more than double the contained rutile as its nearest rutile peer, Sierra Rutile. The Kasiya Mineral Resource Estimate (**MRE**) is 1.8 Billion tonnes (**Bt**) at 1.0% rutile resulting in 17.9 Million tonnes (**Mt**) tonnes of contained natural rutile and 24.4Mt of contained graphite. The MRE has broad zones of very high-grade rutile which occurs contiguously across a very large area of over 200km². Rutile mineralisation lies in laterally extensive, near surface, flat “blanket” style bodies in areas where the weathering profile is preserved and not significantly eroded. Kasiya’s graphite co-product MRE is 1.8Bt at 1.4% graphite, containing over 24.4Mt of graphite.

SUMMARY AND HIGHLIGHTS DURING AND SUBSEQUENT TO PERIOD END

PFS Results

- Results of the PFS released in late 2023 demonstrated Kasiya’s potential to become the world’s largest rutile producer at an average of 222kt per annum and one of the world’s largest natural graphite producers outside of China at an average of 244kt per annum based on an initial 25 year life-of-mine (**LOM**)
- PFS delivered compelling economics with a post-tax NPV₈ of US\$1.6 Billion and post-tax IRR of 28%. This long-life, multi-generational operation was modelled to initially generate over US\$16 Billion of revenue and provide an average annual EBITDA of US\$415 Million per annum
- The PFS modelling was limited to only 25 years with an initial Probable Ore Reserves declared of 538Mt, representing only 30% of the total Project MRE

Project Optimisation

- Sovereign advanced optimisation test work and technical studies for Kasiya with the Company’s strategic investor, Rio Tinto
- Significant field activities and a number of test work programs have commenced in order to provide data for the Project optimisation phase
- The Company aims to become the world’s largest, lowest cost and lowest-emissions producer of two critical minerals – titanium (rutile) and graphite

Rio Tinto invests \$40.6m to become a 15% Strategic Investor

- Rio Tinto made an investment of A\$40.6 million in Sovereign resulting in an initial 15% shareholding plus options to increase their position to potentially 19.99% within 12 months
- Rio Tinto’s investment represents a significant step towards unlocking a major new supply of low-CO₂ natural rutile and flake graphite
- Under the Investment Agreement, Rio Tinto will provide assistance and advice on technical and marketing aspects including Sovereign’s graphite co-product, with a primary focus on spherical purified graphite for the lithium-ion battery anode market

Key Management Appointments to Drive Project Optimisation and Development at Kasiya

- Appointment of experienced African based mining executive, Mr Frank Eagar, as the new Managing Director and CEO
- Previous Managing Director Dr Julian Stephens has transitioned to Non-Executive Director
- Key technical appointments of experienced African engineering, social, environmental and legal teams to work on project optimisation and advancing the development of the Kasiya Project

Lithium-ion battery graphite program upscaled

- Over 60 tonnes of ore was extracted targeting production of an initial 600kg of natural graphite for lithium-ion battery anode test work and product qualification
- The upscaled graphite qualification program will support ongoing Project studies
- Sovereign and Rio Tinto have agreed to collaborate to qualify graphite from Kasiya, with a particular focus on supplying the spherical purified graphite (SPG) segment of the lithium-ion battery anode market
- This graphite qualification program coincides with China's announced curbs on exports of natural graphite, a critical mineral for the US, EU, Japan and Australia



Figures 2 & 3: Bulk sample mechanised spiral drilling and sampling at Kasiya in November 2023

Extensions to Rutile & Graphite Mineralisation at Kasiya

- Wide-spaced regional reconnaissance drilling, outside the current JORC (2012) compliant MRE area, identified a 8km extension of mineralisation to the south which remains open along strike and at depth
- Results are testament to the world-class scale of the Kasiya deposit and demonstrate potential for a future increase of the Kasiya's MRE, which is already the largest natural rutile deposit and second largest flake graphite deposit in the world

