

SOVEREIGN SIGNS OFFTAKE MOU FOR PREMIUM PRICED RUTILE SALES TO THE WELDING SECTOR

- MoU signed for supply of 25,000 tonnes of natural rutile per annum to Hascor, a market leading global processor and distributor of rutile products for the welding industry
- Pricing of rutile for welding generally attracts significant premiums to bulk rutile prices in the titanium pigment sector
- Hascor to provide Sovereign with strategic advice on marketing and product development
- Kasiya continues to attract significant offtaker interest as the largest undeveloped natural rutile project in the world and first major rutile discovery in over half a century

Sovereign Metals Limited (ASX:SVM; AIM:SVML) (the Company or Sovereign) is pleased to announce that it has entered into a non-binding Memorandum of Understanding (MoU) with Hascor International Group™ (Hascor) for potential supply of 25,000 tonnes of natural rutile per annum from the Company's Kasiya Rutile Project (Kasiya) in Malawi to Hascor's processing plants and clients across five continents.

The MoU contemplates a supply agreement to cover an initial five-year period from commencement of nameplate production for potential 25,000 tonnes per annum of natural rutile to Hascor and their existing clients. Volumes may be varied up or down by mutual agreement. Pricing at commencement will reference market prices to the welding sector subject to agreed price variations through the supply term.

Hascor is a multinational ferroalloy and metal powder supplier. The group is a key processor and global distributor of natural rutile products for the welding industry with production and distribution centres across five continents.

This maiden MoU is part of Sovereign's product marketing strategy as the demand and pricing for natural rutile are both very strong as the global structural deficit in supply continues to widen. The premium chemical parameters of Kasiya's natural rutile produced indicates the product is suitable for all major end-use markets including welding, TiO₂ pigment feedstock and titanium metal.

Sovereign's Managing Director Dr Julian Stephens commented: *"We are very excited to have signed this MoU with a major rutile supplier like Hascor about a future offtake agreement and to provide input on marketing for our premium rutile products from Kasiya. Hascor is a market leader in natural rutile product development and distribution for the welding industry across five continents. The offtake MoU with Hascor points to the quality and strategic nature of our world-class Kasiya Rutile Project."*

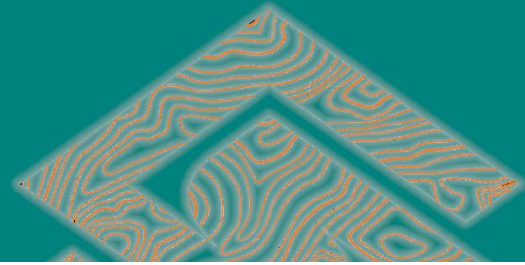
The MoU is non-exclusive and non-binding and remains subject to negotiation and execution of a definitive agreement to give effect to the MoU. The MoU will expire on 31 December 2023 but can be extended by agreement by both parties should a definitive agreement not have been reached by that time.

ENQUIRIES

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RUTILE IN THE WELDING INDUSTRY

Natural rutile is classified as a high-grade titanium feedstock. The high-grade titanium feedstock market consumes approximately 2.8Mt of contained titanium dioxide with strong demand driven from the welding, pigment and metal sectors.

Major natural rutile producers have noted over recent years that very strong demand from the welding market is outstripping supply. Bagged rutile sales into the welding and other non-pigment sectors achieve significantly better pricing, often with significant premiums to bulk rutile pricing.

Consequently, market leading independent consulting and publishing company, TZ Minerals International (TZMI), expects bagged rutile sales to fetch US\$500-600 per tonne price premiums over the bulk market in 2022. TZMI understands that some bagged rutile sales for Q1 of 2022 were agreed at close to US\$2,100-2,200 per tonne CIF. TZMI also expects bagged rutile sales to lead pricing growth because the welding end-use sector has limited alternatives to rutile feedstock input.

About Hascor International Group™

Hascor International Group™ is a key producer of nitrogen bearing ferro alloys, metal powders, and specialty minerals, who brings several decades of experience as a processor and global distributor of natural rutile products including rutile flour, calcined rutile and rutile sand for the welding industry. Established in 1993, the group has earned an excellent reputation for performance and consistent quality with production and distribution centres across five continents. Key locations include Houston, Hong Kong, Bangkok, Santiago, Altamira, Rotterdam, and Koper.

About Sovereign Metals

Sovereign Metals Limited (ASX:SVM & AIM:SVML) is an ASX and AIM-listed company focused on the exploration and development of its Kasiya rutile project in Malawi.

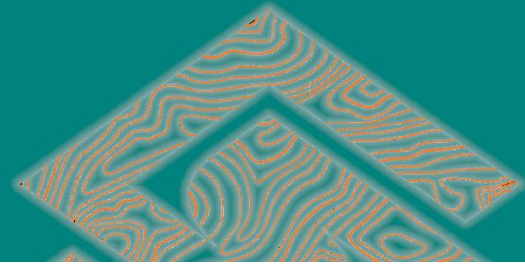
Kasiya is a strategic and globally significant natural rutile deposit with substantial additional resource growth expected. Kasiya's Mineral Resource Estimate is 605Mt at 0.98% rutile (0.7% cut-off, indicated + inferred).

Natural rutile is the purest, highest-grade natural form of titanium dioxide (TiO₂) and is the preferred feedstock in manufacturing titanium pigment and producing titanium metal.

Results of life cycle studies show that Sovereign's natural rutile could potentially eliminate significant global titanium industry CO₂ emissions by displacing and substantially reducing the use of carbon-intensive upgraded alternatives.

The rutile market fundamentals are robust with current and forecast pricing remaining very strong. In 2021, the market has rebounded strongly with pigment plant utilisation rates returning to pre-pandemic levels. Major producers have noted that very strong demand in the welding market is outstripping supply.

Natural rutile supply is tight with limited new projects coming online in the short to medium term. Extreme supply-side tightness is expected and will be exacerbated by production suspensions recently announced by major high-grade producers. A resurgence in demand for titanium pigment and from the welding sector combined with concurrent supply shortages has led the CIF China spot prices sharply upwards to over US\$2,000 per tonne.



The Company completed an initial Scoping Study in December 2021 which confirms Kasiya as a globally significant natural rutile project. It is the largest undeveloped rutile deposit in the world and therefore is highly strategic in a market characterised by extreme supply deficit. The initial Scoping Study developed the concept for a multi-decade mine providing a stable supply of a highly sought-after rutile (TiO₂) and graphite whilst contributing significantly to the economy of Malawi.

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 announcement that relates to Sovereign's Scoping Study at Kasiya is extracted from the announcement dated 16 December 2021 which is available to view at Sovereign's website at www.sovereignmetals.com.au. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the ASX 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 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 report have not been materially changed from the announcement.

The information in this announcement that relates to Sovereign's Mineral Resource Estimate is extracted from the ASX announcement dated 16 December 2021 which is available to view at Sovereign's website at www.sovereignmetals.com.au. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the ASX announcement; b) all material assumptions included in the ASX 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 report have not been materially changed from the ASX announcement.

This ASX Announcement has been approved and authorised for release by the Company's Managing Director, Dr Julian Stephens.