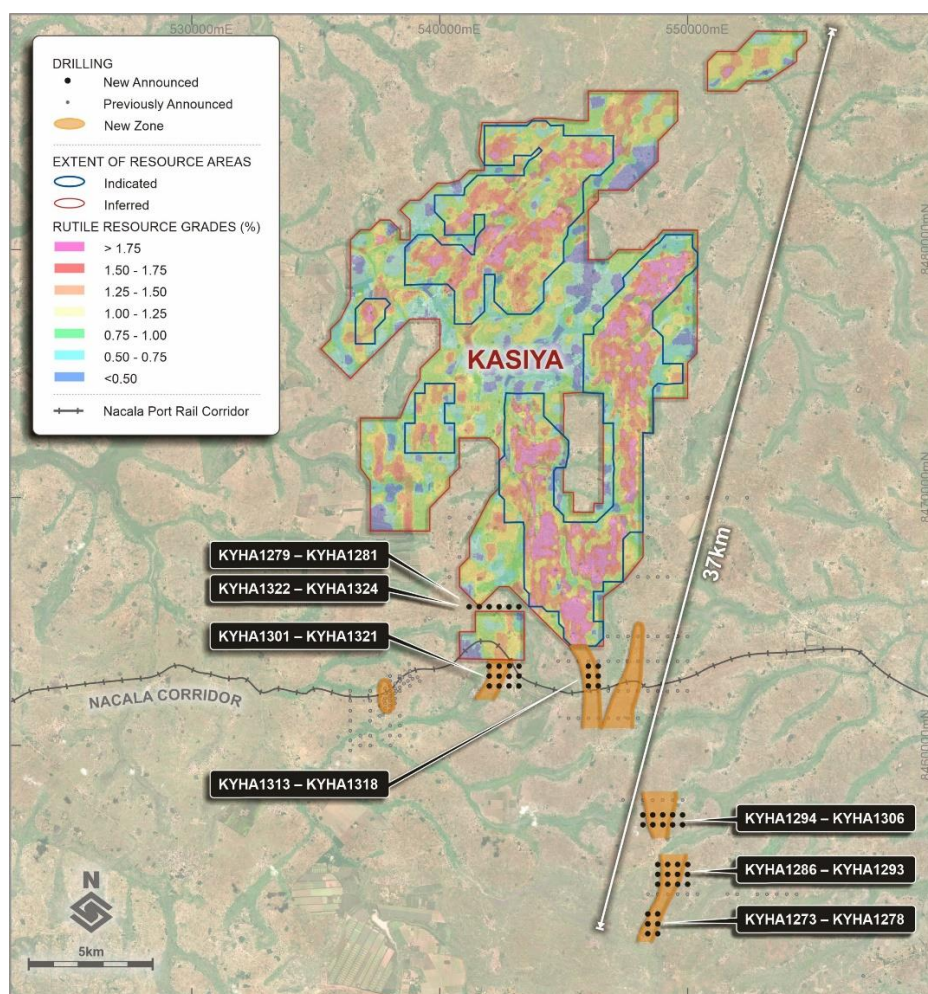


Figure 4: Southern newly defined mineralised extensions at Kasiya

Strong Support from the Government of Malawi

- The Government of Malawi has applauded the timely investment by Rio Tinto and marked it as a milestone towards realising the country's aspirations of growing the mining sector as a priority industry
- PFS demonstrates Kasiya's potential to provide significant socio-economic benefits for Malawi including fiscal returns, job creation, skills transfer and sustainable community development initiatives
- With mining being one of the key pillars for growth under Malawi's economic development strategy (Agriculture, Tourism, Mining - ATM Policy) and the potential for Kasiya to be a project of national significance, the Government has constituted an Inter-ministerial Project Development Committee to work alongside the Company to assist in the permitting process

Highly-experienced social specialist appointed

- Africa-based social specialist consultancy, SocialEssence were appointed to lead social and community development programs for Sovereign in Malawi
- SocialEssence joins Sovereign's Owners Team and will design, implement, and manage several social and community initiatives which will feed into Project studies and permitting
- SocialEssence has a strong and successful track record of implementing social responsibility programs across southern Africa, including at First Quantum Minerals' Zambian project

Commissioning of Sustainable Farming Initiative in Malawi

- Sovereign initiated a Conservation Farming Program in Malawi as part of its sustainability initiatives related to the development of Kasiya
- Local farmers will be trained in sustainable farming techniques to increase maize crop yield; protect soil from erosion and degradation; and to improve long term food security

- Supporting local communities in addressing their social priorities is a core principle of Sovereign's ESG Strategy as the company advances the development of Kasiya
- Sovereign's owner's team have previously implemented this program at First Quantum Minerals' Zambian operations where over 7,000 farmers were participating in the program by 2022



Figure 5: Local communities embracing the conservation farming program

Transfer of Malingunde licence to NGX Limited

In January 2024, NGX Limited (NGX) was issued with a retention licence of the Malingunde graphite project which fully completed the demerger of Sovereign's standalone graphite projects. In 2023, Sovereign successfully demerged its standalone graphite projects (Nanzeka Project, Malingunde Project, Duwi Project and Mabuwa Project) into NGX, which listed on ASX in June 2023.

OPERATING RESULTS

The net operating loss after tax for the half year ended 31 December 2023 was \$6,976,503 (2022: \$8,486,503) which is attributable to:

- (i) Interest income of \$938,402 (2022: \$138,366) earned on term deposits held by the Group;
- (ii) exploration and evaluation expenditure of \$5,027,397 (2022: \$5,792,042), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure (other than expenditures incurred in the acquisition of the rights to explore) incurred by the Group in the period subsequent to the acquisition of the rights to explore up to the successful completion of definitive feasibility studies for each separate area of interest. The exploration and evaluation expenditure in the current period predominately relates to the Group's PFS at its Kasiya Project in Malawi;
- (iii) business development expenses of \$996,548 (2022: \$1,130,083) which are attributable to the Group's investor and shareholder relations activities including but not limited to public relations costs, marketing and digital marketing, broker and advisor fees, travel costs, conference fees, business development consultant fees and costs of the Group's ASX and AIM listings; and
- (iv) non-cash share based payments expenses of \$1,089,974 (2022: \$1,061,657) which is attributable to the Group's accounting policy of expensing the value of shares, incentive options and rights (estimated using an appropriate pricing model) granted to key employees, consultants and advisors. The value of incentive options and rights is measured at grant date and recognised over the period during which the option and rights holders become unconditionally entitled to the incentive securities.

DIRECTORS' REPORT (Continued)



FINANCIAL POSITION

At 31 December 2023, the Group had cash reserves of \$39,436,707 (30 June 2023: \$5,564,376) placing it in an excellent financial position to continue with the development of Kasiya.

At 31 December 2023, the Company had net assets of \$44,263,313 (30 June 2023: \$9,672,569), an increase of 358% compared with the prior period. This is largely attributable to the increase in cash reserves following the investment made by Rio Tinto in the period.

SIGNIFICANT POST BALANCE DATE EVENTS

Other than the above, there are no matters or circumstances which have arisen since 31 December 2023 that have significantly affected or may significantly affect:

- the operations, in periods subsequent to 31 December 2023, of the Group;
- the results of those operations, in periods subsequent to 31 December 2023, of the Group; or
- the state of affairs, in periods subsequent to 31 December 2023, of the Group.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Sovereign Metals Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is on page 17 and forms part of this Directors' Report.

This report is made in accordance with a resolution of the directors made pursuant to section 306(3) of the Corporations Act 2001.

For and on behalf of the Directors

A handwritten signature in black ink, appearing to read "Frank Eagar", written over a faint circular stamp.

Frank Eagar
Managing Director and CEO

13 March 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE HALF YEAR ENDED 31 DECEMBER 2023



	Note	Half Year Ended 31 December 2023 \$	Half Year Ended 31 December 2022 \$
Interest income		938,402	138,366
Other expenses		(173,386)	(45,234)
Exploration and evaluation expenses		(5,027,397)	(5,792,042)
Corporate and administrative expenses		(572,119)	(474,014)
Business development expenses		(996,548)	(1,130,083)
Share based payments expense	4(d)	(1,089,974)	(1,061,657)
Demerger expenses		(55,481)	(121,839)
Loss before income tax		(6,976,503)	(8,486,503)
Income tax expense		-	-
Loss for the period		(6,976,503)	(8,486,503)
Other comprehensive income/(loss), net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on foreign entities		3,530	(38,018)
Other comprehensive income/(loss) for the period, net of income tax		3,530	(38,018)
Total comprehensive loss for the period		(6,972,973)	(8,524,521)
Loss attributable to members of Sovereign Metals Limited		(6,972,973)	(8,524,521)
Total comprehensive loss attributable to members of Sovereign Metals Limited		(6,972,973)	(8,524,521)
Loss per share			
Basic and Diluted loss per share (cents per share)	5	(1.1)	(1.8)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**
AS AT 31 DECEMBER 2023



	Note	31 December 2023 \$	30 June 2023 \$
ASSETS			
Current Assets			
Cash and cash equivalents		39,436,707	5,564,376
Other receivables		353,837	286,484
Other financial assets		245,000	420,000
Total Current Assets		40,035,544	6,270,860
Non-current Assets			
Property, plant and equipment		525,551	532,039
Exploration and evaluation assets	3	5,086,129	5,086,129
Total Non-current Assets		5,611,680	5,618,168
TOTAL ASSETS		45,647,224	11,889,028
LIABILITIES			
Current Liabilities			
Trade and other payables		1,288,116	2,063,838
Provisions		95,795	152,621
Total Current Liabilities		1,383,911	2,216,459
TOTAL LIABILITIES		1,383,911	2,216,459
NET ASSETS		44,263,313	9,672,569
EQUITY			
Issued capital	4(a)	117,835,631	74,508,488
Reserves	4(b)	(5,080,122)	(3,320,226)
Accumulated losses		(68,492,196)	(61,515,693)
TOTAL EQUITY		44,263,313	9,672,569

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**



	Issued Capital \$	Share Based Payments Reserve \$	Demerger Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2023	74,508,488	4,155,950	(7,336,678)	(139,498)	(61,515,693)	9,672,569
Net loss for the period	-	-	-	-	(6,976,503)	(6,976,503)
Other comprehensive income	-	-	-	3,530	-	3,530
Total comprehensive income/(loss) for the period	-	-	-	3,530	(6,976,503)	(6,972,973)
Transactions with owners, recorded directly in equity						
Issue of placement shares	40,598,258	-	-	-	-	40,598,258
Transfer from SBP reserve on conversion of performance rights	2,853,400	(2,853,400)	-	-	-	-
Share based payments expense	-	1,089,974	-	-	-	1,089,974
Share issue costs	(124,515)	-	-	-	-	(124,515)
Total transactions with owners recorded directly in equity	43,327,143	(1,763,426)	-	-	-	41,563,717
Balance at 31 December 2023	117,835,631	2,392,524	(7,336,678)	(135,968)	(68,492,196)	44,263,313
Balance at 1 July 2022	78,860,187	2,084,466	-	(87,695)	(55,695,820)	25,161,138
Net loss for the period	-	-	-	-	(8,486,503)	(8,486,503)
Other comprehensive loss	-	-	-	(38,018)	-	(38,018)
Total comprehensive loss for the period	-	-	-	(38,018)	(8,486,503)	(8,524,521)
Transactions with owners, recorded directly in equity						
Issue of shares upon exercise of options	27,000	-	-	-	-	27,000
Transfer from SBP reserve upon exercise of options	12,108	(12,108)	-	-	-	-
Share based payments expense	-	1,061,657	-	-	-	1,061,657
Share issue costs	(88,430)	-	-	-	-	(88,430)
Total transactions with owners recorded directly in equity	(49,322)	1,049,549	-	-	-	1,000,227
Balance at 31 December 2022	78,810,865	3,134,015	-	(125,713)	(64,182,323)	17,636,844

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED
STATEMENT OF CASH FLOWS**
FOR THE HALF YEAR ENDED 31 DECEMBER 2023



	Half Year Ended 31 December 2023 \$	Half Year Ended 31 December 2022 \$
Cash flows from operating activities		
Payments to suppliers and employees	(7,050,623)	(7,314,907)
Interest received	744,942	150,791
Net cash used in operating activities	(6,305,681)	(7,164,116)
Cash flows from investing activities		
Payments for purchase of plant and equipment	(205,902)	(23,970)
Repayment of loan receivable from NGX Limited	34,434	-
Net cash used in investing activities	(171,468)	(23,970)
Cash flows from financing activities		
Proceeds from issue of shares	40,598,258	-
Payments for share issue costs	(248,778)	(600,221)
Net cash from/(used in) financing activities	40,349,480	(600,221)
Net increase/(decrease) in cash and cash equivalents	33,872,331	(7,788,307)
Net foreign exchange differences	-	4,764
Cash and cash equivalents at the beginning of the period	5,564,376	18,892,741
Cash and cash equivalents at the end of the period	39,436,707	11,109,198

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. MATERIAL ACCOUNTING POLICY INFORMATION

Sovereign Metals Limited (the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange and the AIM Market of the London Stock Exchange. The consolidated interim financial statements of the Company as at and for the period from 1 July 2023 to 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are as described in the Directors' Report. The interim consolidated financial statements of the Group were authorised for issue in accordance with the resolution of the directors on 12 March 2024.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the audited annual report of Sovereign for the year ended 30 June 2023 (where comparative amounts have been extracted from) and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of Preparation of Half Year Financial Report

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars. There have been no changes in the critical accounting judgements or key sources of estimation since 30 June 2023.

(b) Statement of Compliance

The consolidated interim financial report complies with Australian Accounting Standards, including AASB 134 which ensures compliance with International Financial Reporting Standard ("IFRS") IAS 34 "*Interim Financial Reporting*" as issued by the International Accounting Standards Board. The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2023, except for new standards, amendments to standards and interpretations effective 1 July 2023. In the current half year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

(d) Issued standards and interpretations not early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ended 31 December 2023. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements:

Standard/Interpretation	Application Date of Standard	Application Date for Group
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	1 January 2024	1 July 2024
AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024	1 July 2024
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	1 July 2025

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Consolidated Entity has one operating segment, being exploration in Malawi.

3. EXPLORATION AND EVALUATION ASSETS

	31 December 2023 \$	30 June 2023 \$
(a) Movement in Exploration and Evaluation Assets		
<u>Malawi Project:</u>		
Carrying amount as at 1 July	5,086,129	7,170,282
Disposals – Demerger of NGX Limited	-	(2,084,153)
Closing balance⁽ⁱ⁾	5,086,129	5,086,129

Note:

(i) The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023
(Continued)



4. EQUITY SECURITIES ISSUED

	31 December 2023 \$	30 June 2023 \$
(a) Issued Capital		
563,003,401 (30 June 2023: 470,875,023) fully paid ordinary shares (Note 4(c))	117,835,631	74,508,488
(b) Reserves		
<i>Share Based Payment Reserve</i>		
6,100,000 (30 June 2023: 6,100,000) tranche 2 performance rights	-	2,484,430
7,810,000 (30 June 2023: 7,810,000) tranche 3 performance rights	2,149,093	1,671,52
3,150,000 (30 June 2023: nil) tranche 4 performance rights	110,699	-
4,150,000 (30 June 2023: nil) tranche 5 performance rights	132,732	-
Total Share Based Payments Reserve (Note 4(d))	2,392,524	4,155,950
<i>Foreign Currency Translation Reserve (FCTR)</i>		
Exchange differences	(135,968)	(139,498)
Total Foreign Currency Translation Reserve (FCTR)	(135,968)	(139,498)
<i>Demerger Reserve</i>		
	(7,336,678)	(7,336,678)
Total Demerger Reserve	(7,336,678)	(7,336,678)
Total Reserves	(5,080,122)	(3,320,226)

(c) Movements in Ordinary Share Capital were as follows:

Date	Details	No. of Shares	Issue Price \$	\$
1 Jul 23	Opening balance	470,875,023	-	74,508,488
Various	Issue of placement shares	83,535,510	0.486	40,598,258
25 Aug 23	Issue of advisory fee shares	2,492,868	-	-
29 Sep 23	Issue of shares upon conversion of performance rights	6,100,000	-	2,853,400
31 Dec 23	Share issue costs	-	-	(124,515)
31 Dec 23	Closing balance	563,003,401		117,835,631
1 Jul 22	Opening Balance	470,725,023		78,860,187
7 Jul 22	Issue of shares upon exercise of options	150,000	\$0.14	27,000
7 Jul 22	Transfer from SBP reserve upon exercise of options	-	-	12,108
23 Mar 23	In-specie distribution on demerger of NGX Limited	-	-	(4,178,114)
30 Jun 23	Share issue costs	-	-	(212,693)
30 Jun 23	Closing Balance	470,875,023	-	74,508,488

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023
(Continued)



4. EQUITY SECURITIES ISSUED (CONTINUED)

(d) **Movements in Options and Performance Rights were as follows:**

Date	Details	No. of Performance Rights	\$(⁽ⁱ⁾)
1 Jul 2023	Opening balance	13,910,000	4,155,950
29 Sep 2023	Transfer from SBP reserve upon conversion of performance rights	(6,100,000)	(2,853,400)
	Various Issue of performance rights	8,600,000	-
31 Dec 2023	Share based payment expense	-	1,089,974
31 Dec 2023	Closing balance	16,410,000	2,392,524
1 Jul 22	Opening Balance	12,440,000	2,084,466
7 Jul 22	Transfer from SBP reserve upon exercise of options	-	(12,108)
	Various Issue of performance rights	1,920,000	-
1 Jun 23	Lapse of performance rights	(450,000)	(256,164)
30 Jun 23	Share-based payment expense	-	2,339,756
30 Jun 23	Closing Balance	13,910,000	4,155,950

Notes

(i) *The value of performance rights granted during the period is estimated as at the date of grant based on the underlying share price (recognised over the vesting period (if applicable) in accordance with Australian Accounting Standards.*

During the period, 1,300,000 “Definitive Feasibility Study Milestone” performance rights were issued and 6,100,000 “Pre-Feasibility Study Milestone” performance rights converted into ordinary shares, the terms of which are consistent with what is disclosed in the Group’s Annual Report for 30 June 2023. During the period, 3,150,000 “Grant of Mining Licence Milestone” performance rights which convert on the unconditional grant of a Mining Licence at the Kasiya Rutile Project in accordance with the relevant Malawi mines act and 4,150,000 “Final Investment Decision Milestone” which convert on a documented resolution of the Board authorising the construction of the Kasiya Rutile Project were issued.

5. LOSS PER SHARE

	Half Year Ended 31 December 2023 Cents per Share	Half Year Ended 31 December 2022 Cents per Share
Basic and diluted loss per share		
From continuing operations	(1.1)	(1.8)
Total basic and diluted loss per share	(1.1)	(1.8)

The following reflects the loss and share data used in the calculations of basic and diluted loss per share:

	Half Year Ended 31 December 2023 \$	Half Year Ended 31 December 2022 \$
Net loss used in calculating basic and diluted earnings per share	(6,976,503)	(8,486,503)

	Half Year Ended 31 December 2023 No. of Shares	Half Year Ended 31 December 2022 No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	544,889,130	470,870,105
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	544,889,130	470,870,105

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023
(Continued)



5. LOSS PER SHARE (CONTINUED)

Non-dilutive securities

As at 31 December 2023, 36,549,598 unlisted Options and 16,410,000 unlisted Performance Rights (which represent 50,959,598 potential Ordinary Shares) were non-dilutive as they would decrease the loss per share. As at 31 December 2022, 11,105,125 unlisted Incentive Options and 12,800,000 unlisted Performance Rights (which represent 23,905,125 potential Ordinary Shares) were non-dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 31 December 2023

Since 31 December 2023, no Performance Rights were issued. Other than the above, there have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

6. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	31 December 2023 \$	30 June 2023 \$
<i>Exploration Commitments - Malawi Project:</i>		
Within one year	48,502	51,962
After one year but not more than five years	34,549	65,771
	83,051	117,733

As a condition of retaining the current rights to tenure to exploration tenements, the Group is required to pay an annual rental charge and meet minimum expenditure requirements for each tenement. These obligations are not provided for in the financial statements and are at the sole discretion of the Group. The majority of the remaining exploration commitments relate to licences with a term greater than one year. For the purposes of disclosure, the Group has apportioned the remaining commitments on an equal monthly basis over the remaining term of the exploration licences.

(b) Contingencies

At the last annual reporting date, the Consolidated Entity did not have any material contingent liabilities. There has been no material change in contingent assets and liabilities of the Consolidated Entity during the half year.

7. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (2022: nil).

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The net fair value of financial assets and financial liabilities approximates their carrying value.

9. SUBSEQUENT EVENTS AFTER BALANCE DATE

Other than the above, there are no matters or circumstances which have arisen since 31 December 2023 that have significantly affected or may significantly affect:

- the operations, in periods subsequent to 31 December 2023, of the Group;
- the results of those operations, in periods subsequent to 31 December 2023, of the Group; or
- the state of affairs, in periods subsequent to 31 December 2023, of the Group.

DIRECTORS' DECLARATION



In accordance with a resolution of the Directors of Sovereign Metals Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Board

A handwritten signature in black ink, appearing to read "Frank Eagar".

Frank Eagar
Managing Director and CEO

13 March 2024

COMPETENT PERSON STATEMENT

Competent Person Statement

The information in this announcement that relates to Production Targets, Ore Reserves, Processing, Infrastructure and Capital Operating Costs, Metallurgy (rutile and graphite) is extracted from the announcement dated 28 September 2023 entitled 'Kasiya Pre-Feasibility Study Results'. Sovereign confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions and technical parameters underpinning the Production Target, and related forecast financial information derived from the Production Target included in the original announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original announcement.

The information in this announcement that relates to the Mineral Resource Estimate is extracted from an announcement dated 5 April 2023 entitled 'Kasiya Indicated Resource Increased by over 80%' which is available to view at www.sovereignmetals.com.au and is based on, and fairly represents information compiled by Mr Richard Stockwell, a Competent Person, who is a fellow of the Australian Institute of Geoscientists (AIG). Mr Stockwell is a principal of Placer Consulting Pty Ltd, an independent consulting company. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions included in the original announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this announcement have not been materially changed from the original announcement.

Kasiya Total Indicated + Inferred Mineral Resource Estimate at 0.7% rutile cut-off grade					
Classification	Resource (Mt)	Rutile Grade (%)	Contained Rutile (Mt)	Graphite Grade (TGC) (%)	Contained Graphite (Mt)
Indicated	1,200	1.0%	12.2	1.5%	18.0
Inferred	609	0.9%	5.7	1.1%	6.5
Total	1,809	1.0%	17.9	1.4%	24.4

Ore Reserve for the Kasiya Deposit						
Classification	Tonnes (Mt)	Rutile Grade (%)	Contained Rutile (Mt)	Graphite Grade (TGC) (%)	Contained Graphite (Mt)	RutEq. Grade* (%)
Proved	-	-	-	-	-	-
Probable	538	1.03%	5.5	1.66%	8.9	2.00%
Total	538	1.03%	5.5	1.66%	8.9	2.00%

* RutEq. Formula: Rutile Grade x Recovery (100%) x Rutile Price (US\$1,484/t) + Graphite Grade x Recovery (67.5%) x Graphite Price (US\$1,290/t) / Rutile Price (US\$1,484/t). All assumptions are taken from this Study ** Any minor summation inconsistencies are due to rounding.

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.



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

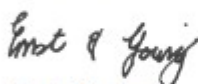
Tel: +01 8 9429 2222
Fax: +01 8 9429 2430
ey.com/au

Auditor's independence declaration to the directors of Sovereign Metals Limited

As lead auditor for the review of the half-year financial report of Sovereign Metals Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sovereign Metals Limited and the entities it controlled during the financial period.



Ernst & Young



Pierre Dreyer
Partner
13 March 2024

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



Ernst & Young
 11 Mounts Bay Road
 Perth WA 6000 Australia
 GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
 Fax: +61 8 9429 2436
 ey.com/au

Independent auditor's review report to the members of Sovereign Metals Limited

Conclusion

We have reviewed the accompanying half-year financial report of Sovereign Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

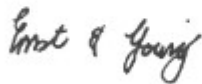
Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A member firm of Ernst & Young Global Limited
 Liability limited by a scheme approved under Professional Standards Legislation



2

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Ernst & Young



Pierre Dreyer
Partner
Perth
13 March 2024

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation