

15 February 2023

Dear Shareholder,

SOVERIEGN METALS LIMITED – NOTICE OF GENERAL MEETING

Sovereign Metals Limited (ASX: SVM, AIM: SVML) (the **Company**) advises that a General Meeting (**Meeting**) will be held on 17 March 2023 at 10:00am (AWST) at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia 6000.

In accordance with 110D of the *Corporations Act 2001* (Cth), the Company will not be dispatching physical copies of the Notice of Meeting (unless a shareholder has elected to receive documents in hard copy in accordance with the timeframe specified in section 110E(8) of the *Corporations Act 2001* (Cth)).

The Notice of Meeting is also accompanied by a Short Form Prospectus. A copy of the Notice of Meeting and the Short Form Prospectus can be viewed and downloaded online as follows:

- the Company's website: <http://sovereignmetals.com.au/announcements/>.
- the Company's ASX Market announcements page at www.asx.com.au under the Company's ASX code "SVM"; or
- if you have provided an email address and have elected to receive electronic communications from the Company, you will receive an email to your nominated email address with a link to an electronic copy of the Notice of Meeting and the Short Form Prospectus.

A copy of your Proxy Form is enclosed for convenience.

The Company intends to hold a physical meeting. The Company will notify shareholders of any changes to this by way of an announcement on ASX and AIM and the details will also be made available on our website.

The Notice of Meeting and Short Form Prospectus are important and should be read in their entirety. If you are in doubt as to the course of action you should follow, you should consult your stock broker, investment advisor, accountant, solicitor or other professional adviser.

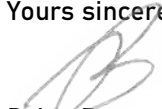
You may also, prior to the Meeting, obtain a paper copy of the Notice of Meeting and Short Form Prospectus (free of charge) by contacting the Company Secretary on +61 8 9322 6322 or by sending an email to info@sovereignmetals.com.au.

Holders of Depositary Interests should complete and sign a Form of Instruction, which will be sent separately to each Holder of Depositary Interests, and return it by the time and in accordance with the instructions set out in the Form of Instruction. Holders of Depositary Interests will not be eligible to vote in person at the Meeting.

How do I update my communications preferences?

Shareholders can still elect to receive some or all of their communications in physical or electronic form or elect not to receive certain documents such as annual reports. To review your communications preferences, or sign up to receive your shareholder communications via email, please update your communication preferences with Computershare at <https://www-au.computershare.com/Investor/#Home>.

Yours sincerely,



Dylan Browne
Company Secretary
Sovereign Metals Limited



SOVEREIGN METALS LIMITED

ACN 120 833 427

NOTICE OF GENERAL MEETING

***To consider a Capital Reduction in Sovereign Metals Limited
and In-Specie Distribution of shares in NGX Limited to
Shareholders***

**A General Meeting of the Company to be held at the Conference
Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on
17 March 2023 at 10:00 am (AWST)**

The Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 9322 6322

Shareholders are urged to vote by lodging the Proxy Form attached to the Notice.

SOVEREIGN METALS LIMITED

ACN 120 833 427

NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of shareholders of Sovereign Metals Limited (**Company**) will be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on 17 March 2023 at 10:00 am (AWST) (**Meeting**).

If it becomes necessary or appropriate to make alternative arrangements to those set out in this Notice, the Company will notify Shareholders accordingly via the Company's website at www.sovereignmetals.com.au and the ASX and AIM announcements platforms.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 15 March 2023 at 5:00 pm (AWST).

Terms and abbreviations used in the Notice and the Explanatory Memorandum will, unless the context requires otherwise, have the meaning given to them in Schedule 1.

AGENDA

1. Resolution 1 – Approval for Demerger

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of sections 256B and 256C of the Corporations Act, Listing Rule 11.4 and for all other purposes, Shareholders approve the reduction of the capital of the Company by an amount equal to the value of 42,806,820 NGX Shares, with the reduction to be effected and satisfied by returning to all Shareholders at the Record Date on a pro rata basis an in-specie distribution of 42,806,820 NGX Shares, and on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of NGX Limited (and/or its nominees) and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution that way;
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairperson to vote on the resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD



Dylan Browne
Company Secretary
Dated: 15 February 2023

SOVEREIGN METALS LIMITED

ACN 120 833 427

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on 17 March 2023 commencing at 10:00 am (AWST).

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolution.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on Resolution 1:

Section 2	Action to be taken by Shareholders
Section 3	Overview of Demerger
Section 4	Australian Tax Consequences
Section 5	Additional Information
Section 6	Background Information on NGX and Graphite Projects
Section 7	Background Information on Sovereign and Kasiya Rutile Project
Section 8	Resolution 1 – Approval for Demerger
Schedule 1	Definitions and Interpretation
Schedule 2	NGX Pro-Forma Statement of Financial Position as at Distribution Date
Schedule 3	Sovereign Pro-Forma Statement of Financial Position subsequent to the Demerger
Schedule 4	Risks
Schedule 5	Terms of the Management Incentive Options
Schedule 6	Nanzeka, Duwi and Mabuwa Projects Report
Schedule 7	Malingunde Project Report
Schedule 8	Independent Solicitor's Report
Schedule 9	Comparison of NGX as an Australian Unlisted and ASX-Listed Public Company

A Proxy Form is located at the end of this Explanatory Memorandum.

1.1 Purpose of this document

The main purpose of this document is to:

- (a) explain the terms of the Demerger, and the manner in which the Demerger (or parts of the Demerger) will be implemented (if approved); and
- (b) provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve the Resolution required to give effect to the Demerger.

This document includes a statement of all the information known to the Company that is material to Shareholders in deciding how to vote on Resolution 1, as required by section 256C(4) of the Corporations Act.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolution.

2.1 Proxies

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions detailed in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a proxy need not be a Shareholder;
- (b) a Shareholder may appoint a body corporate or an individual as its proxy;
- (c) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Shareholder's proxy; and
- (d) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 10:00 am (AWST) on, 15 March 2023, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Attendance at the Meeting

If it becomes necessary or appropriate to make alternative arrangements to those detailed in the Notice, Shareholders will be updated via the ASX announcements platform and on the Company's website at www.sovereignmetals.com.au.

2.3 Form of Instruction

Holders of Depositary Interests should complete and sign the enclosed Form of Instruction and return it by the time and in accordance with the instructions set out in the Form of Instruction. Holders of Depositary Interests will not be eligible to vote in person at the Meeting.

3. Overview of Demerger

3.1 Background to Sovereign and Demerger

Sovereign is an Australian public company that was incorporated on 20 July 2006 and was admitted:

- (a) to the Official List of ASX on 17 January 2007; and
- (b) to trading on AIM on 14 December 2021.

On 7 December 2022, the Company announced the standalone Malawian Graphite Projects which comprise the Nanzeka Project, Duwi Project, Malingunde Project and Mabuwa Project (together, the **Graphite Projects**) would be demerged to NGX Limited (**NGX**), a wholly owned subsidiary of the Company. The demerger of NGX will be conducted pursuant to a demerger deed (**Demerger Deed**) entered into between the Company, the Company's wholly-owned subsidiary Sovereign Services Limited (**SSL**), NGX and NGX's wholly owned subsidiaries NGX Exploration Limited (**NGX Exploration**) and NGX Mining Limited (**NGX Mining**) which details the process by which the Demerger will be proposed and implemented and the terms and conditions that will govern the implementation of the Demerger between the parties, subject to the satisfaction or waiver of the conditions precedent. Refer to Section 6.16(a) for further information regarding the Demerger Deed.

Section 6 provides background information on NGX and the Graphite Projects.

In consideration of the demerger of the Graphite Projects from the Company, NGX will issue 42,806,820 NGX Shares at a deemed issue price of \$0.20 per NGX Share (**Distribution Shares**).

In relation to the demerger of the Graphite Projects from the Company, Sovereign will, subject to Shareholder approval:

- (a) reduce its capital by approximately \$8,561,364 (**Capital Reduction**); and
- (b) effect the Capital Reduction by the return to Shareholders of the amount of the Capital Reduction via an in-specie distribution of the Distribution Shares to Shareholders as at the Record Date (on a one (1) for eleven (11) basis) pro-rata to each existing Shareholder's holding on the terms detailed in Section 3.4 (**Distribution**).

NGX will be a public unlisted company immediately following the Demerger. Although the Demerger is not contingent on an ASX listing, NGX is proposing to pursue an ASX listing following completion of the Demerger pursuant to an initial public offering of NGX Shares. Please refer to Section 6.1 for further details.

The Board has determined to undertake the Demerger to achieve the following objectives:

- (a) to allow the Company to better focus its efforts and resources on its flagship Kasiya Rutile Project, and in doing so remove the internal competition for valuable capital;
- (b) to provide Shareholders with the opportunity to participate in the development of the Graphite Projects, whilst maintaining their investment exposure to the Kasiya Rutile Project;
- (c) to secure sufficient funding to allow the exploration and development of the Graphite Projects;
- (d) to drive superior value for shareholders in both entities; and
- (e) to enable both the Company and NGX to undertake more targeted marketing to investors as separate investment propositions.

3.2 Steps to implement the Demerger and Demerger Conditions

Demerger Steps

The Demerger will complete following satisfaction of the Demerger Conditions and comprises the following key steps:

- (a) Sovereign, via its subsidiary SSL, transfers its interests in the Graphite Projects, including the Duwi Project and Malingunde Project, to NGX Exploration and NGX Mining respectively, pursuant to the terms of the Demerger Deed;
- (b) NGX, in consideration for the transfer of the Duwi Project and Malingunde Project, issues the Distribution Shares to Sovereign, pursuant to the terms of the Demerger Deed; and
- (c) Sovereign conducts, subject to Shareholder approval, the Capital Reduction and Distribution.

The transfer of the legal title to the tenements relating to the Duwi Project and Malingunde Project is subject to Malawian ministerial approval. The timing for receipt of the Malawian ministerial approval for the transfer of these tenements is uncertain and this may occur after the Demerger has completed. The Demerger Deed provides that NGX may conduct exploration activities at the Duwi Project and Malingunde Project prior to Malawian ministerial approval being received, subject to SSL's consent. Refer to Section 6.16(a) for further information regarding the Demerger Deed.

Shareholder approval for Resolution 1 and implementation of the Demerger will result in two distinct entities:

- (a) Sovereign, with a focus on developing the Kasiya Rutile Project; and
- (b) NGX, with a focus on exploring and developing the Graphite Projects.

Demerger Conditions

The Demerger will only proceed if the following conditions are satisfied (together, the **Demerger Conditions**):

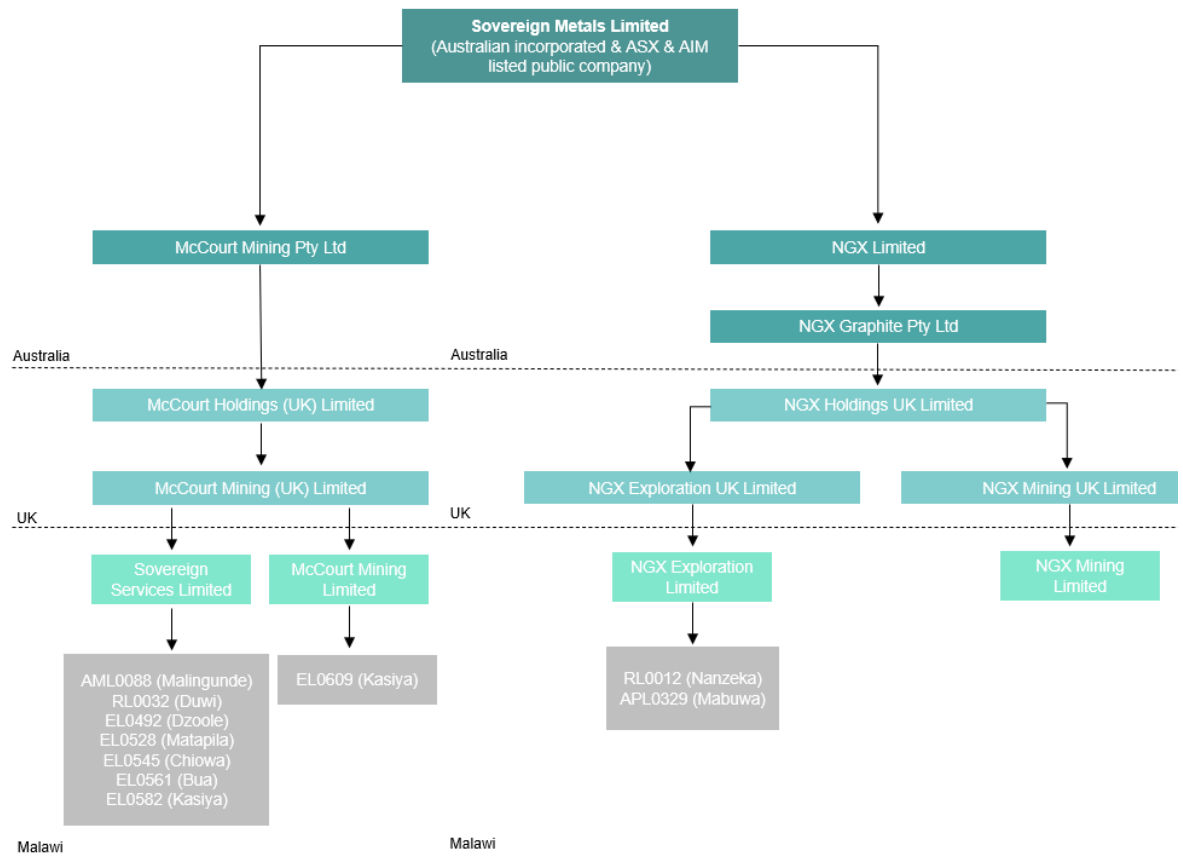
- (a) (**Sovereign approvals**) Sovereign obtaining all necessary Shareholder approval required by the Corporations Act, the Listing Rules and the Constitution to give effect to the Capital Reduction and Distribution;
- (b) (**Demerger Deed**) there being no breach by any party of the Demerger Deed; and
- (c) (**No regulatory intervention**) no regulatory intervention occurring that would otherwise prevent the Demerger from proceeding.

Following completion of the Demerger, NGX is proposing to pursue an ASX listing pursuant to an initial public offering of NGX Shares. Please refer to Section 6.1 for further details.

There is no guarantee that the Company will proceed with the Demerger or that NGX will seek a listing on ASX.

The corporate structure of the Company pre-Demerger is detailed below in Figure 1.

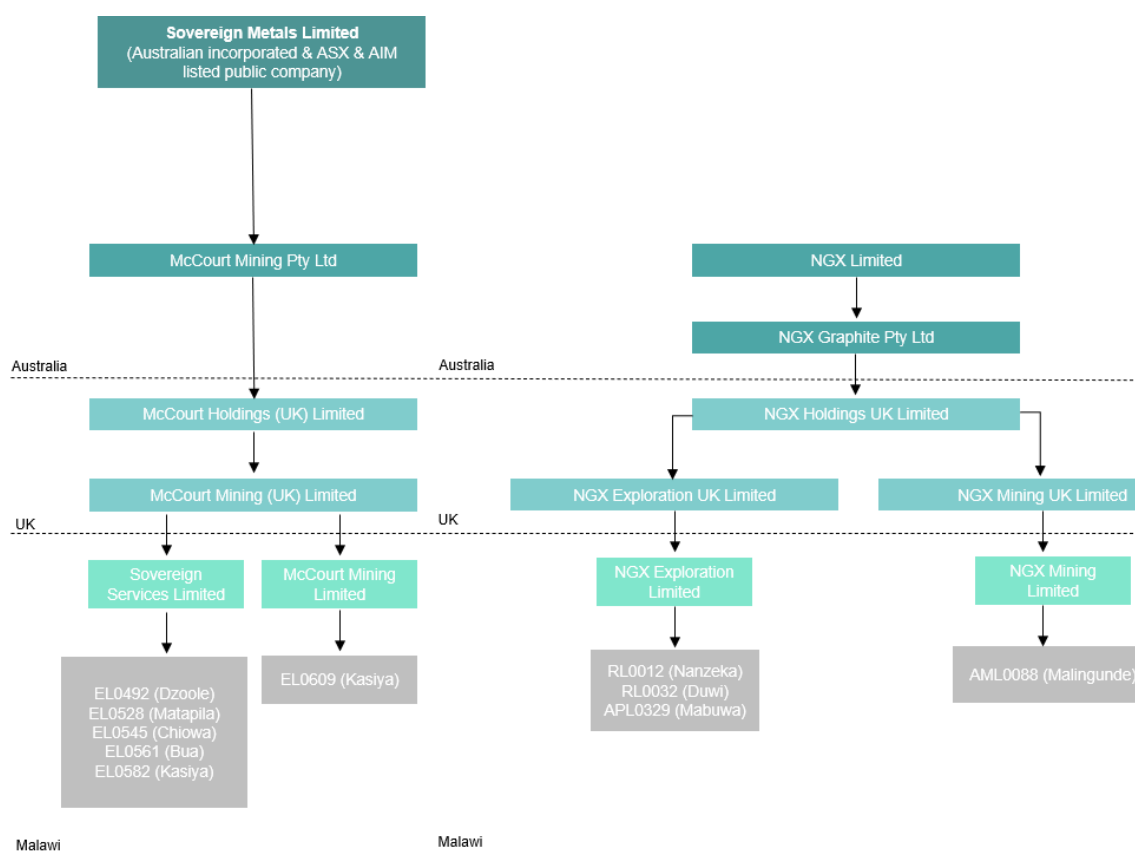
Figure 1 – Current Structure



Note: Sovereign Services Limited holds all the shares in NGX Mining Limited on trust for NGX Mining UK Limited until the transfer of shares occurs in-country.

In the event that the Demerger Conditions are satisfied, and the Demerger completes, the corporate structure of the Company and NGX will be as is detailed below in Figure 2.

Figure 2 - Structure post-Demerger



Note: Sovereign Services Limited holds all the shares in NGX Mining Limited on trust for NGX Mining UK Limited until the transfer of shares occurs in-country.

The transfer of the legal title to the Duwi Project and Malingunde Project is subject to Malawian ministerial approval. Due to expected timings in-country, these approvals are likely to occur after the Demerger has completed.

3.3 Capital Reduction

The Company is seeking Shareholder approval under Resolution 1 to enable the Company to reduce its capital by approximately \$8,561,364 (less any demerger dividend, if applicable), to be returned to Shareholders on a pro rata basis through the Distribution.

The Corporations Act and the Listing Rules set out the procedure and timing for the Capital Reduction. Refer to Section 3.12 for an indicative timetable in respect of the Capital Reduction.

If the Capital Reduction is approved, the share capital and net assets of the Company will be reduced by approximately \$8,561,364 (less any demerger dividend, if applicable).

A pro forma statement of financial position of the Company as at 30 June 2022 is contained in Schedule 3 which shows the financial impact of the Capital Reduction on the Company (assuming that no further Shares are issued).

The terms of the Capital Reduction are the same for each Eligible Shareholder. At the date of the Notice, the Company has 470,875,023 Shares on issue. No additional Shares will be issued as a result of the Capital Reduction. On the basis that no further Shares are issued, no Options are exercised and no Performance Rights are converted, the Company will have 470,875,023 Shares on issue at the Record Date.

The number of Shares held by Shareholders will not change, and Shareholders will retain their Shares in the Company following the Capital Reduction. However, if the Capital Reduction is implemented, the value of the Shares may be less than the value of the Shares held prior to the Capital Reduction because, after the Capital Reduction, the Company will not retain an interest in NGX and the Graphite Projects (refer to Section 3.7 for further information). The decrease in book value is 1.8 cents per Share. The rights attaching to Shares will not be altered by the Capital Reduction.

Given the Capital Reduction is an equal reduction and the Company will still have positive net assets following the Capital Reduction, the Directors consider the Capital Reduction is fair and reasonable to Shareholders as a whole.

No cash outflow from Sovereign to NGX is expected as part of the Demerger, other than applicable Sovereign expenses to effect the Demerger.

3.4 Distribution

If Resolution 1 is passed and the Distribution is implemented, then Eligible Shareholders will receive a pro rata distribution of one (1) NGX Share for every eleven (11) Shares held at the Record Date.

Fractional entitlements will be rounded down to the nearest whole number. Based on there being 470,825,023 Shares on issue on the Record Date, approximately 42,806,820 NGX Shares would be distributed to Shareholders.

Overseas Shareholders, being Shareholders with a registered address outside of Australia, Canada, Germany, Hong Kong, Luxembourg, the Netherlands, New Zealand, Poland, Singapore, the United Kingdom, the United States of America and any other jurisdiction determined by the Company which is not prohibited and unduly onerous or impractical to distribute NGX Shares, will not receive NGX Shares as described in Section 3.8.

Each Eligible Shareholder's name will be entered on the register of members of NGX with each Eligible Shareholder having deemed to have consented to becoming a NGX shareholder and being bound by its constitution. Eligible Shareholders will not be required to pay any consideration for the NGX Shares distributed to them under the Distribution.

An Eligible Shareholder's entitlement to NGX Shares will be based on the number of Shares held at the Record Date. Eligible Shareholders will thereby retain direct ownership of the Company and will also receive direct ownership of NGX. NGX will leave the Sovereign Group (as indicated in Figure 2), with the intention of acquiring the Graphite Projects and seeking a listing on ASX.

The Distribution will only proceed if the Company obtains Shareholder approval under the Corporations Act for the Capital Reduction pursuant to Resolution 1.

Depository Interest holders on the Record Date with a registered address in an eligible country (being eligible depository interest holders) will be distributed NGX Shares on the basis of one (1) NGX Share for every eleven (11) Shares held. Depository Interest holders should be aware that the NGX Shares will not be issued in CREST as Depository Interests and will only be issued in registered form on the Share register. A holding statement representing title to the NGX Shares will be issued to the registered address of the Depository Interest holder on completion of the Distribution.

3.5 Advantages of Demerger

- (a) Allows the Company to better focus its efforts and resources on the Kasiya Rutile Project and other primary rutile discoveries which the Board considers has the potential to create significant value for Shareholders.
- (b) The Demerger provides Shareholders with an interest in two companies – Sovereign and NGX. The Board believes a separate entity focused on the Graphite Projects presents a better prospect of delivering value to Shareholders.
- (c) Shareholders may elect to retain exposure to either one or both companies as dictated by their investment preferences and objectives:
 - (i) Eligible Shareholders will retain an interest in NGX through the Distribution and thereby have an opportunity to benefit from the potential development of the Graphite Projects; and
 - (ii) Shareholders will retain their interest in the capital of Sovereign and exposure to the Kasiya Rutile Project.
- (d) The Board sees considerable underlying value in the Graphite Projects that is not being valued by the market and, therefore, a dedicated fully funded vehicle may realise appropriate value for Shareholders.
- (e) Future capital raisings are expected to be more readily achieved by each individual entity as the focus of the funding will be on their specific projects. In addition, it is expected to provide greater flexibility to both Sovereign and NGX to attract strategic investors.

- (f) NGX will have a dedicated board and management team to focus on the development of the Graphite Projects.
- (g) After a full and proper assessment of all available information, the Directors believe that the Demerger is in the best interests of Shareholders.
- (h) No cash outflow from Sovereign to NGX is expected as part of the Demerger, other than applicable Sovereign expenses to effect the Demerger.

3.6 Disadvantages of Demerger

- (a) The Company will incur costs associated with the Demerger, including, but not limited to legal, accounting and advisory fees incurred in the preparation of documentation required to give effect to the Demerger and tax advice obtained in relation to any taxation consequences of the Demerger.
- (b) Shareholders may incur additional transaction costs if they wish to dispose of their NGX Shares (e.g. brokerage costs).
- (c) The NGX Shares received on completion of the Demerger will be unlisted securities and will not be readily tradeable unless NGX is listed on a public securities exchange such as ASX.
- (d) Shareholders may have adverse tax consequences and may need to seek their own tax advice (refer to Section 4 for further information).
- (e) NGX will be required to raise funds for its proposed ASX listing. This fund raising will give rise to a number of disadvantages to NGX Shareholders, including but not limited to:
 - (i) dilution of NGX Shareholders' shareholdings via the Priority Offer and the General Offer; and
 - (ii) uncertainty regarding NGX's ability to raise required funding.
- (f) Assuming completion of the Demerger, there will be two separate companies that will require funding and will incur ongoing administrative costs which in some instances may lead to duplication.
- (g) Some but not a significant amount of time will be spent during coming months by the Board and by Sovereign management in giving effect to the Demerger.

3.7 Impact of Demerger on Shareholders

(a) What will you receive?

If the Demerger is completed, Eligible Shareholders will receive an in-specie distribution, equating to \$0.20 per share, of NGX Shares on the basis of one (1) NGX Share for every eleven (11) Shares held by them at the Record Date. Shareholders are not required to contribute any payment for the NGX Shares which they are entitled to receive under the Distribution.

(b) What about Overseas Shareholders?

Overseas Shareholders will not be issued any NGX Shares. NGX Shares will instead be held on behalf of Overseas Shareholders pending a liquidity opportunity. Refer to Section 3.8 for details regarding the treatment of Overseas Shareholders.

(c) What is the impact on your shareholding in the Company?

The number of Shares that you hold will not change as a result of the Demerger.

If the Demerger is completed, the value of your Shares may be less than the value held prior to the Demerger being implemented due to the removal of the Graphite Projects from the Company's asset portfolio. The size of any decrease in the Share price cannot be predicted and will be dependent on the value ascribed to the Kasiya Rutile Project which will continue to be held by the Company.

(d) Do you have to do anything to receive your Distribution?

You must hold Shares on the Record Date in order to receive your entitlement to the Distribution. If the Demerger completes, you will automatically receive NGX Shares you are entitled to receive (unless you are an Overseas Shareholder – refer to Section 3.8 for more information), even if you vote against the Demerger or do not vote at all.

(e) Will you be able to trade your NGX Shares?

If the Demerger is approved by Shareholders and implemented, NGX will be an unlisted public company and there will not be a liquid market for NGX Shares on completion of the Demerger. NGX Shares will not be quoted on ASX or any other public securities exchange on completion of the Demerger. However, Shareholders will be permitted to sell or transfer their NGX Shares, at their own risk, during this period.

(f) **What are the taxation implications of the Demerger?**

A general guide to the taxation implications of the Demerger for Shareholders is set out in Section 4. The description is expressed in terms of the Demerger and is not intended to provide taxation advice in respect of particular circumstances of any Shareholder. Shareholders should obtain professional advice as to the taxation implications of the Demerger in their specific circumstances.

(g) **What is the effect of the Demerger on Options and Performance Rights?**

In accordance with the terms of the existing Options and Listing Rule 7.22.3, upon the Demerger completing, the exercise price of each Option will be automatically reduced by the amount returned as capital in relation to each Share. The Company will notify Option holders following the Demerger of any adjustments to the exercise price of Options as a result of the Demerger.

The Demerger will have no effect on the terms of the Performance Rights on issue.

(h) **What will happen if Resolution 1 is not approved?**

In the event that Shareholder approval of Resolution 1 is not obtained, the Capital Reduction will not proceed and the Distribution of the NGX Shares to Shareholders will not occur.

3.8 Overseas Shareholders

The Distribution of the NGX Shares to Overseas Shareholders under the Capital Reduction will be subject to legal and regulatory requirements in their relevant overseas jurisdictions. If, in the opinion of the Directors, the requirements of any jurisdiction where an overseas Shareholder is resident are held to restrict or prohibit the distribution of securities as proposed or would impose on the Company an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on the Company an undue administrative costs and burden with respect to compliance with overseas legislation, the NGX Shares to which the relevant Overseas Shareholder is entitled will not in fact be distributed to such Shareholders and instead will be held by the Company on behalf of Overseas Shareholders, pending a liquidity opportunity. Such an opportunity may arise prior to NGX listing on ASX and the Board will consider whether it is in the interests of Overseas Shareholders to sell the relevant NGX Shares at that time. In any event, the Board will make arrangements to sell the relevant NGX Shares on ASX following any ASX listing of NGX.

Following the sale of the relevant NGX Shares on behalf of Overseas Shareholders, the Company will pay the net proceeds from the sale to the Overseas Shareholders (net of fees, brokerage and any applicable taxes). The Company will deal with the NGX Shares of Overseas Shareholders on a best efforts only basis with a view to delivering value to the Overseas Shareholders. The Company does not accept any liability to the Overseas Shareholders for any loss that may be suffered as a result of the sale of their NGX Shares. There is no guarantee as to the value that may be obtained for NGX Shares and the net proceeds of sale to Overseas Shareholders may be more or less than the value of the Distribution.

3.9 Plans for Sovereign post-Demerger

(a) **Kasiya Rutile Project**

The Company intends to focus on the development of its flagship Kasiya Rutile Project.

(b) **Board changes**

The Company's current Directors are Mr Benjamin Stoikovich as Chairman, Dr Julian Stephens as Managing Director, and Messrs Ian Middlemas, Mark Pearce and Nigel Jones as Non-Executive Directors. There are no proposed changes to the Board and senior executive team of the Company as part of the Demerger. Refer to Section 6.9 for details of the NGX Directors.

3.10 Plans for Sovereign if the Demerger is not approved or otherwise does not complete

Should the Demerger not proceed as a result of the non-satisfaction of the Demerger Conditions:

- (a) Sovereign will retain its holding of NGX, and therefore the Graphite Projects;
- (b) the Demerger will not proceed; and

(c) the Shareholders will not receive NGX Shares.

In that event, the Company would seek to maximise Shareholder value and would continue to focus its resources on developing all of its projects, with a primary focus remaining the development of the Kasiya Rutile Project.

Failure to complete the Demerger may result in a reduced level of expenditure on the Graphite Projects by the Company, or development of the Graphite Projects may occur on a delayed timetable or some other commercial arrangement.

The Board has considered all the alternatives currently available and believes that the Demerger is expected to result in the most advantageous result for existing Shareholders.

3.11 Pro-forma effect on Sovereign

A pro-forma statement of financial position of Sovereign is contained in Schedule 3, which shows the financial impact of the Demerger on the Company.

3.12 Indicative timetable

Demerger

The indicative timetable regarding the Demerger is provided below:

Event	Indicative Date
General Meeting	17 March 2023
Effective date of Distribution	20 March 2023
Repositioning of securities between the Australian share register and UK Depository Interest register is suspended at the close of business	21 March 2023
Record Date	23 March 2023
Repositioning of securities between the Australian share register and UK Depository Interest register recommences	24 March 2023
Date for Distribution to Shareholders (Distribution Date)	24 March 2023
Despatch of holding statements for NGX Shares transferred under the Distribution	27 March 2023

Note: The dates shown in the table above are indicative only and may vary subject to the Corporations Act, the Listing Rules, the AIM Rules and other applicable laws.

Proposed Listing

The indicative timetable regarding NGX's proposed listing on ASX is provided below:

Event	Indicative Date
NGX lodges prospectus with ASIC	27 March 2023
Opening date for the Priority Offer and General Offer	4 April 2023
Closing Date of Priority Offer and General Offer	26 April 2023
Despatch of holding statements for NGX Shares issued under the Priority Offer and the General Offer	3 May 2023

Admission of NGX to ASX

17 May 2023

NGX Shares commence trading on ASX

17 May 2023

Note: The dates shown in the table above are indicative only and may vary subject to the Corporations Act, the Listing Rules, the AIM Rules and other applicable laws.

4. Australian Tax Consequences

4.1 Introduction

The tax information below does not constitute tax advice and is not a complete analysis of all the taxation implications relevant to the Demerger. All Shareholders should obtain independent tax advice regarding the income tax and capital gains tax implications specific to their circumstances. Shareholders who hold their shares on revenue account (for example, Shareholders who are share traders and certain institutional investors), and/or Shareholders who are not Australian residents for income tax purposes, should also obtain independent tax advice.

The information below has been prepared based on the Australian taxation (including stamp duty) laws, regulations, rulings and administrative guidance and judicial interpretations as at the date of this document. It is important to note the ultimate interpretation of taxation law rests with the courts and that the law, and the way the revenue authorities seek to administer the law, may change over time. Accordingly, the commentary below represents considered views of existing law based upon generally accepted interpretations of that law.

Australian tax laws are complicated and subject to legislative and interpretive change both prospectively and (occasionally) retrospectively. Changes in the tax law or interpretation of the tax law after the date of this document may alter the tax treatment of the Demerger.

There could also be implications for Shareholders in addition to those described. The information provided below is general in nature and the individual circumstances of each shareholder may affect the tax implications of the Demerger for that shareholder. Shareholders should seek appropriate independent professional advice that considers the tax implications in respect of their own specific circumstances.

The general taxation information below is applicable to Australian residents who hold their Shares on capital account and does not consider the consequences for Shareholders who:

- (a) hold their existing Shares in a business of share trading, dealing in securities or otherwise hold their existing Shares on revenue account or as trading stock;
- (b) acquired their existing Shares under an employee share or option scheme;
- (c) are taken for capital gains tax (**CGT**) purposes to have acquired their Shares before 20 September 1985;
- (d) are subject to the 'Taxation of Financial Arrangements' (**TOFA**) provisions in Division 230 of the ITAA 1997 in relation to their holding of their Shares; or
- (e) are tax residents of any jurisdiction other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes).

The information below also does not consider the future tax implications associated with holding or selling the Shares or NGX Shares following the Distribution.

4.2 Class Ruling

Sovereign is in the process of applying to the Australian Tax office (**ATO**) for a class ruling confirming certain Australian (only) income tax implications of the Demerger for Shareholders.

The Company cannot currently confirm whether the proposed Demerger will or will not qualify for demerger tax relief (**Demerger Tax Relief**).

The comments in Section 4.1 assumes that a favourable class ruling is obtained and Demerger Tax Relief is available. It is uncertain whether a favourable class ruling will be issued. In the event that any class ruling determines that Demerger Tax Relief is not available, the tax outcomes will differ. Refer to section 4.4 below for further details if Demerger Tax Relief is not available.

4.3 Australian taxation implications for Australian tax resident Shareholders if Demerger Tax Relief is available

If Demerger Tax Relief is granted to the Company, shareholders who are residents of Australia and who hold their Shares on capital account for Australian tax purposes should be eligible to choose Demerger Tax Relief. Broadly, Demerger Tax Relief ensures that any CGT consequences from the transaction may be deferred, and that the dividend component (if any) of a distribution is not taxed in the hands of the Shareholders.

(a) CGT Consequences

The capital component of the Distribution will give rise to a CGT event for Shareholders representing the distribution of NGX Shares. The CGT event will happen at the time Sovereign completes the Distribution.

If Demerger Tax Relief is granted and is available, shareholders can choose whether or not to obtain demerger roll-over relief (if applicable):

(i) Where demerger roll-over relief is available and chosen

(A) Capital gain is disregarded

If Demerger Tax Relief is available, for Shareholders who choose demerger roll-over relief, any capital gain made arising from the CGT event happening to their Shares under the Distribution will be disregarded.

(B) CGT cost base in Shares and NGX Shares

Shareholders will need to apportion the CGT cost base of their original Shares between their original Shares and new NGX Shares in accordance with the market values of the Shares and NGX Shares (or a reasonable approximation of these market values) just after the demerger.

Further information in relation to the apportionment of cost bases will be provided by Sovereign after the demerger being implemented.

(C) Time of acquisition of NGX Shares

For Shareholders who choose demerger roll-over relief, their NGX Shares will have the same CGT characteristics as the original Shares. For the purposes of determining the availability of the CGT discount on a subsequent sale of NGX Shares, NGX Shares should be taken to have been acquired at the time the shareholder acquired their original Shares. Shareholders should seek appropriate tax advice to determine the application of the general CGT discount in their specific circumstances.

(ii) Where demerger roll-over relief is available and not chosen

(A) Capital gain is not disregarded

If Demerger Tax Relief is available, for Shareholders who do not choose to obtain demerger roll-over relief, any capital gain made arising from the Distribution will not be disregarded.

Shareholders may be entitled to the general CGT discount. Shareholders should seek appropriate tax advice to determine the application of the general CGT discount in their specific circumstances.

If the capital component of the Distribution does not exceed the CGT cost base in the Shares, no capital gain should be made. Shareholders will not make a capital loss as a result of the return of capital under the Distribution.

(B) CGT cost base in Shares and NGX Shares

Shareholders who do not choose to obtain demerger roll-over relief should apportion the first element of the CGT cost base in their Shares between those Shares and NGX Shares received under the demerger. The method of apportionment is the same as the method for Shareholders who choose to obtain demerger roll-over relief as discussed above.

(C) **Time of acquisition of NGX Shares**

Where demerger roll-over relief is not chosen, for the purposes of determining the availability of the CGT discount on a subsequent sale of NGX Shares, NGX Shares should be taken to have been acquired at the time the shareholder acquired their original Shares. This treatment is the same as where demerger roll-over relief is chosen.

4.4 Australian taxation implications for Australian tax residents if Demerger Tax Relief not available

If the Commissioner of Taxation (**Commissioner**) rules that Demerger Tax Relief is not available, Australian tax resident Shareholders:

- (i) will be required to include any dividend component of the Distribution in their assessable income;
- (ii) will make a capital gain under CGT event G1 to the extent (if any) that the capital component of the Distribution received by the Shareholder exceeds the cost base of their Shares;
- (iii) will have a first element tax cost base and reduced cost base in their NGX Shares equal to their market value on the Demerger implementation date; and
- (iv) will be taken to have acquired their NGX Shares on the Demerger implementation date for the purposes of determining eligibility for the CGT discount.

4.5 Application of section 45B tax integrity measures

It should be noted, the Commissioner may (in certain circumstances) make a determination under section 45B of the ITAA 1936 to deem certain payments to be treated as taxable unfranked dividends for taxation purposes.

Having regard to the circumstances of the Demerger, Sovereign does not consider the Commissioner should seek to apply section 45B to the Demerger. Sovereign is also seeking confirmation from the ATO on this as part of the ATO class ruling process.

For completeness, the following is an outline of the potential Australian income tax implications for Australian resident Shareholders who hold their Shares on capital account should the Commissioner make a determination under section 45B in respect of the Demerger:

- (i) All or part of the capital component of the Distribution may be treated as an unfranked dividend. This amount would be assessable income for Australian resident Shareholders or subject to dividend withholding tax for non-resident Shareholders (generally at the rate of 30% on the gross amount, subject to any applicable double tax agreement).

4.6 Taxation implications for the Company

The transfer of NGX Shares in NGX from Sovereign to its Shareholders is not expected to have any material adverse tax implications for Sovereign on the basis Demerger Tax Relief applies.

Where Demerger Tax Relief is not granted, Sovereign may derive a capital gain on the Distribution (i.e. disposal) of NGX Shares to Shareholders. For completeness, any gain may be able to be offset by Sovereign's carried forward Australian tax losses

4.7 GST

No GST should be payable by Shareholders in relation to their participation in the Demerger.

However, GST may be charged to Shareholders in respect of any adviser fees or other costs they may incur in relation to their participation in the Demerger. The eligibility for Shareholders to claim full or partial input tax credits in relation to this GST payable will depend on the individual circumstances of each shareholder. Shareholders should seek their own independent tax advice in relation to this.

4.8 Stamp duty

NGX has agreed to be responsible for any stamp duty which may arise in connection with the Demerger. Accordingly, no stamp duty should be payable in any Australian State or Territory by Shareholders in relation to their participation in the Demerger.

5. Additional Information

5.1 Sovereign Financial Information

(a) Introduction

The financial information in this Section 5.1 consists of the historical financial information relating to the Company which comprises the:

- (i) historical consolidated statements of financial position as at 30 June 2022, 30 June 2021 and 30 June 2020; and
- (ii) historical consolidated statements of profit or loss and other comprehensive income and historical consolidated statements of cash flows for the years ended 30 June 2022, 30 June 2021 and 30 June 2020,

together referred to as the **Historical Financial Information**.

The Directors are responsible for the inclusion of the Historical Financial Information in the Explanatory Memorandum.

The information presented in this Section 5.1 should be read in conjunction with the risk factors as detailed in Schedule 4, other information included in the Explanatory Memorandum and the latest audited financial statements.

(b) Basis of preparation

The Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) and the accounting policies adopted by the Company.

The Historical Financial Information contained in this Section 5.1 is presented in an abbreviated form and does not contain all the disclosures that are provided in a financial report prepared in accordance with the Corporations Act and Australian Accounting Standards and Interpretations.

The Historical Financial Information of the Company has been extracted from the financial statements of the Company for the year ended 30 June 2022, 30 June 2021 and 30 June 2020. The financial statements of the Company for the year ended 30 June 2022 were audited by Ernst and Young who issued an unmodified audit opinion dated 29 September 2022. The financial statements of the Company for the years ended 30 June 2021 and 30 June 2020, were audited by Deloitte Touche Tohamatsu, who issued unmodified audit opinions dated 24 September 2021 and 30 September 2020.

(c) Sovereign Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

	30 June 2022	30 June 2021	30 June 2020
	\$	\$	\$
Interest Income	33,117	17,463	28,906
Other income/(expenses)	(65,992)	484,834	62,500
Exploration and evaluation expenses	(8,072,133)	(2,884,311)	(2,330,875)
Corporate and administrative expenses	(708,278)	(548,528)	(340,794)
Share-based payment expenses	(2,941,985)	(1,263,007)	126,626
Business development expenses	(1,964,460)	(873,751)	(597,207)
Loss before income tax	(13,719,731)	(5,067,300)	(3,050,844)
Income tax benefit	-	-	-
Loss for the year	(13,719,731)	(5,067,300)	(3,050,844)
Other comprehensive income, net of income tax	(63,362)	(73,520)	9,104
Total comprehensive loss for the year	(13,783,093)	(5,140,820)	(3,041,740)

The above historical consolidated statements of profit or loss and other comprehensive income are to be read in conjunction with Sections 5.1(b) and 5.1(f).

(d) **Sovereign Historical Consolidated Statements of Cash Flows**

	30 June 2022 \$	30 June 2021 \$	30 June 2020 \$
Cash flows from operating activities			
Interest received	20,416	18,335	37,919
COVID-19 cash flow boost	-	50,000	50,000
R&D refund received	-	107,334	-
Payments to suppliers and employees	(10,036,070)	(4,095,677)	(4,156,847)
Net cash used in operating activities	(10,015,654)	(3,920,008)	(4,068,928)
Cash flows from investing activities			
Payments for purchase of plant and equipment	(313,405)	(260,340)	(67,345)
Net cash used in investing activities	(313,405)	(260,340)	(67,345)
Cash flows from financing activities			
Proceeds from issue of shares	21,811,772	10,218,500	2,405,000
Share issue costs	(498,640)	(565,017)	(82,522)
Funds received in advance for exercise of options	27,000	120,000	-
Net cash from financing activities	21,340,132	9,773,483	2,322,478
Net increase/(decrease) in cash and cash equivalents	11,011,073	5,593,135	(1,813,795)
Net foreign exchange differences	(75,992)	-	-
Cash and cash equivalents at the beginning of the financial year	7,957,660	2,364,525	4,178,320
Cash and cash equivalents at the end of the financial year	18,892,741	7,957,660	2,364,525

The above historical consolidated statements of cash flows are to be read in conjunction with Sections 5.1(b) and 5.1(f).

(e) **Sovereign Historical Consolidated Statements of Financial Position**

	As at 30 June 2022 \$	As at 30 June 2021 \$	As at 30 June 2020 \$
Current Assets			
Cash and cash equivalents	18,892,741	7,957,660	2,364,525
Other receivables	302,424	149,404	102,581
Other financial assets	200,000	90,000	-
Total Current Assets	19,395,165	8,197,064	2,467,106
Non-current Assets			
Other receivables	-	150,000	-
Property, plant and equipment	537,238	315,583	122,613
Exploration and evaluation assets	7,170,282	7,170,282	7,170,282
Total Non-current Assets	7,707,520	7,635,865	7,292,895
TOTAL ASSETS	27,102,685	15,832,929	9,760,001
Current Liabilities			
Trade and other payables	1,845,954	690,676	422,725
Provisions	95,593	65,998	39,138
Total Current Liabilities	1,941,547	756,674	461,863
TOTAL LIABILITIES	1,941,547	756,674	461,863
NET ASSETS	25,161,138	15,076,255	9,298,138
EQUITY			
Contributed equity	78,860,187	55,276,410	44,883,777
Reserves	1,996,771	1,775,934	1,323,150
Accumulated losses	(55,695,820)	(41,976,089)	(36,908,789)
TOTAL EQUITY	25,161,138	15,076,255	9,298,138

The above historical consolidated statements of financial position are to be read in conjunction with Sections 5.1(b) and 5.1(f).

(f) **Notes to and forming part of the Historical Financial Information**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Section 5.1 does not include all the notes of the type normally included in an annual financial report. Accordingly, this Section 5.1 should be read in conjunction with the annual report of the Company for the year ended 30 June 2022. The significant accounting policies which have been adopted in the preparation of the historical financial information are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

(i) **Reporting framework**

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements specified by all the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the Corporations Act 2001.

The historical financial information has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities based on directors' estimates of Net Realisable Value. The historical financial information is presented in Australian dollars.

(ii) **New and revised Australian Accounting Standards and Interpretations on issue but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Sovereign Group for the annual reporting period ended 30 June 2022. Those which may be relevant to the Sovereign Group are set out in the following table, but these are not expected to have any significant impact on the Sovereign Group's financial statements.

Standard/Interpretation	Application Date of Standard	Application Date for Group
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	1 January 2023	1 July 2023
<i>AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i>	1 January 2023	1 July 2023

(iii) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(iv) **Exploration and Evaluation Expenditure**

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method.

Exploration and evaluation expenditure encompasses expenditures incurred by the Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the Company subsequent to the acquisition of the rights to explore will be expensed as incurred, up until the technical feasibility and commercial viability of the project has been demonstrated with a bankable feasibility study.

Capitalised exploration costs are reviewed at each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(v) **Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(vi) **Issued Capital**

Ordinary Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(vii) **Share-Based Payments**

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Black Scholes option pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share based payments reserve. Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where ordinary shares are issued and vest immediately, the transaction is recorded at fair value based on the quoted price of the ordinary shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(viii) **Use and Revision of Accounting Estimates, Judgements and Assumptions**

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Exploration and Evaluation Assets

Impairment of exploration and evaluation assets

The Sovereign Group's accounting policy for exploration and evaluation assets is set out above. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Sovereign Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income. Subsequent to the acquisition costs capitalised, no exploration expenditure is currently being capitalised.

- Share-Based Payments

The Sovereign Group measures the cost of share-based payments issued by reference to the fair value of the equity instruments at the date at which they are granted. Estimation is required at the date of issue to determine the fair value. The fair value is determined using an appropriate valuation model. The accounting estimates and assumptions relating to the equity settled transactions would have no impact on the carrying value of assets and liabilities within the next annual reporting period but may impact expenses and equity.

5.2 **NGX Historical Information**

(a) **Introduction**

The financial information in this Section 5.2 consists of the historical financial information relating to NGX which comprises the:

- (i) historical consolidated statements of financial position as at 30 June 2022 and 30 June 2021; and
- (ii) historical consolidated statements of profit or loss and other comprehensive income and historical consolidated statements of cash flows for the year ended 30 June 2022 and period 19 April 2021 to 30 June 2021,

together referred to as the **NGX Historical Financial Information**.

The Directors are responsible for the inclusion of the NGX Historical Financial Information in the Explanatory Memorandum.

The information presented in this Section 5.2 should be read in conjunction with the risk factors as detailed in Schedule 4, other information included in the Explanatory Memorandum and the latest audited financial statements.

(b) **Basis of preparation**

The NGX Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) and the accounting policies adopted by the Company.

The NGX Historical Financial Information contained in this Section 5.2 is presented in an abbreviated form and does not contain all the disclosure that are provided in a financial report prepared in accordance with the Corporations Act and Australian Accounting Standards and Interpretations.

The NGX Historical Financial Information of NGX has been extracted from the financial statements of NGX for the year/period ended 30 June 2022 and 30 June 2021. The financial statements of NGX for the year ended 30 June 2022 were audited by William Buck Audit (WA) Pty Ltd who issued an unmodified audit opinion dated 27 October 2022. The financial statement of NGX for the period 19 April 2021 to 30 June 2021 were audited by William Buck Audit (WA) Pty Ltd, who issued unmodified audit opinion dated 25 October 2021.

(c) **NGX Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	30 June 2022 \$	19 April 2021 to 30 June 2021 (restated) \$
Expenses		
Corporate and administrative expenses	(44,025)	(54,251)
Exploration and evaluation expenditure	(405,150)	(55,157)
Impairment expense	(135,923)	-
Total expenses	(585,098)	(109,408)
Loss before income tax	(585,098)	(109,408)
Income tax expense	-	-
Loss from operations	(585,098)	(109,408)
Loss attributable to members of NGX Limited	(585,098)	(109,408)
Other comprehensive income, net of income tax:		
Exchange differences arising on translation of foreign operations	-	-
Total comprehensive loss attributable to members of NGX Limited	(585,098)	(109,408)
Basic and diluted loss per share (dollars per share)	(292,549)	(54,704)

The above historical consolidated statements of financial position are to be read in conjunction with Sections 5.2(b) and 5.2(f).

(d) **NGX Historical Consolidated Statements of Cash Flows**

	30 June 2022 \$	19 April 2021 to 30 June 2021 (restated) \$
Operating activities		
Payments to suppliers and employees	-	-
Net cash outflows from operating activities	-	-
Financing activities		
Proceeds from borrowings	-	-
Proceeds from issue of shares	-	2
Net cash flows from financing activities	-	2
Net increase in cash and cash equivalents	-	2
Cash and cash equivalents at beginning of period	2	-
Cash and cash equivalents at end of year	2	2

The above historical consolidated statements of financial position are to be read in conjunction with Sections 5.2(b) and 5.2(f).

(e) **NGX Historical Consolidated Statements of Financial Position**

	As at 30 June 2022 \$	As at 30 June 2021 (restated) \$
ASSETS		
Current assets		
Cash and cash equivalents	2	2
Other assets	38	-
TOTAL ASSETS	40	2
LIABILITIES		
Current liabilities		
Trade and other payables	144,824	3,000
Total current liabilities	144,824	3,000
Non-current liabilities		
Borrowings	549,720	106,408
Total non-current liabilities	549,720	106,408
TOTAL LIABILITIES	694,544	109,408
NET LIABILITIES	(694,504)	(109,406)
SHAREHOLDER DEFICIT		
Issued capital	2	2
Accumulated losses	(694,506)	(109,408)
TOTAL DEFICIENCY	(694,504)	(109,406)

The above historical consolidated statements of financial position are to be read in conjunction with Sections 5.2(b) and 5.2(f).

(f) **Notes to and forming part of the NGX Historical Financial Information**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Section 5.2 does not include all the notes of the type normally included in an annual financial report. Accordingly, this Section 5.2 should be read in conjunction with the annual report of NGX for the year ended 30 June 2022. The significant accounting policies which have been adopted in the preparation of the NGX Historical Financial Information are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

(i) **Going Concern**

The financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. As at 30 June 2022, NGX has a deficiency in net assets of \$694,504 (2021: restated \$109,406) predominantly due to a related party loan of \$549,720 (2021: restated \$106,408) to Sovereign. Sovereign will not call up their outstanding loan of \$549,720 (2021: restated \$106,408) and have agreed to provide financial support 12 months from the date of signing the financial report.

(ii) **Accounting standards issued but not yet effective and not been adopted early by NGX**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by NGX for the reporting year ended 30 June 2022. Those which may be relevant to NGX are set out in the following table, but these are not expected to have any significant impact on NGX's financial statements.

Standard/Interpretation	Application Date of Standard	Application Date for Group
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (AASB 1, 3, 9, 116, 137 & 141)</i>	1 January 2022	1 July 2022
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	1 January 2023	1 July 2023
AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i>	1 January 2023	1 July 2023
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023	1 July 2023
AASB 2021-7(a-c) <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2025	1 July 2025
AASB 2022-1 <i>Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information</i>	1 January 2023	1 July 2023

(iii) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(iv) **Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(v) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless NGX has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For the majority of borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(vi) **Use and Revision of Accounting Estimates**

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(vii) **Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by NGX is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to NGX for similar financial instruments.

(viii) **Significant judgements and key assumptions**

The Director's evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within NGX.

(ix) **Issued Capital**

Ordinary Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by NGX. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) **Exploration and Evaluation Expenditure**

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method.

Exploration and evaluation expenditure encompasses expenditures incurred by NGX in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is recorded as an asset if:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by NGX subsequent to the acquisition of the rights to explore is expensed as incurred, up until the technical feasibility and commercial viability of the project has been demonstrated with a bankable feasibility study.

Capitalised exploration costs are reviewed at each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous periods.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(xi) **Impairment**

NGX assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, NGX makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to dispose and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of groups

of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(xii) **Adjustment to the Comparative Period**

The comparative period has been amended to reflect expenses incurred on behalf of NGX by Sovereign during the period 19 April 2021 to 30 June 2021.

5.3 Foreign jurisdiction riders

No action has been taken to register or qualify the NGX Shares or otherwise permit a public offer of such securities in any jurisdiction outside Australia.

Based on the information available to the Company, Shareholders whose addresses are shown in the register on the Record Date for the Distribution as being in the following jurisdictions will be entitled to have NGX Shares distributed to them under the Distribution subject to any qualifications set out below in respect of that jurisdiction:

- Australia;
- Canada;
- Germany, where (i) the Shareholder is a "qualified investor" (as defined in Article 2(e) of the Prospectus Regulation) or (ii) the number of other Shareholders is less than 150;
- Hong Kong;
- Luxembourg, where (i) the Shareholder is a "qualified investor" (as defined in Article 2(e) of the Prospectus Regulation) or (ii) the number of other Shareholders is less than 150;
- Netherlands, where (i) the Sovereign Metals shareholder is a "qualified investor" (as defined in Article 2(e) of the Prospectus Regulation) or (ii) the number of other Sovereign Metals shareholders is less than 150;
- New Zealand;
- Poland, where (i) the Sovereign Metals shareholder is a "qualified investor" (as defined in Article 2(e) of the Prospectus Regulation) or (ii) the number of other Sovereign Metals shareholders is less than 150;
- Singapore;
- United Kingdom, where the number of Shareholders is less than 150;

- United States, and
- any other person or jurisdiction in respect of which the Company reasonably believes that it is not prohibited and not unduly onerous or impractical to distribute NGX Shares to a Shareholder with a registered address in such jurisdiction.

Nominees, custodians and other Shareholders who hold Shares on behalf of a beneficial owner resident outside Australia, Canada, Hong Kong, Singapore and the United States may not forward the Notice (or any accompanying document) to anyone outside these countries except (i) to beneficial shareholders in the European Union who are "qualified investors" (as defined in Article 2(e) of the Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union) or (ii) with the consent of the Company considering applicable securities laws.

(a) **Canada**

The Notice may be made available, and the NGX Shares distributed, in Canada solely to existing Shareholders in reliance upon exemptions from the prospectus and registration requirements of the applicable Canadian securities law in each province and territory of Canada. No securities commission in Canada has reviewed or in any way passed upon the Notice or the merits of the Distribution. Any resale of the NGX Shares in Canada must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

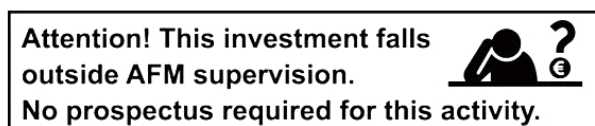
(b) **European Union**

The Notice has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the NGX Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the **Prospectus Regulation**).

In accordance with Article 1(4) of the Prospectus Regulation, an offer of NGX Shares in the European Union is limited:

- (i) to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- (ii) to fewer than 150 natural or legal persons (other than qualified investors); or
- (iii) in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

Investors in the Netherlands should note:



(c) **Hong Kong**

WARNING: The Notice has not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Distribution. If you are in any doubt about any of the contents of the Notice, you should obtain independent professional advice.

The Notice does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. The Notice also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue the Notice in Hong Kong, other than to persons who are "professional investors" (as defined in the Securities and Futures Ordinance and any rules made thereunder) or in other circumstances that do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or that do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue the Notice or any advertisement, invitation or document relating to the NGX Shares, whether in Hong Kong or elsewhere, that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.

The Notice may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of the Notice, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The Notice is for the exclusive use of Shareholders in connection with the Distribution. No steps have been taken to register or seek authorisation for the issue of the Notice in Hong Kong.

The Notice is confidential to the person to whom it is addressed and no person to whom a copy of the Notice is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) the Notice to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with consideration of the Distribution.

(d) **New Zealand**

The Notice is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 or any other New Zealand law. The offer of Shares is being made to existing shareholders of Sovereign Metals in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 and, accordingly, the Notice may not contain all the information that a disclosure document is required to contain under New Zealand law.

(e) **Singapore**

The Notice and any other materials relating to the NGX Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, the Notice and any other document relating to the offer of NGX Shares may not be issued, circulated or distributed, nor may the NGX Shares be offered or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

The Notice is being made available in Singapore only to existing Shareholders. You may not forward or circulate the Notice to any other person in Singapore. Any offer is not made to you with a view to the NGX Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire NGX Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

(f) **United Kingdom**

Neither the Notice nor any other document relating to the Distribution has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the NGX Shares.

The NGX Shares may not be offered or sold in the United Kingdom by means of the Notice or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. The Notice is issued on a confidential basis in the United Kingdom to fewer than 150 persons who are existing Shareholders. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the NGX Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Sovereign.

In the United Kingdom, the Notice is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which

the Notice relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on the Notice.

(g) **United States**

The Notice has not been filed with, or reviewed by, the US Securities and Exchange Commission or any US state securities authority and none of them has passed upon or endorsed the merits of the Distribution or the accuracy, adequacy or completeness of the Notice of Meeting. Any representation to the contrary is a criminal offence.

The NGX Shares have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. Upon completion of the Distribution, the NGX Shares will be issued pursuant to an exemption from the registration requirements under the US Securities Act and applicable US state securities laws. The Distribution is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

US shareholders of the Company should note that the Distribution is made of securities of an Australian company in accordance with the laws of Australia and the listing rules of the Australian Securities Exchange. The Distribution is subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since the Company and NGX are located in Australia and most, if not all, of their officers and directors are residents of Australia. You may not be able to sue their respective officers or directors in Australia for violations of the US securities laws. It may be difficult to compel the Company and NGX to subject themselves to a US court's judgment.

5.4 Forward looking statements

Some of the statements appearing in this document may be in the nature of forward- looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and similar expressions are intended to identify forward-looking statements. Indications of guidance on future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward- looking statements.

You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are outside the Company's control. Those risks and uncertainties include factors and risks specific to the Company and NGX such as (without limitation) the status of exploration and mining applications and licences and the risks associated with the non-grant or expiry of those applications and licences, liquidity risk, risks associated with the exploration or developmental stage of projects, funding risks, operational risks, changes to government fiscal, monetary and regulatory policies, the impact of actions of governments, the potential difficulties in enforcing agreements, protecting assets, increases in costs of transportation and shipping of international operations, alterations to resource estimates and the imprecise nature of resource and reserve statements, any circumstances adversely affecting areas in which the Company operates, fluctuations in the production, volume and price of commodities, any imposition of significant obligations under environmental regulations, fluctuations in exchange rates, the fluctuating industry and commodity cycles, the impact of inflation on operating and development costs, taxation, regulatory issues and changes in law and accounting policies, the adverse impact of wars, terrorism, political, economic or natural disasters, the impact of changes to interest rates, loss of key personnel and delays in obtaining or inability to obtain any necessary government and regulatory approvals, insurance and occupational health and safety. For more information on the risk factors facing NGX, please refer to Schedule 4.

Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and such deviations are both normal and to be expected. None of the Company, NGX, any of their respective officers or any person named in this document or involved in the preparation of this document make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward-looking statements in this document reflect views held only as at the date of this document.

5.5 No financial product advice

This document does not constitute financial product, taxation or investment advice nor a recommendation in respect of the NGX Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information, having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their circumstances.

Neither the Company nor NGX is licensed to provide financial product advice. No cooling-off regime applies in respect of the acquisition of NGX Shares under the Demerger (whether the regime is provided for by law or otherwise).

5.6 No internet site is part of this document

No internet site is part of the Notice. The Company maintains a website (www.sovereignmetals.com.au). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

5.7 Lodgement with ASIC, ASX and AIM

A final copy of the Notice has been lodged with ASIC, ASX and AIM. Neither ASIC, ASX, AIM nor any of their respective officers takes any responsibility for the contents of this document.

5.8 Disclaimer

Sovereign has prepared the meeting materials based on information available to it at the time of preparation. No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in the meeting materials. To the maximum extent permitted by law, Sovereign, its related bodies corporate (as that term is defined in the Corporations Act) and the officers, directors, employees, advisers and agents of those entities do not accept any responsibility or liability including, without limitation, any liability arising from fault or negligence on the part of any person, for any loss arising from the use of the meeting materials or its contents or otherwise arising in connection with it.

Ernst & Young has given its written consent to be named in the Notice of Meeting as the auditor to the Company (including in respect of the financial statements of the Company for the years ended 30 June 2022) in relation to the Notice of Meeting in the form and context in which it is named.

Ernst & Young has not made or has purported to make any statement or representation that is included in this Notice of Meeting or any statement on which a statement made in the Notice of Meeting is based, except as stated above. EY has not authorised or caused the issue of the Notice of Meeting and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statement in, or omission from, this Notice of Meeting, other than the reference to its name included in this Notice of Meeting with its consent as described above.

5.9 Competent Person's statement

(a) Duwi Project

The information in the Notice that relates to Mineral Resource estimates is extracted from an ASX announcement dated 17 October 2014. The ASX announcement is available to view on www.sovereignmetals.com.au. The information in the 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 Geoscientists. 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 JORC Code.

Sovereign confirms that:

- (i) it is not aware of any new information or data that materially affects the information included in the ASX announcement;
- (ii) all material assumptions and technical parameters underpinning the estimates in the ASX announcement continue to apply and have not materially changed; and
- (iii) the form and context in which the relevant Competent Persons' findings are presented in the Notice have not been materially changed from the ASX announcement.

(b) Malingunde Project

The information in the Notice that relates to Mineral Resource estimates is extracted from an ASX announcement dated 12 June 2018. The ASX announcement is available to view on www.sovereignmetals.com.au. The information in the 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 Australian Institute of Geoscientists. 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 JORC Code.

Sovereign confirms that:

- (i) it is not aware of any new information or data that materially affects the information included in the ASX announcement;
- (ii) all material assumptions and technical parameters underpinning the estimates in the ASX announcement continue to apply and have not materially changed; and
- (iii) the form and context in which the relevant Competent Persons' findings are presented in the Notice have not been materially changed from the ASX announcement.

The information in the Notice that relates to production targets and Ore Reserve estimates is extracted from an ASX announcement dated 7 November 2018. The ASX announcement is available to view on www.sovireignmetals.com.au. The information in the ASX announcement that related to Production Targets and Ore Reserves was based on and fairly represents information compiled or reviewed by Mr Ryan Locke, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Locke is employed by Orelogy Group Pty Ltd, an independent consulting company. Mr Locke 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 JORC Code.

The Company confirms that:

- (i) it is not aware of any new information or data that materially affects the information included in the ASX announcement;
- (ii) all material assumptions and technical parameters underpinning the estimates in the ASX announcement continue to apply and have not materially changed; and
- (iii) the form and context in which the Competent Person's findings are presented in the Notice have not been materially modified from the ASX announcement.

(c) **Kasiya Rutile Project**

The information in the Notice that relates to the Mineral Resource estimates is extracted from the ASX announcement dated 5 April 2022. The ASX announcement is available to view on www.sovireignmetals.com.au. The information in the ASX announcement that related to Mineral Resources was based on, and fairly represents, information compiled by Mr Richard Stockwell, a Competent Person, who is a Fellow of The Australian Institute of Geoscientists. Mr Stockwell is a principal of Placer Consulting Pty Ltd, an independent consulting company. Mr Stockwell 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 JORC Code.

Sovereign confirms that:

- (i) it is not aware of any new information or data that materially affects the information included in the ASX announcement;
- (ii) all material assumptions and technical parameters underpinning the estimates in the ASX announcement continue to apply and have not materially changed; and
- (iii) the form and context in which the relevant Competent Persons' findings are presented in the Notice have not been materially changed from the ASX announcement.

5.10 Qualified Persons Statement

Technical information in the Notice relating to exploration results, Mineral Resource Estimates and Ore Reserve Estimates has been reviewed by Dr Julian Stephens (B.Sc (Hons), PhD, MAIG), Managing Director, a Qualified Person for the purposes of the AIM Rules.

5.11 Other material information

There is no information material to the making of a decision by a Shareholder whether or not to approve Resolution 1 (being information that is known to any of the Directors and which has not been previously disclosed to Shareholders) other than as disclosed in the Notice.

5.12 Short form prospectus

On 15 February 2023, being the date of the Notice, Sovereign lodged a short form prospectus issued in accordance with section 712 of the Corporations Act for the offer to transfer NGX Shares to Shareholders pursuant to the Demerger and to facilitate secondary trading of those NGX Shares (**Short Form Prospectus**). The Short Form Prospectus alone does not contain all the information that is generally required to satisfy the disclosure requirements of the Corporations Act. Rather, it incorporates all other necessary information by reference to information contained in the Notice. The Short Form Prospectus accompanies the Notice.

5.13 Sovereign Costs of Demerger

The total approximate expenses of the Demerger for Sovereign are:

	\$
Legal fees	33,000
Solicitor's report on mining tenements	6,435
Investigating Accountant's Report	6,600
Independent geologist reports	66,000
Studies and reports for the Independent geologist reports	39,837
TOTAL	151,872

6. Background Information on NGX and Graphite Projects

6.1 Background information on NGX

NGX is a public unlisted company incorporated on 19 April 2021 in Western Australia for the specific purpose of holding the Graphite Projects. NGX is presently a wholly owned subsidiary of the Company.

NGX will not be listed on ASX immediately following the Demerger and ongoing disclosure of information to NGX Shareholders will mostly be by shareholder updates communicated directly to NGX Shareholders and by statutory returns (refer to Section 8.4 for further information regarding the implications of NGX being an unlisted public company). If NGX is admitted to ASX, NGX will be subject to ASX disclosure requirements and Listing Rules.

NGX will be a public unlisted company immediately following the Demerger and will not be listed on ASX (refer to Section 8.4 for further information). However, NGX is proposing to pursue an ASX listing following completion of the Demerger. To satisfy the ASX listing requirements, NGX will need to raise capital at the minimum issue price of \$0.20 per NGX Share in accordance with the Listing Rules. The terms of the capital raising are yet to be determined. However, for the purposes of demonstrating the potential level of dilution to NGX Shareholders the capital raising will likely comprise a priority offer to existing Eligible Shareholders to issue up to 42,806,820 NGX Shares which at \$0.20 each would raise \$8,561,364 (before associated costs) (**Priority Offer**) and a general offer of up to 5,000,000 NGX Shares which at \$0.20 each would raise \$1,000,000 (before costs) (**General Offer**) to assist in satisfying the spread requirements for ASX (together, the **IPO Offer**). The making of the IPO Offer is subject to the Demerger Conditions being satisfied and the Demerger completing.

Shareholders should take into account the IPO Offer parameters, and the dilutionary impact on their proposed holdings in NGX, when deciding how to vote on Resolution 1 and whether to approve the Demerger.

Shareholders (and investors generally) should be aware that the information contained in the Notice relating to the IPO Offer and ASX listing of NGX generally does not constitute an offer of NGX Shares. Any such offering by NGX of NGX Shares will be subject to a prospectus to be made available when the NGX Shares

are offered. Anyone wishing to acquire NGX Shares in the IPO Offer will need to complete the application form that will accompany the relevant prospectus.

If Shareholders approve the Demerger, NGX will be a mineral exploration and development company, whose primary focus is to explore for, and ultimately develop the Graphite Projects.

If Shareholders do not approve the Demerger, no Distribution Shares will be distributed to Shareholders under the Demerger, and NGX will not seek to list on ASX and will remain a subsidiary of the Company.

6.2 Background on the Graphite Projects

The licences comprising the Graphite Projects are outlined as follows:

Licence No. (Name)	Area (km ²)	Percentage Interest	Status
RL0012/21 (Nanzeka Project)	6.0	100%	Granted
RL0032/22 (Duwi Project)	24.6	100%	Granted (Transfer to NGX pending)
AML0088 (Malingunde Project)	5.7	100%	Mining licence application (Transfer to NGX pending)
APL 0329 (Mabuwa Project)	9.0	100%	Exploration licence application

(a) Nanzeka Project

The Nanzeka Project is located approximately 60km north of Malawi's capital Lilongwe. Mapping, rock chip sampling, trenching and limited drilling in 2013 identified high-grade flake graphite mineralisation over a strike length of approximately 3km with a true width of about 10m. Some surface exposures show up to 150m of graphite mineralisation widths. NGX Exploration Limited (a wholly owned Malawian subsidiary of NGX) is the holder of Retention Licence RL 0012/21, granted on 27 July 2021, which comprises the Nanzeka Project.

Please refer to the Nanzeka, Duwi and Mabuwa Projects Report provided in Schedule 6 and the Independent Solicitor's Report provided in Schedule 8 for further information regarding the Nanzeka Project.

(b) Duwi Project

The Duwi Project is located approximately 15km east of Malawi's capital, Lilongwe, which has a Mineral Resource estimate of 85.9Mt at 7.1% total graphitic carbon (TGC) for contained graphite of 6.13Mt. SSL is the holder under the retention licence RTL 0032/22 which was granted on 4 October 2022. On 18 October 2022, SSL applied for the transfer of the Duwi Project to NGX Exploration Limited. The transfer is pending approval.

The transfer of the Duwi Project from the Company to NGX is subject to the satisfaction (or waiver) of various conditions precedent pursuant to the Demerger Deed (refer to Section 6.16(a) for further information). The transfer of the legal title to the Duwi Project is subject to Malawian ministerial approval. Due to expected timings in-country, these approvals are likely to occur after the Demerger has completed.

Please refer to the Nanzeka, Duwi and Mabuwa Projects Report provided in Schedule 6 and the Independent Solicitor's Report provided in Schedule 8 for further information regarding the Duwi Project.

(c) Malingunde Project

The Malingunde Project is located in the Central Region of the Lilongwe District of Malawi, approximately 20km southwest of Malawi's capital, Lilongwe.

The Malingunde Project has a Mineral Resource estimate of 65Mt at 7.2% TGC for contained graphite of 4.68Mt. In November 2018, the Company completed a pre-feasibility study (PFS) for

the Malingunde Project which was updated in November 2021 as part of Sovereign's listing on AIM. The PFS has confirmed the low operating costs, low technical risk, high-quality concentrates and substantial upside of the Malingunde Project.

In February 2022, the Company applied for the grant of a mining licence at the Malingunde Project which covers 5.7km². Conditional approval for the mining licence was provided in April 2022 with conditions to be addressed including submission of an environmental and social impact assessment approval certificate under the Malawian environmental management.

The transfer of the Malingunde Project from the Company to NGX is subject to the satisfaction (or waiver) of various conditions precedent pursuant to the Demerger Deed (refer to Section 6.16(a) for further information). The transfer of the legal title to the Malingunde Project is subject to Malawian ministerial approval. Due to expected timings in-country, these approvals are likely to occur after the Demerger has completed.

Please refer to the Malingunde Project Report provided in Schedule 7 and the Independent Solicitor's Report provided in Schedule 8 for further information regarding the Malingunde Project.

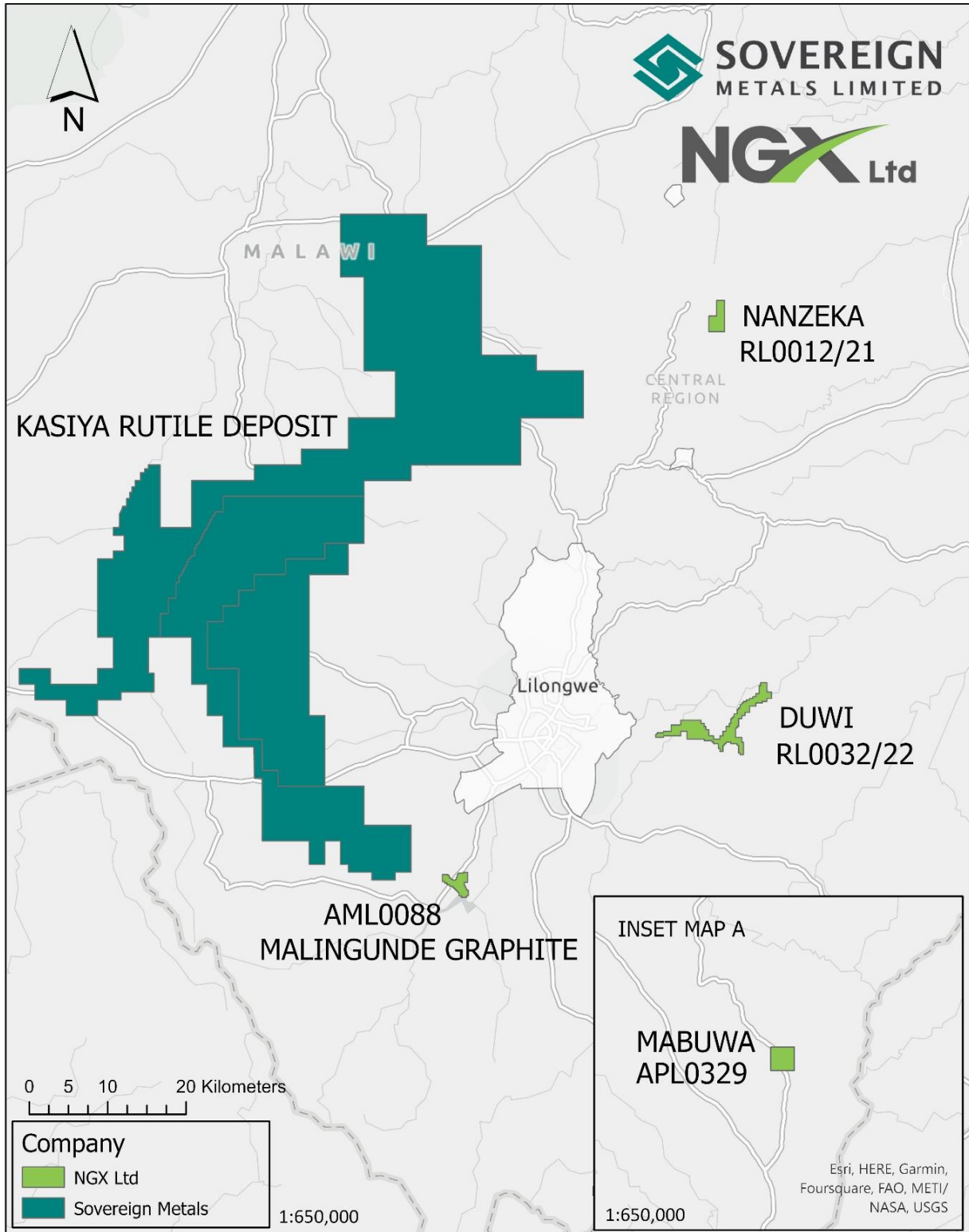
(d) **Mabuwa Project**

The Mabuwa Project is located approximately 60km south of Malawi's major commercial city of Blantyre. The Mabuwa Project covers a mafic-ultramafic intrusive body potentially favourable for nickel and PGE sulphide mineralisation. No previous exploration work is known. However, historical reconnaissance drilling has been undertaken on nearby targets hosted in similar rock types with low grade nickel and PGE sulphide mineralisation having been discovered. An application for an exclusive exploration licence over 9km² was lodged by NGX Exploration Limited in March 2022.

Please refer to the Nanzeka, Duwi and Mabuwa Projects Report provided in Schedule 6 and the Independent Solicitor's Report provided in Schedule 8 for further information regarding the Mabuwa Project.

Refer to Figure 3 for the proposed Sovereign and NGX tenement holding post-Demerger.

Figure 3 - Proposed Sovereign and NGX tenement holding post Demerger



Note: Map A: Mabuwa Project tenement application located approximately 330km SSW of Lilongwe

6.3 Mineral Resource estimates for the Duwi Project and Malingunde Project

Duwi Project (originally reported to ASX on 17 October 2014 and last reported to ASX on 30 September 2022 as part of the Company's annual Mineral Resource and Ore Reserve estimate review)

Deposit ¹	Mineral Resource Category	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (MT)
Duwi Main	Indicated	35.2	7.2%	2.52
	Inferred	34.3	7.3%	2.49
	TOTAL²	69.5	7.2%	5.01
Duwi Bend	Inferred	7.8	7.2%	0.56
Nyama	Inferred	8.6	6.5%	0.56
Duwi Project	Indicated²	35.2	7.2%	2.52
	Inferred²	50.7	7.1%	3.61
	TOTAL²	85.9	7.1%	6.13

Notes:

1. Duwi Project Mineral Resource estimate is reported at a 5% TGC lower cut-off grade.
2. Any minor summation inconsistencies are due to rounding.

Malingunde Project (originally reported to ASX on 12 June 2018 and last reported to ASX on 30 September 2022 as part of the Company's annual Mineral Resource and Ore Reserve estimate)

Deposit ¹	Mineral Resource Category	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (MT)
Malingunde Project	Measured	4.8	8.5%	0.41
	Indicated	32.3	7.2%	2.32
	Inferred	27.9	7.0%	1.95
	TOTAL²	65.0	7.2%	4.68

Notes:

1. Malingunde Project Mineral Resource estimate is reported at a 6.75% TGC lower cut-off grade for saprolite and between 9.5% and 11.0% for saprock.
2. Any minor summation inconsistencies are due to rounding.

6.4 Ore Reserve estimates for the Malingunde Project

Malingunde Project (reported to ASX on 7 November 2018 and last reported to ASX on 30 September 2022 as part of the Company's annual Mineral Resource and Ore Reserve estimate)

Deposit ¹	Ore Reserve Category	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (MT)
Malingunde Project	Proved	3.1	9.5%	0.30
	Probable	6.4	9.5%	0.60
	TOTAL²	9.5	9.5%	0.90

Notes:

1. Malingunde Project Ore Reserve estimate is reported at a 6.75% TGC lower cut-off grade for saprolite and between 9.5% and 11.0% for saprock.
2. Any minor summation inconsistencies are due to rounding.

6.5 Business model of NGX / planned activities for the Graphite Projects

The Company's primary focus will be the development of the Nanzeka Project, subject to the results of exploration activities, technical studies and the availability of suitable funding, by undertaking project development, construction and mining activities through:

- (a) conducting systematic exploration activities at the Nanzeka Project and Mabuwa Project with the aim of discovering a suitable mineral deposit;
- (b) following discovery of a suitable mineral deposit, delineating a mineral resource estimate on the Nanzeka Project;
- (c) subject to the transfer of the Malingunde Project and Duwi Project into NGX, conducting further exploration activities at these projects;
- (d) undertaking economic and technical assessments of the Company's projects in line with standard industry practice (for example completion of a scoping study, then a prefeasibility study followed by a definitive feasibility study);
- (e) subject to the results studies referred to above, undertaking project development and construction activities;
- (f) ultimately exploitation of the projects through mining operations; and
- (g) reviewing other business development opportunities including joint venture arrangements and other new mineral projects.

6.6 Strategy and objectives of NGX

Following completion of the Demerger, the ongoing activities of NGX will be:

- (a) pursuing a listing on ASX, which will include raising capital via the IPO Offer to satisfy the ASX listing requirements (refer to Section 6.1 for further information);
- (b) conducting systematic exploration activities at the Nanzeka Project and Mabuwa Project;
- (c) subject to the transfer of the Malingunde Project and Duwi Project to NGX, conducting further exploration activities at these projects;
- (d) subject to the results of exploration activities, progress economic and technical studies on the Company's projects; and
- (e) reviewing other business development opportunities including joint venture arrangements and other new mineral projects.

NGX will not be listed on ASX at completion of the Demerger and NGX Shares will not be quoted securities on ASX or any other public securities exchange when received by Shareholders (refer to Section 8.4 for further information).

Subsequent to the Demerger occurring and subject to overall market conditions, NGX is proposing to seek admission to the Official List of ASX. The Company will make the IPO Offer (refer to Section 6.1 for further detailing regarding the IPO Offer).

Detailed information of the Priority Offer, General Offer, the capital structure and an indicative timetable will be included in a prospectus that will be made available after that document's lodgement with ASIC. Eligible Shareholders should consider the prospectus in deciding whether to participate in the Priority Offer. Investors should consider the prospectus in deciding whether to acquire new NGX Shares. Applications for new NGX Shares can only be made by completing the application form(s) which accompany the prospectus.

From the Distribution Date until the earlier of the date that NGX Shares are admitted to official quotation on ASX and NGX obtaining alternative funding from a third party, NGX will be funded by Sovereign pursuant to an unsecured loan facility as agreed in the Demerger Deed with the terms of the loan to be agreed between the parties. Further details of the Demerger Deed and loan are provided in Section 6.16(a).

6.7 Key business model dependencies

On completion of the Demerger, NGX will be a speculative mineral exploration and development company that is not listed on any public securities exchange (refer to Section 8.4 for further information). The key dependencies for NGX to meet its objectives are:

- (a) NGX listing on the ASX or other suitable stock market, and the ongoing access to capital for project exploration and development;

- (b) NGX maintaining title to the Graphite Projects;
- (c) the transfer of title to NGX for the Malingunde Project and Duwi Project (including obtaining Malawian ministerial approval for the transfer);
- (d) there being sufficient worldwide demand for graphite;
- (e) the market price of graphite products remaining higher than the Company's costs of any future production (assuming successful development by the Company);
- (f) NGX maintaining existing (and securing additional) necessary consents and approval required to carry out exploration and development activities; and
- (g) NGX retaining competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

6.8 Key strengths

The Directors are of the view that the key strengths of the Company are as follows:

- (a) **High grade, soft free dig saprolite deposit** – Malingunde Project graphite mineralisation is hosted in soft and friable, free-dig saprolite leading to considerably lower carbon footprint and cost advantages in the mining and beneficiation stages compared to hard-rock mines;
- (b) **High quality graphite** – Previous results have demonstrated that the Graphite Projects have a range of premium-quality products that are suitable for industry applications like the rapidly growing lithium-ion battery markets and other traditional uses;
- (c) **Mining friendly jurisdiction with excellent existing infrastructure** – The Graphite Projects are located approximately 50km north-east, 15 km east and 20 km southwest of Lilongwe respectively, Malawi's capital city which is connected by an established and operating railway line with grid power expected to be connected from 2024;
- (d) **Experienced Project Development Team** – The NGX Board has extensive experience in mineral exploration, project development, mining and financing in the resources industry; and
- (e) **NGX will have sufficient funding to achieve its objectives** – On completion of the IPO Offer, the Board believes that NGX will have sufficient working capital to achieve its stated objectives detailed in Section 6.6.

6.9 NGX Board and management

NGX was incorporated on 19 April 2021. The NGX Board includes a combination of existing Sovereign Directors and new appointments, including a non-executive director with suitable technical expertise. The NGX Board comprises:

- (a) **Mr Ian Middlemas – Chairman**

B.Com, CA

Mr Middlemas is a Chartered Accountant and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director of a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of NGX on 19 April 2021. During the three year period to the date of the Notice, Mr Middlemas has held directorships in Constellation Resources Limited (November 2017 – present), Apollo Minerals Limited (July 2016 – present), GCX Metals Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), GreenX Metals Limited (August 2011 – present), Salt Lake Potash Limited (Administrators Appointed) (Receivers and Managers Appointed) (January 2010 – present), Sovereign Metals Limited (July 2006 – present), Equatorial Resources Limited (November 2009 – present), Odyssey Gold Limited (September 2005 – present), Piedmont Lithium Limited (September 2009 – December 2020) and Peregrine Gold Limited (September 2020 – February 2022).

(b) **Matthew Syme – Executive Director**

B.Com, CA

Mr Syme is a Chartered Accountant and an accomplished mining executive with over 30 years' experience in senior management roles in Australia and overseas. He was a Manager in a major international Chartered Accounting firm before spending three years as an equities analyst in a large stockbroking firm. Mr Syme then continued a successful career as CFO, CEO or a director of a number of listed mining and exploration companies operating in a wide range of commodities and jurisdictions.

Mr Syme was a previous Director of Sovereign (2014-2016) and is familiar with the Graphite Projects.

Mr Syme was appointed a Director of NGX on 19 January 2023. During the three year period to the date of the Notice, Mr Syme has held a directorship in Odyssey Gold Limited (August 2020 – present).

(c) **Mr Matthew Bungey – Non-Executive Director**

B.Chem Eng (Hons), B. Sci, MBA

Mr Bungey is a Chemical Engineer with over 20 years experience in natural resources. He commenced his career as a Process Engineer with BHP at Centre for Minerals Technology in the United States where he was responsible for process design and research into bacterial leaching of copper-sulphide ore. He then spent several years in the Marketing Division of BHP Billiton based in The Hague. Mr Bungey has an MBA with Distinction from INSEAD and was a Managing Director and Head of Mining and Metals with Barclays Investment Bank in London. Most recently, he has been involved in the start up of numerous smaller businesses focused on the decarbonisation and carbon sequestration space.

Mr Bungey was appointed a Director of NGX on 24 January 2023. During the three year period to the date of the Notice, Mr Bungey has held a directorship in Salt Lake Potash Limited (Administrators Appointed) (Receivers and Managers Appointed) (May 2020 – present).

(d) **Mr Mark Pearce – Non-Executive Director**

B.Bus, CA, FCIS, FFin

Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and a member of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director of NGX on 19 April 2021. During the three year period to the date of the Notice, Mr Pearce has held directorships in Constellation Resources Limited (July 2016 – present), GreenX Metals Limited (August 2011 – present), Equatorial Resources Limited (November 2009 – present), GCX Metals Limited (June 2022 – present), Peregrine Gold Limited (September 2020 – February 2022), Odyssey Gold Limited (September 2005 – August 2020), Apollo Minerals Limited (July 2016 – February 2021), Sovereign Metals Limited (July 2006 – present) and Salt Lake Potash Limited (Administrators Appointed) (Receivers and Managers Appointed) (August 2014 – October 2020).

(e) **Ms Elizabeth (Lib) Matthews – Company Secretary**

B.Com, CA, GIA(Affiliated), GAICD

Ms Matthews is a Chartered Accountant, Affiliate Member of the Governance Institute of Australia (Chartered Secretary qualifying) and graduate of the Australian Institute of Company Directors Director Course who commenced her career at a large international accounting firm and has since been involved with exploration and development companies operating in the resources sector, including serving as Company Secretary of ASX listed Peregrine Gold Limited. Ms Matthews was appointed Company Secretary of NGX on 9 December 2022.

6.10 NGX capital structure

The indicative capital structure of NGX post-completion of the Demerger will be:

	NGX Shares	NGX Options
Existing securities at the date of the Notice ¹	2	Nil
NGX Shares transferred to Shareholders ²	42,806,820	Nil
TOTAL	42,806,822	NIL

Notes:

1. Held by Sovereign.
2. Transfer to be made pursuant to the terms of the Distribution (refer to Section 3.1 for details).

The indicative capital structure of NGX post-completion of the IPO Offer will be:

	NGX Shares	NGX Options
Securities on completion of the Demerger	42,806,822	Nil
Priority Offer ¹	42,806,820	Nil
General Offer ²	5,000,000	Nil
Issue of NGX Management Incentive Options ³	Nil	3,000,000
TOTAL	90,613,642	3,000,000

Notes:

1. Issue to be made pursuant to the terms of the Priority Offer (refer to Section 6.1 for details).
2. Issue to be made pursuant to the terms of the General Offer (refer to Section 6.1 for details).
3. Refer to Section 6.18 for details.

Shareholders should note this structure is indicative only as at the date of the Notice and that NGX retains discretion to amend the structure and issue more or less shares or other forms of securities, such as options or performance rights.

6.11 NGX substantial shareholders

The substantial NGX Shareholders on completion of the Demerger will be:

NGX Shareholder	Shares ¹	No. of NGX Shares in which the NGX Shareholder will have a relevant interest ²	Interest (%)
Sprott Inc. and each of its controlled bodies corporate listed in the notice	54,839,880	4,985,444	11.65

Notes:

1. As last notified to the Company.
2. On the basis of an in-specie pro rata distribution to Eligible Shareholders of one (1) NGX Share for every eleven (11) Shares.

6.12 NGX Director remuneration

The table below details the remuneration of the NGX Directors if the Demerger is implemented:

Director	\$
Ian Middlemas	\$36,000 (plus superannuation)
Matthew Syme	- ¹
Matthew Bungey	\$20,000 (plus superannuation)
Mark Pearce	\$20,000 (plus superannuation)

Note:

1. Mr Matthew Syme is remunerated on a consultancy basis through the Hopetoun Agreement, refer to Section 6.16 for details.

6.13 NGX Director proposed interests

The table below details the number of NGX Shares the NGX Directors are likely to have an interest in if the Demerger is implemented:

Director	NGX Shares ¹	%	NGX Options ²
Ian Middlemas	1,463,636	3.42	-
Matthew Syme	20,000	0.05	1,500,000
Matthew Bungey	45,454	0.10	500,000
Mark Pearce	390,531	0.91	500,000

Notes:

1. These NGX Shares represent the anticipated NGX Shares that will be issued pursuant to the Distribution as at the date of the Notice.
2. Refer to Section 6.18 for further information.

6.14 NGX risk factors

On successful completion of the Demerger, Shareholders will become shareholders in NGX and should be aware of the general and specific risk factors which may affect NGX and the value of its securities. These risks are outlined in Schedule 4.

6.15 NGX pro forma

A pro forma statement of financial position for NGX, reflecting the indicative balance sheet of NGX following completion of the Demerger and IPO Offer is set out in Schedule 2.

6.16 Material contracts

A summary of NGX's material contracts is set out below:

(a) **Demerger Deed**

On 10 February 2023 (**Commencement Date**), Sovereign, SSL (an entity owned by Sovereign), NGX and NGX Mining and NGX Exploration (entities owned by NGX) entered into the Demerger Deed, which provides the terms of the Demerger.

The effect of the Demerger Deed is that NGX acquires the Graphite Projects from the Sovereign Group and in return NGX will issue 42,806,820 NGX Shares at a deemed issue price of \$0.20 per NGX Share to Sovereign, for the Distribution to Shareholders.

The material terms of the Demerger Deed are as follows:

(i) **Demerger conditions**

The outstanding conditions precedent for completion of the Demerger (**Demerger Completion**) includes (unless otherwise agreed to be waived):

- (A) **(Sovereign approvals)** Sovereign obtaining all necessary shareholder approvals required by the Corporations Act, the Listing Rules and the Constitution to give effect to Demerger;
- (B) **(no breach)** no breach of any provision of the Demerger Deed by Sovereign or SSL occurring; and
- (C) **(no regulatory intervention)** no regulatory intervention occurring that would otherwise prevent the Demerger from proceeding.

(ii) **Duwi Project conditions**

The conditions precedent for completion of the transfer of the Duwi Project (**Duwi Completion**) includes (unless otherwise agreed to be waived):

- (A) **(Distribution completion)** the Distribution having completed;
- (B) **(no breach)** no breach of any provision of the Demerger Deed by Sovereign or SSL occurring; and
- (C) **(Sovereign regulatory approvals)** Sovereign Group or a member of Sovereign Group (as applicable) obtaining all necessary regulatory approvals, including Malawi ministerial approval, for the transfer of the Duwi Project from Sovereign Group to NGX (or its nominee).

(iii) **Malingunde Project conditions**

The conditions precedent for completion of the transfer of the Malingunde Project (**Malingunde Completion**) includes (unless otherwise agreed to be waived):

- (A) **(Distribution completion)** the Distribution having completed;
- (B) **(Grant of mining licence)** a Sovereign Group Member being issued a mining licence in connection with the Malingunde Project under the Mining Act, subject only to conditions which are reasonable and capable of satisfaction as determined by NGX (acting reasonably);
- (C) **(no breach)** no breach of any provision of the Demerger Deed by Sovereign or SSL occurring; and
- (D) **(Sovereign regulatory approvals):** Sovereign Group or a member of Sovereign Group (as applicable) obtaining all necessary regulatory approvals, including Malawi ministerial approval, for the transfer of the Malingunde Project from Sovereign Group to NGX (or its nominee).

(iv) **Timing**

The Demerger Deed acknowledges that the transfer of the Duwi Project and Malingunde Project may occur after Demerger Completion. Accordingly, at the time of the Demerger, NGX may be seeking admission to ASX with only the Nanzeka Project and Mabuwa Project. The transfer of the Duwi Project and Malingunde Project will occur following satisfaction of the applicable conditions, including Malawian ministerial approval for the transfers.

(v) **Termination**

If any of the conditions precedent to Demerger Completion, Duwi Completion or Malingunde Completion are not satisfied or waived by the date that is two years from the Commencement Date, then the NGX Group may, in its absolute discretion by

written notice to Sovereign and SSL, terminate its obligations to acquire the Duwi Project and/or the Malingunde Project under the Demerger Deed. In this circumstance, the NGX Group will have no further obligations or liabilities under the Demerger Deed in respect of the Duwi Project and/or Malingunde Project (as applicable) from the date of termination.

If prior to date the Demerger condition in Section 6.16(a)(i)(A) is satisfied, the Board, acting in good faith, determines that an alternative proposal, agreement, arrangement or transaction or offer to the Demerger would be more favourable to Shareholders or that pursuing the Demerger is no longer in the best interests of Shareholders, then Sovereign may terminate this deed by written notice to the other parties.

(vi) **Exploration operations**

Until Demerger Completion, Duwi Completion and Malingunde Completion have occurred in relation to the Nanzeka Project and Mabuwa Project, Duwi Project and Malingunde Project respectively, NGX may conduct exploration operations on the tenements relating to the applicable Graphite Project with the consent of SSL (which may not be unreasonably withheld or delayed).

NGX has provided Sovereign with indemnities regarding all claims and liabilities against Sovereign relating to all claims concerning exploration at the tenements relating to the Nanzeka Project and Mabuwa Project, Duwi Project or Malingunde Project prior to completion for the applicable Graphite Project occurring.

Prior to Duwi Completion or Malingunde Completion occurring, any property in any minerals extracted or otherwise recovered pursuant to explorations conducted on Duwi Project or Malingunde Project, respectively, will be the property of SSL.

(vii) **Transitional services**

Sovereign will provide to NGX various transitional and corporate services for up to six months from Demerger Completion at cost plus 10% during the period that the services are performed.

(viii) **Wrong pockets**

The demerger principles of the Demerger Deed are that:

- (A) NGX has the entire economic benefit and risk of the Graphite Business as if it owned and had carried on the business at all times;
- (B) Sovereign has the entire economic benefit and risk of the Sovereign Business; and
- (C) NGX and Sovereign each release each other from all claims and liabilities relating the others business.

If either Sovereign or NGX becomes aware of the existence of an asset or liability within the Sovereign Group that was not transferred to or assumed by NGX relating to the Graphite Business or an asset or liability within the NGX Group that was not transferred to or assumed by Sovereign relating to the Sovereign Business, the Demerger Deed contains provisions to ensure that the parties discuss in good faith how to deal with the relevant asset or liability in accordance with the demerger principles.

(ix) **Releases and indemnities**

NGX has provided Sovereign with releases and indemnities regarding all claims and liabilities against Sovereign relating to all claims concerning the Graphite Business.

Sovereign has provided similar releases and indemnities regarding all claims and liabilities against NGX relating to all claims concerning the Sovereign Business.

(x) **Responsibility**

NGX accepts responsibility for any liabilities associated with the Graphite Business, irrespective of whether such liabilities relate to the period before or after Demerger Completion occurs.

Sovereign accepts responsibility for any liabilities associated with the Sovereign Business, irrespective of whether such liabilities relate to the period before or after Demerger Completion occurs.

(xi) **Related party debt**

Any intra company loans from the NGX Group to the Sovereign Group, together with all accrued and unpaid interest, incurred:

- (A) prior to 31 August 2022, will be forgiven and will not be repaid by NGX;
- (B) between 1 September 2022 and the Commencement Date, must be repaid by NGX as agreed to by the parties pursuant to the Demerger Deed; and
- (C) following the Commencement Date, must be repaid by NGX to the Sovereign Group within 20 business days of the date that NGX Shares are admitted to official quotation on ASX.

As at the date of the Notice, the debts accrued by NGX to Sovereign total A\$289,083.

(i) **Future funding**

From the Distribution Date until the earlier of the date that NGX Shares are admitted to Official Quotation on ASX and NGX obtaining alternative funding from a third party, Sovereign will provide an unsecured loan facility to NGX on terms to be agreed between the parties. Sovereign will provide an interest free loan to NGX to fund the costs associated with it seeking Official Quotation on ASX. Any future loans provided to NGX if it is not able to obtain Official Quotation on ASX may be interest bearing on terms to be agreed between the parties.

(b) **Hopetoun Agreement**

NGX has entered into an executive services agreement with Hopetoun Consulting Pty Ltd (**Hopetoun**), a company associated with an NGX Director, Mr Matthew Syme, (**Hopetoun Agreement**) pursuant to which Mr Syme will provide services to NGX as an executive director. NGX will remunerate Hopetoun for Mr Syme's services with a remuneration package comprising:

- (i) a daily fee of \$1,200;
- (ii) reimbursement for reasonable expenses necessarily incurred by Mr Syme (or Hopetoun).

In addition, Mr Syme (or Hopetoun) may be entitled to participate in NGX bonus and/or other incentive schemes that may be implemented in the future.

The Hopetoun Agreement is for an indefinite term and will continue until terminated by either NGX or Hopetoun by the giving of three month's written notice of termination or payment in lieu.

(c) **Non-executive NGX Director letters of appointment**

NGX has entered into letters of appointment with the non-executive chairman, Mr Ian Middlemas, and non-executive directors Mr Matthew Bungey and Mr Mark Pearce.

Pursuant to these letter agreements, NGX has agreed to pay:

- (i) Mr Middlemas a director's fee of \$36,000 (plus statutory superannuation); and
- (ii) Messrs Bungey and Pearce a director's fee of \$20,000 (plus statutory superannuation).

(d) **Deeds of indemnity, insurance and access**

NGX has entered into deeds of indemnity, insurance and access with each of its directors and its company secretary. Under these deeds, NGX agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of NGX or a related body corporate (subject to customary exceptions).

NGX is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the NGX Board in certain circumstances.

(e) **Services Agreement with Apollo Group Pty Ltd**

Apollo Group Pty Ltd ACN 091 844 692 (**Apollo Group**), a company controlled by Mr Mark Pearce, a NGX Director, will provide corporate administration, company secretarial services, and serviced office facilities, to NGX under a services agreement (**Apollo Group Services Agreement**). Either party can terminate the Apollo Group Services Agreement at any time for any reason by giving one month's written notice.

Effective from the NGX's listing date, Apollo Group will receive a monthly retainer of \$24,000 (plus GST) for the provision of corporate administration, company secretarial services, and serviced office facilities, to NGX. The monthly retainer will be reviewed every six months and is based on Apollo Group's budgeted cost of providing the services to NGX (and other companies utilising same or similar services from Apollo Group) for the next six-month period, with minimal or no mark-up. From time to time, Apollo Group may also receive additional fees (as agreed with NGX) in respect of services provided by Apollo Group to NGX that are not included in the agreed administration and company secretarial services covered by the monthly retainer. NGX considers that the services provided by Apollo Group are provided on arm's length or better terms and Mr Pearce receives minimal to no financial benefit from the Apollo Group Services Agreement.

6.17 Rights attaching to NGX Shares

A summary of the more significant rights that will attach to the NGX Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the NGX Shareholders. Full details of the rights attaching to the NGX Shares are set out in NGX's constitution, a copy of which is available on request. Shareholders should also consider the key differences provided in Schedule 9 between holding NGX Shares in an unlisted public company and an ASX-listed public company following completion of the Demerger.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the NGX constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividends, the directors may declare a dividend in accordance with the Corporations Act and may authorise the payment or crediting by the company to the shareholders of such a dividend. The directors may from time to time pay to shareholders any interim dividend that they may determine. Subject to the rights of any preference shareholders and to the rights of the holders of any shares credited or raised under any special arrangement as to the dividend, the dividend as declared shall be payable proportionately according to the amounts paid up or credited as paid up, on the shares, and otherwise in accordance with Part 2H.5 of the Corporations Act. Interest may not be paid by the company in respect of any dividend, whether final or interim.

(d) Winding-up

If the company is wound up, the liquidator may, with the authority of a special resolution of the company, divide among the shareholders in kind the whole or any part of the property of the company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution

of the company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the shares to be offered are fully paid shares, they are not subject to any calls for money by the directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, shares in the company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(g) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the company is being wound up may be varied or abrogated with the consent in writing of the holders of three- quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of constitution**

The constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. In addition, at least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

6.18 Management Incentive Options

NGX intends to issue, following completion of the Demerger, the NGX Directors the following Management Incentive Options as part of their remuneration packages as NGX Directors:

Director	Options
Ian Middlemas	-
Matthew Syme	1,500,000
Matthew Bungey	500,000
Mark Pearce	500,000

The terms and conditions of the Management Incentive Options are provided in Schedule 5.

7. Background Information on Sovereign and Kasiya Rutile Project

7.1 Business model of Sovereign post-Demerger

Sovereign will continue to focus on the exploration and development of its Kasiya Rutile Project.

The recent Expanded Scoping Study confirmed the Kasiya Rutile Project as a large-scale, long-life operation with a low-cost profile and future significant source of critical raw materials.

This globally significant project has the potential to become a major producer in both the natural rutile and graphite markets whilst contributing significantly to the economy of Malawi.

The Kasiya Rutile Project is a greenfields discovery in central Malawi which is now the largest natural rutile deposit and one of the largest flake graphite deposits in the world. Sovereign is aiming to develop an environmentally and socially sustainable operation to supply the highly sought-after natural rutile and graphite to global markets.

All major activities for the Kasiya Rutile Project's Pre-Feasibility Study (**PFS**) are underway and the guidance of globally recognised consultants is on track to be completed in the first half of 2023. Programs underway include:

- infill drilling to upgrade the entire resource to the Indicated category – now complete with majority of results pending;
- mining trade-off study examining hydro-mining vs dozer mining options;
- pit optimisation and design;
- pumping testwork, modelling and design;
- tailings disposal testwork and design;
- rehabilitation work programs and modelling;
- preliminary hydrogeological pilot and test boreholes;
- continued metallurgical test-work focused on the planned first 10 years of mining; and
- environmental screening assessments.

7.2 Mineral Resource estimates for the Kasiya Rutile Project

Kasiya Rutile Project (originally reported to ASX on 5 April 2022 and last reported on 30 September 2022 as part of the Company's annual Mineral Resource and Ore Reserve estimate)

Deposit	Mineral Resource Category	Material Tonnes (millions)	Rutile (%)	Rutile tonnes (millions)	TGC (%)	TGC Tonnes (millions)	RutEq. Grade ¹ (%)
Kasiya Mineral Resource Estimate (cut-off 0.7% rutile)	Indicated	662	1.05%	6.9	1.43%	9.5	1.76%
	Inferred	1,113	0.99%	11.0	1.26%	14.0	1.61%
	TOTAL²	1,775	1.01%	18.0	1.32%	23.4	1.67%

Notes:

1. RutEq. Formula: Rutile Grade x Recovery (98%) x Rutile Price (US\$1,308/t) + Graphite Grade x Recovery (62%) x Graphite Price (US\$1,085/t) / Rutile Price (US\$1,308/t). All assumptions are taken from this study detailed in the Company's announcement dated 26 October 2022.
2. Any minor summation inconsistencies are due to rounding.

7.3 Sovereign Board and management

The Sovereign Board comprises:

- (a) Benjamin Stoikovich – Chairman;
- (b) Julian Stephens – Managing Director;
- (c) Ian Middlemas – Non-Executive Director;
- (d) Mark Pearce – Non-Executive Director; and
- (e) Nigel Jones – Non-Executive Director.

The Sovereign Board is supported by Dylan Browne (Company Secretary).

There are no proposed changes to the Sovereign Board in connection with the Demerger.

7.4 Sovereign capital structure

The indicative capital structure of Sovereign post-completion of the Demerger will be:

	Shares	Options	Performance Rights
Existing securities at the date of the Notice	470,875,023	11,105,125 ¹	14,360,000 ²
Distribution ³	-	-	-
TOTAL	470,825,023	11,105,125⁴	14,360,000

Note:

- Unlisted Options exercisable at \$0.80 on or before 13 May 2023.
- Comprising:
 - 6,100,000 Performance Rights that convert to one Share in the capital of the Company upon satisfaction of the relevant milestone and expiring on 30 September 2023; and
 - 8,260,000 Performance Rights that convert to one Share in the capital of the Company upon satisfaction of the relevant milestone and expiring on 31 October 2025.
- The Distribution of NGX Shares will be undertaken on the balance of Shares currently on issue, being 470,825,023, subject to no further issue of Shares, exercise of Options or conversion of Performance Rights.
- In accordance with the terms of the existing Options and Listing Rule 7.22.3, upon the Demerger completing, the exercise price of each Option will be automatically reduced by the amount returned as capital in relation to each Share.

7.5 Sovereign Director interests

The table below details the number of securities in Sovereign held by the Directors as at the date of the Notice:

Director	Shares	%	Options	Performance Rights
Benjamin Stoikovich	3,590,000	0.76%	Nil	1,200,000
Julian Stephens	15,657,518	3.33%	Nil	2,100,000
Ian Middlemas	16,100,000	3.42%	Nil	Nil
Mark Pearce	4,295,842	0.91%	Nil	525,000
Nigel Jones	Nil	Nil	Nil	525,000

The table below details the number of NGX Shares the Directors are likely to have an interest in if the Demerger is implemented:

Director	Distribution Shares ¹	Entitlement to Priority Offer Shares
Julian Stephens	1,423,411	1,423,411
Ian Middlemas	1,463,636	1,463,636
Benjamin Stoikovich	326,363	326,363

Mark Pearce	390,531	390,531
Nigel Jones	Nil	Nil

Note:

- These NGX Shares represent the anticipated NGX Shares that will be issued pursuant to the Distribution as at the date of the Notice.

Other than as Shareholders or as otherwise set out in this Explanatory Memorandum, none of the Directors have any interest in Resolution 1.

7.6 Pro-forma effect on Sovereign

A pro-forma statement of financial position of Sovereign is contained in Schedule 3, which shows the financial impact of the Demerger on the Company.

7.7 Sovereign share price

The highest and lowest closing market sales prices of the Shares on ASX during the 12 months immediately preceding the date of the Notice and the respective dates of those sales were:

Highest: \$0.790 on 6 April 2022.

Lowest: \$0.345 on 28 September 2022.

The latest available market sale price of the Shares on ASX prior to the date of the Notice was \$0.50 on 13 February 2023.

7.8 Sovereign ASX and AIM disclosure

As an entity with Shares quoted on the Official List of ASX and admitted to trading on AIM, Sovereign is a disclosing entity and, as such, is subject to regular reporting and disclosure obligations. Copies of documents lodged in relation to Sovereign may be obtained for a fee from ASIC or can be accessed at either the ASX and AIM announcements platforms or the Company's website.

8. Resolution 1 – Approval for Demerger

8.1 General

Resolution 1 seeks the approval of Shareholders for the purposes of sections 256B and 256C of the Corporations Act, Listing Rule 11.4 and for all other purposes, to reduce the capital of the Company by approximately \$8,561,364, with the reduction to be effected by an equal capital reduction and satisfied by returning to Shareholders on a pro rata basis, an in-specie distribution of one (1) NGX Share for every eleven (11) shares held as at the Record Date.

A detailed description of the Demerger is outlined in Sections 3 to 7 above.

Resolution 1 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

8.2 Requirements under section 256C

The proposed reduction of capital by way of the Distribution is an equal capital reduction.

Under section 256B of the Corporations Act, the Company may only reduce its capital if it:

- is fair and reasonable to Shareholders as a whole;
- does not materially prejudice the Company's ability to pay its creditors; and
- is approved by Shareholders in accordance with section 256C of the Corporations Act.

For the reasons set out in this Explanatory Memorandum, the Directors believe that the Capital Reduction is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors. Under the Capital Reduction, each Shareholder is treated equally and in the same manner since the terms of the Capital Reduction and Distribution are the same for each Shareholder. The Distribution is on a pro rata basis, and the proportionate ownership interest of each Shareholder remains the

same before and after the Capital Reduction. Further, the Directors consider that the Capital Reduction will not result in the Company being insolvent at the time or after the Capital Reduction.

In accordance with the Corporations Act:

- (a) the proposed reduction is an equal reduction and requires approval by an ordinary resolution passed at a general meeting of Shareholders;
- (b) this Explanatory Memorandum and previous ASX announcements set out all information known to the Company that is material to the decision on how to vote on Resolution 1; and
- (c) the Company has lodged with ASIC a copy of the Notice and accompanying documentation.

Under the Corporations Act, an offer of securities generally requires disclosure to investors through a disclosure document, typically in the form of a prospectus. The Company lodged the Short Form Prospectus in accordance with section 712 of the Corporations Act on 15 February 2023. Please refer to Section 5.12 for details regarding the Short Form Prospectus.

8.3 Listing Rules

Listing Rule 11.4

Listing Rule 11.4 provides that a company may not dispose of a major asset without the approval of shareholders if, at the time of the disposal, it is aware that the entity acquiring the asset intends to issue securities with a view to becoming listed.

Listing Rules 11.4 does not apply if:

- (a) the securities in the acquiring entity (other than those being retained by the company/trust itself) are being offered, issued or transferred pro rata to the holders of the ordinary shares in the company or in another way that, in ASX's opinion, is fair in all the circumstances; or
- (b) the company's shareholders approve the spin out.

ASX has advised that Listing Rule 11.4 applies to the Demerger of the Graphite Projects and that the exception in Listing Rule 11.4.1(a) does not apply. Accordingly, the Company is seeking Shareholder approval under Listing Rule 11.4.1(b) for the Demerger and spin out of NGX.

Resolution 1 therefore seeks Shareholder approval for the Demerger under and for the purposes of Listing Rule 11.4.1(b).

If Resolution 1 is passed, the Company will be able to proceed with the Demerger, which includes the transfer of the Graphite Projects to NGX.

If Resolution 1 is not passed, the Company will not be able to proceed with the Demerger.

Information required under the Listing Rules

For the purposes of the requirements of Listing Rule 11.4 and paragraph 6.3 of ASX Guidance Note 13, the following information is provided:

- (a) the entity to be demerged is NGX and its parent entity is Sovereign, as detailed in Section 3.1;
- (b) details of the Demerger and how it is to be effected (including details of consideration securities, participation and timetable) is detailed in Section 3, with details of:
 - (i) the consideration being provided by NGX to Sovereign for the Graphite Projects, being 42,806,820 NGX Shares, as described in Section 3.1;
 - (ii) the number of securities on issue in NGX, proposed to be issued under the Priority Offer and General Offer in connection with an ASX listing and the proposed issue price of \$0.20 per NGX share as described in Sections 6.1 and 6.10; and
 - (iii) the timetables for the Demerger and the proposed listing on ASX as described in Section 3.12;
- (c) information regarding the assets the subject of the Demerger, being the Graphite Projects, is described in Section 6.2. The accounting value of the Graphite Projects as reflected in the

Sovereign June 2022 financial accounts is \$2,084,153 and the Board estimates that its market value of the Graphite Projects is approximately \$8,561,364 which is the value of the Distribution.

- (d) the impact the Demerger will have on the Company (including financial measures) is detailed in Schedule 3 and as follows:
 - (i) -8.25% on consolidated total assets; and
 - (ii) -8.31% on consolidated total equity interests;
 - (iii) -4.02% on total consolidated annual expenditure;
 - (iv) -4.02% on consolidated EBITDA; and
 - (v) -4.01% on consolidated loss/income (before tax);
- (e) the impact the Demerger will have on Shareholders is detailed in Section 3 and the taxation ramifications are detailed in Section 4;
- (f) the advantages and disadvantages, including the reasons why the Directors consider that the Demerger is of benefit to Shareholders, is detailed in Sections 3.5 and 3.6 (respectively). The Priority Offer by NGX was intended to satisfy the requirements of Listing Rule 11.4.1(a) with the General Offer intended to satisfy any spread requirements to facilitate NGX being listed on ASX. However, despite the Priority Offer, ASX has advised that Listing Rule 11.4 applies to the Demerger of the Graphite Projects and that the exception in Listing Rule 11.4.1(a) does not apply. Accordingly, the Company is seeking Shareholder approval under Listing Rule 11.4.1(b) for the Demerger and spin out of NGX;
- (g) the material terms of the Demerger Deed pursuant to which the Graphite Project will be transferred to NGX is detailed in Section 6.16(a); and
- (h) a voting exclusion statement is included in the Notice.

8.4 NGX not immediately listed

On completion of the Demerger NGX will be an unlisted Australian public company, the NGX Shares will not be tradeable on a public securities exchange (i.e. ASX) and NGX Shareholders will not have the benefit of the rules of a public securities exchange (i.e. the Listing Rules). In the near term, following the Demerger, NGX is proposing to complete the IPO Offer with a view to listing on ASX. However, there is no guarantee that this proposal will be successful. Shareholders should consider the key differences provided in Schedule 9 between holding NGX Shares in an unlisted public company and an ASX-listed public company following completion of the Demerger.

8.5 Board discretion to proceed with Distribution

The Sovereign Board retains absolute discretion whether to proceed with the proposed Distribution. Even if the Shareholders approve the Demerger, prior to the Record Date the Sovereign Board may still resolve not to proceed with the Demerger should market conditions or other factors impacting on the Demerger or Sovereign cause the Sovereign Board to believe that proceeding with the Demerger would not be in the best interests of Sovereign Shareholders.

8.6 Directors' recommendations

The Directors' interests in the Company are outlined in Section 7.5.

After considering all relevant factors, the Directors recommend that Shareholders vote in favour of Resolution 1 for the reasons summarised in Section 3.1.

Schedule 1 – Definitions and Interpretation

1. Definitions

In the Notice and this Explanatory Memorandum, unless the context otherwise requires:

AIM means the AIM market of that name operated by the London Stock Exchange Group plc.

AIM Rules means the AIM Rules for Companies published by London Stock Exchange Group plc, as amended from time to time (including the AIM Note for Mining and Oil & Gas Companies as published by the London Stock Exchange Group plc from time to time).

Apollo Group means Apollo Group Pty Ltd ACN 091 844 692.

Apollo Group Services Agreement has the meaning given in Section 6.16(e).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Limited.

ATO means the Australian Taxation Office.

AWST means Australian Western Standard Time, being the time in Perth, Western Australia.

Board means the board of Directors from time to time.

Capital Reduction has the meaning given in Section 3.1.

CGT has the meaning given in Section 4.2.

Chairperson means the person appointed to chair the Meeting convened by the Notice.

Commencement Date has the meaning given in Section 6.16(a).

Commissioner has the meaning given in Section 4.2.

Company or **Sovereign** means Sovereign Metals Limited ACN 120 833 427.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

CREST means the system for paperless settlement of trades and holdings of uncertificated securities administered by Euroclear UK & International Limited in the United Kingdom.

Demerger means the Capital Reduction and the Distribution.

Demerger Completion has the meaning given in Section 6.16(a).

Demerger Conditions has the meaning given in Section 3.2.

Demerger Deed has the meaning given in Section 3.1.

Demerger Tax Relief has the meaning given in Section 4.2.

Depository Interest means depository interests representing Shares issued Depository.

Depository means Computershare Investor Services plc, a company incorporated in England and Wales with registered number 03498808.

Director means any director of the Company and **Directors** means all of them.

Distribution Date means the record date in the indicative timetable in Section 3.12.

Distribution has the meaning given in Section 3.1.

Distribution Share has the meaning given in Section 3.1.

Duwi Completion has the meaning given in Section 6.16(a).

Duwi Project has the meaning given in Section 6.2.

Eligible Shareholder means a Shareholder on the Record Date, other than an Overseas Shareholder.

Explanatory Memorandum means this explanatory memorandum.

FPO has the meaning given in Section 5.3.

FSMA has the meaning given in Section 5.3.

General Offer has the meaning given in Section 6.1.

Graphite Business means the business relating to exploration for minerals at the Graphite Projects.

Graphite Projects has the meaning given in Section 3.1.

GST means goods and services tax.

Historical Financial Information has the meaning given in Section 5.1.

Hopetoun means Hopetoun Consulting Pty Ltd ACN 099 239 568.

Hopetoun Agreement has the meaning given in Section 6.16(b).

Independent Solicitor's Report means the report provided in Schedule 8.

IPO Offer has the meaning given in Section 6.1.

ITAA 1936 means the *Income Tax Assessment Act 1936* (Cth).

ITAA 1997 means the *Income Tax Assessment Act 1997* (Cth).

JORC Code means the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Kasiya Rutile Project means the mineral sands project in Malawi being explored and evaluated by Sovereign, the background of which is detailed in Section 7.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

Listing Rules means the official listing rules of ASX (as amended from time to time).

Mabuwa Project has the meaning given in Section 6.2.

Malingunde Completion has the meaning given in Section 6.16(a).

Malingunde Project has the meaning given in Section 6.2.

Malingunde Project Report means the report provided in Schedule 7.

Management Incentive Options means the NGX Options on the terms detailed in Schedule 5.

Meeting has the meaning given in the introductory paragraph of the Notice.

Mineral Resource has the meaning given in the JORC Code.

Mining Act means the Malawi *Mines and Minerals Act* (2018) and the regulations in force from time to time thereunder.

Nanzeka Project has the meaning given in Section 6.2.

Nanzeka, Duwi and Mabuwa Projects Report means the report provided in Schedule 6.

NGX means NGX Limited ACN 649 545 068.

NGX Board means the board of NGX Directors from time to time.

NGX Director means any director of NGX and **NGX Directors** means all of them.

NGX Exploration means NGX Exploration Limited, Company Registration No:1013573.

NGX Group means NGX and its Subsidiaries.

NGX Historical Financial Information has the meaning given in Section 5.2.

NGX Mining means NGX Mining Limited, Company Registration No:1013529.

NGX Option means an option to acquire a NGX Share.

NGX Share means a fully paid ordinary share in the capital of NGX.

NGX Shareholder means a registered holder of a NGX Share.

Notice or **Notice of Meeting** means the notice convening the Meeting and includes the agenda, Explanatory Memorandum and the Proxy Form.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Ore Reserve has the meaning given in the JORC Code.

Overseas Shareholder means a Shareholder with a registered address outside of Australia, Canada, Germany, Hong Kong, Luxembourg, the Netherlands, New Zealand, Poland, Singapore, the United Kingdom, the United States of America and any other jurisdiction determined by the Company which is not prohibited and unduly onerous or impractical to distribute NGX Shares.

Performance Right means a right to acquire a Share, subject to performance condition(s).

PFS has the meaning given in Section 6.2(c).

PGE means platinum group elements comprising platinum, palladium, rhodium, ruthenium, iridium, and osmium.

Priority Offer has the meaning given in Section 6.1.

Priority Offer Share means a NGX Share offered under the Priority Offer.

Prospectus Regulation has the meaning given in Section 5.3.

Proxy Form means the proxy form attached to the Notice.

Record Date means the date in the indicative timetable in Section 3.12.

Resolution means any resolution detailed in the Notice as the context requires.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

Security Interest means a mortgage, charge, pledge, lien, encumbrance or other third party interest of any nature.

SFA has the meaning given in Section 5.3.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Computershare Investor Services Pty Ltd ACN 078 279 277.

Shareholder means a registered holder of a Share.

Short Form Prospectus has the meaning given in Section 5.12.

Sovereign Business means the business conducted by Sovereign excluding the Graphite Business.

Sovereign Group means Sovereign and its Subsidiaries.

SSL means Sovereign Services Limited (an entity owned by Sovereign).

Subsidiary has the meaning given in the Corporations Act.

TGC means total graphitic carbon.

TOFA has the meaning given in Section 4.2.

2. Interpretation

In the Notice and this Explanatory Memorandum, headings and words in bold are for convenience only and do not affect the interpretation of the Notice and this Explanatory Memorandum and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in the Notice or this Explanatory Memorandum have a corresponding meaning;
- (d) a term not specifically defined has the meaning given to it (if any) in the Corporations Act;
- (e) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (f) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (g) a reference to a body (including, without limitation, an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (h) **“include”** and **“including”** are not words of limitation; and
- (i) **“\$”** is a reference to Australian currency.

Schedule 2 – NGX Pro-Forma Statement of Financial Position as at Distribution Date

	NGX Limited 30 June 2022	Working Capital for Operational Costs	In-Specie Distribution	Forgiveness of Loan from Sovereign	Unaudited Proforma on completion of the Demerger
Current Assets					
Cash and cash equivalents	2	-	-	-	2
Other assets	38	-	-	-	38
Total Current Assets	40	-	-	-	40
Non-Current Assets					
Exploration and Evaluation Assets	-	-	6,561,253	-	6,561,253
Total Non-Current Assets	-	-	6,561,253	-	6,561,253
TOTAL ASSETS	40	-	6,561,253	-	6,561,293
LIABILITIES					
Current Liabilities					
Unbilled loan from Sovereign Metals	144,825	-	-	-	144,825
	549,720	289,083	-	(549,720)	289,083
Total Current Liabilities	694,544	289,083	-	(549,720)	433,908
TOTAL LIABILITIES	694,544	289,083	-	(549,720)	433,908
NET ASSETS	(694,504)	(289,083)	6,561,253	549,720	6,127,385
EQUITY					
Contributed equity	2	-	8,561,364	-	8,561,366
Reserves					
Accumulated losses	(694,506)	(289,083)	(2,000,111)	549,720	(2,433,981)
TOTAL EQUITY	(694,504)	(289,083)	6,561,253	549,720	6,127,385

Schedule 3 – Sovereign Pro-Forma Statement of Financial Position subsequent to the Demerger

	2022	Deconsolidation of NGX Limited	In-Specie Distribution	Costs of the Demerger	Unaudited Proforma on Completion
	\$	\$	\$		\$
Current Assets					
Cash and cash equivalents	18,892,741	-	-	(151,872)	18,740,869
Other receivables	302,424	-	-	-	302,424
Other financial assets	200,000	(38)	-	-	199,962
Total Current Assets	19,395,165	(38)	-	(151,872)	19,243,255
Non-current Assets					
Other receivables	-	-	-	-	-
Property, plant and equipment	537,238	-	-	-	537,238
Exploration and evaluation assets	7,170,282	-	(2,084,153)	-	5,086,129
Total Non-current Assets	7,707,520	-	(2,084,153)	-	5,623,367
TOTAL ASSETS	27,102,685	(38)	(2,084,153)	(151,872)	24,866,622
Current Liabilities					
Trade and other payables	1,845,954	(144,825)	-	-	1,701,129
Provisions	95,593	-	-	-	95,593
Total Current Liabilities	1,941,547	(144,825)	-	-	1,796,722
TOTAL LIABILITIES	1,941,547	(144,825)	-	-	-
NET ASSETS	25,161,138	144,787	(2,084,153)	(151,872)	23,221,772
EQUITY					
Contributed equity	78,860,187	-	-	-	78,860,187
Reserves	1,996,771	-	(8,561,364)	-	(6,564,593)
Accumulated losses	(55,695,820)	144,787	6,477,211	(151,872)	(49,073,822)
TOTAL EQUITY	25,161,138	144,787	(2,084,153)	(151,872)	23,221,772

Schedule 4 – Risks

The business, assets and operations of NGX will be subject to certain risk factors that have the potential to influence its operating and financial performance in the future. These risks can impact on the value of an investment in its securities and include those highlighted below.

The risk factors set out below ought not to be taken as exhaustive of the risks faced by NGX or by investors in NGX. The below factors, and others not specifically referred to below, may in the future materially affect the financial performance of NGX and the value of the NGX Shares. Therefore, the NGX Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.

1. Company specific risks

(a) Tenure and title to properties

There can be no assurances that NGX's interest in its properties are free from defects. NGX has investigated its rights and title interests as described in the Notice and believes that these rights and title interests are in good standing. There is no assurance, however, that such rights and title interests will not be revoked or significantly altered to the detriment of NGX. There can be no assurances that NGX's rights and title interests will not be challenged or impugned by third parties.

All of the tenements and licences in which NGX has, or may earn an interest, in will be subject to applications and periodic renewal in Malawi in accordance with the Malawi Mines and Minerals Act (2018). The renewal or grant of the term of each licence is usually within the legal framework for Malawi and may involve some level of discretion of the relevant Malawian government authority. If a licence is not renewed or granted, NGX may suffer significant damage through loss of the opportunity to develop and/or discover further Mineral Resources on that area.

There is also no assurance that, if the licences are granted, they will be granted in their entirety, or with unfavourable conditions that NGX may not be able to meet, including compliance with conditions may also include increased expenditure and work commitments or compulsory relinquishment of important areas of the tenements comprising the relevant Graphite Project. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of NGX. There is no guarantee that future licences and/or applications for tenements and licences will be approved.

NGX cannot give any assurance that title to its Graphite Projects will not be challenged, cancelled, impugned for various reasons, including that they may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects.

(b) Transfer of the Duwi Project and Malingunde Project to NGX

As part of the demerger of the Graphite Projects from Sovereign into NGX, NGX entered into the Demerger Deed with Sovereign for the acquisition and transfer of the Duwi Project and the Malingunde Project to NGX. The Demerger Deed is subject to a number of conditions precedent that must be met and/or waived (if possible) prior to completion and transfer of the Duwi Project and the Malingunde Project to NGX.

The transfer of the Duwi Project (including the Retention Licence) to NGX is subject to the following conditions that must be met and/or waived (if possible):

- (i) the Demerger Completion having completed; and
- (ii) Sovereign obtaining all necessary regulatory approvals, including Malawi ministerial approval for the transfer of the Duwi Project to NGX.

The transfer of the Malingunde Project (including the Mining Licence) to NGX is subject to the following conditions that must be met and/or waived (if possible):

- (i) the Demerger Completion having completed;
- (ii) Sovereign being granted the Mining Licence for the Malingunde Project; and
- (iii) Sovereign obtaining all necessary regulatory approvals, including Malawi ministerial approval for the transfer of the Malingunde Project to NGX.

There can be no guarantee that the conditions precedent under the Demerger Deed will be met and/or waived and the transfer of the Duwi Project and/or the Malingunde Project will occur. If the transfer of either projects to NGX does not occur, then this may have a materially adverse impact on NGX's future operations and performance and may adversely affect NGX's ability to achieve commercial viability as a graphite mining business in Malawi.

(c) **Risks Associated with operating in Malawi**

NGX's principal assets are located in Malawi and NGX is subject to various political, regulatory, economic and other risks and uncertainties with operating in Malawi. NGX's operations in Malawi are exposed to exploration and mining operations in a developing country which are not necessarily present in a developed country. These risks and uncertainties vary from country to country and include, but are not limited to, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

NGX may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in Malawi that affect foreign ownership, mineral exploration, development or mining activities, may affect the viability and profitability of NGX. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on exploration, development, mining production, price controls, export controls, secondary processing requirements in country, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, local economic empowerment or similar policies, employment, contractor selection and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors adds uncertainties that cannot be accurately predicted and could have an adverse effect on NGX's operations or profitability.

The legal systems operating in Malawi may be less developed than in more established countries, which may result in risk such as political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute, a higher degree of discretion on the part of governmental agencies, the lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights, inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, or relative inexperience of the judiciary and courts in such matters.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effectiveness and enforcement of such arrangements cannot be assured.

A rent resource tax of 15% after tax profit is currently legislated in the taxation act in Malawi. However, in practice it is not currently being applied to mining projects in Malawi and it is uncertain if it would apply to NGX's projects in Malawi in the future. If it were to be applied, this could have a material effect on the economics of NGX's projects in the future.

Any of these factors could materially and adversely affect NGX's business, results of operations and financial condition.

(d) **Contractual risk**

As noted above, NGX has entered into the Demerger Deed with Sovereign for the acquisition and transfer of the Duwi Project and the Malingunde Project to NGX. Under the terms of the Demerger Deed, NGX has contractual rights which require Sovereign to, amongst other things, provide reasonable assistance to NGX to ensure the transfer of the Duwi Project and the Malingunde Project occur. The nature of the contractual relationship may change, including, the ownership structure and voting rights, resulting in NGX being unable to influence the decisions of Sovereign for the benefit of NGX. The ability of NGX to move forward with either the Duwi Project and/or the Malingunde Project will depend on the performance by Sovereign and NGX of their obligations under the Demerger Deed. If any party defaults in the performance of its obligations under the Demerger Deed, it may be necessary for either party to approach a court to seek a legal remedy, which could be costly for NGX.

(e) **NGX has no history of earnings and no production revenues**

NGX is a mineral exploration and development company, has no history of earnings, and does not have any producing mining operations. NGX will experience losses from exploration activities

and until such time as NGX commences mining production activities, it expects to continue to incur losses. There can be no guarantee that the business will operate in line with assumed cost structures.

Should the level of costs required to operate the business be higher than anticipated then it may have a materially adverse effect on the future performance and prospects of NGX.

There can be no assurance that NGX's Graphite Projects will be profitable in the future. Should production commence, the operating expenses and capital expenditures of the projects may increase in future years as targeted resources are more difficult to extract.

The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond NGX's control.

The development of one or more of its Graphite Projects will require the commitment of substantial resources. There can be no assurance that NGX will generate any revenues or achieve profitability.

NGX expects to continue to incur losses from exploration and development activities in the foreseeable future.

(f) **Future capital requirements**

NGX's capital requirements depend on numerous factors. NGX will require further financing in addition to amounts raised under the IPO Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If NGX is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration and development programmes (as the case may be). There is no guarantee that NGX will be able to secure any additional funding or be able to secure funding on terms favourable to NGX.

(g) **Previous Exploration**

Historical and current activities on the Graphite Projects licences could in the future give rise to costs for environmental rehabilitation, damage, control and losses. NGX has received no indication or instruction that rehabilitation of these areas is required. The enforcement of any environmental regulation could lead to increased costs for the Graphite Projects which in turn could adversely affect one or more of the Graphite Projects' financial performance and available cash reserves.

(h) **Reliance on key personnel**

NGX is reliant on a number of key personnel. The loss of one or more of its key personnel could have an adverse impact on the business of NGX.

Furthermore, it may be particularly difficult for NGX to attract and retain suitably qualified and experienced people, given the current high demand in the industry and relatively small size of NGX, compared with other industry participants.

(i) **Foreign Exchange Risks**

NGX's Graphite Projects' operating and capital expenditures are typically to be incurred in currencies other than Australian dollars (including Malawian kwacha (**MWK**) and United States dollars (**USD**)) and any future revenues from the sale of graphite are also likely to be in currencies other than Australian dollars. Any fluctuations in the exchange rates between these currencies and the Australian dollar could have a material adverse effect on NGX's business, financial position and operating results.

2. **Industry specific risks**

(a) **Nature of mineral exploration and mining**

The business of mineral exploration, development and production is subject to risk by its nature. NGX's Graphite Projects are at a relatively early stage of exploration and potential investors should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards.

The success of NGX depends, among other things, on successful exploration and/or acquisition of reserves, securing and maintaining title to tenements and consents, successful design, construction, commissioning and operating of mining and processing facilities, successful development and production in accordance with forecasts and successful management of the

operations. Exploration and mining activities may also be hampered by force majeure circumstances, land claims and unforeseen mining problems.

There is no assurance that exploration and development of the mineral interests owned by NGX, or any other projects that may be acquired in the future, will result in the discovery of mineral deposits which are capable of being exploited economically. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited. If such commercial viability is never attained, NGX may seek to transfer its property interests or otherwise realise value, or NGX may even be required to abandon its business and fail as a “going concern”.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, exporting of minerals and environmental protection. The combination of these factors may result in NGX expending significant resources (financial and otherwise) on tenements without receiving a return. There is no certainty that expenditures made by NGX towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

NGX has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. NGX believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognised industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, NGX may experience delays or increased costs in exploring or developing its tenements.

(b) **Results of studies**

NGX may undertake technical and economic studies on its Graphite Projects including but limited to a definitive feasibility study (**DFS**) for the Malingunde Project. These studies have been or will be completed within certain parameters designed to determine the technical and economic feasibility of the relevant Graphite Project within certain limits. There can be no guarantee that the studies will confirm the technical and economic viability of the relevant Graphite Project or confirm the results of previous studies undertaken (e.g. the results of a DFS for the Malingunde Project may materially differ to the results of a pre-feasibility study).

Further, even if a study determines the economics of a Graphite Project, there can be no guarantee that the relevant Graphite Project will be successfully brought into production as assumed or within the estimated parameters in the feasibility study, once production commences including but not limited to operating costs, mineral recoveries and commodity prices. In addition, the ability of NGX to complete a study may be dependent on NGX’s ability to raise further funds to complete the study if required.

Any proposed development of a Graphite Project may also exceed the currently envisaged timeframe or cost for a variety of reasons out of the control of NGX. These reasons may include delays in obtaining land use and mining activity approvals or in construction of mine infrastructure or the handling and preparation plant. In addition, the contractual terms for the procurement and delivery of the various components of construction are unknown. These could also have an impact on the cost of construction. There are many milestones which need to be met first for production to commence in accordance with any proposed mine plan and there is a risk that circumstances (including unforeseen circumstances) may cause a delay, resulting in the receipt of revenue at a later date than expected or not at all.

(c) **Resource and Reserve estimates**

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place and will almost always differ from the assumptions used to develop resources. Further, Ore Reserves are valued based on future costs and future prices and, consequently, the actual Ore Reserves and Mineral Resources may differ from those estimated, which may result in either a positive or negative effect on operations.

Should NGX encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect NGX’s operations.

(d) **Metallurgy**

Metal or mineral recoveries are dependent upon the metallurgical process, and by its nature processing contains elements of significant risk such as:

- (i) identifying a metallurgical process through test work to produce a saleable metal or concentrate;
- (ii) developing an economic process route to produce a metal or concentrate; and
- (iii) changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

No assurance can be given that any particular level of recovery from mineral resources or reserves will in fact be realised or that an identified mineral resource will ever qualify as commercially viable which can be legally and economically exploited.

(e) **Operational risks**

The operations of NGX may be affected by various factors which are beyond the control of NGX, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages, delays in procuring, or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of NGX.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While NGX currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that NGX will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(f) **Mine development**

Possible future development of mining operations at a Graphite Project are dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If NGX commences production on any existing or future projects, its operations may be disrupted by a variety of risks and hazards which are beyond the control of NGX. No assurance can be given that NGX will achieve commercial viability through the development of existing or future projects.

(g) **Environmental risk**

NGX's Graphite Projects are subject regulations regarding environmental matters. The Governments and other authorities that administer and enforce environmental laws and regulations determine these requirements. As with all exploration projects and mining operations, NGX's activities are expected to have an impact on the environment, particularly, if NGX's activities result in mine development. NGX intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent NGX from being able to develop potentially economically viable mineral deposits.

Further, NGX may require additional approvals from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent NGX from undertaking its desired activities. NGX is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase NGX's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige NGX to incur significant expenses and undertake

significant investments which could have a material adverse effect on NGX's business, financial condition and results of operations.

(h) **Insurances**

Insurance of all risks associated with exploration and production is not always available and, where it is available, the cost may be high. NGX will have insurance in place considered appropriate for NGX's needs.

The business of NGX is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of NGX or others, delays in mining, monetary losses and possible legal liability.

Although NGX maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability, particularly as NGX is seeking to acquire new projects which are located in other jurisdictions or involve a new commodity.

It is not always possible to obtain insurance against all such risks and NGX may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to NGX or to other companies in the mining industry on acceptable terms. Losses from these events may cause NGX to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

(i) **Occupational Health and Safety Risk**

NGX is committed to providing a healthy and safe environment for its personnel, contractors and visitors. However, mining activities have inherent risks and hazards. While NGX provides appropriate instructions, equipment, preventative measures, first aid information and training to all stakeholders through its occupational, health and safety management systems, health and safety incidents may nevertheless occur. Any illness, personal injury, death or damage to property resulting from NGX's activities may lead to a claim against NGX.

3. **General Risks**

(a) **Securities investments**

Applicants should be aware that there are risks associated with any securities investment.

Prior to the IPO Offer, there was no public market for the NGX Shares. There is no guarantee that an active trading market in the NGX Shares will develop or that the price of the NGX Shares will increase. The prices at which the NGX Shares trade may be above or below the IPO Offer price and may fluctuate in response to a number of factors.

Further, the stock market is prone to price and volume fluctuations. There can be no guarantee that trading prices will be sustained. These factors may materially affect the market price of the NGX Shares, regardless of NGX's operational performance.

(b) **Economic risk and share market conditions**

Changes in the general economic climate in which NGX operates may adversely affect the financial performance of NGX. Similarly, share market conditions may affect the value of NGX's quoted securities regardless of NGX's operating performance. Factors that may contribute to that general economic climate and the market price of the NGX Shares include, but are not limited to:

- (i) changes in Government policies, taxation and other laws;
- (ii) the strength of the equity and share markets in Australia and throughout the world;
- (iii) movement in, or outlook on, exchange rates, interest rates and inflation rates;
- (iv) industrial disputes in Australia and overseas;
- (v) changes in investor sentiment toward particular market sectors or commodities;

- (vi) financial failure or default by an entity with which NGX may become involved in a contractual relationship; and
- (vii) natural disasters, social upheaval, war or acts of terrorism.

(c) **Graphite Price Risks and market volatility**

The price of graphite fluctuates widely and is affected by numerous factors beyond the control of NGX, such as product specifications, industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales by producers and speculators as well as other global or regional political, social or economic events.

The price that NGX receives for future graphite produced from any of its projects, if any, will be dependent on the quality of the concentrate. This is determined by the flake size and purity. The prices vary significantly with higher prices paid for large flake graphite. Bench-scale metallurgical testwork conducted by independent laboratories have confirmed the large flake characteristics of fresh rock and saprolite graphite samples tested to date only at the Malingunde Project, and not at the Nanzeka Project, Duwi Project or Mabuwa Project. Further work is required to test variability and optimise process flow sheets at the Malingunde Project before these results can be verified on a pilot plant or commercial scale.

In addition to adversely affecting future reserve estimates, if any, of any of NGX's projects, declining commodity prices can impact operations by requiring a reassessment of the feasibility of the project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to the relevant project. Even if the relevant project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Future production, if any, from any of NGX's current or future projects will be dependent upon the price of graphite being adequate to make the relevant project economic. Future price declines in the market value of graphite could cause continued development of, and eventually commercial production from, the project to be rendered uneconomic. Depending on the price of graphite, NGX could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, the project. There is no assurance that, even if commercial quantities of graphite are produced, a profitable market will exist for them.

The graphite sector has been subject to extensive recent capital market interest driven at least in part by the potential for new industrial applications, including use in lithium-ion batteries. The future requirements for the ongoing and anticipated use of natural graphite in these new industrial applications is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, the price and availability of alternative products, actions taken by the governments and international cartels and global economic and political developments.

Whilst it is not expected that all exploration projects will reach production, the current graphite market is relatively small and there is the possibility of an oversupply of graphite in the longer term. Accordingly, the success of NGX's Graphite Projects may be dependent on the ability of NGX to obtain funding in a highly competitive capital market for graphite explorers and developers and to bring one or more of its Graphite Projects into production ahead of other graphite exploration and development projects.

(d) **Dilution**

In certain circumstances, the NGX Directors may issue equity securities without any vote or action by Shareholders. If NGX were to issue any equity securities the percentage ownership of Shareholders may be reduced and diluted.

(e) **Competition**

Like many industries, the resources industry is subject to domestic and global competition. While NGX undertakes all reasonable due diligence in its business decisions and operations, NGX has no influence or control over the activities or actions of its competitors and these activities or actions may positively or negatively affect the operating and financial performance of NGX's projects and business.

Some of these companies have greater financial and other resources than NGX and, as a result, may be in a better position to compete for future business opportunities. Many of NGX's competitors not only explore for and produce minerals, but also carry out refining operations and produce other products on a worldwide basis. There can be no assurance that NGX can compete effectively with these companies.

(f) **Litigation risk**

Legal proceedings may arise from time to time in the course of NGX's activities. Legal proceedings brought by third parties including but not limited to joint venture partners or employees could negatively impact NGX in the case where the impact of such litigation is greater than or outside the scope of NGX's insurance. As at the date of the Notice, there are no material legal proceedings affecting NGX and the NGX Directors are not aware of any legal proceedings pending or threatened against or affecting NGX.

(g) **Unforeseen expenses**

While NGX is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of NGX may be adversely affected.

(h) **Force Majeure**

NGX's projects now or in the future may be adversely affected by risks outside the control of NGX including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(i) **Taxation risk**

The acquisition and disposal of NGX Shares will have tax consequences, which will differ for each investor depending on their individual financial circumstances. All potential investors in NGX are urged to obtain independent financial advice regarding the tax and other consequences of acquiring NGX Shares. To the maximum extent permitted by law, NGX, its officers and each of their respective advisers accept no liability or responsibility with respect to any tax consequences of applying for NGX Shares under the Notice.

(j) **Accounting standards**

Changes to any applicable accounting standards or to any assumptions, estimates or judgments applied by management in connection with complex accounting matters may adversely impact NGX's financial statements, results or condition.

(k) **Covid-19**

The ongoing COVID-19 pandemic affecting Australia, Malawi and the rest of the world has the potential to adversely impact NGX's operations. NGX's operations are in Malawi. In the short term, restrictions on overseas travel and challenges associated with maintaining government recommended social distancing practices may impact NGX's ability travel to Malawi and to manage and undertake fieldwork safely and cost effectively. If employees are unable to work or travel due to illness or government restrictions, NGX may be forced to reduce or suspend any exploration and development activities. In addition, as the COVID-19 pandemic and mitigation measures have also negatively impacted global economic conditions, this, in turn, could adversely affect NGX's business in the future. Due to the continually evolving nature of COVID-19 NGX cannot reasonably estimate the effects that the COVID-19 pandemic could have on NGX in future periods, and believe that any disturbance may be temporary. However, there is uncertainty about the length and potential impact of any resultant disturbance. Because of the highly uncertain and dynamic nature of events relating to the COVID-19 pandemic, it is not currently possible to estimate the impact of the pandemic on NGX's business. However, these effects could have a material impact on its operations, and NGX will continue to monitor the COVID-19 situation closely.

Schedule 5 – Terms of the Management Incentive Options

The terms of the Options are as follows:

1. Entitlement

Each Option entitles the holder of the Option (**Holder**) to subscribe for one (1) fully paid ordinary share in NGX (**Share**) upon exercise.

2. Exercise Price and Expiry Date

Number of Options	Exercise Price	Expiry Date	Vesting condition(s)
1,500,000	\$0.30	3 years from grant	Immediate
1,500,000	\$0.40	4 years from grant	Immediate

3. Exercise Period

- (a) Each Option may be exercised at any time prior to the Expiry Date. After this time, any unexercised Options will automatically lapse.
- (b) If the Holder is prohibited from exercising Options under applicable law on or in the ten (10) business days before the Expiry Date, the Expiry Date for the Options is automatically extended to the date that is five (5) business days after the Holder is no longer prohibited under applicable law from exercising the Option.

4. Notice of Exercise

- (a) The Options may be exercised by notice in writing to NGX in the manner specified by NGX and, subject to the cashless exercise option, payment of the Exercise Price for each Option being exercised in Australian currency by cheque or electronic funds transfer or other means of payment acceptable to NGX.
- (b) The Options may be exercised by the Holder in whole or in part. The notice of exercise must state the number of Options exercised, the consequent number of NGX Shares to be issued and the identity of the proposed allottee.

5. Exercise date

A notice of exercise is only effective on and from the latter of the date of receipt of the notice of exercise and, subject to the cashless exercise option, the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds.

6. Minimum Exercise

Options must be exercised in multiples of one thousand (1,000) unless fewer than one thousand (1,000) Options are held by a Holder.

7. Shares Issued on Exercise

Shares issued on the exercise of the Options rank equally with the then Shares of NGX and are free of all encumbrances, liens and third party interests.

8. Quotation of the Shares Issued on Exercise

If admitted to the official list of ASX at the time, NGX will apply to ASX for quotation of the Shares issued upon the exercise of the Options.

9. Timing of the Issue of Shares on Exercise and Quotation

- (a) Within twenty (20) business days after the later of the following:
- (i) receipt of a notice of exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised; and
 - (ii) when excluded information in respect of NGX (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information, the relevant date will be the date of receipt of a notice of exercise as detailed in clause 9(a)(i) above,
- NGX will:
- (iii) issue the Shares pursuant to the exercise of the Options;
 - (iv) as soon as reasonably practicable and if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if NGX is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - (v) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (b) NGX's obligation to issue such Shares shall be postponed if such Holder at any time after the delivery of a notice of exercise and payment of the Exercise Price for each Option being exercised (if applicable) elects for the Shares to be issued to be subject to a holding lock for a period of twelve (12) months. Following any such election:
- (i) the Shares to be issued or transferred will be held by such Holder on NGX's issuer sponsored sub-register (and not in a CHESS sponsored holding); and
 - (ii) NGX will apply a holding lock on the Shares to be issued or transferred and such Holder is taken to have agreed to that application of that holding lock.
- (c) NGX shall release the holding lock on the Shares on the earlier to occur of:
- (i) the date that is twelve (12) months from the date of issue of the Share; or
 - (ii) the date NGX issues a disclosure document that qualifies the Shares for trading in accordance with section 708A(11) of the Corporations Act; or
 - (iii) the date a transfer of the Shares occurs pursuant to clause 8 of these terms and conditions.
- (d) Shares shall be transferable by such Holder and the holding lock will be lifted provided that the transfer of the Share complies with section 707(3) of the Corporations Act and, if requested by NGX, the transferee of the Shares agrees by way of a deed poll in favour of NGX to the holding lock applying to the Shares following its transfer for the balance of the period in clause 9(c)(i).

10. Cashless Exercise of Options

- (a) Subject to clause 6, a Holder may elect to pay the Exercise Price for each option by setting off the total Exercise Price against the number of Shares which they are entitled to receive upon exercise (**Cashless Exercise Facility**). By using the Cashless Exercise Facility, the Holder will receive Shares to the value of the surplus after the Exercise Price has been set off.
- (b) If the Holder elects to use the Cashless Exercise Facility, the Holder will only be issued a number of Shares (rounded down to the nearest whole number) equal in value to the difference between the total Exercise Price otherwise payable for the Options on the Options being exercised and the then market value of the Shares at the time of exercise calculated in accordance with the following formula:

$$S = \frac{O \times (MSP - EP)}{MSP}$$

MSP

Where:

S = Number of Shares to be issued on exercise of the Options

O = Number of Options being exercised

MSP = Market value of the Shares calculated using the volume weighted average of the Shares on ASX for the 5 trading days immediately prior to (and excluding) the date of the notice of exercise

EP = Exercise Price

If the difference between the total Exercise Price otherwise payable for the Options on the Options being exercised and the then market value of the Shares at the time of exercise (calculated in accordance with clause 6) is zero or negative, then a Holder will not be entitled to use the Cashless Exercise Facility.

11. Participation in new issues

A Holder who holds Options is not entitled to:

- (a) notice of, or to vote or attend at, a meeting of the shareholders;
- (b) receive any dividends declared by NGX; or
- (c) participate in any new issues of securities offered to shareholders during the term of the Options,

unless and until the Options are exercised and the Holder holds Shares.

12. Adjustment for Bonus Issue of Shares

If NGX makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu of or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Holder would have received if the Holder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

13. Adjustment for Rights Issue

If NGX makes an issue of Shares pro rata to existing shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

New exercise price = $O - \frac{E[P - (S + D)]}{N + 1}$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

14. Adjustment for reorganisation

- (a) Subject to any applicable laws, the number of Options held by a Holder may, in the sole and absolute discretion of the Board, be determined to be such number as is appropriate and so that the Holder does not suffer any material detriment following any variation in the share capital of NGX arising from:
 - (i) a reduction, subdivision or consolidation of share capital;
 - (ii) a reorganisation of share capital;
 - (iii) a distribution of assets in specie;
 - (iv) the payment of a dividend, otherwise than in the ordinary course, of an amount substantially in excess of NGX's normal distribution policy; or
 - (v) any issue of ordinary shares or other equity securities or instruments which convert into ordinary shares by way of capitalisation of profits or reserves.
- (b) Upon any adjustment being made, the Board will notify each Holder (or his or her legal personal representative where applicable) in writing, informing them of the number of Options held by the relevant Holder.
- (c) If there is any reorganisation of the issued share capital of NGX, the terms of Options and the rights of the Holder who holds such Options will be varied, including an adjustment to the number of Options and/or the Exercise Price (if any) applicable to Options, in accordance with the Listing Rules that apply to the reorganisation at the time of the reorganisation.

15. Change of Control

- (a) For the purposes of these terms and conditions, a "**Change of Control Event**" occurs if:
 - (i) NGX announces that its shareholders have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, or any reconstruction, consolidation, sub-division, reduction or return) of the issued capital of NGX) and the Court, by order, approves the scheme of arrangement;
 - (ii) a Takeover Bid:
 - (A) is announced;
 - (B) has become unconditional; and
 - (C) the person making the Takeover Bid has a Relevant Interest in fifty percent (50%) or more of the issued Shares;
 - (iii) any person acquires a Relevant Interest in fifty and one-tenth percent (50.1%) or more of the issued Shares by any other means; or
 - (iv) the announcement by NGX that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of NGX has been completed.
- (b) Where a Change of Control Event has (i) occurred or (ii) been announced by NGX and, in the opinion of the Board, will or is likely to occur:
 - (i) a Holder may exercise any or all of their Options, regardless of whether any vesting conditions (if any) have been satisfied, provided that no Option will be capable of exercise later than the Expiry Date; and
 - (ii) if the Board has procured an offer for all holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Change in Control Event and the Board has specified (in its absolute discretion) a period during which the holders of Options may elect to accept the offer and, if the holder has not so elected at the end of that offer period, the Options, if not exercised within 10 days of the end of that offer period, shall expire.

16. Quotation

NGX will not seek official quotation of any Options.

17. Options not transferrable

Options may not be assigned, transferred, encumbered with a Security Interest in or over them, or otherwise disposed of by a Holder, unless:

- (a) the prior consent of the Board is obtained, which consent may impose such terms and conditions on such assignment, transfer, encumbrance with a Security Interest or disposal as the Board sees fit; or
- (b) such assignment or transfer occurs by force of law upon the death or total and permanent disablement of a Holder to the Holder's legal personal representative.

18. Lodgement Instructions

Cheques shall be in Australian currency made payable to NGX and crossed "Not Negotiable" for the application for Shares on exercise of the Options.

Schedule 6 – Nanzeka, Duwi and Mabuwa Projects Report



CSA Global
Mining Industry Consultants
an ERM Group company

NANZEKA, DUWI, AND MABUWA PROJECT, MALAWI

Independent Technical Assessment Report

REPORT Nº R103.2023
19 January 2023



Report prepared for

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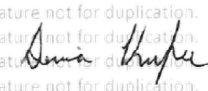
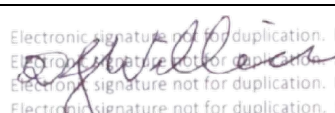
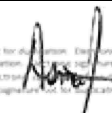
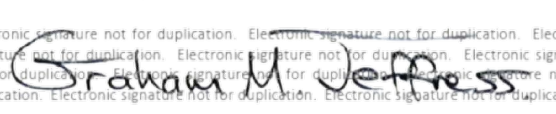
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Executive Summary

CSA Global Pty Ltd (CSA Global), an ERM Group company, was requested by Sovereign Metals Limited (Sovereign) to prepare an Independent Technical Assessment Report (ITAR) for use in a Notice of Meeting (NOM) and prospectus to support Sovereign demerging the Nanzeka, Duwi and Mabuwa Project (the “Project”) to its shareholders via a pro rata share in-specie distribution of NGX Limited (NGX) shares to Sovereign shareholders. NGX is Australian incorporated and wholly owned by Sovereign. NGX Exploration Limited (NEL) is Malawi incorporated and wholly owned by NGX.

The Project, comprising the Nanzeka prospect and Duwi deposit, are the main focus of this ITAR. The Project is located within Malawi, with the Nanzeka prospect located approximately 60 km northeast of the capital city of Lilongwe, and the Duwi deposit located within 25 km of Lilongwe, as illustrated in Figure 1. The Mabuwa prospect is located approximately 60 km south of Malawi’s major commercial city of Blantyre. The Project comprises two Retention Licences (“RLs”) (Nanzeka and Duwi) and one Exploration License Application (“APL”) (Mabuwa) covering 39.0 km², as shown in Table 1. The primary NGX mineral asset, the Nanzeka Prospect, lies within RL0012/21, which expires in July 2026 and is at an early stage of exploration. The Duwi deposit (which is anticipated to be transferred to NGX as part of the demerger conditions) is located within licence RL0032/22, expiring in October 2027. The Mabuwa licence application is pending.

Table 1: Mineral tenements summary

Licence no. (name)	Area (km ²)	Holder	Primary commodity	Commenced	Expiry	Annual rent (MWK\$)
RL0012/21 (Nanzeka)	6.0	NEL	Graphite	27 Jul 2021	27 Jul 2026	60,000
RL0032/22 (Duwi)	24.6	SSL	Graphite	4 Oct 2022	4 Oct 2027	246,400
APL0329 (Mabuwa)	9.0	NEL	Nickel, PGE	Pending	Pending	Pending

Source: Sovereign Metals

The Nanzeka prospect (RL0012/21) has had exploration activities completed including geological mapping, rock chip sampling, trenching (8 trenches for 654 m) and 3 diamond drill holes (237 m), which have identified high-grade flake graphite mineralisation over a strike length of approximately 3 km with a true width of about 10 m. Mapping, geochemical sampling and results from a Versatile Time Domain Electromagnetic (VTEM) geophysical survey show potential for a strike extension to the mineralised zone to the north, and other potential zones to the west and east that require follow-up.

The Duwi deposit is at an advanced stage of exploration with Mineral Resources defined and classified as Indicated and Inferred. The Mineral Resources have been reported in accordance with the JORC (2012) Code¹ and are presented in Table 2.

Table 2: Mineral Resource statement for Duwi graphite deposit

Deposit	Classification	Tonnes (Mt)*	TGC (%)
Duwi (TGC >5%) (Reported October 2014)	Measured	-	-
	Indicated	35.2	7.2
	Inferred	50.7	7.1
	Subtotal	85.9	7.1

Note: Mineral Resources are reported at cut-off grades as mentioned in the table. Rounding of tonnage and grade has occurred, and totals may not reflect the rounding. Tonnages have been rounded to the nearest 100,000 tonnes, and TGC grades rounded to 1 decimal point.

¹ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

Duwi comprises five prospects known collectively as the Duwi Trend, including Duwi Main, Duwi Bend, and Nyama.

The Duwi deposit occurs as multiple, high-grade bands of flake graphite, hosted within Proterozoic gneissic rocks of felsic to intermediate composition. The host rocks were subject to intense weathering under tropical climatic conditions, resulting in the development of substantial thicknesses of weathered zones, each of which exhibit varying intensities of graphitic mineralisation and graphite flake size.

The deposit has been drilled by diamond core, aircore holes and hand-auger holes, with all holes used to support the Mineral Resource estimates. Diamond and aircore samples were used for metallurgical testwork, which supports the classification of the deposits as Industrial Mineral Resources in terms of JORC Code, Clause 49. CSA Global has reviewed the drilling methods, recovery, logging, surveying, sampling, sample analysis, quality assurance/quality control (QA/QC) and other data issues associated with the drilling data for the deposits and has deemed the data to be suitable to support reporting Mineral Resources in accordance with the JORC Code. A conventional industry-standard methodology has been used in developing the Mineral Resource estimates for Duwi, which is documented in supporting Mineral Resource reports and summarised in this ITAR. Detailed commentary on each of the criteria outlined in Table 1 of the JORC Code has been developed by CSA Global and is provided as an appendix to this ITAR.

The Mabuwa prospect covers a mafic-ultramafic intrusive body potentially favourable for nickel and platinum group element (PGE) sulphide mineralisation. The application licence area is considered prospective for mineralisation styles similar to that hosted at the Mpemba and Ngala Ni- Cu-PGE projects located near Blantyre. No previous exploration work is known. However, historical reconnaissance drilling completed on nearby targets hosted in similar rock types, have returned low grade nickel and PGE sulphide mineralisation.

Sovereign has previously undertaken a range of characterisation and mineralogical examinations and metallurgical test-work programs on fresh ore and surface saprolite material from the Duwi deposit. The work, completed in 2015, focussed on flotation programs to optimise graphite recovery whilst also maximising flake size and integrity. A preliminary process flowsheet developed from this work aimed to maximise recovery of jumbo (+300 μm) flakes and minimise production of amorphous powder (-75 μm). Further test-work is currently in progress to optimise other areas of the flowsheet and early results show that concentrate size fractions can be upgraded to >95% total graphitic carbon (TGC).

Sovereign have proactively engaged in good practice environmental, social and governance (ESG) activities since acquiring the Project. They recognise that the ongoing integration of ESG criteria into future exploration activities and project development is a critical element in moving the project forward and ensuring all key stakeholders are engaged in the process. Sovereign is aware of the Equator Principles and how these serve to establish a common baseline and risk management framework to identify, assess and manage environmental and social risks.

A number of technical opportunities associated with the Project have been identified as follows:

- Nanzeka – the geometry of the zone of mineralisation delineated to date suggests that a substantial proportion of mineralisation may be available relatively close to surface. Proposed exploration activities will assist in defining additional mineralisation which, if determined to be economically prospective, may lead to defining a potential Mineral Resource.
- Duwi – a number of opportunities for improvement in the current Duwi Mineral Resource were identified. These are items that can easily be incorporated in a future update to the Mineral Resource and may allow for increased confidence in resource classification and delineation of additional Mineral Resources.
- Mabuwa – potential for nickel and PGE mineralisation at Mabuwa is noted. The proposed exploration activities may lead to identification of prospective mineralisation.

A number of technical risks associated with the Project have been identified as follows:

- Expected mineralisation may not be present or may be too small to warrant commercial exploitation. The projects comprise a range of stages of advancement from early exploration through to advanced

prospect. Risk is reduced at each stage as the project progresses and the understanding of the deposit increases.

- Duwi – Mineral Resources are not Ore Reserves and do not have any demonstrated economic viability. The application of modifying factors is required to convert Mineral Resources to Ore Reserves. Modifying Factors include mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. The Duwi Mineral Resource is not supported by a mining study at this stage.
- The absence of density data for the Nyama deposit (part of the Duwi Mineral Resource) means there is a lower confidence associated with the tonnage estimates for this Mineral Resource.
- Further metallurgical testwork (including flake size distribution and product purity after processing) may demonstrate parts, or all the deposits, will not be able to produce a marketable graphite product.

CSA Global Opinion

CSA Global is of the opinion that the exploration activities, drill techniques, survey methods, sampling, assaying and QA/QC have been completed in line with good industry practice at the time when the work was completed. The geological modelling strategy, data treatment, application of estimation parameters, and estimation methodologies are appropriate for the style of mineralisation.

CSA Global is of the opinion that exploration activities conducted to date on the Nanzeka prospect have been completed in line with good industry practice at the time when the work was completed.

CSA Global has reviewed the available data inputs into the Mineral Resource as well as the model outputs. CSA Global conducted a site visit to Duwi in 2014 for the purpose of verifying various aspects of data inputs associated with the Mineral Resource. CSA Global is of the opinion that the data being relied upon is reasonable and appropriate to be used for input to the Mineral Resource modelling, and as a basis for future Exploration Target definition.

CSA Global is of the opinion that the Duwi Mineral Resources have been reported in accordance with the 2012 JORC Code and prepared using accepted industry practice. Mineral Resources have been signed off by an appropriate Competent Person as defined by the JORC Code. The Mineral Resources appear to be a reasonable assessment of global grade and tonnage based on the data available and geological understanding at the time. Mineral Resource classification is appropriate for the quality and quantity of data informing the resource estimate and appropriately considers uncertainty associated with some aspects of historical data.

CSA Global is of the opinion that the exploration potential for the Nanzeka and Duwi and Mabuwa Project is high. The combination of a favourable regional geological location, prospective local geology and structural framework, and successful drill results to date, confirm the prospectivity of the area for discovery of additional graphite mineralisation at Nanzeka and Duwi. The successful study progression of the nearby Malingunde graphite deposit supports the potential for prospectivity in the area.

Potential for nickel and PGE mineralisation at Mabuwa is noted. The proposed NGX exploration activities may lead to identification of prospective mineralisation.

CSA Global is of the opinion that the proposed exploration work program is reasonable and appropriate for the scale of the project at the time of compiling this report.

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1 Introduction

1.1 Compliance with the VALMIN and JORC Codes

This Independent Technical Assessment Report (ITAR) has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2015 (“VALMIN² Code”), which is binding upon Members of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM), the JORC³ Code and the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and Australian Securities Exchange (ASX) that pertain to Independent Expert Reports.

The authors have taken due note of the rules and guidelines issued by such bodies as ASIC and ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

1.2 Principal Sources of Information and Reliance on Other Experts

CSA Global Pty Ltd (CSA Global), an ERM Group company, has based its review of the Nanzeka, Duwi and Mabuwa Project (the “Project”) on information made available to the principal authors by Sovereign Metals Limited (Sovereign), along with technical reports prepared by consultants, government agencies and previous tenement holders, and other relevant published and unpublished data. CSA Global has also relied upon discussions with Sovereign’s management for information contained within this assessment. This ITAR has been based upon information available up to including 19 January 2023.

CSA Global has endeavoured, by making reasonable enquiries, to confirm the authenticity, accuracy, and completeness of the technical data upon which this ITAR is based. Unless otherwise stated, information and data contained in this technical report, or used in its preparation, has been provided by Sovereign in the form of documentation and digital data.

Sovereign was provided a final draft of this ITAR and requested to identify any material errors or omissions prior to its lodgement.

Sovereign has warranted to CSA Global that the information provided for preparation of this ITAR correctly represents all material information relevant to the Project. Full details on the tenements are provided in the Independent Solicitor’s Report elsewhere in the notice of meeting (NOM) and prospectus.

CSA Global has not independently verified the legal status or ownership of the property or any of the underlying agreements. This information is discussed in the Independent Solicitor’s Report and described therein under Summary of Material Agreements, elsewhere in the NOM and prospectus.

This ITAR contains statements attributable to third parties. These statements are made or based upon statements made in previous technical reports that are publicly available from either government sources or the ASX. The authors of these reports have not consented to their statements used in this ITAR, and these statements are included in accordance with ASIC Corporations (Consent and Statements) Instrument 2016/72.

Figures, maps and illustrations in this report have been prepared by CSA Global unless otherwise stated.

² Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code), 2015 Edition, prepared by the VALMIN Committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. <<http://www.valmin.org>>

³ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC). <<http://www.jorc.org>>

1.3 Authors of the Report

CSA Global is a mining industry consulting company headquartered in Perth, Western Australia (WA). CSA Global provides multi-disciplinary services to a broad spectrum of clients across the global mining industry. Services are provided across all stages of the mining cycle, from project generation to exploration, resource estimation, project evaluation, development studies, operations assistance, and corporate advice, such as valuations and independent technical documentation.

This ITAR has been prepared by a team of consultants sourced from CSA Global's Perth and Brisbane offices. The individuals who have provided input to the ITAR have extensive experience in the mining industry and are members in good standing of appropriate professional institutions. The consultants preparing this ITAR are specialists in the field of geology, exploration and mineral resources

The following individuals, by virtue of their education, experience, and professional association, are considered Competent Persons, as defined in the JORC Code (2012), for this ITAR. The Competent Persons' individual areas of responsibility are presented below:

- Coordinating author – Ms Sonia Konopa (Manager and Principal Consultant, Corporate – CSA Global, Brisbane, Queensland) is responsible for all sections of the ITAR
- Contributing author – Mr David Williams (Principal Consultant Geologist – CSA Global, Brisbane, Queensland) is responsible for sections of the ITAR relating to the technical aspects of the Duwi Mineral Resource and is the Competent Person responsible for the Duwi Mineral Resource
- Peer reviewer – Mr Aaron Meakin (Manager – Resources and Partner – CSA Global, Brisbane, Queensland) is responsible for peer reviewing technical content of this ITAR

Sonia Konopa is a resource geologist, with over 30 years' international experience in the mining industry. She has previously worked in various operational and leadership roles across Australia, Papua New Guinea, Indonesia, Laos and Europe, and has extensive international expertise in consulting services, technical advice and guidance across a range of commodities and geological settings. Most recently she has held resource management roles at the Martabe Gold Mine and Toka Tindung Gold Mine in Indonesia. Her broad practical experience extends to Mineral Resource estimation, exploration, project management and business development projects.

David Williams is a resource geologist with over 25 years' experience in mine geology and Mineral Resource estimation and is a specialist in graphite deposits. He is a competent person for the JORC reporting of Mineral Resource estimates and is similarly a qualified person for Canadian NI 43-101 Mineral Resource estimate reports. David's commodity expertise is extensive, and it has been developed from working on mining and resource estimation projects in Australia, Africa, Asia, and Europe. David is also a specialist on due diligence studies, and he has provided professional opinion for Independent Geologist Reports.

Peer review was completed by Aaron Meakin, a resource geologist, with over 25 years' experience in exploration, mine geology and Mineral Resource estimation. He is a competent person for the JORC reporting of Mineral Resource estimates and is similarly a qualified person for Canadian NI 43-101 Mineral Resource estimate reports. Aaron has significant resource estimation and mine production experience, having worked at numerous underground and open pit operations in Australia. His resource estimation experience spans a range of styles of mineralisation.

1.4 Independence

Neither CSA Global, nor the authors of this ITAR, has or has had previously, any material interest in Sovereign or the mineral properties in which Sovereign has an interest. CSA Global's relationship with Sovereign is solely one of professional association between client and independent consultant.

CSA Global is an independent geological consultancy. Fees are being charged to Sovereign at a commercial rate for the preparation of this ITAR, the payment of which is not contingent upon the conclusions of the ITAR. The fee for the preparation of this ITAR is approximately A\$20,000.

No member or employee of CSA Global is, or is intended to be, a director, officer or other direct employee of Sovereign. No member or employee of CSA Global has, or has had, any shareholding in Sovereign.

There is no formal agreement between CSA Global and Sovereign as to Sovereign providing further work for CSA Global.

1.5 Declarations

1.5.1 Context, Scope and Terms of Reference

CSA Global was requested by Sovereign to prepare an ITAR for use in a NOM and prospectus to support a pro rata “divestment” to its shareholders of the Project.

1.5.2 Purpose of this Document

This ITAR has been prepared by CSA Global at the request of, and for the sole benefit of Sovereign. Its purpose is to provide an independent technical assessment of Sovereign’s mineral assets in Malawi.

The ITAR is to be included in its entirety or in summary form within a NOM and prospectus to be prepared by Sovereign, in connection with the demerger of NGX. It is not intended to serve any purpose beyond that stated and should not be relied upon for any other purpose.

The statements and opinions contained in this ITAR are given in good faith and in the belief, that they are not false or misleading. The conclusions are based on the reference date of 19 January 2023 and could alter over time depending on exploration results, mineral prices, and other relevant market factors.

1.5.3 Practitioner/Competent Person’s Statements

The information in this ITAR that relates to Technical Assessment of the Mineral Assets, Exploration Targets, or Exploration Results is based on information compiled and conclusions derived by Ms Sonia Konopa, a Competent Person who is a Fellow of the AusIMM (membership number 101561). Ms Konopa has sufficient experience that is relevant to the technical assessment of the Mineral Assets under consideration, the style of mineralisation and types of deposit under consideration and to the activity being undertaken to qualify as a Practitioner as defined in the 2015 Edition of the “Australasian Code for the public reporting of technical assessments and Valuations of Mineral Assets”, and as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Ms Konopa consents to the inclusion in the ITAR of the matters based on his information in the form and context in which it appears.

1.5.4 Site Inspection

A CSA Global employee visited the Duwi deposit in 2014 on behalf of the Competent Person. A reverse circulation (RC) drilling program was in operation and CSA Global was able to review drilling and sampling procedures. Outcrop containing mineralisation was examined and geologically assessed. Planned drill sites were examined and assessed with respect to strike and dip of the interpreted geological model. Trenches were examined and a re-enactment of sampling procedures was presented by Sovereign geological and field staff. Sample storage facilities were inspected. The analytical laboratory in Johannesburg was also inspected. There were no negative outcomes from any of the above inspections, and all samples and geological data were deemed fit for use in the Mineral Resource estimate.

1.6 About this Report

Sovereign is proposing a demerger of the Project to its shareholders through NGX, which is the subject of this ITAR. The geology and mineralisation for the Project is discussed, as well as past exploration work undertaken, and the results obtained there from. Every effort was made to summarise results to constrain the size and readability of the ITAR. Maps of the areas are presented.

2 Overview of NGX Limited and its Assets

2.1 Introduction to NGX Limited

NGX, via its Malawi incorporated wholly owned subsidiary, NGX Exploration Limited (“NEL”) is currently the registered holder of Malawi exploration RL RL0012/21 (“Nanzeka”) and one Exploration Licence Application APL0329 (“Mabuwa”), which is pending. Sovereign’s Malawi incorporated wholly owned subsidiary, Sovereign Services Limited (SSL), is the registered holder of RL RL0032/22 (“Duwi”) which is anticipated to be transferred to NGX as part of the demerger conditions. The licences, referred to as the tenements (“Tenements”,) are summarised in Table 3, which are collectively known as the Nanzeka, Duwi and Mabuwa Project (the “Project”).

NGX Limited (“NGX”) is Australian incorporated and wholly owned by Sovereign. NEL is incorporated in Malawi and wholly owned by NGX.

2.2 Company Strategy

Sovereign is proposing a pro rata “demerger” to its shareholders of the Project. To effect the divestment of the Project, SVM and NGX have entered into a Tenement Sale and Demerger Deed (“Demerger Deed”) whereby:

- Nanzeka will be NGX’s primary focus;
- Subject to Malawi governmental approvals, SSL will transfer Duwi to NEL in due course; and
- NEL will have the right to explore for minerals at Duwi and on the Tenements.

Sovereign will demerge NGX (of which NEL will be a wholly owned subsidiary) by way of an equal capital reduction to be effected via a pro-rata in-specie distribution of NGX shares to Sovereign shareholders (“Demerger”). The ownership structure of NGX is likely be the same as Sovereign, whereby Sovereign shareholders will hold NGX shares in the same proportion to their shareholding in Sovereign. Following completion of the demerger, NGX (and NEL) will no longer be subsidiaries of Sovereign.

NGX plans to issue a prospectus for an initial public offering (IPO) and apply to be admitted to the official list of ASX Limited in due course. It is expected that the IPO will be completed prior to the transfer of Duwi from SSL to NEL.

2.3 Tenure

The Project comprises three tenements, two RLs which are considered to be in good standing in accordance with the *Malawi Mines and Minerals Act (No. 8 of 2019)*, and one APL. The total tenement area is 39.0 km². The RLs grant NEL and SSL exclusive rights to carry out exploration for graphite, titanium minerals, zircon, gold, and base metals. The APL status is pending.

ELs may be granted for up to three years. Thereafter two successive periods of renewal may be granted, but each must not exceed two years. An EL provides the holder the exclusive right in the licence area to explore for all mineral deposits and an exclusive priority right to apply for a mining licence. Further, mineral deposits contained within ELs that have come to the end of their term, as discussed above, can be converted by the EL holder to a Retention Licence for a term of up to five years subject to certain criteria.

Mineral deposits or prospects within an EL that have come to the end of their term can be converted into a RL for a term of up to five (5) years.

An application for a Mining Licence (AML0088) is pending that includes the Malingunde Graphite Project (“Malingunde”), which is not included in this ITAR but is reported in a separate report elsewhere in the NOM and prospectus. Malingunde is anticipated to be transferred to NGX as part of the demerger conditions.

Further details on the tenements are provided in the Independent Solicitor’s Report elsewhere in the NOM and prospectus. CSA Global makes no other assessment or assertion as the legal title of the tenements and is not qualified to do so.

The locations of the licences are shown in Figure 1. Table 3 provides a summary of the Project licences.

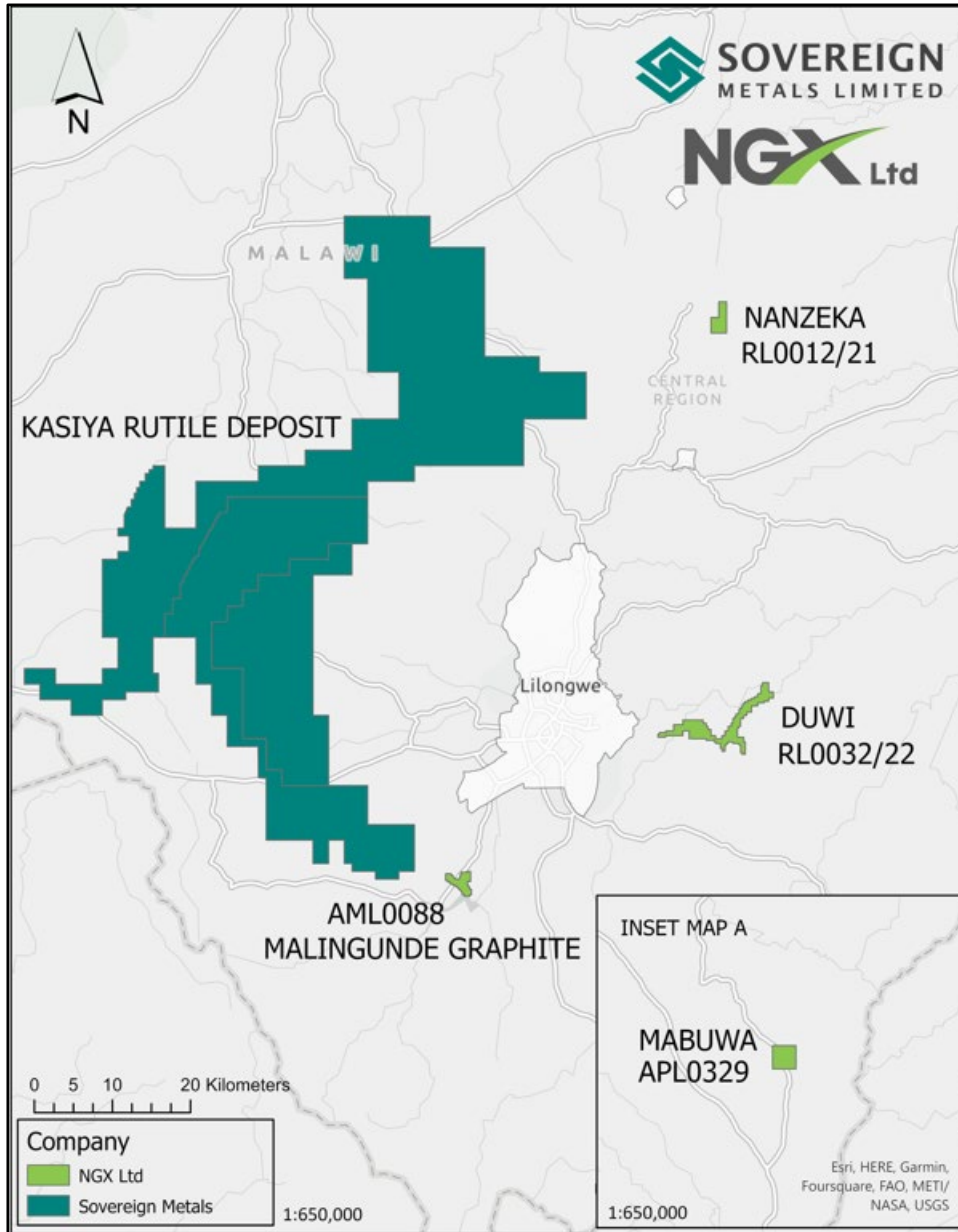


Figure 1: Tenement location map –Nanzeka, Duwi and Mabuwa Project

Source: Sovereign Metals

Table 3: Mineral tenements summary

Licence no. (name)	Area (km ²)	Holder	Primary commodity	Commenced	Expiry	Annual rent (MWK\$)
RL0012/21 (Nanzeka)	6.0	NEL	Graphite	27 Jul 2021	27 Jul 2026	60,000
RL0032/22 (Duwi)	24.6	SSL	Graphite	4 Oct 2022	4 Oct 2027	246,400
APL0329 (Mabuwa)	9.0	NEL	Nickel, PGE	Pending	Pending	Pending

Source: Sovereign Metals

2.4 Climate and Land Usage

The Project is located in a sub-equatorial region of Malawi and is subject to heavy seasonal rainfall, with rapid growth of vegetation in season. The climate of the South Lilongwe Plain can be described as tropical continental, with a mean annual temperature of 18–23°C, and an average rainfall of 860 mm. Some 85% of rainfall occurs during the rainy season between December and March, and the hottest periods occur in the lead up to the rainy season, occasionally peaking towards 40°C.

The moderate rainfall coupled with the generally fertile soils of the plains has resulted in the natural savannah vegetation having been almost entirely modified or removed, and the land being extensively cultivated for subsistence farming dominated by maize crops and secondary cash crops of groundnuts and tobacco. The dambo (swamplands) grasslands are often utilised for grazing and small-scale sugar cane crops.

3 Project Description

3.1 Regional Geology

Malawi's geology (Figure 2) is dominated by rocks formed as a result of the Nyasa Rift, the southern extension of the Cenozoic East African Rift, which extends 800 km from southern Tanzania south to the Middle Shire rivers, with some structures extending further south into Mozambique. The seismically active rift system is principally made up of a series of half grabens with complex fault geometries. The Nyasa Rift is occupied by Lake Malawi.

The majority of the country is dominated by crystalline metamorphic and igneous basement rocks which have been subjected to several periods of deformation. In the Permo-Triassic, the continental extension splitting the supercontinent Gondwana apart led to extensive faulting, resulting in the formation of long narrow northeast to southwest trending troughs in which sandstones, limestones and mudstones of the Karoo Supergroup were deposited. These sediments were subjected to repeated periods of uplift, erosion and faulting from the Jurassic to the present, producing graben structures in which Palaeogene and younger sediments were deposited. Quaternary lacustrine sands and gravels are common in the Lake Malawi area, indicating the retreat of the lake to its present position.

There are some Jurassic-aged basalts in the far north and south of the country and several carbonatite intrusions in southern and south-central Malawi. Unlike the older rift system, there is little evidence of magmatic activity and volcanism associated with rift formation, with the exception of some Pleistocene volcanics found near the northern end of Lake Malawi. There are also hot springs in the western and southern lake area.

Lowermost in the South Lilongwe Plains geological units is the Precambrian Basement Complex, made up of biotite-rich gneisses, granulites, and schists. Paragneisses and semi-pelitic schists dominate the rock units, metamorphosed under extreme temperature and pressure conditions to granulite facies. Interspersed within the paragneisses are lesser orthogneisses, with associated psammitic, pelitic, and calcareous horizons, as well as concordant and discordant amphibolites and felsic pegmatites, and minor basic to ultrabasic intrusions.

The rock types of the Basement Complex include biotite gneisses, with subordinate hornblende gneisses, calc-silicate granulites and gneisses. The area from Dedza Boma extending northwest to Namitete and north to Ntchisi Boma includes a distinct group of kyanite-graphite-pyrite-pyrrhotite paragneisses, kyanite-muscovite gneisses, kyanite quartzites and graphitic quartzo-feldspathic schists and granulites.

The kyanite-mica gneisses observed around the Project area have protoliths interpreted as a thinly bedded sequence of arkosic sandstones with interspersed bands of carbonaceous shales deposited in a nearshore deltaic environment.

The entire rock package of the Project area has been deformed by the Mozambique Orogeny imparting a strong north-south to northwest-southeast shear foliation and schistosity. The complex structural history of the area is not fully understood, though gneissic foliation is often compositional layer parallel around Malingunde, with north plunging folds observed in outcrop along the Lilongwe River.

The rocks of the South Lilongwe Plains are obscured by thick weathering profiles and residual soils. Deep residual weathering profiles averaging about 25 m but as deep as 45 m have been observed in water and mineral exploration drilling.

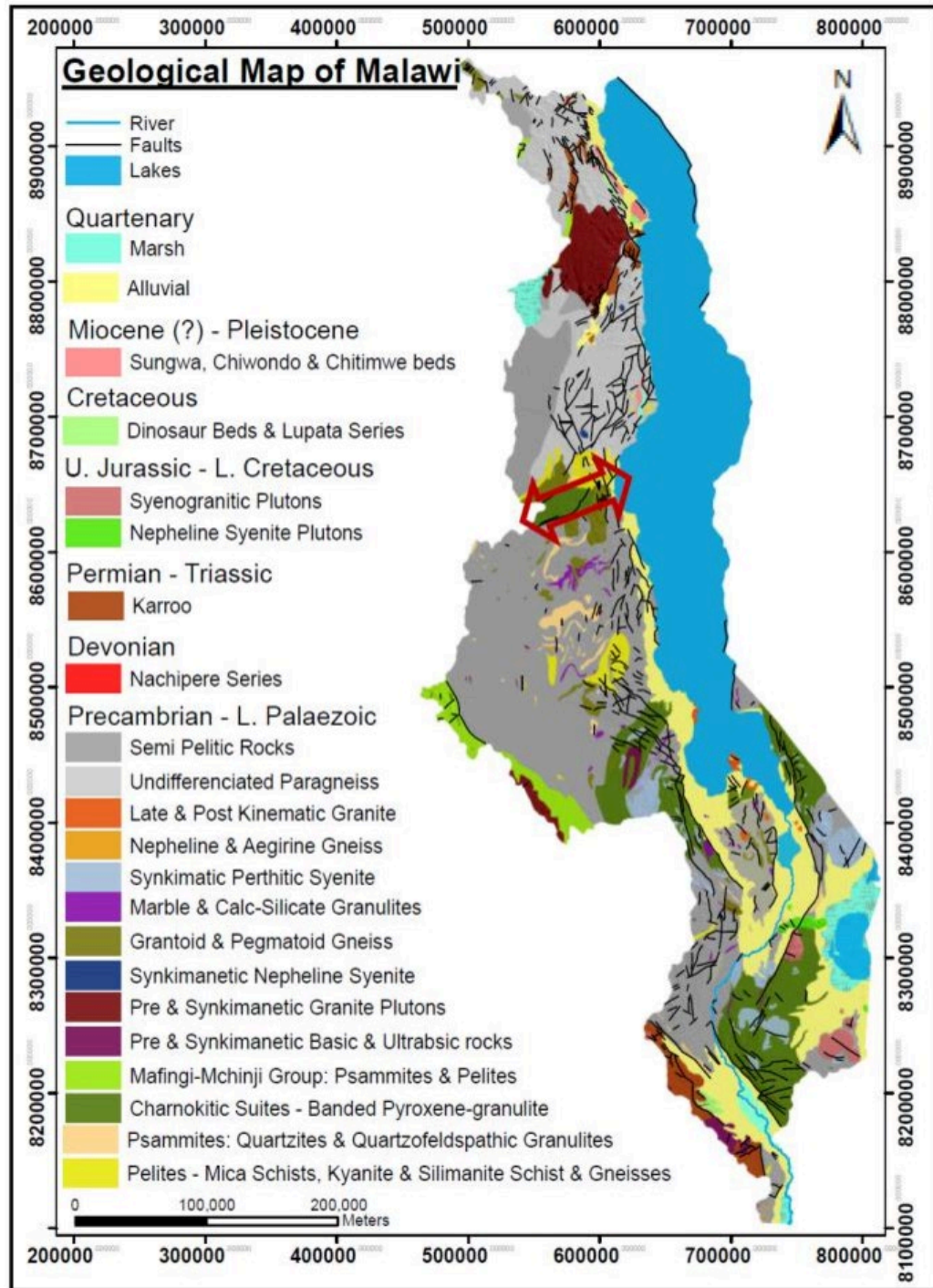


Figure 2: Malawi regional geology
Source: Mdala, 2015

3.2 Physiography

The dominant feature of the Project area is the South Lilongwe Plain, a gently undulating plain interrupted by occasional low inselbergs such as Malingunde Hill (1,250 m in elevation) and cut by three major northeast flowing rivers. The plain varies between 1,140 m and 1,300 m in elevation.

The major rivers of the South Lilongwe Plain all drain to the northeast, eventually arriving at Lake Malawi. Sinuous, tributary streams feed the major rivers of the plains, with seasonal swamps a feature of the low gradient, lower energy regime of the plains.

The Lilongwe River is the principal river of the Project area, flowing to the south of the Malingunde deposit and cutting it off at the Kamuzu Dam. The Lilongwe River is deeply incised with rock bars and exposures common along its length. Immediately south of the Malingunde deposit, the Lilongwe River has been dammed, forming the twin walled Kamuzu Dam, which provides potable water to Lilongwe.

The geomorphology of the Lilongwe Plains comprises three erosion features:

- A post-Gondwana surface, formed in the early and mid-Cretaceous, presently displayed as the occasional inselbergs dotted throughout the plain
- The late Cretaceous – early Miocene African cycle, which formed extensive plains, including South Lilongwe Plain
- Late-Miocene post-African features, often merging with the African cycle erosional surface.

3.3 Nanzeka Prospect

The Nanzeka Prospect (RL0012/21) is located approximately 60 km north of Malawi's capital Lilongwe. Mapping, rock chip sampling, trenching (8 trenches for 654 m) and limited drilling in 2013 (3 diamond drill holes for 237 m) identified high-grade flake graphite mineralisation over a strike length of approximately 3 km with a true width of about 10 m. Some surface exposures show up to 150 m of graphite mineralisation widths. Previous drill results at Nanzeka included:

- **KODD0002:** **10m @ 11.0% TGC incl. 4m @ 12.5% (from 24m)**
- **KODD0003:** **8m @ 10.5% TGC incl. 4m @ 12.5% (from 8m)**

Mapping, rock-chip sampling in 2012 and results from a Versatile Time Domain Electromagnetic (VTEM) geophysical survey show potential for a strike extension to the mineralised zone to the north, and other potential zones to the west and east that require follow-up. Trench and drilling results are shown in Figure 3.

The current understanding of the geology shows high-grade graphite gneiss bands that define a broad, open synform/antiform fold pair that plunges gently to the north and north-east. High-grade mineralisation representing the western limb of the synform (Western Zone) daylights along a small ridge whilst an area of graphite mineralisation exposed in a gentle valley (Eastern Zone) represents the daylighting of the antiformal fold hinge.

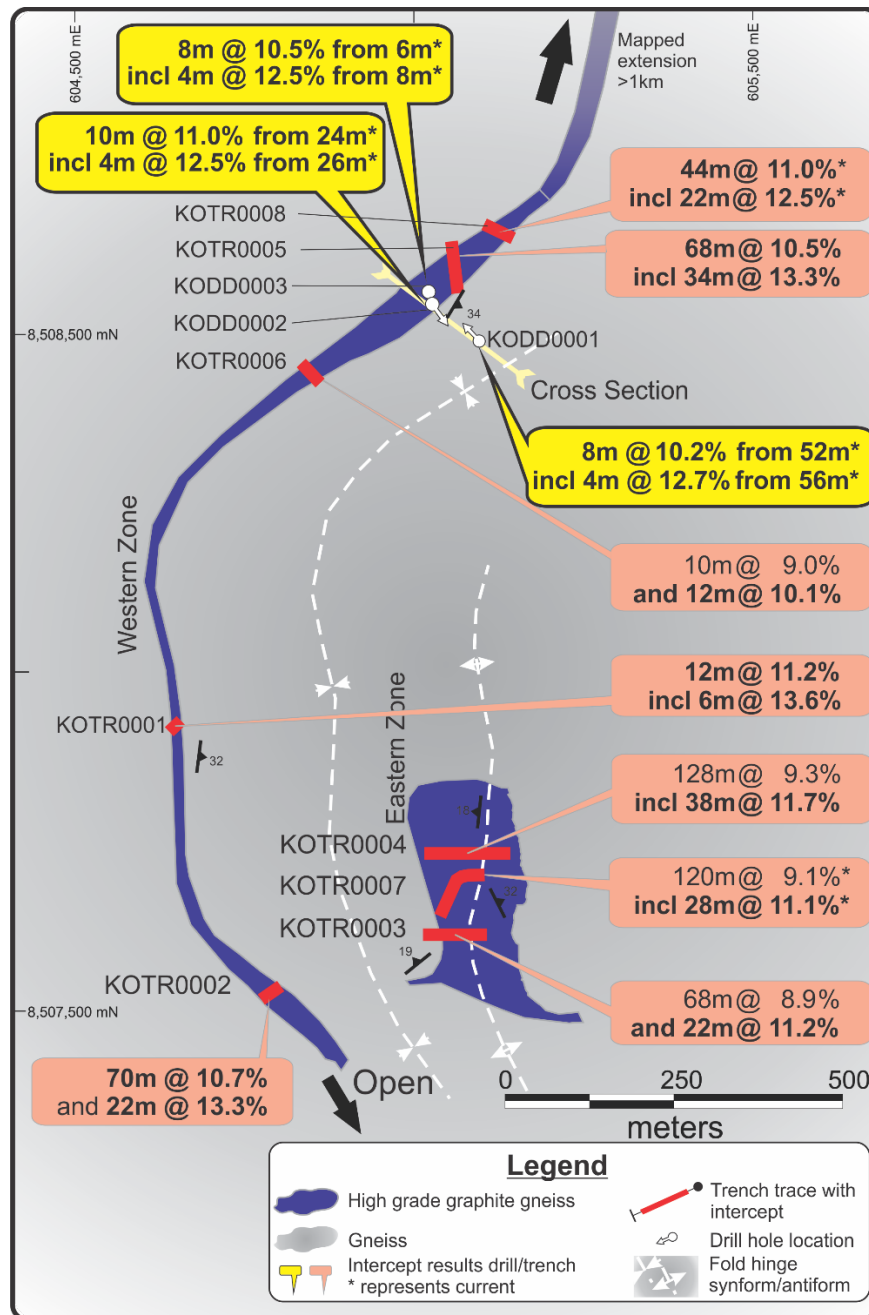


Figure 3: Nanzeka trench and drilling results

Source: Sovereign ASX release 30 October 2013

Insufficient testwork has been carried out to date to allow a Mineral Resource estimate to be reported, however following the completion of the demerger of NGX, NGX plans to conduct exploration and drilling activities with the objective of delineating a potential Mineral Resource at Nanzeka. Refer to section 7.1 and 8.2 for further details.

3.4 Duwi Deposit

The Duwi deposit comprises the Duwi Main, Duwi Bend and Nyama graphite deposits, collectively known as the Duwi Trend.

Duwi and Nyama mineralisation occurs as multiple, high-grade bands of flake graphite, hosted within Proterozoic gneissic rocks of felsic to intermediate composition. Mineralisation is open along strike and down dip in both Duwi and Nyama. Sovereign conducted field mapping and trenching of the deposits in 2013 and 2014, which demonstrated geological continuity of the host gneisses.

Duwi Main has an east-west strike, dipping 45° to the north. It is currently modelled as two lenses of mineralisation, with a depth extent of 280 m, a strike-length of 1,300 m and a plan width varying between 25 m and 180 m. Duwi Bend has a strike of 125°, with a vertical dip. It is currently modelled as two parallel lenses, with a combined strike extent of 420 m, down dip extent of 175 m and plan width of 20 m. Nyama, located approximately 2 km west-south-west of Duwi Main, has an approximate east-west strike, and dips 40° to the north. It is currently modelled as three parallel lenses, striking approximately 400 m, with a down dip extent of 230 m and plan width of 40 m.

Three weathering profiles are interpreted at Duwi, being a thin veneer of saprolite, a thicker zone of saprock, and the primary rock zone.

3.5 Mabuwa Prospect

The Mabuwa Prospect is located within APL0329 and will be investigated for nickel and PGE potential. The application licence area is considered prospective for mineralisation styles similar to that hosted at the Mpemba and Ngala Ni- Cu-PGE projects located near Blantyre.

The Mabuwa Prospect covers a mafic-ultramafic intrusive body potentially favourable for nickel and PGE sulphide mineralisation. No previous exploration work is known. However, historical reconnaissance drilling has been undertaken on nearby targets hosted in similar rock types, with low grade nickel and PGE sulphide mineralisation having been discovered.

3.6 Exploration History

Sovereign has previously conducted a significant amount of exploration for graphite mineralisation, within the licences discussed in Section 2.3. Exploration activities include geological mapping, rock chip geochemistry, geophysical surveys and drilling.

4 Mineral Resource Estimate

4.1 Duwi Mineral Resource Estimate

The Mineral Resources for the Duwi graphite deposit is presented by weathering profile in Table 4. The Mineral Resources have been reported in accordance with the JORC Code.

Table 4: Mineral Resource statement, Duwi (reported October 2014)

Profile	Classification	Tonnes (Mt)*	TGC (%)
Saprolite	Measured		
	Indicated	4.2	7.0
	Inferred	2.3	7.6
	Subtotal	6.5	7.2
Fresh	Measured		
	Indicated	31.0	7.2
	Inferred	48.4	7.1
	Subtotal	79.4	7.1
Total	Measured		
	Indicated	35.2	7.2
	Inferred	50.7	7.1
	TOTAL	85.9	7.1

Note: Reported by weathering profile (and TGC cut-off >5%). Saprolite is defined as a combination of the SOIL, FERP, MOTT, PSAP and SAPL weathering domains.

The Duwi deposit is composed of five prospects known collectively as the Duwi Trend, including Duwi Main, Duwi Bend and Nyama, which are the focus of this ITAR. Duwi is located 20 km east of the city of Lilongwe.

A location map is presented in Figure 4. A Mineral Resource was estimated for the deposit by CSA Global in 2014. A discussion of the geological setting and mineralisation is presented in Section 3.4.

The Mineral Resource is based upon data obtained from 11 diamond (DD) drillholes (1,251 m) and 42 Reverse Circulation (RC) drill holes (4,822 m). In addition, Sovereign excavated eight trenches (1,758 m cumulative length) across the strike of the deposits. Four pairs of DD and RC twinned holes are included in the drilling totals. The DD core results confirmed the depth and tenor of graphite mineralisation in the RC hole intersections, and therefore CSA Global was given assurance that the RC drilling data was of sufficient quality to use in the Mineral Resource estimate. The trenches were sampled to an adequate standard of quality to be also included in the Mineral Resource estimate. The drilling database was closed on 29 September 2014.

Drillholes are located on a nominal 100 m x 50 m, in places 200 m x 50 m, grid with drilling oriented approximately north-south across the strike of strata and mineralisation. The dip of the drillholes was designed to intersect the mineralisation at the most optimal angle to minimise sampling bias.

Mineralisation domains were modelled using a lower cut-off grade of 5% total graphitic carbon (TGC). Wireframes were created by joining mineralisation polygons based upon geological knowledge of the deposit, derived from drill core logs and geological observations on surface. A weathering profile representing the top of fresh rock was modelled based upon drillhole geological logging. A topographic digital terrain model was generated from a series of transects, with spot heights recorded by differential global positioning system at intervals of 100 m(E) x 50 m(N).

The geological interpretation of the Duwi deposit is illustrated in plan view in Figure 4, and in cross sectional view in Figure 5.

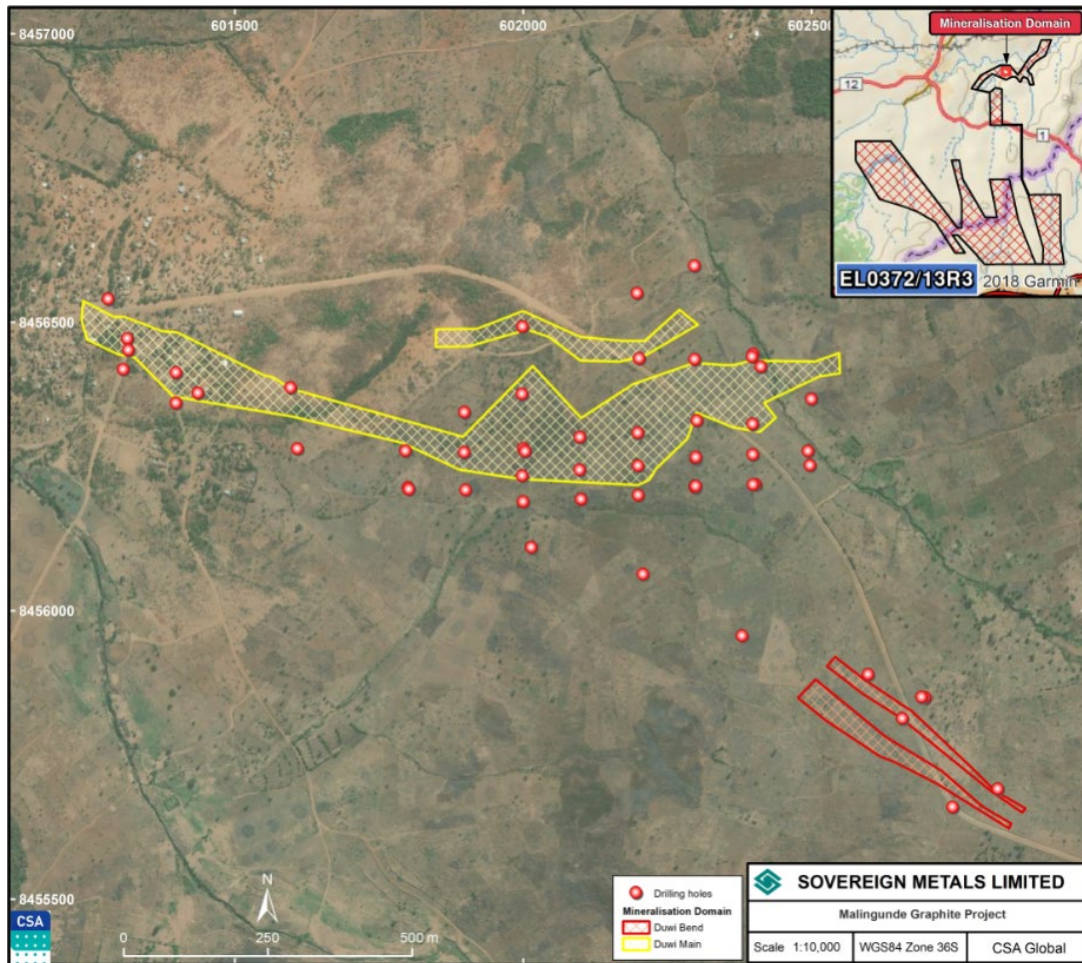


Figure 4: Collar plot, Duwi Main and Duwi Bend, with TGC domain outlines and drillhole collars

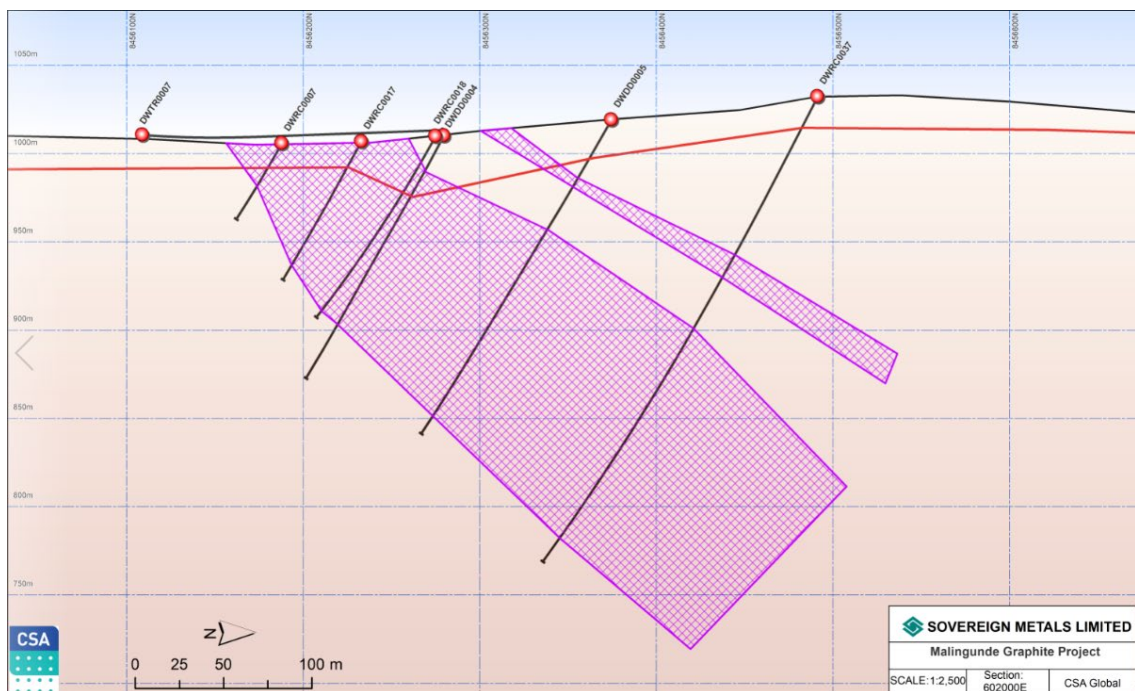


Figure 5: Cross section through Duwi Main, section 602,000 mE (mineralisation interpretation and drillhole traces shown)

Note: Depth of weathering (top of fresh rock) shown as red surface.

Two block models were constructed – one for Duwi Main and Duwi Bend (parent cell sizes 50 m(E) x 20 m(N) x 20 m(Z)), and one for Nyama (parent cell size of 25 m(E) x 20 m(N) x 20 m(Z)).

The block size dimensions were determined from approximately half the drillhole spacing. Drill samples were flagged by mineralisation and weathering domains, and the drill samples composited to 2 m length intervals. Composited sample data were statistically reviewed, with no top cutting of data subsequently carried out. A variogram model was developed for TGC from composited sample data belonging to one of the mineralisation domains. A moderately low relative nugget effect was modelled with a primary direction plunging in the approximate strike and dip of the graphitic gneiss. A range of approximately 150 m for TGC was modelled.

Grade interpolation for TGC used Ordinary Kriging (OK). All sub-blocks were assigned the grade of their parent block. A sample search ellipse of 150 m (along strike) x 150 m (down dip) x 25 m (across strike) was used, with a minimum of four samples and maximum of 18 samples used to interpolate grade into any one block. A minimum of five samples per drillhole was used for grade interpolation. Search radii were increased, and the minimum number of minimum samples reduced in subsequent sample searches if cells were not interpolated in the first pass. Octant searches were not used. The interpolated grades were validated by way of review of cross sections (block model and drill samples presented with same colour legend); swath plots, and comparison of mean grades from drillhole data with block model grades.

A total of 53 samples from the weathered (saprolitic) domain were tested for density, whilst 398 samples were tested from the fresh rock domain. The majority of the samples (65%) were derived from Duwi Main mineralised domains, whilst 10% were sourced from Duwi Bend domains. No density measurements were recorded from Nyama mineralised domains. One-quarter of the density measurements were taken from samples located outside the mineralisation domains. No significant differences were noted in the mean density values, when comparing mineralisation domains within the same weathering profiles.

Density values of 2.1 t/m³ and 2.75 t/m³ were applied to the block model for the weathered and fresh rock domains, respectively.

The Duwi and Nyama Mineral Resource is classified as a combination of Indicated and Inferred, in accordance with the JORC Code, with geological evidence sufficient to assume geological and grade continuity in the Indicated volumes. Classification of the Mineral Resource estimate was carried out taking into account the geological understanding of the deposit, quality of the samples, density data and drillhole spacing. Metallurgical results related to flake size and sample purity, and petrographic analyses of thin sections from selected drill core, were considered as per Clause 49 of the JORC Code.

All available data was assessed and the Competent Person's relative confidence in the data was used to assist in the classification of the Mineral Resource. The current classification assignment appropriately reflects the Competent Person's view of the deposit.

The Mineral Resource estimate was reported from blocks above a nominated cut-off grade of 5% TGC, as presented in Table 4.

4.2 Marketing and Mineralogical Considerations

Metallurgical data previously reported to the market by Sovereign support the Mineral Resource classification. Flake size distribution and product purity have been assessed from samples derived from DD core within the fresh rock profile, whilst petrographic analyses of thin sections were undertaken on samples from the saprolitic zone. Results from these indicate the potential of the Duwi Prospect to deliver a high-quality marketable flake graphite concentrate using simple conventional flotation technology.

Metallurgical testwork has not been reported for the Duwi Bend or the Nyama prospects, as reflected in part by their Inferred classification.

A 2015 Scoping Study prepared for the Duwi deposit was not reviewed as it had previously been revoked by Sovereign due to the elapsed time as it was considered that the parameters used were no longer relevant. NGX is planning on preparing an updated Scoping Study for Duwi as part of its future work plan, subject to



the transfer of Duwi to NGX and further exploration results. “Table 1” commentary on the criteria specified by the JORC Code for the Duwi Mineral Resource is provided in Appendix A.

5 Metallurgy

Sovereign has undertaken a range of characterisation and mineralogical examinations and test-work programs on fresh ore and surface saprolite material from the Duwi deposit. Table 5 summarises the results to date.

Table 5: Duwi Deposit - Examples of Concentrate Flake Size and Carbon Content (from Mintek and SGS Testwork Programs)

Particle size		MINTEK 2013		SGS 2014		Flake Category
Tyler Mesh	(μm)	Distribution (wt. %)	C ¹ (%)	Distribution (wt. %)	C ² (%)	
+35	+425	19.7	96.3	17.5	95.8	Extra Large (Jumbo)
-35 + 48	- 425 + 300	17.1	93.3	16.0	93.8	
-50 + 100	- 300 + 150	27.4	90.3	29.3	91.0	Large-Medium
-100 + 200	- 150 + 75	15.7	90.8	19.1	88.8	Small
-200	- 75	20.1	88.7	18.0	87.7	Amorphous
Total		100.0	91.8	100.0	91.3	

¹ The graphitic carbon content of the samples was determined using a thermo gravimetric analyser. The graphitic carbon equivalent content shown in the table is the difference between the loss on ignition at 375°C and 1,000°C.

² The chemical analysis used to determine the total carbon content employs combustion of a sample followed by infrared detection on a LECO SC-632 instrument. All reported analytical results have an associated measurement uncertainty based on the expected precision and accuracy relating to the method and sample concentration. Values at 100% should not be treated as pure products without additional impurity testing. The estimated measurement uncertainty for total carbon values greater than 90% C is 1.7% (relative) with a resolution of 1 significant figure.

Source: Sovereign, 2015

A key element of the work has been the flotation programs designed to optimise graphite recovery whilst also maximising flake size and integrity. Work to date has prioritised development of an optimal flotation flowsheet, which has been used as the basis for the 2015 Scoping Study. The objective of the process flowsheet is to maximise recovery of jumbo (+300 μm) flakes and minimise production of amorphous powder (-75 μm). Further test-work is currently in progress to optimise other areas of the flowsheet and early results show that concentrate size fractions can be upgraded to >95% TGC.

It is anticipated that all processing will take place in a dedicated, purpose-built processing plant located close to the deposit. The flake graphite product will be packed and containerised on site and transported via road/rail and ship to the end-users.

Figure 6 shows the proposed process flow sheet, based on a flotation test-work carried out at SGS Canada (Lakefield). The work constitutes a conventional flotation concentrator plant incorporating crushing, screening, flash flotation, milling, de-sanding and graphite flotation/polishing to recover commercial grade graphite flake.

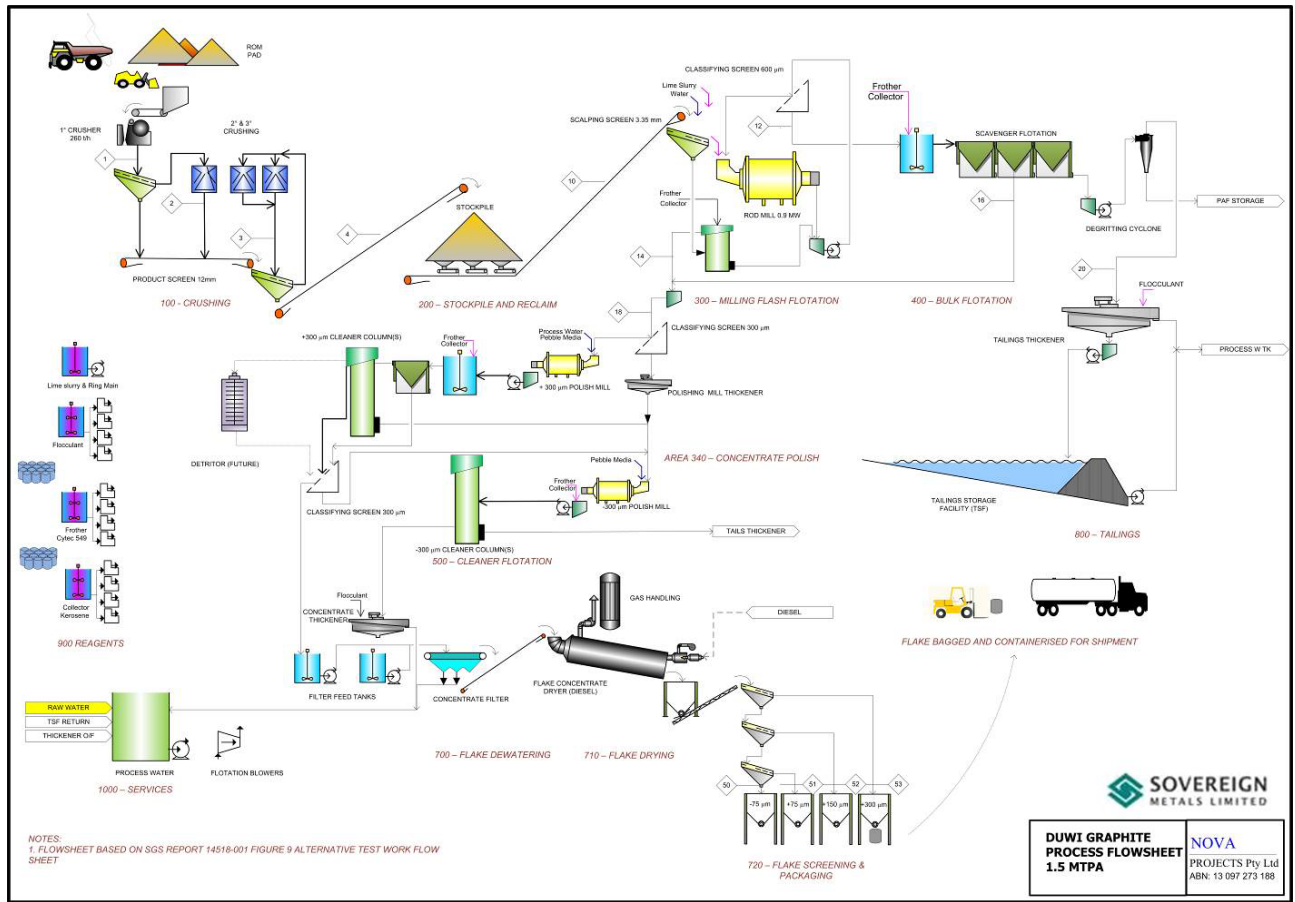


Figure 6: Preliminary processing flowsheet
Source: Sovereign Metals, 2015

6 Environmental, Social and Governance

Sovereign have proactively engaged in good practice environmental, social and governance (ESG) activities since acquiring the Project. They recognise that the ongoing integration of ESG criteria into future exploration activities and project development is a critical element in moving the project forward and ensuring all key stakeholders are engaged in the process. Sovereign is aware of the Equator Principles and how these serve to establish a common baseline and risk management framework to identify, assess and manage environmental and social risks.

Areas that Sovereign have demonstrated their commitment to sustainable ESG practice include:

Stakeholder engagement: regular engagement with regulatory, government, local authority representatives and local communities. Future work activities will expand the areas of community engagement.

Local business support: Sovereign currently employs 45 full time employees and is an equal opportunities employer with a gender diverse workforce. Currently, 60% of Sovereign’s professional Malawian staff and at least 50% of the regular interns are female. Sovereign has structured training and skills transfer programs covering on-the-job training for full-time employees, as well as programs for local graduates and interns. The programs focus on building skills capacity in the surrounding community. Recent examples of this include defensive driving and first aid for senior staff in Malawi. Future activities will pursue the ongoing development of ethical and sustainable supply chains.

Corporate Social Responsibility (CSR) projects: Sovereign has completed the construction of a new Community Centre in Malingunde. The Community Centre is designed to establish a central point for the Malingunde community to gather and host events. Sovereign has also commissioned four water bores across its licences area to save the local communities transit times and provide a clean source of water. Future work activities will expand CSR initiatives.

Environmental: baseline water and soil studies; and weather monitoring. Future work activities include continuing and expanding these baseline studies.

Inclusion and Diversity: Sovereign promotes and engages in employment practices that support inclusion and diversity in its workforce.

7 Opportunities and Risks

7.1 Opportunities

7.1.1 Exploration and Geology Opportunities

At the Nanzeka Prospect, the gently dipping nature and interpreted synformal/antiformal geometry of the high-grade graphite zones suggests a substantial proportion of mineralisation should be available relatively close to surface.

At the Duwi deposit, there is potential opportunity to increase saprolite-hosted Mineral Resource tonnages with further exploration drilling.

The potential for nickel and PGE mineralisation at Mabuwa is noted, however exploration is at an early stage and additional work is required once the licence is granted.

7.1.2 Mineral Resource Opportunities

Following the demerger, NGX intends conducting systematic exploration activities at the Nanzeka Prospect and Mabuwa Prospect with the aim of discovering a mineral deposit which has potential for economic extraction.

If the outcomes from these exploration activities lead to the discovery of an economically prospective deposit, further exploration activities including drill targeting and resource delineation are planned to define a potential Mineral Resource at the Nanzeka Prospect.

A number of opportunities for improvement were identified with the current Duwi Mineral Resources by CSA Global's review, which can all be readily incorporated in future model updates:

- Infill drilling at appropriate spacing to increase confidence in the Mineral Resources. This should enable classification upgrades in some parts of the Mineral Resources, including Indicated material to a higher confidence of Measured, and of Inferred material to a higher confidence of Indicated. Increased confidence in TGC grade variability and geological continuity will also be needed to allow for upgrades to local block classifications.
- Additional DD drilling to provide additional sample material for metallurgical testwork and to assist with geological interpretations.
- Continue with variability testwork for flotation to investigate different geological and weathering domains across the deposits. This program should also investigate comminution properties and metallurgical response as a function of depth through the weathering profile.
- Continue with the existing quality assurance and quality control (QAQC) methodologies, monitoring the results in real time, to provide greater support for the reliability of the Mineral Resource estimates.
- Continue with the collection of density measurements from DD, which will allow greater confidence in the estimation of Mineral Resource tonnages.
- The Mineral Resource models were created in 2014 and the mineralisation domains are based upon lower cut-off grades for TGC supported by economic considerations at that time. The resource models should be reviewed and revised if alternative lower cut-off grades for the domains are warranted.

7.2 Technical Risks

7.2.1 Exploration and Geology Risks

A key risk, common to many exploration companies, is that expected mineralisation may not be present or that it may be too small to warrant commercial exploitation. The projects comprise a range of stages of advancement from early exploration through to advanced prospect. Risk is reduced at each stage as the project progresses and the understanding of the deposit increases.

The interpretations and conclusions reached in this ITAR are based on current scientific understanding and the best evidence available at the time of writing.

7.2.2 *Mineral Resource Risks*

Technical risks identified with the current Mineral Resources by CSA Global, warrant further studies and test-work to reduce or eliminate the following risks:

- Mineral Resources are not Ore Reserves and do not have any demonstrated economic viability. The application of modifying factors is required to convert Mineral Resources to Ore Reserves. Modifying Factors include mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. The Duwi Mineral Resource is not supported by a mining study at this stage.
- The absence of density data for the Nyama deposit means there is a lower confidence associated with the tonnage estimates for this Mineral Resource.
- Further metallurgical testwork (including flake size distribution and product purity after processing) may demonstrate parts, or all the deposits, will not be able to produce a marketable graphite product.

8 Exploration Strategy

8.1 Strategy and Objectives

The primary objective of NGX will be to create value for shareholders through the exploration, and development of the Project.

Following admission to the Official List, NGX proposes to undertake the exploration programs discussed in Section 8.2. The results of the exploration programs will assist with determining the potential timing for the commencement of additional technical studies, including assessment of the economic viability of the Project.

8.2 Exploration Program

NGX's primary focus will be the development of the Nanzeka Prospect, subject to the results of exploration activities, technical studies and the availability of suitable funding, by undertaking project development in stages leading into more advanced project study levels through:

- conducting systematic exploration activities at the Nanzeka Prospect and Mabuwa Prospect with the aim of discovering an economically prospective mineral deposit;
- if outcomes from exploration activities lead to the discovery of an economically prospective deposit, further exploration activities including drill targeting and resource delineation are planned to define potential Mineral Resources at the Nanzeka Prospect;
- subject to the transfer of the Duwi Prospect into NEL, further exploration activities at the Duwi project are planned.

If exploration activities lead to discovery of an economically prospective deposit at Nanzeka then additional work will be required to define potential Mineral Resources. If Mineral Resource estimates are delineated and reported at Nanzeka, then it is anticipated that more advanced economic and technical project study assessments will be conducted as confidence in the project increases. Typically, this would commence with a Scoping Study and progress through to a Pre-Feasibility and eventually a Definitive Feasibility Study if the results support doing so. However, it should be noted that Nanzeka is defined as an early-stage exploration project and significant work is still required to progress it to a Mineral Resource stage.

8.3 Conclusions

Exploration activities at the Nanzeka prospect have identified high-grade flake graphite mineralisation over a strike length of approximately 3 km with a true width of about 10 m. Some surface exposures show up to 150 m of graphite mineralisation widths. Mapping, rock-chip sampling and results from a VTEM geophysical survey show potential for a strike extension to the mineralised zone to the north, and other potential zones to the west and east that require follow-up.

Duwi represents a significant deposit of coarse-flake, soft, friable saprolite-hosted graphite mineralisation. The soft and friable nature of the orebody means that it has intrinsic capital and operational cost savings over similar deposits hosted in hard rock.

Potential for nickel and PGE mineralisation at Mabuwa is noted. The proposed NGX exploration activities may lead to identification of prospective mineralisation.

9 CSA Global Opinion

CSA Global is of the opinion that the exploration activities, drill techniques, survey methods, sampling, assaying and QA/QC have been completed in line with good industry practice at the time when the work was completed. The geological modelling strategy, data treatment, application of estimation parameters, and estimation methodologies are appropriate for the style of mineralisation.

CSA Global is of the opinion that exploration activities conducted to date on the Nanzeka prospect have been completed in line with good industry practice at the time when the work was completed.

CSA Global has reviewed the available data inputs into the Mineral Resource as well as the model outputs. CSA Global conducted a site visit to Duwi in 2014 for the purpose of verifying various aspects of data inputs associated with the Mineral Resource. CSA Global is of the opinion that the data being relied upon is reasonable and appropriate to be used for input to the Mineral Resource modelling, and as a basis for future exploration target definition.

CSA Global is of the opinion that the Duwi Mineral Resources have been reported in accordance with the 2012 JORC Code and prepared using accepted industry practice. Mineral Resources have been signed off by an appropriate Competent Person as defined by the JORC Code. The Mineral Resources appear to be a reasonable assessment of global grade and tonnage based on the data available and geological understanding at the time. Mineral Resource classification is appropriate for the quality and quantity of data informing the resource estimate and appropriately considers uncertainty associated with some aspects of historical data.

CSA Global is of the opinion that the exploration potential for the Nanzeka, Duwi and Mabuwa Project is high. The combination of a favourable regional geological location, prospective local geology and structural framework, and successful drill results to date, confirm the prospectivity of the area for discovery of additional graphite mineralisation at Nanzeka and Duwi. The successful study progression of the nearby Malingunde Graphite Deposit supports the potential for prospectivity in the area.

Potential for nickel and PGE mineralisation at Mabuwa is noted. The proposed NGX exploration activities may lead to identification of prospective mineralisation.

CSA Global is of the opinion that the proposed exploration work program is reasonable and appropriate for the work proposed and scale of the project at the time of compiling this report.

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11 Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Wikipedia (www.wikipedia.org).

aeromagnetic	A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the Earth's magnetic field.
aircore drilling	A percussion drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination.
anomaly	An area where exploration has revealed results higher than the local background level.
assay	The testing and quantification metals of interest within a sample.
carbonate	Rock or mineral dominated by the carbonate ion (CO ₂ -3), of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and carbon and oxygen. Essential component of limestones and marbles.
craton	An old and stable part of the continental lithosphere.
diamond drilling	A drilling method employing a (industrial) diamond encrusted drill bit for retrieving a cylindrical core of rock.
domain	Geological zone of rock with similar geostatistical properties; typically a zone of mineralisation.
dyke	A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle.
fault	A wide zone of structural dislocation and faulting.
geochemical survey	Exploration methods involving sampling regolith materials and analysing for trace element concentrations of metals and pathfinder elements.
geophysical survey	Exploration methods involving the remote detection of geological structures and mineral deposits by physical measurements of forces or fields (e.g. magnetic, gravity, electrical).
Gneiss	A coarsely crystalline metamorphic rock, exhibiting a banded texture characterised by alternating darker and lighter coloured bands.
graphite	A crystalline form of the element carbon, found naturally in metamorphic rocks such as gneiss and schists.
granite	A coarse-grained igneous rock containing mainly quartz, feldspars and micas.
ground magnetic	Geophysical survey method using a handheld magnetometer to record the strength of the earth's magnetic field usually along a grid.
intrusive	Any igneous rock formed by intrusion and cooling of hot liquid rock below the earth's surface.
lithology	The description of a rock unit's physical characteristics visible in hand or core samples, such as colour texture grain-size and composition.
lode	A deposit of metalliferous ore formed in a fissure or vein.
mafic	Igneous rock composed dominantly of dark coloured minerals such as amphibole pyroxene and olivine, generally rich in magnesium and iron.
magnetic anomaly	Zone where the magnitude and orientation of the Earth's magnetic field differs from adjacent areas, typically caused by magnetic properties of basement rocks.
metallurgy	The science of extracting metals from their ores and modifying the metals for use in modern applications such as engineering or medical applications.
metamorphic	A rock that has been altered by metamorphism from a pre-existing igneous or sedimentary rock type.

outcrop	A visible exposure of bedrock or ancient superficial deposits on the surface of the Earth.
porphyritic	Igneous rock texture in which large crystals (phenocrysts) are set in finer ground mass.
Proterozoic	The second oldest Eon (geologic time period), pertaining to rocks older than 541 Ma (million years) and younger than about 2,500 Ma.
Reverse circulation	A percussion drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination.
Saprolite	A weathered rock, formed in the lower zones of soil profiles and representing deep weathering of the bedrock surface.
schist	A metamorphic rock dominated by fibrous or platy minerals, with a strongly foliated fabric (schistose cleavage).
sedimentary	A term describing a rock formed from sediment.
shear	A deformation resulting from stresses that cause rock bodies to slide relatively to each other in a direction parallel to their plane of contact.
strata	Sedimentary rock layers.
stratigraphic	Pertaining to the composition, sequence and correlation of stratified rocks.
strike	Horizontal direction or trend of a geological strata or structure.
structural	Pertaining to rock deformation or to features that result from it.
trenching	A sampling method where a narrow trench is excavated to a maximum depth of approximately 3 metres, and of sufficient width to allow personnel to enter the trench and sample or map the trench floor or walls.
volcanics	Rocks formed or derived from volcanic activity.

12 Abbreviations and Units of Measurement

°C	degrees Celsius
A\$	Australian dollars
AC	aircore (drilling)
AIG	Australian Institute of Geoscientists
ASX	Australian Securities Exchange
ASIC	Australian Securities and Investments Commission
AusIMM	Australasian Institute of Mining and Metallurgy
CSA Global	CSA Global Pty Ltd
DD	diamond core (drilling)
DFS	definitive feasibility study
EL	exploration licence
ERM	Environmental Resources Management
ESIA	environmental and social impact assessment
ha	hectare(s)
HA	hand auger (drilling)
IPO	initial public offering
ITAR	Independent Technical Assessment Report
JORC	Joint Ore Reserves Committee
JORC Code	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
km, km ²	kilometre(s), square kilometre(s)
M	million(s)
MAIG	Member of the Australian Institute of Geoscientists
MAusIMM	Member of the Australasian Institute of Mining and Metallurgy
mm	millimetres
Mt	million tonnes
NEL	NGX Exploration Limited
NGX	NGX Limited
OK	ordinary kriging
PFS	prefeasibility study
QAQC	quality assurance and quality control
RC	reverse circulation (drillhole)
Sovereign	Sovereign Metals Limited
SSL	Sovereign Services Limited
t	tonne(s)
t/m ³	tonnes per metres cubed
TGC	total graphitic carbon, expressed as a percentage
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2015
WA	Western Australia

Appendix A JORC Code Table 1 – Duwi Mineral Resource Estimate

Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	RC drilling commentary	Diamond drilling commentary
Sampling techniques	<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 downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.</i>	5.5-inch reverse circulation (RC) percussion drilling was employed to generate 1 m samples, riffle split 1:8 by hand, then riffle split 1:2 through a 50/50 splitter and combined to form 2 m composite samples in mineralised zones and 4 m composite samples in unmineralised zones.	HQ and HQ-3 diamond core (DD) drilling was employed to generate drill core, which was quarter cut and sampled on generally 2 m intervals in mineralised zones and 4 m intervals in unmineralised zones.
	<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 20 th sample (both split and composites) to provide checks on sample representivity.	Duplicate quarter-core samples were taken every 20 th sample, to provide checks on sample representivity. Diamond drill twins of four RC holes (9%) were completed to test the representivity and accuracy of the RC drilling method for sampling graphite.
	<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>	A nominal lower cut-off of 5% total graphitic carbon (TGC) has been applied to define mineralisation. From the RC bulk sample a 1–2 kg sample is generated for analysis. DD core is quarter cut for analysis sampling. Samples were shipped to an Intertek- Genalysis sample preparation laboratory in Johannesburg or Perth. Upon receipt of sample, the laboratory prepares ~100 g pulp samples for shipment (if required) to and analysis by Intertek-Genalysis Perth. A 0.2 g charge is analysed for TGC using an Eltra carbon analyser resistance furnace. The Competent Person is satisfied that the sampling techniques are appropriate for this style of deposit, and for use in Mineral Resource estimation.	
Drilling techniques	<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>	Both DD and RC drilling was completed on a nominal grid pattern of 50 m x 100 m or 50 m x 200 m spacing across the prospect. Drillholes were generally drilled at -60° dip on azimuths deemed appropriate to perpendicularly crosscut the strike of mineralised zones. 5.5-inch RC was drilled from surface. DD, HQ-3 triple tube sized giving 61.1 mm core was drilled from surface through oxide material to provide greatest recovery, and where fresh rock was encountered HQ core (63.5 mm diameter core) was drilled. The Competent Person is satisfied that the drilling techniques are appropriate for this style of deposit, and for use in Mineral Resource estimation.	



Criteria	JORC Code explanation	RC drilling commentary	Diamond drilling commentary
Drill sample Recovery	<i>Method of recording and assessing core and chip sample recoveries and results assessed.</i>	The RC bulk sample recovery was systematically weighed and examined for overall recovery and representivity.	DD core was measured by Sovereign Metals Limited (Sovereign) employees for recovery and recorded. For the overall program, an overall recovery of 95.5% was achieved during the 2014 program.
	<i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i>	The analysis laboratory records received sample weights, and the company retrieved this data for analysis. It is not believed that any bias has occurred due to loss or gain of sample.	Core recovery is monitored during the drilling process, and core depths are checked against drilling data and rod counts to ensure correctness. Representivity of the core is assessed using duplicate sampling of every 20 th sample.
	<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 relationship exists between sample recovery and grade, hence no bias is demonstrated. The Competent Person is satisfied that the sample recoveries are appropriate for this style of deposit, and for use in Mineral Resource estimation.	
Logging	<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 RC and DD drill samples were geologically logged, recording relevant data to a set template on 1 m intervals. In the case of DD, core is also geotechnically logged, and the core is photographed for future record. All logged data was codified to a set company codes system. This offers sufficient detail for the purposes of interpretation, further studies, and resource estimation. The Competent Person is satisfied that the geological logging techniques are appropriate for this style of deposit, and for use in Mineral Resource estimation.	
	<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. All core is photographed	
	<i>The total length and percentage of the relevant intersection logged</i>	100% of drillhole samples have been geologically logged.	
Subsampling techniques and sample preparation	<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i>	Not applicable RC drilling.	Quarter drill core was cut using a motorised diamond blade core saw and sampled for laboratory analysis.
	<i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i>	1 m samples were riffle split 1:8 by hand then riffle split 1:2 through a 50/50 splitter and combined to form 2 m composite samples in mineralised zones and 4 m composite samples in unmineralised zones. Only three wet samples were encountered in the program, these samples were dried, broken up using a mortar and pestle, and split per the above procedure.	Not applicable for DD drilling.
	<i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i>	Each entire sample was crushed to nominal 100% -3 mm in a Boyd crusher then pulverised to 85% -75 µm. Approximately 100 g pulp is collected for analysis at Intertek-Genalysis Perth. The Competent Person is satisfied that the subsampling techniques and sample preparation are appropriate for this style of deposit, and for use in Mineral Resource estimation.	



Criteria	JORC Code explanation	RC drilling commentary	Diamond drilling commentary
	<i>Quality control procedures adopted for all subsampling stages to maximise representivity of samples.</i>	Field quality control (QC) procedures involve the use of certified reference material (CRM) assay standards, blanks, duplicates, replicates for Sovereign 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.	Quarter-core duplicate samples were collected every 20 th sample. 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.	
Quality of assay data and laboratory tests	<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. A sample of 0.2 g is removed from the 100 g 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 TGC as a percentage. The Competent Person is satisfied that the quality assurance and quality control (QA/QC) measures put in place are appropriate for this style of deposit, and for use in Mineral Resource estimation.	
	<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>	The Eltra CS analyser is calibrated by the laboratory using a combination of certified carbon and graphite standards. Calibration is achieved by using a blank followed by a three-point calibration of the expected TGC range of the samples. One reading is made per analysis. Certified reference standards produced from material sourced from Sovereign’s tenements are inserted 1:20 samples. Blank material (1:20) and crushed material duplicates (1:20) are analysed. Laboratory check samples (blanks, standards, and duplicates) are also analysed as per normal laboratory practice. No assay results were obtained outside of the laboratory.	
Verification of sampling and assaying	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	Significant mineralisation intersections were verified by alternative company personnel.	
	<i>The use of twinned holes.</i>	A total of four twin diamond/RC holes have been completed over the Duwi Main prospect. Results for all holes have been returned and all are well within geological tolerance.	
	<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 Sovereign’s templates. This data was hand entered to spreadsheets and validated by Sovereign 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 adjustments have been made to assay data.	
Location of data points	<i>Accuracy and quality of surveys used to locate drillholes (collar and downhole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i>	Sovereign’s consulting surveyor used a Leica global positioning system (GPS) 1200 in RTK mode to define the drillhole collar coordinates to centimetre accuracy. All down-hole surveying was carried out using a Reflex Ez-Trak multi-shot survey tool at 30 m intervals downhole.	

Criteria	JORC Code explanation	RC drilling commentary	Diamond drilling commentary
		The Competent Person is satisfied that the surveying techniques and accuracy of data are appropriate for this style of deposit, and for use in Mineral Resource estimation.	
	<i>Specification of the grid system used.</i>	WGS84 UTM Zone 36 South	
	<i>Quality and adequacy of topographic control.</i>	Sovereign’s consulting surveyor used a Leica GPS 1200 in RTK mode to collect a grid mesh of points to create topographic control over the drilling prospects. On average, 100 m lines were sampled, with 50m spaced points along the line, with infill at toe/crest of inclines. Given the low topographic relief of the area it is believed that this represents high QC.	
Data spacing and distribution	<i>Data spacing for reporting of Exploration Results.</i>	Combined RC and DD drilling has been completed over the greater part of the Duwi Main prospect at an east-west line spacing of 100 m (just two lines were undrilled, leaving a two 200 m spaced gaps), with drillholes separated at nominal 50 m north-south spacing on the lines. At the Duwi Bend and Nyama prospects completed drillhole spacing is less regular representing the lesser developed nature of the prospects; however, the drill planning has maintained the spacing at notional 100 m lines with 50 m hole spacing on lines.	
	<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>	The data spacing is sufficient for the estimation of a Mineral Resource (see also Section 3 of JORC table).	
	<i>Whether sample compositing has been applied.</i>	Sample compositing at sampling stage occurred on 2 m intervals, i.e. 2 x 1 m samples were composited to form a single 2 m composite sample in mineralised zones and 4 m in non-mineralised zones.	
Orientation of data in relation to geological structure	<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 upgrading of results has been identified.	
	<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 sampling upgrading of results has been identified.	
Sample security	<i>The measures taken to ensure sample security</i>	Samples were stored in secure storage from the time of drilling, through gathering and splitting. The samples were sealed as soon as splitting was completed, and again securely stored awaiting shipment. Sample tracking was achieved using dispatch tracking during shipment to Johannesburg or Perth. Laboratory best practice methods were employed by the laboratory from Johannesburg to Perth.	
Audits or reviews	<i>The results of any audits or reviews of sampling techniques and data</i>	An audit of the sampling techniques was carried out by an independent, qualified, third party geologist in advance of a resource estimate. No material issues were identified. It is considered by Sovereign that industry best practice methods have been employed at all stages of the exploration.	

Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	RC drilling commentary
Mineral tenement and land tenure status	<i>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.</i>	The NGX primary mineral asset, the Nanzeka Prospect, lies within RL0012/21, which expires in July 2026 and is considered to be at an early stage of exploration. The Duwi Deposit is located within licence RL0032/22, expiring in October 2027. The Mabuwa licence application is pending
	<i>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.</i>	The tenements are in good standing and no known impediments to exploration or mining exist.
Exploration done by other parties	<i>Acknowledgement and appraisal of exploration by other parties.</i>	No other parties were involved in exploration.
Geology	<i>Deposit type, geological setting and style of mineralisation</i>	Duwi Main Zone, Duwi Bend and Nyama mineralisation occurs as multiple, high-grade bands of flake graphite, hosted within Proterozoic gneissic rocks of felsic to intermediate composition.
Drillhole information	<i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drillholes: easting and northings of the drillhole collar; elevation or RL (Reduced Level-elevation above sea level in metres of the drillhole collar); dip and azimuth of the hole; downhole length and interception depth; and hole length</i>	All drillhole information has been previously reported to the Australian Securities Exchange (ASX) on 3 October 2013. No material changes have occurred to this information since it was originally reported.
	<i>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</i>	Not Applicable, no information has been excluded.
Data aggregation methods	<i>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.</i>	No top cuts have been applied. A nominal 5% TGC lower cut-off has been applied for modelling of mineralised bodies.
	<i>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.</i>	High-grade intercepts within broader low-grade intervals have been separated as “including” results and were previously reported to the ASX on 3 October 2013. No material changes have occurred to this information since it was originally reported.
	<i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	No metal equivalent values are used in this report.
Relationship between mineralisation widths and intercept lengths	<i>These relationships are particularly important in the reporting of Exploration Results.</i>	The Duwi Main mineral prospect exhibits a reasonably consistent dip of 50° to 20° to the north.
	<i>If the geometry of the mineralisation with respect to the drillhole angle is known, its nature should be reported.</i>	All intercepts reported are considered true width or near true width, except those from the Duwi Bend deposit, where intercept widths are considered to be approximately 55% of true widths.
	<i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'downhole length, true width not known'.)</i>	Not applicable – refer to explanation directly above.

Criteria	JORC Code explanation	RC drilling commentary
Diagrams	<i>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.</i>	See Figures 5 and 6 within the main text of this report.
Balanced reporting	<i>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.</i>	Representative reporting of low and high grades has been effected within this report.
Other substantive exploration data	<i>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.</i>	No additional meaningful and material exploration data has been excluded from this report that has not previously been reported to the ASX.
Further work	<i>The nature and scale of planned further work (e.g. test for lateral extensions or depth extensions or large-scale step-out drilling).</i>	The next phase is to conduct further exploration activities at the Project and to initiate and complete a scoping study on the Nanzeka prospect.
	<i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i>	See Figures 5 and 6 in text.

Section 3: Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	<i>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</i>	Data used in the Mineral Resource estimate (MRE) is sourced from a database export. Relevant tables from the database are exported to Microsoft Excel format and converted to csv format for import into Datamine Studio 3 software for use in the MRE.
	<i>Data validation procedures used.</i>	Validation of the data import include checks for overlapping intervals, missing survey data, missing assay data, missing lithological data, and missing collars.
Site visits	<i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i>	A representative of the Competent Person (Mineral Resources) visited the project in July 2014.
	<i>If no site visits have been undertaken indicate why this is the case.</i>	The RC drilling rig was in operation and the Competent Person's representative was able to review drilling and sampling procedures. Outcrop containing mineralisation was examined and geologically assessed. Planned drill sites were examined and assessed with respect to strike and dip of the interpreted geological model. Trenches were examined and a re-enactment of sampling procedures was presented by Sovereign geological and field staff. Sample storage facilities were inspected. The analytical laboratory in Johannesburg was also inspected. There were no negative outcomes from any of the above inspections, and all samples and geological data were deemed fit for use in the MRE.
Geological interpretation	<i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i>	There is a reasonably high level of confidence in the geological interpretation, based upon lithological logging of diamond drill core, and RC chips. Trenches cut orthogonal to the strike of the geology demonstrated the geometry of the deposit, and clearly showed graphitic mineralisation. Deposit-scale geological mapping provides a geological framework for the interpretation.
	<i>Nature of the data used and of any assumptions made.</i>	Drillhole intercept logging and assay results (RC and DD core), structural interpretations from drill core and geological logs of trenches have formed the basis for the geological interpretation. Assumptions were made on depth and strike extension of the gneiss, using drillhole and trench sample assays as anchor points at depth and at intervals along strike. Geological mapping also supports the geological model.
	<i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i>	No alternative interpretations were considered because the exposed geology in outcrop supports the current interpretation.
	<i>The use of geology in guiding and controlling Mineral Resource estimation.</i>	Graphitic mineralisation is hosted within graphitic gneiss, which is mapped along its strike length within the project area and within the licence area. Grade (TGC %) is assumed to be likewise continuous with the host rock unit.
	<i>The factors affecting continuity both of grade and geology.</i>	The graphitic gneiss is open along strike and down dip. The interpretation of the mineralisation domains is based upon a pre-determined lower cut-off grade for TGC. A variation to the cut-off grade will affect the volume and average grade of the domains.
Dimensions	<i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i>	Duwi Main has an east-west strike, dipping 45° to the north. It is currently modelled as two lenses of mineralisation, with a depth extent of 280 m, a strike length of 1,300 m and a plan width varying between 25 m and 180 m. Duwi Bend has a strike of 125°, with a vertical dip. It is currently modelled as two parallel lenses, with strike extent of 420 m, down dip extent of 175 m and plan width of 20 m. Nyama, located approximately 2 km to the west-south-west of Duwi Main, has an approximate east-west strike, and dips 40° to the north.

Criteria	JORC Code explanation	Commentary
		It is currently modelled as three parallel lenses, striking 400 m, with a down dip extent of 230 m and plan width of 40 m.
Estimation and modelling techniques	<i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i>	<p>Datamine Studio 3 software was used for all geological modelling, block modelling, grade interpolation, Mineral Resource classification and reporting. GeoAccess Professional and Snowden Supervisor were used for geostatistical analyses. TGC interpretations were based upon a lower cut-off of 5% TGC, geological interpretations of mineralised outcrop and trenches, and logging of DD core and RC chips. The Mineral Resource block model consists of seven zones of TGC mineralisation, with two zones in the Duwi Main, two zones in Duwi Bend and three zones in Nyama. Mineralisation domains were encapsulated by means of 3D wireframed envelopes. Domains were extrapolated along strike or down plunge to half-a-section spacing. Top cuts were not used to constrain extreme grade values because the TGC grade distribution did not warrant their use. All samples were composited to 2 m intervals because most samples were collected at 2 m intervals. All drillhole data (RC and DD) and trench assays were utilised in the grade interpolation. A quality assurance study of the RC drilling coupled with a set of four pairs of twin drilling confirmed that the RC drillholes could be used with the DD core samples as part of the grade interpolation. A study of the trench assay data similarly demonstrated a similar population to the conventional drilling sample assay results.</p> <p>Grade estimation was by ordinary kriging (OK) with inverse distance squared (IDS) estimation run as a check estimate. A minimum of four and maximum of 18 composited samples were used in any one block estimate for all domains. A maximum of five composited samples per drillhole were used in any one block estimate. Cell discretisation of 5 x 5 x 5 was used. Grade interpolation was run within the individual mineralisation domains, acting as hard boundaries.</p> <p>No depletion of the Mineral Resource due to mining activity was required due to no mining having occurred historically.</p> <p>No selective mining units were assumed in this model.</p>
	<i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i>	This is the maiden MRE for Duwi and as such, no previous results are available to reconcile current results against. No mining has occurred to date at Duwi. An IDS grade interpolation was run in parallel with the ordinary kriged interpolation, with similar results obtained.
	<i>The assumptions made regarding recovery of by-products.</i>	No by products were modelled.
	<i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</i>	No deleterious elements have been estimated; however, this is recommended in light of the presence of iron sulphides.
	<i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i>	A block model with parent cell sizes 50 m(E) x 20 m(N) x 20 m(RL) was constructed for Duwi Main and Duwi Bend, compared to typical drill spacing of 100 m x 50 m. Nyama was constructed with a block parent size of 25 m x 20 m x 20 m.
	<i>Any assumptions behind modelling of selective mining units.</i>	No selective mining units were assumed in this model.
	<i>Any assumptions about correlation between variables.</i>	Only TGC was modelled, therefore no correlation with other variables was required.
	<i>Description of how the geological interpretation was used to control the resource estimates.</i>	A lower cut-off of 5 % TGC was used to constrain the mineralisation domains. These domains are located within gneisses, observed in drill samples and trenches.

Criteria	JORC Code explanation	Commentary
	<i>Discussion of basis for using or not using grade cutting or capping.</i>	A statistical assessment of the TGC populations within the model domains showed there were no very high TGC assayed grades. The locations of the highest TGC sample grades were viewed in 3D space in Datamine to determine if they would potentially have a biased impact upon local grade estimation, and results determined that top cutting would not be necessary.
	<i>The process of validation, the checking process used, the comparison of model data to drillhole data, and use of reconciliation data if available.</i>	The grade model was validated by: (1) creating slices of the model and comparing to drillhole samples on the same slice; (2) swath plots comparing average block grades with average sample grades on nominated easting, northing and RL slices; (3) mean grades per domain for estimated blocks and flagged drillhole samples; and (4) cross sections with block model and drillhole data colour coded in like manner. No reconciliation data exists to test the model.
Moisture	<i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i>	Tonnages are estimated on a dry basis.
Cut-off parameters	<i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i>	A reporting cut-off grade of 5% TGC was adopted to report the Mineral Resource. An “in ground value” per tonne of \$60 to be the break-even grade was assumed. A basket price of \$1,250 per tonne of concentrate was applied giving a value at 5% of \$62.50. A 5% reporting cut-off grade has been used to report graphite Mineral Resources by other companies.
Mining factors or assumptions	<i>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i>	It is assumed the deposit, if mined, will be developed using open pit mining methods. No assumptions have been made to date regarding minimum mining widths or dilution. The largest mineralisation domains in plan view have an apparent width of up to 180 m which may result in less selective mining methods, as opposed to (for example) mining equipment that would need to be used to mine narrow veins in a gold mine.
Metallurgical factors or assumptions	<i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i>	Sovereign has announced two sets of metallurgical results to the market (22 January 2014 and 12 June 2014), relating to flake size distribution and purity of graphite concentrate. Samples from diamond drillhole DWD0004 were tested for flake distribution. >35% of concentrate is +48 mesh (+300 um – extra-large) with a purity of 95% TGC. Overall recoveries of 87.5% grading 92.0% TGC were recorded. These results were reported on 22 January 2014. Petrographic analyses were also conducted on thin section of diamond core samples. Product purity testwork from the same samples were reported 12 June, with upgrade of flotation concentrates to between 99.97% and 99.98% C ultra-pure graphite achieved across all flake size fractions.

Criteria	JORC Code explanation	Commentary
Environmental factors or assumptions	<i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i>	<p>Due to the presence of iron sulphide minerals in the mineralised and waste rocks, it is assumed that tailings and waste dumps will be acid generating.</p> <p>The Duwi Main deposit is located within a farming area and has a village located at the extreme western end of it. Sovereign holds regular discussions with local landholders and community groups to keep them well informed of the status and future planned directions of the project.</p> <p>Duwi is located in a sub-equatorial region of Malawi and is subject to heavy seasonal rainfall, with rapid growth of vegetation in season. No major waterways are located within the immediate deposit area.</p>
Bulk density	<i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i>	<p>Density was calculated from 437 billets of core taken from across the Duwi Main and Bend prospects, with density measured by conventional Archimedes wet and dry weighing at the project's exploration camp. Density data was loaded into a Datamine drillhole file, which was flagged against weathering horizons and mineralisation domains.</p> <p>An average density value of 2.1 t/m³ was determined for the saprolitic profile, and 2.75 t/m³ for the fresh rock profile. There were no discernible differences in density between the waste and mineralisation zones.</p>
	<i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vughs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.</i>	The density measurement techniques employed at the project site accounted for potentially porous material.
	<i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i>	The bulk density values were based upon measurements from 437 samples. The impact of weathering required a sufficient number of density samples to be tested from saprolitic and fresh rock domains.
Classification	<i>The basis for the classification of the Mineral Resources into varying confidence categories.</i>	<p>Classification of the MREs was carried out taking into account the geological understanding of the deposit, quality of the samples, density data and drillhole spacing. Metallurgical results related to flake size and sample purity, and petrographic analyses of thin sections from selected drill core, as per Clause 49 (JORC 2012).</p> <p>The Mineral Resource is classified as a combination of Indicated and Inferred, with geological evidence sufficient to assume geological and grade continuity in the Indicated volumes.</p>
	<i>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i>	All available data was assessed and the Competent Person's relative confidence in the data was used to assist in the classification of the Mineral Resource.
	<i>Whether the result appropriately reflects the Competent Person's view of the deposit</i>	The current classification assignment appropriately reflects the Competent Person's view of the deposit.
Audits or reviews	<i>The results of any audits or reviews of Mineral Resource estimates.</i>	No audits or reviews of the current MRE have been undertaken.

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/confidence	<i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i>	<p>An inverse distance estimation algorithm was used in parallel with the ordinary kriged interpolation, with results very similar.</p> <p>No other estimation method or geostatistical analysis has been performed.</p> <p>The Mineral Resource is a local estimate, whereby the drillhole data was geologically domained above nominated TGC cut-off grades, resulting in fewer drillhole samples to interpolate the block model than the complete drillhole dataset, which would comprise a global estimate.</p> <p>Relevant tonnages and grade above nominated cut-off grades for TGC are provided in the introduction and body of this report. Tonnages were calculated by filtering all blocks above the cut-off grade and sub-setting the resultant data into bins by mineralisation domain. The volumes of all the collated blocks were multiplied by the dry density value to derive the tonnages. The graphite metal values (g) for each block were calculated by multiplying the TGC grades (%) by the block tonnage. The total sum of all metal for the deposit for the filtered blocks was divided by 100 to derive the reportable tonnages of graphite metal.</p>
	<i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i>	The statement relates to global estimates of tonnes and grade.
	<i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i>	No production data is available to reconcile model results.



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Schedule 7 – Malingunde Project Report



COMPETENT PERSONS REPORT

MALINGUNDE GRAPHITE PROJECT

Sovereign Metals Limited & NGX Limited / Malawi

Project Number: CMWPPR7147

C7147-REP-PR-001

Revision: 0

REVISION HISTORY

Rev	Date	Description of Revision	Prepared	Reviewed	Approved	Client Approved
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0	23/01/2023	Issued for Use	JR	JR	JR	DB / SM

IMPORTANT NOTICE

This Competent Persons Report (the **Report**) has been prepared by the DRA Pacific Pty Limited (“**DRA**”) for the exclusive benefit of Sovereign Metals Limited and NGX Limited and exclusively in relation to the Malingunde Graphite Project (**Malingunde** or **Project**) and is subject to a separate agreement entered into between DRA, Sovereign and NGX dated 7 November 2022 (the **Agreement**). The Report is based on a pre-feasibility study, prepared for assessing the technical and commercial viability of constructing a graphite processing facility for the Project. Neither this Report (nor any of its contents) are intended for nor may they be relied upon by any other person or used for any other purpose without the written consent of DRA.

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1 EXECUTIVE SUMMARY

Sovereign Metals Limited (**Sovereign, SVM or the Company**) and NGX Limited, (**NGX**) has commissioned DRA Pacific Ltd (**DRA**) to compile a Competent Persons Report (**CPR**) on the Project. A copy of this CPR will be made available on Sovereign's website in connection with the proposed demerger of NGX which is being conducted pursuant to a tenement sale and demerger implementation deed entered into between the Company and NGX and subsequent IPO of NGX following the demerger.

It is understood that the purpose of this CPR is for use in a notice of meeting to support Sovereign seeking shareholder approval for the demerger of NGX and this document was prepared in accordance with the standards set out in the "Joint Ore Reserves Committee" Code 2012 (**JORC 2012**) and the "Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets" (**VALMIN 2015**).

1.1 Malingunde Graphite Project

The Project is located in Malawi, southeast Africa and is at Pre-Feasibility Study (**PFS**) level. Following the demerger of NGX from SVM, Malingunde is anticipated to be transferred to NGX as part of the demerger conditions. Malingunde represents a high quality potential future mining operation producing premium quality natural graphite products. The PFS demonstrates low operating and low capital costs providing excellent margins. The compelling economic estimates can be attributed to the deposit being hosted entirely by soft saprolite material, its high grade at 9.5% Total Graphitic Content (**TGC**) and the excellent infrastructure availability.

Malingunde comprises a planned open cut mining and a beneficiation processing plant operation, treating run of mine ore to produce on average 52,000 tonnes per year of graphite concentrate at a purity of 97% TGC. The graphite concentrate will be bagged and trucked to the railhead at Kanengo, from where it will be packed into shipping containers for direct rail to the port of Nacala for export.

Soft-saprolite hosted graphite deposits are sought after as they have distinct operating and capital cost advantages over hard-rock deposits. Currently operating saprolite-hosted flake graphite mines are located in Madagascar; however, these are mostly small and low grade (typically 4-6% TGC).

1.2 Resource & Ore Reserves

The Malingunde saprolite-hosted graphite deposit is the result of millions of years of tropical weathering of primary graphitic gneisses. Most of the silicate minerals other than quartz have been altered to clay, resulting in a soft, friable saprolite horizon averaging about 25m vertical thickness from surface. Graphite is also unreactive in this weathering environment, with the large graphite flakes preserved in the clay dominant matrix.

Sovereign has defined the largest & high grade saprolite hosted deposit in the world with Resources of 45.7Mt at 7.2% TGC which includes Ore Reserves of 9.5Mt at 9.5% TGC (each estimated under the JORC Code (2012)).

1.3 Metallurgy

The Malingunde process flowsheet enables the ability to produce very high-grade flotation concentrates from a simple flowsheet, not requiring primary crushing or grinding and employing only well-established mineral processing technologies. This provides significant capital and operating cost benefits over hard-rock processing.

1.4 Infrastructure

Operating rail allows low transport costs, below or comparable to regional peers utilising trucks. Operated by a joint venture wholly owned by Vale, the rail delivers product directly to the deep-water port at Nacala.

Additionally, Malingunde is located just 20km from Lilongwe, the capital of Malawi, providing enviable access to labour, water, power and other mine site services.

1.5 Graphite Market

The primary end-market for natural flake graphite is the refractory, foundries and crucible sectors which consumed approximately 77% (900,000 tonnes) of flake graphite production in 2020. The refractory industry is the volume driver for flake graphite, with foundries and crucibles offering smaller markets for higher purity graphite products. The major product flake graphite is consumed in is magnesia-carbon bricks, a mainstream, global refractory brick which is used in the steel industry.

The lithium-ion battery sector is the main emerging market for flake graphite. Greater capacity batteries, such as those required for electric vehicles, are expected to drive significant demand for graphite over the coming years. It is forecast the battery sector will become the largest segment by 2028.

China continues to be the world's leading producer of natural flake graphite, supplying approximately 62% of the market in 2020. Brazil, India, Canada, Mozambique, Madagascar and North Korea were major contributors of the remaining 38% of global production.

The supply-demand balance in the graphite market is forecast to remain in balance for an extended period. However, a significant supply deficit is anticipated by 2024 as demand is forecast to strengthen putting the market into deficit.

1.6 Key Project Metrics

ECONOMIC		
Development Capital	\$USm	48.9
Indirect & contingency	\$USm	18.8
Total Capital	\$USm	67.7
Sustaining Capital	\$USm	31.6
Mine Gate Operating	\$US/t conc.	317.8
Transport & Logistics	\$US/t conc.	77
Total Operating Costs (Average LoM)	\$US/t conc.	393
PHYSICAL		
Average annual plant throughput	tpa	600,000
Average annual concentrate production	tpa	52,000
LoM average feed grade	% TGC	9.5%

Mine life	Years	16
FINANCIAL		
NPV 10% (post-tax)	\$USm	122
IRR (post-tax)	%	33%
EBITDA (average LoM)	\$USm	42

1.7 Conclusion

Malingunde offers a technically and economically robust, low risk pathway to production of premium quality, coarse flake graphite concentrates. The significant cost savings, compared to hard-rock peers, are realised by the soft, free dig nature of the mineralisation and low strip ratios, with no requirement for primary crushing or grinding in the processing plant.

MALINGUNDE: MINING AND PROCESSING FRONT END

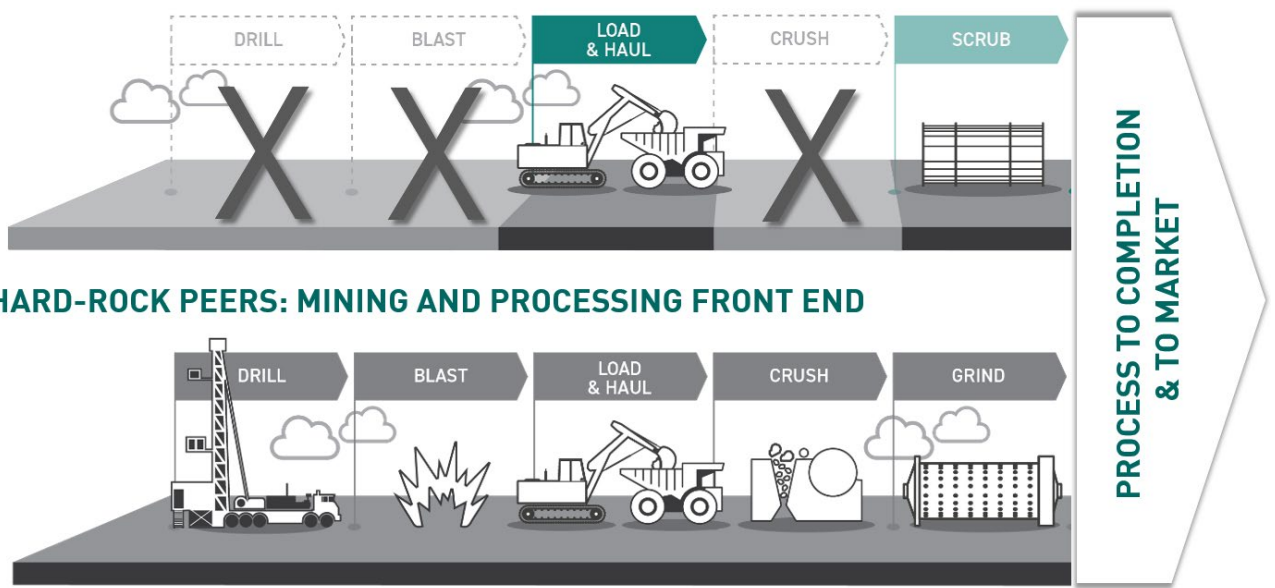


Figure 1.1 Malingunde’s front end advantage

Malingunde is not reliant on an unrealistically large scale or overly optimistic basket pricing assumptions to be economically viable. The very low operating cost nature of the Project provides protection, and ensures profitability for the project, even in extreme downside global graphite pricing scenarios.

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2 INTRODUCTION

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It is understood that the purpose of this CPR is to support Sovereign's demerger notice of meeting and this document was prepared in accordance with the standards set out in the "Joint Ore Reserves Committee" Code 2012 (**JORC 2012**) and the "Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets" (**VALMIN 2015**).

2.1 Summary of sources

Sovereign completed a PFS at Malingunde in Malawi in 2018. The PFS was conducted by Minnovo who was subsequently acquired by DRA Global.

In April 2021, DRA Pacific Ltd (**DRA**) was requested to update the PFS capital and operating costs for the Project to be used in developing a CPR for disclosure support for the AIM listing on the London Stock Exchange. During this process, no additional engineering or testwork was considered, and thus the technical development of the Project was the same as it was in the PFS completed in 2018. However, the tailings storage facility (**TSF**) construction assumptions were adjusted in reaction to new Global Industry Standards on Tailings Management (**GISTM**). As a result, the height and area required for the TSF starter wall is larger than originally calculated in the PFS, and the costs of construction were also increased.

In November 2022, Sovereign requested DRA to update the PFS capital and operating costs for the Project to be used in developing a CPR in connection the proposed demerger of NGX which is being conducted pursuant to a tenement sale and demerger implementation deed entered into between the Company and NGX. Similar to the previous update, during this process, no additional engineering or testwork was considered, and thus the technical development of the Project remains the same as was assumed in the PFS completed in 2018 with the exception of the changes to the TSF mentioned above.

This report draws significantly upon the detail in the PFS and updates the major assumptions for both capital and operating cost estimates, considering increases in costs due to inflation, and reasserts the overall context of the project by re-stating the highlights of the 2018 PFS that remain unchanged.

Resource delineation is principally underpinned by drill programs from 2016-2018 while significant processing testwork has been completed since 2016 by SGS Lakefield in Canada and ALS in Australia.

The list of contributing consultants who have provided updated cost estimates are:

- Mineral Resource Estimate – CSA Global.
- Ore Reserves and Mining – Orelogy.
- Process plant and Non-Process Infrastructure – DRA Pacific Ltd.
- Environmental Impact Assessment (**EIA**) including social impact – Dhamana Consulting with others.
- TSF design and water management – SLR Consulting.
- Shipping and logistics study – Morgan Sterling.
- Graphite Market – Fastmarkets (previously named Metals Bulletin).

Further, full details on the title to Malingunde has been provided in the Independent Solicitor's Report elsewhere in the notice of meeting.

2.1.1 Site Visits

Site visits have previously been carried out by the following personnel:

- Mr David Williams, the Competent Person for the JORC Resource Estimate, and a representative of CSA Global has conducted a site visit in 2016; and
- Mr Ryan Locke, the Competent Person for the JORC Reserve estimate and a representative of Orelogy Pty Ltd has conducted a site visit in 2018.

2.2 Mineral Assets of Sovereign Metals

2.2.1 Summary

For purposes of this CPR, Sovereign currently holds Malingunde through an Exploration Licence (**EL**) (EL0372) and the application for a Mining Licence (**ML**) (AML0088). Prior to the expiry of EL0372, the Company applied for the grant of a ML over part of EL0372. Under the Malawi Mines Act (no 8. of 2019) (**Mines Act**), an EL term automatically extends until the ML application has been processed and/or granted. This is summarised in Table 2.1. The EL and ML application are held and has been made through SVM's wholly owned Malawian subsidiary, Sovereign Services Limited (**SSL**).

Table 2.1 Summary of Sovereign's Licences

Licence	Holding Entity	Percentage Interest	Status	EL Expiry	Licence Area (km ²)
EL 0372 / AML0088 (Malawi)	SSL	100%	Mining licence application pending grant	13/03/2022	729.24 / 5.7

SSL: Sovereign Services Limited

ELs are generally granted for up to three years, with the licence renewable for two additional periods of two years each upon expiry. Mineral deposits contained within ELs that have come to the end of their term, can be converted to a RLS for a term of up to five years, subject to certain criteria.

An ML can be granted for an initial period of up to twenty-five (25) years or for the life of the mine, whichever is shorter. A holder of a ML may apply for an extension of up to fifteen (15) years.

Exploitation of the Malingunde Project is planned to be by open cut mining and a beneficiation processing plant operation producing a graphite concentrate for export.

Further details on the Malingunde title are provided in the Independent Solicitor's Report elsewhere in the notice of meeting. DRA makes no other assessment or assertion as the legal title of the tenements and is not qualified to do so.

2.2.2 Review of Sovereign Metals' Interests

No Director (other than Julian Stephens) of Sovereign or its subsidiaries, Competent Person, or promoter has any interest, current or past, in any of the assets presented in Table 2.1, other than by virtue of equity ownership in Sovereign.

In addition to the royalty due to the government of Malawi (see Section 3.8.2) a 2.0% gross profit royalty (gross sales revenue minus cash operating costs of mining and processing) payable to the original Project vendor for ore extracted from the licence area in the initial acquisition which includes the Malingunde Graphite Project to the original Project vendor.

Sovereign's Managing Director, Dr Julian Stephens, holds a 25% share of the gross profit royalty (0.50% gross profit royalty).

2.3 Table of Reserves and Resources

2.3.1 Mineral Resources

Malingunde's Mineral Resources (inclusive of Ore Reserves) are reported in accordance with JORC 2012 as follows:

Table 2.2 Mineral Resource Table

Resource Category	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (Mt)	Operator
Measured	4.8	8.5	0.41	SSL
Indicated	32.3	7.2	2.32	SSL
Inferred	27.9	7.0	1.95	SSL
Total	65.0	7.2	4.68	SSL

Sovereign currently has a 100% interest in the Resources
Source: David Williams (Competent Person for the Mineral Resources)
SSL: Sovereign Services Limited

2.3.2 Ore Reserves

Malingunde's Ore Reserves are reported in accordance with JORC 2012 as follows:

Table 2.3 Ore Reserve Table

Reserve Category	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (Mt)	Operator
Proved	3.1	9.5	0.30	SSL
Probable	6.4	9.5	0.60	SSL
Total	9.5	9.5	0.90	SSL

Sovereign currently has a 100% interest in the Reserves
Source: Ryan Locke (Competent Person for Reserves)
SSL: Sovereign Services Limited

Note: Malingunde mineral reserve is reported at a 6.75% TGC lower cut-off grade for saprolite and between 9.5% and 11.0% for saprock.

3 OVERVIEW

3.1 Project Location

The Project is located in the Lilongwe District of the Central Region of Malawi. The project site is located approximately 20km southwest of Lilongwe, with the northern border to Mozambique being 30km to the west. The nearest port is Nacala on the east coast of Mozambique which is connected by a railway line from Lilongwe. Figure 3.1 displays a map of the project location.

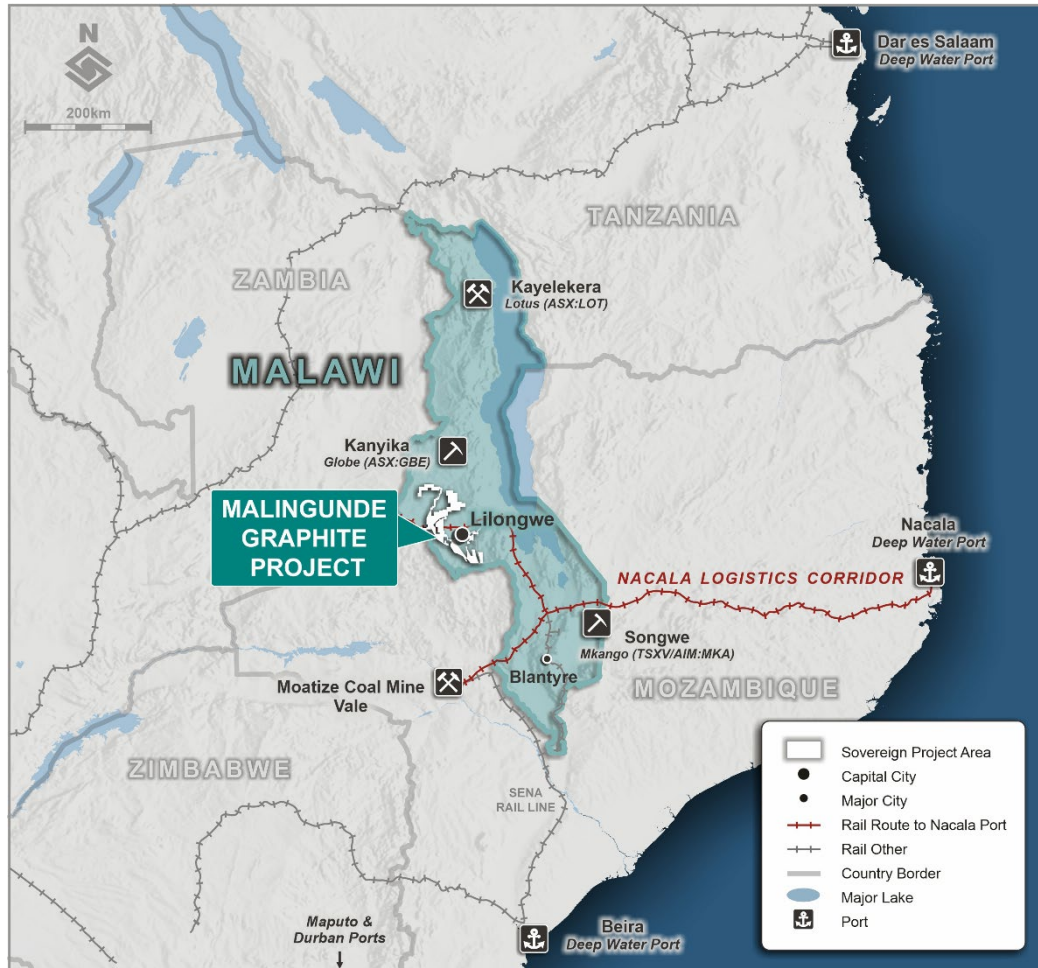


Figure 3.1 Malingunde Graphite Project Location Map

3.2 Project Description

The Project is described in detail in the respective sections of this report. In summary, the Project comprises a planned open cut mining and a beneficiation processing plant operation, treating run of mine ore to produce on average 52,000 tonnes per year of graphite concentrate at a purity of 97% TGC. The graphite concentrate will be bagged and trucked to the railhead at Kanengo, from where it will be packed into shipping containers for direct rail to the port of Nacala for export.

The resource is a soft, saprolite-hosted graphite deposit which has specific benefits for the process, most specifically no drill or blast is required for mining as the material is free-dig and the upfront comminution circuit is limited to a sizer and a low energy scrubber.

The Project is a greenfields site and therefore the PFS includes all non-process infrastructure required to support the mining and processing operations.

3.3 Project History

SVM has conducted exploration in country since 2012. In 2015, SVM's in-country geological team made new and significant discoveries in an area where there is no outcrop called the Lilongwe Plain. Following the discovery, extensive drilling was carried out over 3.4 km of strike length (see Figure 3.2 below) which led to the maiden Mineral Resource Estimate (**MRE**) being released in April 2017 (April 2017 MRE).

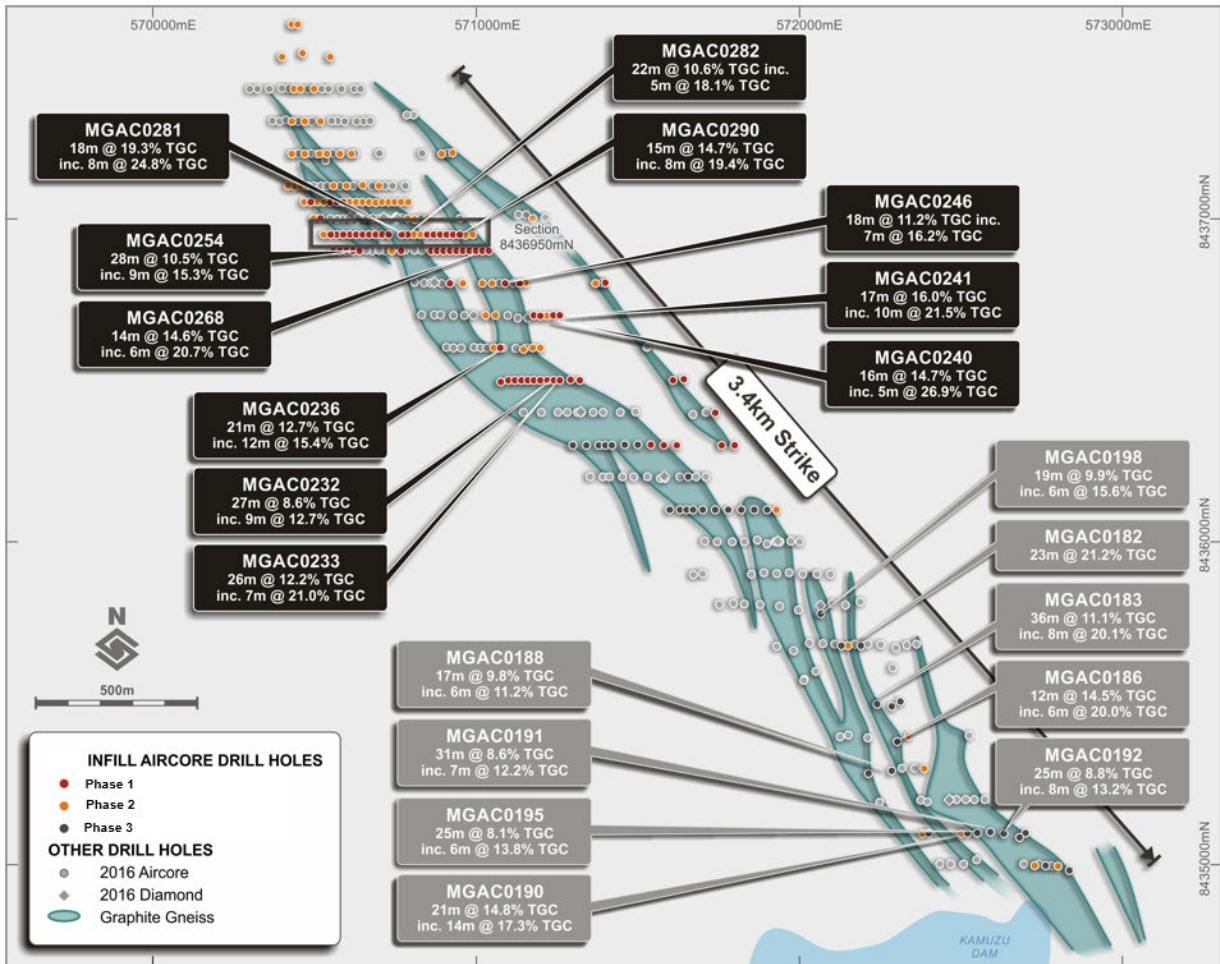


Figure 3.2 Malingunde Graphite Project – Mineralisation drillholes

The MRE, which was conducted by CSA Global, identified 65.1 Mt at 7.1% TGC for 4.6 Mt of contained graphite. In summary, at a 4% TGC cut-off grade, Indicated and Inferred resources are as follows:

- 28.8 Mt of saprolite @ 7.1% TGC.
- 17.0 Mt of saprock @ 7.0% TGC.
- 19.3 Mt of fresh rock @ 7.0% TGC.

SVM subsequently engaged AMEC Foster Wheeler to conduct a Scoping Study which was completed in June 2017.

The PFS commenced in November 2017 and used this same resource (April 17 MRE) as the basis for the mine design, scheduling and plant and infrastructure design work.

During the PFS period, the results from the 2018 in-fill drill program were used to produce an updated Mineral Resource announced in June 2018 (June 2018 MRE). Again, the work was carried out by CSA

Global and identified 65.0 Mt at 7.2% total graphite content for 4.7 Mt of contained graphite. In summary, at a 4% TGC cut-off grade, Measured, Indicated and Inferred resources are as follows:

- 28.8 Mt of saprolite @ 7.2% TGC (Measured and Indicated - 23.5 Mt @ 7.4% TGC).
- 16.9 Mt of saprock @ 7.2% TGC (Indicated - 13.6 Mt @ 7.4% TGC).
- 19.3 Mt of fresh rock @ 7.3% TGC (all Inferred).

This updated resource (June 2018 MRE), along with the PFS engineering and design work was subsequently used for the Ore Reserve determination for the Project.

SVM completed an update on cost assumptions made in the 2018 PFS to Q4 2022 for the basis of compiling this report and confirm there has been no material changes, with the exception of cost increases due to inflation.

3.4 Geological Setting

3.4.1 Physiography

The dominant feature of the Malingunde project area is the South Lilongwe Plain, a gently undulating plain interrupted by occasional low inselbergs such as Malingunde Hill (1,250m above sea level) and cut by three major flowing rivers. The plain varies between 1,140m and 1,300m in height above sea level.

The major rivers of the South Lilongwe Plain all drain to the north-east, eventually arriving at Lake Malawi. Sinuous, tributary streams feed the major rivers of the plains, with seasonal swamps (dambo) a feature of the low gradient, lower energy regime of the plains.

The Lilongwe River is the principal river of the project area, flowing to the south of the Malingunde Deposit and cutting it off at the Kamuzu Dam. The Lilongwe River is deeply incised with rock bars and exposures common along its length. Immediately south of the Malingunde Deposit the Lilongwe River has been dammed, forming the twin walled Kamuzu Dam, which provides potable water to Lilongwe.

The geomorphology of the Lilongwe Plains comprises three erosion features:

- A Post-Gondwana surface, formed in the early and mid-Cretaceous, presently displayed as the occasional inselbergs dotted throughout the plain;
- The late Cretaceous – early Miocene African cycle, which formed extensive plains, including South Lilongwe Plain;
- Late-Miocene Post-African features, often merging with the African cycle erosional surface.

The climate of the South Lilongwe Plain can be described as tropical continental, with a mean annual temperature of 18-23 degrees Celsius, and an average rainfall of 860mm. Some 85% of rainfall occurs during the rainy season between December and March, and the hottest periods occur in the lead up to the rainy season, occasionally peaking around 35 degrees Celsius.

The moderate rainfall coupled with the generally fertile soils of the plains has resulted in the natural savannah vegetation having been almost entirely modified or removed and the land being extensively cultivated as subsistence farming dominated by maize crops and secondary cash crops of groundnuts and tobacco. The dambo grasslands are often utilised for grazing and small-scale sugar cane crops.

3.4.2 Regional Geology

The geological descriptions below rely on the systematic historic exploration work conducted by the Malawi Geological Survey Department during the mid-1900s, dominantly Bulletin 23 (Thatcher, 1968).

Malawi's geology is dominated by the Nyasa Rift, the southern extension of the Cenozoic East African Rift (EAR), which extends some 800km from southern Tanzania south to the Middle Shire Rivers, with some structures extending further south into Mozambique. The seismically active rift system is principally made up of a series of half grabens with complex fault geometries, and the Nyasa Rift is occupied by Lake Malawi.

The majority of the country is dominated by crystalline metamorphic and igneous basement rocks which have been subjected to several periods of deformation, primarily during the Precambrian. In the Permo-Triassic, the continental extension splitting the supercontinent Gondwana apart led to extensive faulting, resulting in the formation of long narrow north-east to south-west trending troughs in which sandstones, limestones and mudstones of the Karoo Supergroup were deposited. These sediments were subjected to repeated periods of uplift, erosion and faulting from the Jurassic to the present, producing graben structures in which Tertiary and younger sediments were deposited. Quaternary lacustrine sands and gravels are common in the Lake Malawi area, indicating the retreat of the lake to its present position.

There are some Jurassic-aged basalts in the far north and south of the country and several carbonatite intrusions in southern and south-central Malawi. Unlike the older rift system, however, there is little evidence of magmatic activity and volcanism associated with rift formation, with the exception of some Pleistocene volcanics found near the northern end of Lake Malawi. There are also hot springs in the western and southern lake area.

Lowermost in the South Lilongwe Plains recognised geological units is the Precambrian Basement Complex, made up of biotite rich gneisses, granulites and schists. Paragneisses and semi-pelitic schists dominate the rock units, metamorphosed under extreme temperature and pressure conditions to granulite facies. Interspersed within the paragneisses are lesser orthogneisses, with associated psammitic, pelitic, and calcareous horizons, as well as concordant and discordant amphibolites and felsic pegmatites and minor basic to ultrabasic intrusions.

The rock types of the Basement Complex include biotite gneisses, with subordinate hornblende gneisses, calc-silicate granulites and gneisses. The area from Dedza Boma extending northwest to Namitete and north to Ntchisi Boma includes a distinct group of kyanite-graphite-pyrite-pyrrhotite paragneisses, kyanite-muscovite gneisses, kyanite quartzites and graphitic quartzo-feldspathic schists and granulites.

The kyanite-mica gneisses observed around the Malingunde area have protoliths including thinly bedded sequence of arkosic sandstones with interspersed bands of carbonaceous shales deposited in a nearshore deltaic environment.

The entire rock package of the Malingunde area has been deformed by the Mozambique Orogeny imparting a strong north-south to northwest-southeast shear foliation and schistosity. The complex structural history of the area is not fully understood, though gneissic foliation is often compositional layer parallel around Malingunde, with north plunging folds observed in outcrop along the Lilongwe River.

The rocks of the South Lilongwe Plains are obscured by thick weathering profiles and residual soils. Deep residual weathering profiles to 45m have been observed in water exploration drilling. A red-brown sandy clay soil has been observed to be associated with ferruginous graphite-bearing rocks.

The localised presence of lateritic duricrust layer has proven to be beneficial, due to the cessation of physical weathering and hence protection of the highly weathered graphite-rich rocks.

Hydromorphic dark grey, black and mottled soils, composed of clay minerals and thin humus of A-horizon are found around dambos. A combination of very slow permeability and poor site drainage produces waterlogged soil and seasonal flooding. Pale coloured angular, sandy colluvium is washed into heads of dambos.

3.4.3 Project Geology

The Precambrian Basement Complex rich in graphite and pyrrhotite paragneisses occurs across RL0012 and the western parts of EL0372. This same package, though highly weathered, underlies the Lilongwe Plain and is covered by the western parts of EL0372 and the majority of EL0609 and EL0492.

The Malingunde Deposit comprises 4.5km strike length of shallowly north-east dipping, north-west striking graphitic gneisses. The mineralised package has up to six separate sub-parallel zones of graphite gneiss with cumulative across strike widths averaging 120m and locally exceeding 200m. The newly discovered Msinja Deposit, located 1.5km along strike to the south-east has a strike length of approximately 1.0km with about five parallel zones of mineralisation. Across strike cumulative widths of mineralisation range between 40 and 100m.

Lithologies described in historic geological survey work (Regional Geology, above) are commonly recognised in drilling samples. At surface, scattered areas of coarse kyanite float are reasonably common and occasional outcrops of iron rich, pisolitic duricrust are to be observed.

The host rocks at Malingunde have been subject to intense weathering under tropical climatic conditions. This has resulted in development of substantial thicknesses of saprolite and other weathered facies. A typical profile from surface is soil ("SOIL", 0-1m), ferruginous pedolith ("FERP", 1-4m), mottled zone ("MOTT", 4-7m), pallid saprolite ("PSAP", 7-9m), saprolite ("SAPL", 9-25m), saprock ("SAPR", 25-35m) and fresh rock ("FRESH" >35m). In some areas, a thin lateritic duricrust is present within the FERP, though this rarely exceeds 1m in thickness. A typical graphic summary of the weathering profile observed at the Malingunde Deposit can be seen in Figure 3.3.

		Depth (m)	WEATH Code	Geological Description
		0		
		1	SOIL	Top soil/colluvium: Colluvial soils included cultivated/cropped soil. Predominantly sandy clay, may contain grits and angular pebbles?
	Pedolith	4	FERP	Ferruginous Pedolith: Ferruginous (iron stained) sandy? clay. Some physical reworking of weathered material resulting in reworking of graphite flakes. Graphite appears to show a different grade distribution to MOTT/PSAP/SAPL. May locally contain variably cemented layers that tend towards a duricrust.
		6	MOTT	Mottled Zone: Ferruginous rich and less ferruginous clay-quartz rich (mottled colouring). Mottles typically range in size from 10-20mm? In-situ chemical weathering of clay gangue minerals with graphite remaining inert. Iron (produced predominantly from weathering of Fe-sulphide oxidation and surrounding clays) mobile during weathering producing secondary goethite [FeO(OH)] and jarosite [KFe3(SO4)2(OH)6]. Appears to have the same same graphite grade distribution as PSAP & SAPL but the primary fabric (ie foliation) may be partially destroyed.
"REDOX boundary"		8	PSAP	Pallid Saprolite: Pale (lacking colour) saprolite dominated by clay and quartz gangue mineralogy (i.e. same as Saprolite). Has same graphite grade distribution as MOTT/SAPL.
Local Water Table	Saprolite	25	SAPL	Saprolite: In-situ, strongly chemically weathered bedrock, with a clay-quartz quartz gangue mineralogy. More than 20% of weatherable minerals (= feldspar/mica/sulphides) altered. Primary fabric of bedrock (i.e. foliation) retained. Has same grade distribution as MOTT/PSAP
Regional Water Table (May Seasonally fluctuate)		35	SAPR	Saprock: More compact, slightly weathered rock with a lower porosity and higher density than saprolite. Less than 20% of weatherable minerals (= feldspar/mica/sulphides) altered. Generally requires a hammer blow to break. Sulphides are oxidised. Weathering predominantly occurs along meso/micro fractures with the groundmass largely unweathered
Weathering front / top of fresh rock			FRESH	Fresh Rock: Foliated graphitic gneiss: Primary mineralogy of feldspar-quartz-graphite+/-biotite+/-pyrite+/-pyrrhotite
	Bedrock			

Figure 3.3 Typical weathering profile observed at the Malingunde Deposit

3.4.4 Mineralisation

Flake graphite mineralisation occurs within graphitic gneiss units that are interlayered and separated locally by barren or low-grade biotite-kyanite +/- graphite gneisses. Mineralisation is broadly conformable with the host paragneiss sequence, striking north-west and dipping at 10-40° to the north-east. The graphitic gneisses of central Malawi are very coarse-grained resulting in a graphite flake distribution in concentrates of generally >60% +150um. This is likely because of the very high metamorphic grade (granulite facies) and long cooling period experienced by the host rock package allowing large flakes time to crystallise.

Graphite is generally chemically inert during the weathering process and in most of the weathering zones the flakes remain pristine. However, in the SOIL and FERP zones graphite grades are highly depleted, with very little material above 4% TGC occurring. Grades may also be slightly depleted in the MOTT zone. Recovered flake sizes are decreased significantly in the FERP zone and somewhat in the MOTT zones as opposed to the bulk SAPL zone. This is thought to be a result of physical reworking and some volume reduction in the upper levels with associated dilution and natural flake comminution.

3.5 Regional Population and Infrastructure

The Project is located within the Lilongwe District of Malawi. The Lilongwe District is 6,159 km² in size with an estimated population of 1.35 million persons. The village of Ndumila is located within the proposed mining areas where the village of Kumalindi is located on the northern edge of the project area straddling the S124 secondary road. The access road to the plant area will run from the S124 road along the eastern edge of this village to the plant site security gate.

In areas away from the villages, land use is limited to small scale seasonal farming and grazing of livestock.

The natural environment of the project area has been extensively transformed by agricultural activity with only a few small patches of remnant woodland remaining.

Local infrastructure is good with the S124 road connecting the project site to Lilongwe. A mobile communications tower with voice/data capability is located nearby at Malingunde Hill.

3.6 Communities

Sovereign has operated in Malawi for over nine years. The Company has retained its senior staff since inception allowing for long standing relationships across Government, traditional authorities leaders and the business sector.

Currently, the Company employs over 40 Malawi nationals employed in various positions during drilling programs. Sovereign is also active in the communities, with a number of initiatives completed including the installation of water pumps, assistance with fertilizer and seed to local communities.

Further to this, Sovereign holds regular discussions with local landholders and community groups to keep them well informed of the status and future planned work programs for the project.

An Environmental Impact Assessment (**ESIA**) is currently planned with reference to applicable Malawian and international environmental and social permitting and baseline requirements for the Project.

Sovereign is committed to conduct its activities in full compliance to the requirements of national regulations, its obligations under international conventions and treaties and giving due consideration to international best practices and policies. The Company plans to appoint an experienced environmental consultant to manage the ESIA process, and environmental and social baseline

studies have commenced with appropriately qualified independent experts. The Company has also completed a high-level risk assessment to identify major environmental and social risks which could affect the development of the Project, along with mitigating strategies to allow identified risks to be addressed early in the project design phase.

The Company has embarked on several exercises with the communities in the area and there is a general positive acceptance of the Project.

Based on the current assessments and commenced ESIA, the Company believes there are no environmental issues currently identified that cannot be appropriately mitigated in accordance with standard practices adopted for the development of mining projects.

As the Project continues to develop, the Company/NGX expects to enter into a Community Development Agreement (**CDA**) with the surrounding communities. Significant engagement with these communities has occurred is ongoing ahead of negotiation of the CDA which is expected to be concluded during the DFS stage.

3.7 Topography and Climate

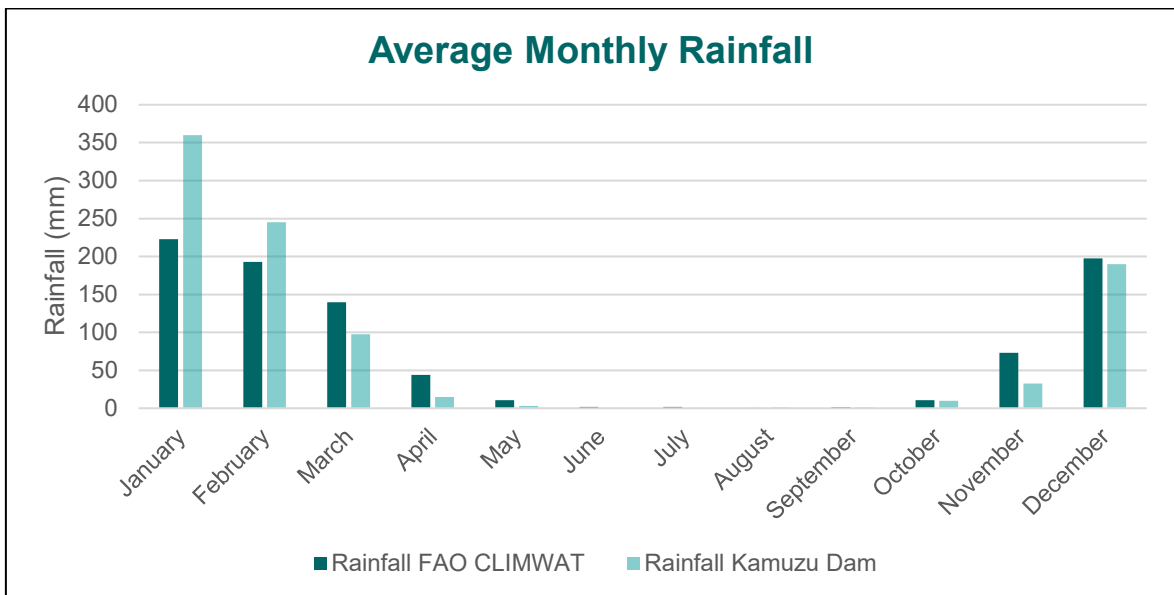
The topography on the site is generally flat with variation in elevation across the project area between 1050m and 1100m above sea level.

This region features a humid sub-tropical climate. Winters are generally dry and mild with the majority of rainfall occurring during the summer months between November and April.

The average temperature is moderated by elevation and averages 20.3°C with annual precipitation averaging 860 mm per year. Monthly average temperature and rainfall measurements for Lilongwe, some 20 km from the site (Source: climate-data.org).

Monthly rainfall peaks in January at 225 mm with the minimum rainfall generally being encountered in months of June to September where monthly rainfall averages between 0 and 2 mm/month.

Maximum temperatures are highest on average in October at around 30°C with July being the coldest month of the year with an average maximum temperature of 23.2°C.



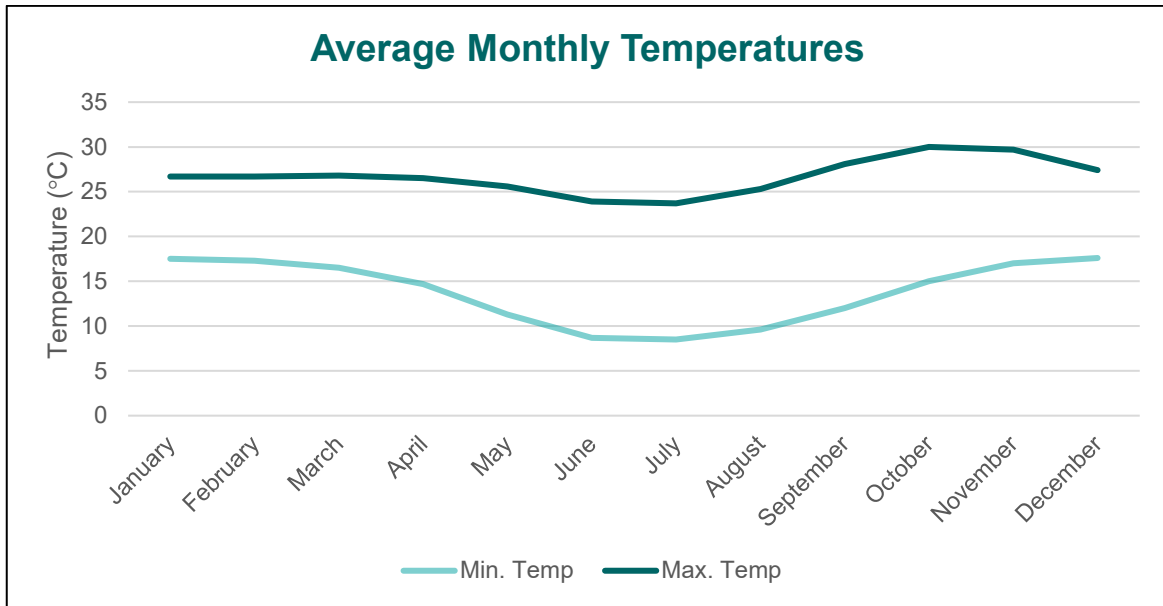


Figure 3.4 Lilongwe Monthly Rainfall and Temperature Data

3.8 Regulatory and Fiscal Setting

3.8.1 Regulatory

Exploration and Mining activities in Malawi are regulated by the Mines Act. The current Act replaced the previous legislation, the Mines and Minerals Act (1981).

The Ministry of Mining (**MMINES**) is the Government entity responsible for the administration of the minerals sector, including granting of exploration and mining licences. It has statutory oversight of the energy, minerals, and forestry sectors.

The following table outlines the various types of licences and the key terms for each type:

Table 3.1 Summary of Licence Types

Type	Term	Permitted Activity	Size
Reconnaissance (Rec)	12 months (12 month extension)	Not land disturbing exploration and supporting activities (non-exclusive)	No more than 100,000km ²
Exploration (EL)	3 years (+ 2x 2 year extensions)	Exploration activities	No more than 2,500km ²
Retention (RL)	5 years	Feasibility studies	No more than 25km ²
Mining (ML) *	Up to 25 year or LoM + extensions of 15 years (unlimited)	Mining	As per PFS mine plan

*Following the successful exploration and achievement of positive technical and economic studies (such as the PFS), Sovereign has applied for a ML for Malingunde which is currently pending.

3.8.2 Fiscal Setting

The main taxes and fees imposed on companies operating in the mining sector include Corporate Tax, Dividends Tax, Royalties and Fees. The Malawi Revenue Authority (**MRA**) is the main body

responsible for collecting and managing taxes paid to the central government. The taxation regime for mining companies in Malawi is a corporate income tax at 30%. A Rent Resource Tax (**RRT**) of 15% after tax profit is currently legislated in the Taxation Act of 2018. However, it is understood that it is not currently being applied to any mining projects in Malawi and it is uncertain if it would apply to SVM's or NGX's projects in the future.

The following table outlines other fiscal rates applicable to a mining operation:

Table 3.2 Summary of Other Fiscal Rates

Instrument	Rate	Fixed/Negotiable	Comments
Royalty	Generally 5%	Negotiable	Depending on level of processing (Royalties can be up to 10%).
Dividend Withholding	Rate varies	-	-
Import duty	Variable	Based on tariff book	Zero for all capital equipment (subject to pre-approval).
VAT	16.5%	Fixed	Zero input for exports.
VAT – Fuel	-	Negotiable	Application for 0% for fuel used to generate power.
State Equity	Up to 10%	Fixed (based on size of project)	The Government shall have the right, but not the obligation, to acquire, directly or through a Government nominee, without cost, a free equity ownership interest of up to ten percent (10%) in any mining project that will be subject to a large-scale mining licence (>5Mt mined per annum or >US\$250m Capex).
Annual Rents	Fixed rate per km ²	Fixed	Calculated based on a fixed fee times area

4 GEOLOGY AND RESOURCE

4.1 Overview

The Malingunde Deposit lies 20 km to the south-west of the city of Lilongwe, Malawi, and was initially defined by SVM's geologists during regional auger exploration works following up on airborne VTEM and ground FLTEM geophysics.

The Project is located within the Lilongwe District of Malawi. The Lilongwe District is 6,159 km² in size with an estimated population of 1.35 million persons. The village of Ndumila is located within the proposed mining areas where the village of Kumalindi is located on the northern edge of the project area straddling the S124 secondary road.

The flake graphite mineralisation occurs within graphitic gneiss units that are interlayered and separated locally by barren or low-grade biotite-kyanite-graphite gneisses. Mineralisation is broadly conformable with the host paragneiss sequence, striking north-west and dipping at 10-40° to the north-east.

In order to conduct a Mineral Resource Estimation (MRE) on the Malingunde mineralisation a program of diamond drilling (13 holes for 487.75 m) followed by a resource definition air core drilling program (180 holes for 5,516.8 m) were conducted during late 2016. Additionally, 569 hand auger holes (6,042 m) were also included to complete the MRE drill hole database.

In April 2017, CSA Global finalised the Malingunde Graphite Deposit MRE, resulting in a JORC 2012 Inferred and Indicated Mineral Resource of 28.8 Mt @ 7.1% TGC within saprolitic material types. Following a successful Scoping Study, SVM undertook a second resource drill campaign in 2018 comprising 176 holes for 5,295 m air core drilling. This data was used to provide additional data for the updated MRE announced in June 2018 that forms the basis for the Ore Reserve declaration and will be used in a future Feasibility Study (FS).

The combined exploration programs have created an effective grid over the Malingunde Graphite project of approximately 3,500m x 750m.

Figure 4.1 shows the location of the drill holes at the Malingunde Graphite Deposit.

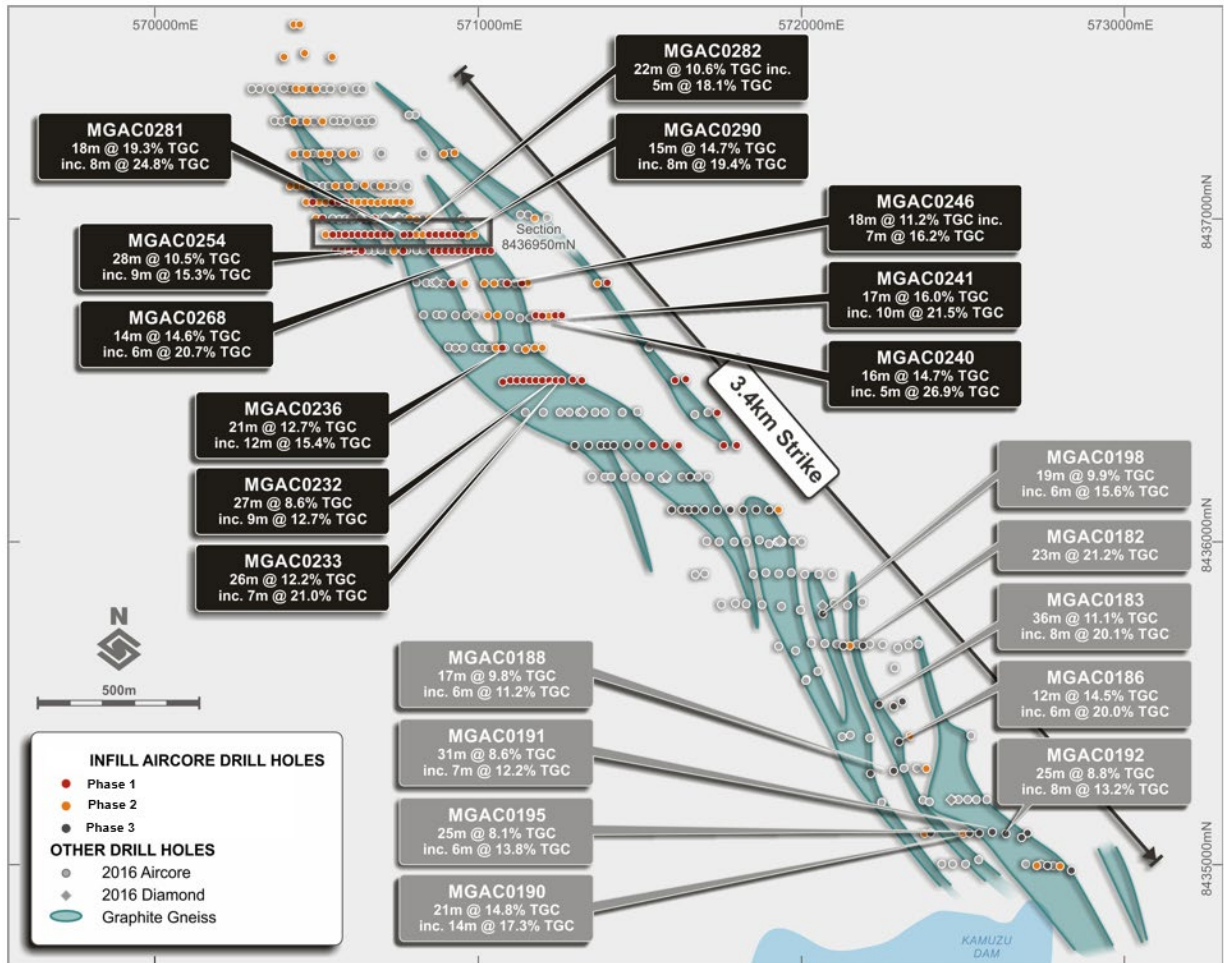


Figure 4.1 Malingunde Graphite Project – Mineralisation drillholes

4.2 Assaying

Hand-auger (HA), Air-core (AC) and Diamond core (DD) drilling form the basis of the MRE and are described below:

HA drilling was employed to obtain samples vertically from surface at nominal 1-metre depth intervals, with samples composited on geologically determined intervals. Composite samples were riffle split on site.

A total of 1,053 HA holes (10,686 m) support the MRE.

AC drilling was employed to obtain bulk drill cuttings at nominal 1-metre (downhole) intervals from surface. All 1-metre samples were collected in plastic bags directly beneath the drilling rig cyclone

underflow. The entire 1-metre sample was manually split using either a 3-tier (87.5:12.5 split) or single tier (50:50 split) riffle splitter or a combination thereof to facilitate the mass reduction of a laboratory assay split. Compositing of the laboratory sample split was performed on a geological basis. Mineralised ($\geq 3\%$ v/v visual) laboratory splits of 1-metre intervals from surface to the top of the saprolite zone were not composited whereas mineralised splits of the underlying saprolite and saprock intervals were composited nominally at 2-metres. Unmineralised ($\leq 3\%$ v/v visual), laboratory splits of 4-metre intervals from top of hole to bottom of hole were composited.

A total of 384 AC holes (11,595.8 m) support the MRE.

DD drilling (angled and vertical) was designed to obtain representative large diameter (PQ3) core for geological, geotechnical and metallurgical testwork purposes. Subsequent to completion of all geological and geotechnical logging and sampling (whole core samples removed laboratory bulk density and strength testing) drill core was either manually hand split or sawn using a circular saw and sampled as $\frac{1}{4}$ PQ3 core. Upon completion of laboratory bulk density and strength testing of the whole core intervals the entire core was submitted to the laboratory. A total of 13 DD holes (487.75 m) support the MRE. Laboratory splits were submitted Intertek Perth for assay sample preparation. Total Graphitic Carbon (TGC) analysis of all assay pulps samples was undertaken by Intertek Perth.

4.3 Resource Estimation

The MRE is based upon data obtained from 13 DD drill holes (487.75 m), 384 AC holes (11,595.8 m) and 1,053 HA holes (10,686 m) drilled across the Malingunde and Msinja deposits. Five (5) pairs of AC/DD and eight (8) pairs of AC/HA twinned holes are included in the drilling totals. Drilling occurred during 2016 and 2017.

HA and AC holes are located on east-west transects across the entire strike of the modelled deposit spaced nominally at 100 m x 20 m with infill of 50 m (N) x 20 m (E) over a section of the northern area of the Malingunde deposit. DD holes were drilled on existing drill sections and spaced between 200 m and 400 m north-south along the strike extent of the deposit. All HA holes were drilled vertically whilst the majority of the AC and DD holes were angled, designed to intersect broadly orthogonal to the shallow-moderate east dipping mineralisation.

The drill hole collars were surveyed using a differential global positioning system (DGPS) to centimetre accuracy. All DD holes were down-hole surveyed using a Reflex Ez-Trak multi-shot survey tool at 30m intervals down hole. Owing to their shallow depths (maximum 12 m), HA holes were not downhole surveyed. AC holes were not routinely down-hole surveyed, however 23 holes (5%) were surveyed to verify the amount of downhole deviation.

HA and AC drill samples were geologically logged, recording relevant data to a set template at 1 m intervals. DD core was geologically logged based on geological intervals. DD core was also geotechnically logged and digitally photographed.

DD core (PQ3) was quarter cut and sampled according to geological intervals. HA samples were composited on geological intervals of between 2-3 m during the 2016 field season, and 1 m intervals in 2017 and submitted for Total Graphitic Carbon (TGC) analysis. AC samples were sampled at 1 m and 2 m intervals. Field quality assurance procedures were employed, including the use of analytical standards, coarse blanks and duplicates.

TGC wireframe interpretations were based upon a lower cut-off of 4% TGC, which is equivalent to the graphitic gneiss domain boundary, from geological logging of HA/AC/DD drill holes.

The MRE block model consists of 6 zones of TGC mineralisation in the Malingunde deposit, and 5 in the Msinja deposit. Mineralisation domains were encapsulated by means of 3D wireframed envelopes based upon a lower cut-off grade of 4% TGC. Weathering domains were interpreted based upon geological logs of drill samples. Domains were extrapolated along strike or down plunge to half a section

spacing. Internal waste units were modelled within the graphitic gneiss mineralisation envelopes to define barren domains.

All drill hole assay samples were composited to 2m intervals. All assayed HA/AC/DD drill hole intervals were utilised in the grade interpolation.

The MRE for Malingunde, reported in accordance with JORC 2012 is presented in Table 4.1 below:

Table 4.1 Mineral Resource Estimate

Resource Category	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (Mt)	Operator
<i>Measured</i>	4.8	8.5	0.41	SSL
<i>Indicated</i>	32.3	7.2	2.32	SSL
<i>Inferred</i>	27.9	7.0	1.95	SSL
Total	65.0	7.2	4.68	SSL

Sovereign has a 100% interest in the Resources above.. The MRE includes both the Malingunde and Msinja deposits.

Source: David Williams (Competent Person for the Resources)

SSL: Sovereign Services Limited

MALINGUNDE MINERAL RESOURCE ESTIMATE								
<i>4.0% cut-off grade</i>								
	Measured		Indicated		Inferred		Total	
	Tonnes (Mt)	Grade (% C)	Tonnes (Mt)	Grade (% C)	Tonnes (Mt)	Grade (% C)	Tonnes (Mt)	Grade (% C)
Saprolite	4.8	8.5%	18.7	7.1%	5.4	6.3%	28.8	7.2%
Saprock	-	-	13.6	7.4%	3.3	6.3%	16.9	7.2%
Total	4.8	8.5%	32.3	7.2%	8.6	6.3%	45.7	7.2%
Fresh rock	-	-	-	-	19.3	7.3%	19.3	7.3%
Total resource	4.8	8.5%	32.3	7.2%	27.9	7.0%	65.0	7.2%

MALINGUNDE MINERAL RESOURCE ESTIMATE								
<i>7.5% cut-off grade</i>								
	Measured		Indicated		Inferred		Total	
	Tonnes (Mt)	Grade (% C)	Tonnes (Mt)	Grade (% C)	Tonnes (Mt)	Grade (% C)	Tonnes (Mt)	Grade (% C)
Saprolite	2.7	10.0%	5.4	9.6%	1.1	9.0%	9.2	9.7%
Saprock	-	-	4.7	10.0%	0.6	9.1%	5.3	9.9%
Total	2.7	10.0%	10.1	9.8%	1.7	9.0%	14.5	9.7%
Fresh rock	-	-	-	-	6.5	9.9%	6.5	9.9%
Total resource	2.7	10.0%	10.1	9.8%	8.3	9.7%	21.0	9.8%

Note: Sovereign currently has a 100% attributable interest in the Resources above. The MRE includes both the Malingunde and Msinja deposits.

5 ORE RESERVES

Pit optimisation, mine design and mine scheduling were completed by Orelogy and is based on an average of 52,000 tonnes of concentrate produced per annum over 16 years LOM. This equates to an average throughput of 600,000 tonnes per year, with declared Ore Reserves, reported in accordance with JORC 2012, shown below in (Table 5.1).

Table 5.1 Ore Reserve Estimate

Reserve Category	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (Mt)	Operator
<i>Proved</i>	3.1	9.5	0.30	SSL
<i>Probable</i>	6.4	9.5	0.60	SSL
	9.5	9.5	0.90	SSL

Sovereign currently has a 100% interest in the Ore Reserves
Source: Ryan Locke (Competent Person for Reserves)
SSL: Sovereign Services Limited

Note: Malingunde Mineral Reserve is reported at a 6.75% TGC lower cut-off grade for saprolite and between 9.5% and 11.0% for saprock

Reserves were defined by using a lower cut-off grade of 6.75% TGC for saprolite and between 9.5% and 11.0 % TGC for saprock.

To determine the reserves, a standard open pit optimisation techniques have been used to determine the location of the optimal three-dimensional geometry of the potential open pit. This is based on a range of modifying factors (e.g. costs, process recoveries, prices, overall wall slopes etc.). A range of optimisation runs were completed which showed the resource was effectively insensitive to mining costs, processing costs, selling costs and overall slopes. The work indicated the overall project value is most sensitive to changes in price and process recovery.

A more complete description of the proposed mining operations is set out in Section 6.

Orelogy were requested to review the 2018 PFS mining assumptions to validate or modify the ore reserves statement as required. The process of validation included a sensitivity analysis using the following primary factors which have been demonstrated to influence the Malingunde Ore reserve:

- Market Price.
- Mining Costs.
- Process recovery and costs.

In summary, the sensitivity analysis demonstrated that the typical variances of the influencing factors did impact the projected cash flow of the project, however they had no material change on the reported mining ore inventory. As such the ore reserves reported in the 2018 PFS remain valid.

The 2018 PFS ore reserve was based on the June 2018 MRE and the cost information generated from the second stage of the PFS work. This is based on an average of 52,000 tonnes of concentrate produced per annum over 16 years LOM. This equates to an average throughput of 600,000 tonnes per year, with declared Ore Reserves shown above in Table 5.1.

6 MINING

The Company engaged independent consultants Orelogy Mining Consultants Pty Ltd to carry out the pit optimisations, mine design, scheduling, mining cost estimation and Ore Reserve generation for the

Malingunde PFS. The proposed mining method is a conventional truck and shovel mining operation. Free dig mining is considered appropriate for this style of shallow, saprolite-hosted graphite mineralisation. This methodology is used throughout the region for open pit mining operations and is a robust, easily implementable approach.

The proposed mining method requires conventional mining infrastructure including but not limited to mining equipment workshop, fuel & oil storage facilities, wash bay, offices, lunch and ablution facilities and a first aid room. These are to be supplied by the mining contractor. Sovereign Metals has defined a mining infrastructure area and will supply water and power to this location. As there is no anticipated requirement for blasting, no infrastructure is required for explosives storage. An initial contract mining strategy was selected for the first 7 years, transitioning to owner-operator model after this.

A schedule was developed that progressively mines material from the northern-west zones 1 and 2, then the central zones 3 and 4 and finally the south-east zone 5 (Figure 6.1). A three month pre-strip of 190kt of waste is required in order to provide sufficient material to construct the initial TSF. The life of mine strip ratio is 1:1 waste:ore including the capitalised pre-strip.

The mine schedule is based on achievable production rates for the specified size of mining fleet with only a single shift per day required. No assumptions have been made to date regarding minimum mining widths or dilution.

Mine designs have been undertaken using the geotechnical recommendation provided by Peter O'Bryan and Associates (POBA), the independent geotechnical consultant appointed by Sovereign Metals Ltd to undertake the geotechnical assessment. POBA provided specific berm, batter and inter-ramp angle design criteria for the deposit. The risk around any geotechnical uncertainty is mitigated by:

- The pits are relatively shallow, being a maximum of ~30m below surface.
- Sensitivity to slope angles was assessed during the optimisation phase and showed the deposit discounted value was insensitive (less than -4%) to changes in slope parameters.
- The nature of the deposit and the small scale and low strip ratio of the mining stages will enable access to other areas of the deposit in the event a mining area is inaccessible.

There is significant opportunity to increase the mine life beyond 16 years by processing lower grade material from the large resource base, or by discovering additional high-grade resources within reasonable trucking distance to the proposed processing plant.

The total Production Target of 9.5Mt run-of-mine (to produce approximately 830kt of concentrate) is underpinned by Proved Ore Reserves of 3.1Mt (32%) and Probable Ore Reserves of 6.4Mt (68%).

The Ore Reserve was derived by conversion of a portion of the Measured and Indicated Resource categories to Proved and Probable Ore Reserve categories respectively. No Inferred Resource material has been used in the PFS as discussed in Section 4.

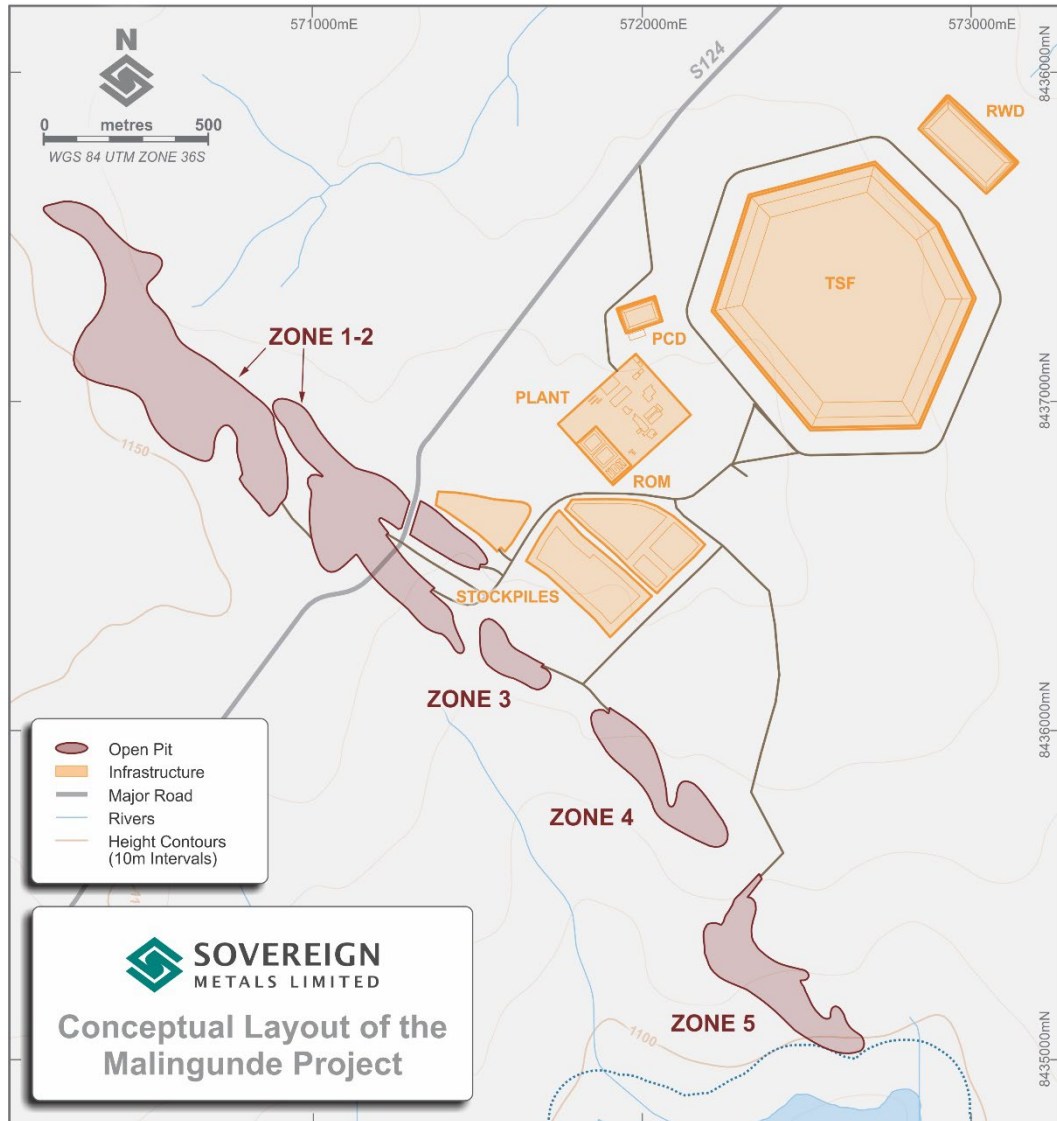


Figure 6.1 Mine Design and Infrastructure

The production schedules for the Ore Reserve determination showing the material type by period and grade profile are shown in Figure 6.2.

There is significant opportunity to increase the mine life beyond 16 years by processing lower grade material from the large resource base, or by discovering additional high-grade resources within reasonable trucking distance to the proposed processing plant. This mine life extension was not assessed in this CPR.

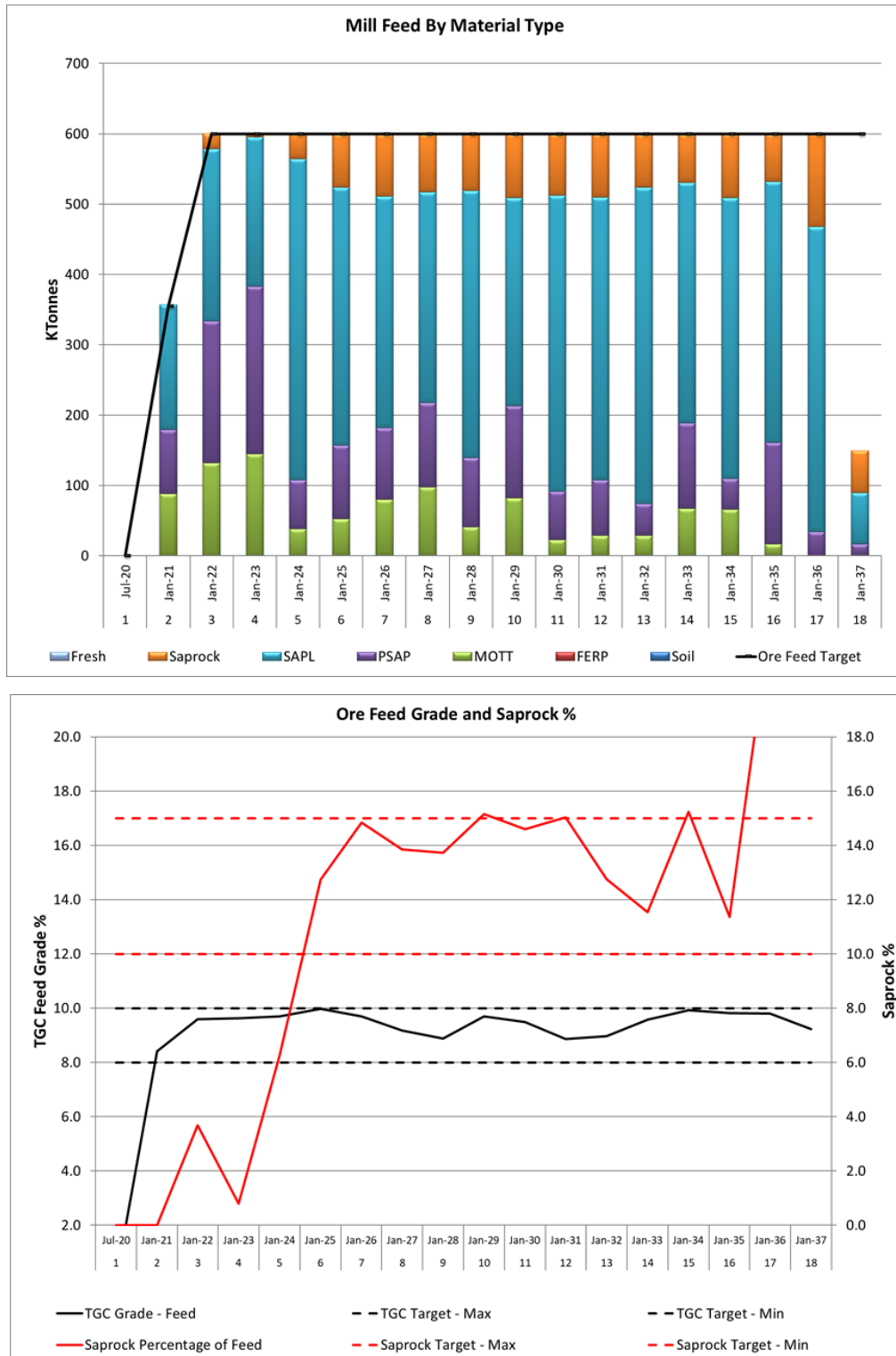


Figure 6.2 Process Plant Feed Material Types and Grade

7 METALLURGY AND PROCESSING

Significant metallurgical test-work programs have been conducted on the Malingunde saprolite hosted graphite deposit since 2016.

An optimised flowsheet was developed by SGS at Lakefield in Canada, and numerous variability tests were carried out on samples from varied lateral and vertical locations within the deposit. Overall, the test-work showed relatively consistent results across the deposit with 48%-78% of the concentrate in the coarser size fractions >149µm (>100 mesh). Combined concentrate grades consistently range between 95% and 98% TGC. Open circuit and locked cycle flotation tests (LCT) produced recoveries between 76% and 94%.

A substantial upscaled metallurgical program was undertaken as part of the PFS. This consisted of comminution and scrubber test-work undertaken at ALS in Perth and flotation and solid / liquid separation and tailings geochemical / geotechnical test-work undertaken at SGS in Canada. The test-work identified the ability to process the more competent saprock, located vertically beneath the very soft saprolite, as up to 15% of the overall feed blend. This enables access to substantial additional high-grade mineralised material previously not considered in the 2017 Scoping Study production target.

Overall, all metallurgical test-work undertaken to date shows a robust flowsheet capable of repeatable metallurgy for a wide range of feed samples has been developed for Malingunde.

The Company has used results from two recent locked cycle tests (LCTs) conducted as part of the PFS metallurgical program to estimate product grade, flake size distribution and recoveries.

The Company has applied an assumption of 97% C and an overall recovery of 90% for modelling production over the life of mine (LoM). These metallurgical results were the weighted average of two LCTs on a master composite ore sample that aimed to represent the LoM feed.

Table 7.1 Malingunde Flake Distribution – weighted average LCT results.

MALINGUNDE FLOTATION RESULTS – PFS INPUTS				
PARTICLE SIZE		C (%)	Distribution (wt. %)	Flake Category
Tyler Mesh	(µm)			
+32	+500	98%	5%	Super Jumbo
-32 +48	-500 +297	97%	19%	Jumbo
-48 +80	-297 +177	97%	26%	Large
-80 +100	-177 +149	97%	9%	Medium
-100 +200	-149 +74	97%	25%	Small
-200	-74	94%	16%	Amorphous
TOTAL		97%	100%	

The design of the processing plant is based on the SGS testwork and best practise in similar operations. Importantly, the process requires no primary crushing or grinding of the ore, a material advantage over hard-rock graphite deposits. The basic flowsheet is summarised below and also shown in Figure 7.1:

- The plant feed will be delivered from the run-of-mine (ROM) stockpile by front-end-loader (FEL) to the grizzly and ROM bin.
- Material is passed through a mineral sizer for primary size reduction.
- Plant feed at 100% -20 mm is processed through a scrubber charged with steel media.
- The scrubber discharge slurry is passed through a 10 mm screen with a small quantity (0-15%) oversize being directed to a small pebble crusher.

- The scrubber undersize is pumped to the rougher flotation section for processing. Rougher tailings are pumped to the tailing's thickener.
- Rougher concentrate undergoes a polishing regrind.
- The ground concentrate undergoes cleaner flotation stages with the cleaner concentrate split into coarse and fine fractions at 180 µm.
- Attritioning on the coarse and fine fractions followed by three stages of recleaner flotation.
- The final concentrate fractions +180 µm and -180 µm streams are combined and thickened.
- The concentrate is dewatered using a plate and frame filter with air blow and membrane squeeze steps.
- The filtered concentrate is dried using a flash dryer.
- Dried product is screened and bagged for despatch and sale.

The simple process design uses proven technology and is operational across a number of graphite mines today. The high-grade feed stock of 9.5% TGC over the life of the project assists in achieving the very low processing costs.

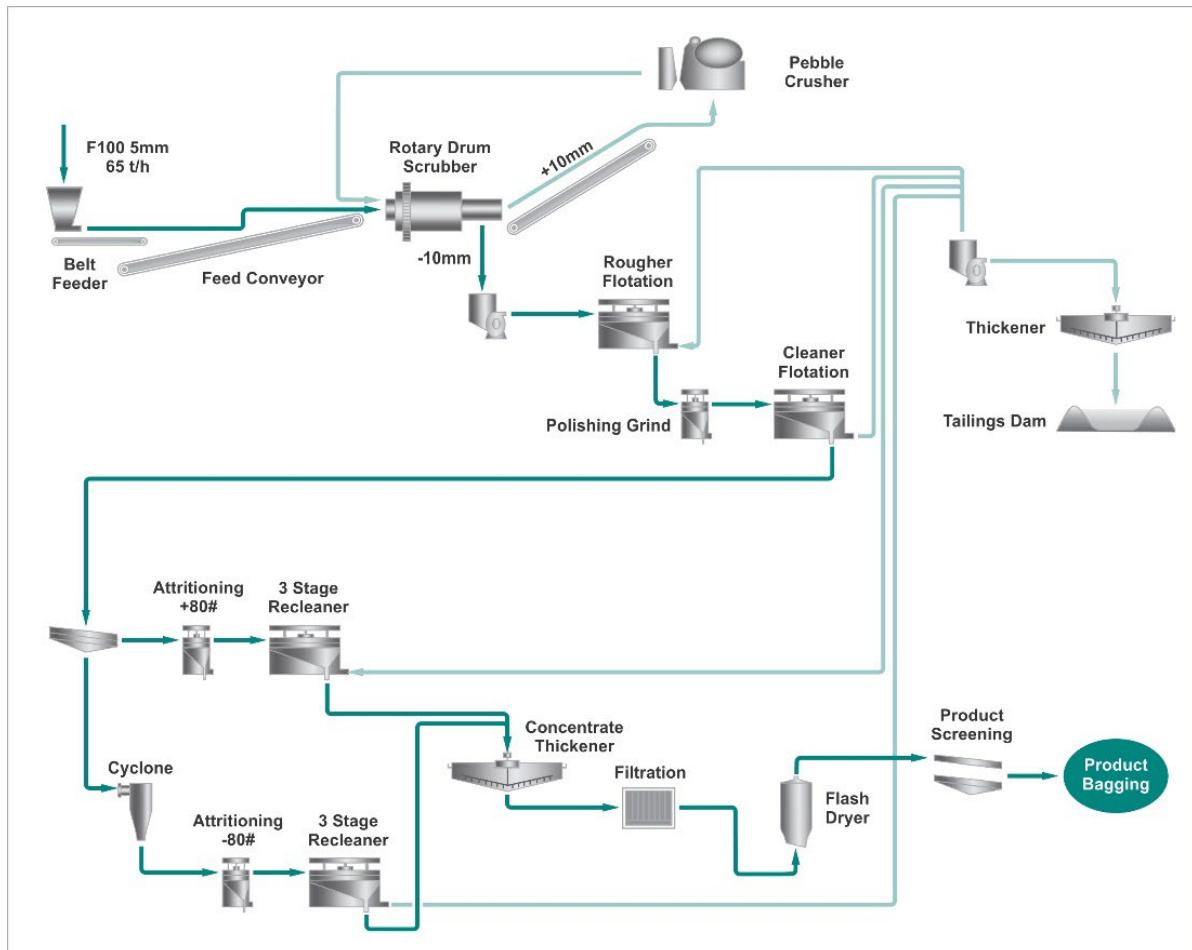


Figure 7.1 Process Flowsheet Schematic

8 INFRASTRUCTURE AND SERVICES

Malingunde is located approximately 20 km southwest of Lilongwe, Malawi’s capital, and is serviced by a bitumen road from the main M1 highway to within 10 km of site where it becomes an all-weather gravel road. Final product is therefore only required to be hauled a short distance by road to the existing and underutilised operational intermodal rail siding at Kanengo before being railed to the port of Nacala.

The Malawi Electrical Supply Corporation (“ESCOM”) plans to construct a 132/11kV substation near Bunda, just 10 km to the east of Malingunde which will be linked to the national grid (Figure 8.1). The 2018 PFS assumed that a new Bunda substation would be operational by 2027 (4 Years after commissioning). and grid power as the primary source from this time. Although the Bunda substation may come online earlier, this cost update retains a conservative position that grid power will be available from Year 4 onwards and that diesel generators will supply all power for the first three years of operation. The Project economic model therefore assumes on site diesel power generation to the end of Year 3, with grid power availability from this point.

Water is relatively plentiful in the immediate area and the project will be able to source sufficient water from within the project area, predominantly as part of the pit dewatering requirements.

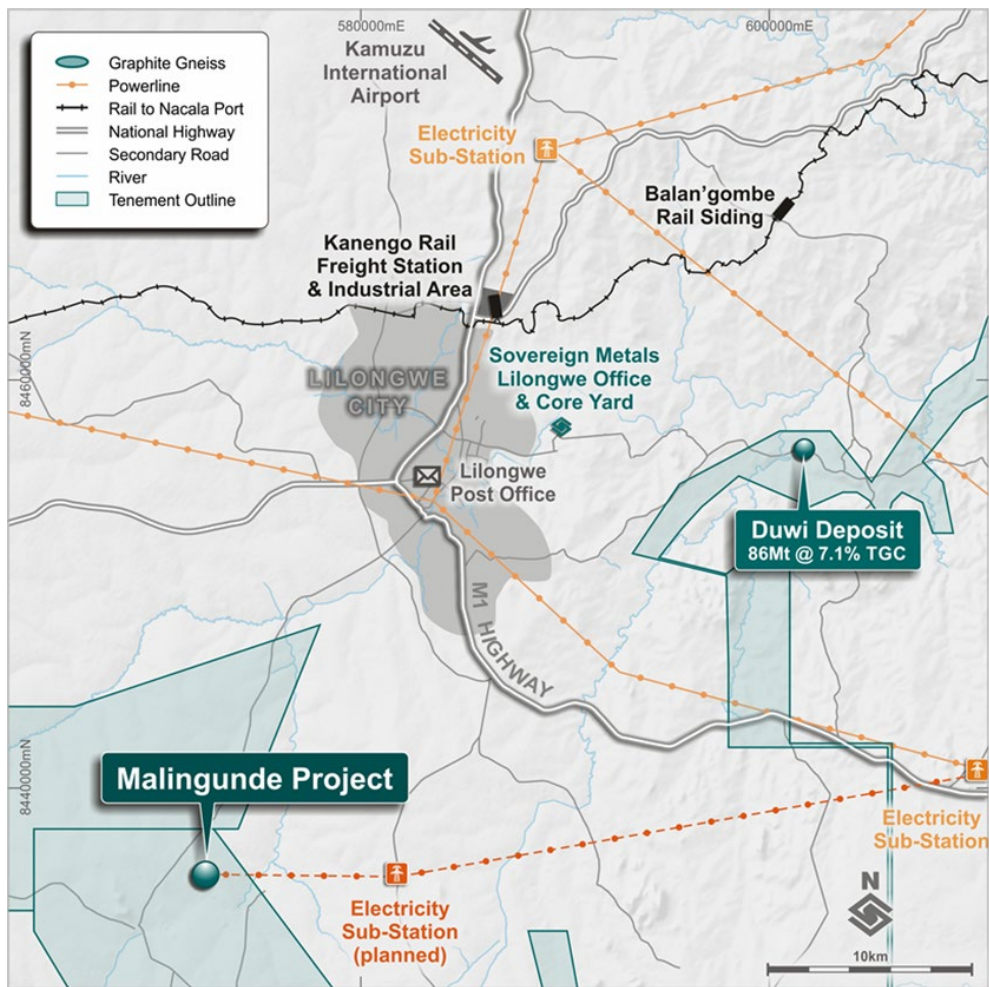


Figure 8.1 Map of Regional Infrastructure

9 HYDROLOGY, HYDROGEOLOGY AND TAILINGS STORAGE

The TSF for the Project was designed to safely contain the life of mine estimated tailings of 5.8 Mt. As per the outcome of sub-studies undertaken during the 2018 PFS the selected TSF option is unchanged as follows:

- A conventional slurry TSF was the most effective deposition method.
- TSF located to the northeast of the plant location was selected as the preferred site.
- Compacted earth walls and cyclone walls were options for the Project.
- In pit disposal should be evaluated during the next stage of study to suit the pit development mining schedule.

For the updated PFS costing, SLR Consulting (Africa) Pty Ltd (**SLR**) was requested to update design assumptions to align with the new Global Industry Standards on Tailings Management (**GISTM**). SLR provided a report documenting the design and cost implications of GISTM and updated the PFS level cost estimate to reflect the modified design and escalation to 2021. SLR completed a high-level Dam Break Assessment (DBA) and concluded that the TSF will likely be classified as a TSF with a “very high” consequence thereby requiring a more conservative engineering design than was originally included in the 2018 PFS.

Compared to the PFS design SLR recommends to only utilise downstream construction to increase the stability of the TSF. Also, the TSF starter wall (constructed from pit waste) will need to increase in height to ensure sufficient underflow during the life of the TSF and additional freeboard required by the GISTM. The increased initial starter wall height (from 4m to 8m) has resulted in the following variations compared to the 2018 PFS TSF starter wall assumptions:

- Larger starter wall footprint area.
- Larger requirement for pit waste for construction of the TSF starter wall.
- A requirement for borrow from the TSF basin to make up for the shortfall in pit waste material available at start up.
- Larger clearing and grubbing areas.
- Larger topsoil removal area.
- Larger box cut volume.
- Larger base compaction area.

Hydrology, hydrogeology and geochemical assessments are unchanged since the 2018 PFS. SLR undertook these assessments at a PFS level. The baseline hydrology assessment indicates that the majority of samples collected within the Project area are within the three standards identified for the project (MS drinking water specifications, WHO Guidelines and IFC Mining Effluent Guidelines water quality specifications).

The baseline work for the hydrogeological studies indicates an approximately uniform hydrogeological environment, with boreholes producing between 1-2 m³/h. However, two of the boreholes, have sustainable yields in excess of 5 m³/h. The numerical modelling work has shown that for the pits, the cone of drawdown is at a maximum extent at the end of mining period (16 years) and recovers rapidly thereafter. After year 16, the residual drawdown is below 1m, with an aerial extent which decreases with time, indicating full recovery.

The maximum plume extent from the downstream toe of the TSF is predicted to reach 1,053 m, at the end of year 100 with the geochemical testwork indicating that the TSF pool and seepage water is of

relatively good quality. This needs to be included in the hydrogeological model during the next phase of design, but indications are that effects on groundwater will be negligible (or within acceptable limits).

In terms of water balance, it is expected the project will require an additional ~20,000m³ per month during each nine-month dry season for the first two years of operation.

The geochemical testwork on tailings indicates highly weathered lithologies with low acid potential and low neutralising potential. The low acid potential (<0.3% S) shows that the materials are unlikely to be capable of sustained acid generation and this is confirmed by the NAG tests, which indicate a near-neutral pH even after intense oxidation of the samples. Organic analytes were generally below detection limit. Only the total carbon fraction C10-C16 was indicated above detection limit (17 mg/kg), which is indicative of the diesel added to the process. The soil screening value for industrial sites given by the Oklahoma Department of Environmental (2012) is 2500 mg/kg. The concentration in the waste value is therefore not expected to be a concern.

10 OPERATIONS

The assumptions made with regard to the operating strategy for the Project at start-up are:

- Contractor mining covering load and haul, ore rehandling, haul road development and maintenance, stockpile management and associated fleet maintenance.
- Contractor covering the transport and logistics management for the concentrate product from mine gate to Nacala Port.
- Owner mineral resource management with grade control and contractor drilling for any exploration.
- Owner operated processing facility including process maintenance.
- Owner site management including financial management, procurement and materials management, human resources, stakeholder engagement / community affairs, health and safety and environment.
- Outsourced services which will be managed by designated owner contract managers include:
 - Security including access control and perimeter patrols.
 - Operational catering and cleaning services.
 - Employee transport.
 - Resource, grade control, process and environmental sample analysis (Laboratory).
 - Fuel Supply and management.
 - Power supply from on-site generation.

11 HEALTH AND SAFETY

The principal legislation that regulates occupational health and safety in Malawi is the Occupational Safety, Health and Welfare Act, 1997. The Act regulates conditions of employment in workplaces with regard to safety, health and welfare of employees. The Act imposes duties on employers, persons in control of premises, manufacturers and suppliers.

It is the duty of every employer to ensure the safety, health and welfare at work of all employees.

The Act also places on employers a duty to provide information, instruction, training and supervision to ensure the safety and health at work of their employees. Every worker in a workplace is required to be adequately and suitably instructed and trained in the measures available for prevention and control and protection against health hazards at the workplace.

In addition to the Occupational Safety, Health and Welfare Act, following the demerger NGX will also adhere to the relevant provisions of:

- Employment Act, 2002 as amended in 2010
- Gender Equality Act, 2013
- Disability Act, 2012

The above legislation largely deals with the health and safety of employees. However, following the demerger NGX will also consider health and safety impacts on surrounding communities and put in place appropriate safeguards.

12 ENVIRONMENTAL & SOCIAL

The Project location in relation to the environmental and social setting is important and will inform project alternatives. These are important in evaluating project trade-offs and developing the appropriate management and mitigation measures to be implemented for the project. Consequently, they will also influence the feasibility of the Project in terms of cost related to environmental and social drivers.

The ESIA process in Malawi is undertaken in three distinct phases, namely the Project Brief, Environmental Scoping and ESIA Phases.

A Project Brief was submitted to the Environmental Affairs Department (**EAD**) on 12 June 2017 to initiate the ESIA process for the Project. The EAD indicated that, based on the nature and scale of the activities, an ESIA is required to be undertaken and an ESIA Report is to be submitted. The ESIA must be compliant with the Malawi Guidelines of Environmental Impact Assessment (1997).

Collection of environmental data and a number of baseline studies have been undertaken since April 2017 and were completed in December 2018. This included surface and groundwater sampling, aquatic biomonitoring, fish and mollusc sampling, air quality monitoring, terrestrial ecological surveys, wetland surveys, noise and vibration baseline surveys, soil sampling, socio-economic data collection and household surveys.

Information from initial surveys, baseline data collection and consultation as part of the environmental scoping phase were collated and documented in the form of an environmental scoping report (**ESR**). The draft ESR was made available from 5 March to 13 April 2018 for review and comments by stakeholders. Comments and queries were incorporated in the comments and response report, and the draft ESR was amended as needed. The revised ESR was submitted to the EAD for review and was approved on 20 June 2018.

The ESIA process will ultimately culminate in the compilation of an ESIA report that will be prepared in accordance with the requirements of the EIA Guidelines (1997). The detailed ESIA phase and all specialist studies are near completion.

Acquisition of land for the Project will physically and economically displace a number of households and land users. The Company will adequately and satisfactorily mitigate and offset these impacts, should the proposed project be implemented, by providing the affected parties with the necessary resettlement measures.

A resettlement action plan (**RAP**) for the Project is being prepared which will conform to both Malawian legislation and international best practice standards, specifically the IFC Performance Standards (2012) that deals with land acquisition and resettlement. At the current time the Company is unable to reliably estimate resettlement costs and has not included a provision in the estimated development costs.

An environmental and social management plan (**ESMP**) is being developed as part of the ESIA process. The ESMP will contain specific measures to minimise and manage potential environmental and social impacts of project activities, as well as monitoring programs to evaluate compliance with environmental targets and standards.

The ESMP will address project aspects such as land clearing, management of topsoil, protection of cultural heritage, management of waste materials, prevention of surface and groundwater contamination, management of storm water, management measures for dust and noise, rehabilitation and revegetation, and management of community impacts.

13 PRODUCT LOGISTICS

Malingunde is located approximately 20km southwest of Lilongwe, Malawi's capital, and boasts excellent access to services and infrastructure. The site is serviced by a bitumen road from the main M1 highway to within 10km where it becomes an all-weather gravel road.

The logistics strategy is unchanged and the basis and cost build-up for product export logistics comprises the following:

- Road transport of bagged product on flat-bed trucks from the mine site to the Kanengo rail head in Lilongwe.
- Packing bags into shipping containers at Kanengo and periodic loading onto lightweight rail wagons.
- Rail transport to Nacala port in Mozambique.
- Storage and loading onto seaborne container carriers.

The proposed route is shown in Figure 13.1. Rail freight cost estimates were provided by Central East African Railways (**CEAR**), the existing rail concessionaire and rail operator. The rail concession is operated as a joint venture between Mitsui & Co., Ltd, Vale SA and the Malawi and Mozambique Governments. CEAR have advised that there is available capacity to accommodate Malingunde concentrates. Export out of the port of Beira may become an increasingly viable logistics option given recent announcements of upgrades of the Sena rail line which connects Beira and the Tete province (Moatize Coal Mine).

The Company engaged Morgan Sterling Consultants who updated the original logistics study for the 2018 PFS to provide an update to the costs and validation of the original strategy for this update. The outcome of the review was no material change to the reported strategy in the 2018 PFS, other than an increase in transportation costs as disclosed in Section 14.2.

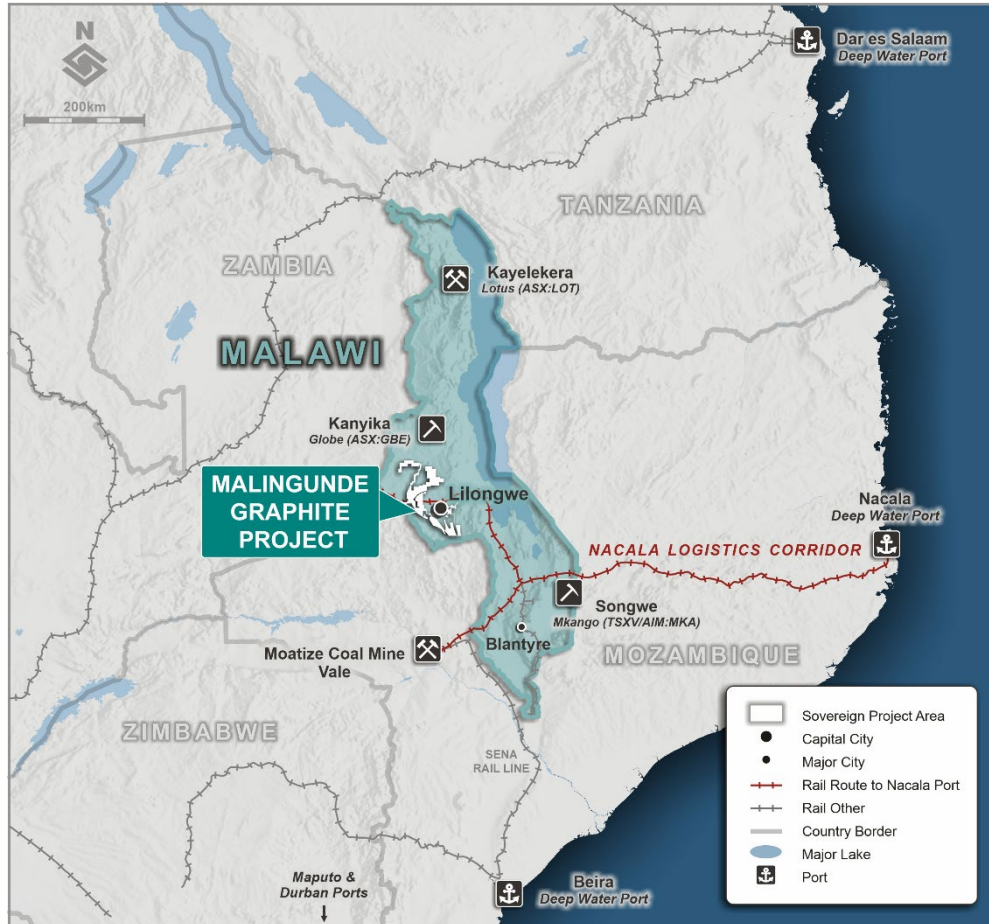


Figure 13.1 Nacala Rail Corridor

14 COST ESTIMATES

14.1 Capital Cost Estimates

As with the 2018 PFS, the base case that has been costed was described as the 600,000 t/y operation with TSF wall lifts using cyclone tailings.

For all areas of the project except for the TSF, engineered quantities, equipment and facility specifications and execution strategies are the same as per the 2018 PFS as no additional engineering has been completed. However, the labour and commodity rates (inclusive of installation) and equipment costs have been assessed and escalated to reflect a fourth quarter 2022 United States dollar (USD) estimate. As discussed in Section 9, the compliance with the new GISTM has resulted in a more conservative TSF design and resulted in increased cost in this area of the project.

The estimate has been divided into direct and indirect cost.

Processing and infrastructure capital costs are based on the cost of mechanical equipment provided primarily by Tier 1 and Tier 2 Chinese equipment vendors who have recently validated the costs originally provided in the 2018 PFS estimate.

Costs related to processing, processing infrastructure and associated costs were developed by DRA. Mining and TSF / Water Management costs were developed by Orelogy and SLR Consulting (SLR), respectively. Owners team costs were provided by SVM. The accuracy of the infrastructure capital costs is estimated to be +/-25%. Consideration due to increases in cost due to inflation have also been taken

into account. The total capital cost estimate has increased by approximately 38% compared to the 2018 PFS.

Table 14.1 Capital Cost Estimate Breakdown (Q4,2022)

Cost Category	Cost (US\$M) 600,000 t/y
<u>DIRECT COSTS</u>	
Processing	27.5
Site Preparation	2.4
Processing Infrastructure	2.8
Mining	2.4
Tailings & Water	13.8
TOTAL DIRECT COSTS	48.9
<u>INDIRECT COSTS</u>	
Indirect Costs	7.8
Owner's Costs	11.0
TOTAL INDIRECT COSTS	18.8
TOTAL COST ESTIMATE	67.7

Note: Rounding errors may be present in the table above

Sustaining capital amounts have been estimated for the Project as US\$32m. Majority of costs are associated with the TSF wall lifts, removal of overburden and capitalised waste mining as well as some plant equipment replacement (pumps only) and mobile equipment replacement.

14.2 Operating Cost Estimates

Graphite operations which process saprolite-hosted material have historically been the world's lowest cost producers of natural flake graphite concentrates. The Project estimates operating costs of approximately US\$393 per tonne concentrate free on board (**FOB**), or US\$318 at mine gate (**MG**), for its high-quality graphite concentrates at a production rate of 52,000 tonnes per annum over the life of mine. Additionally, estimated long term average costs move to just US\$341 FOB or US\$264 MG after year 7. The project is amongst the very lowest for unit operating costs amongst the current and future graphite development pipeline. The Project aims to produce at a reasonable scale that can easily be placed into existing traditional markets and the growing battery supply chain.

The extremely low operating cost is driven primarily by the saprolite advantage and low logistics costs compared to most East African peers. As the ore is hosted in soft saprolite, it offers a huge cost advantage for mining with its low strip ratios and free-dig nature. In terms of processing, no primary crush or grind is required, resulting in lower processing costs compared to hard-rock operations.

The proximity of the Project to Malawi's capital city Lilongwe offers significant infrastructure and other advantages. Access to an already established labour pool and other industrial services provides operating efficiencies. The largest advantages are the access to high voltage grid power after year 3, and the existing, operating rail/port logistics solution for product export.

Operating costs include all costs incurred by NGX (following the demerger) in mining and processing ore to produce graphite concentrate and to transport the graphite concentrate to point of delivery being Free on Board (FOB) port of Nacala. The operating costs begin to be incurred from the date of introduction of first ore into the processing plant. The operating costs include general expenses and on-site administration costs.

The estimate has generally been developed from first principles. Exceptions are the plant maintenance materials cost which is a factored estimate based on the plant direct capital cost and parts of the General & Administration (G&A) cost which are allowances based on experience from other projects.

All currency amounts quoted are in United States Dollars (US\$) unless nominated otherwise. The base date of the estimate is fourth quarter 2022. The accuracy of the operating cost estimate is estimated to be +25 -15%.

The operating strategy for the project considers three separate phases through the life-of-mine as the project matures (such as replacing contract mining with owner operation) and new infrastructure (most notably grid power) becomes available. The key assumptions for each phase are described below and the estimated annual cash operating costs for this base case is summarised in Table 14.2.

Phase 1. Years 1 - 3

Labour – Full complement of expatriate employees.

Mining – By mining contractor.

Power – Contractor power generation with heat recovery.

Phase 2. Years 4 - 7

Labour – Reduction in expatriate labour.

Mining – By mining contractor.

Power – Grid with owner operated diesel back up power.

Phase 3. Year 8 onwards

Labour – Reduced expatriate labour as for Years 4 – 7.

Mining – by owner.

Power – Grid with owner operated diesel back up power.

Table 14.2 Operating Cost Summary by Phase

	Description	Phase 1 Unit Cost US\$/t product	Phase 2 Unit Cost US\$/t product	Phase 3 Unit Cost US\$/t product
MINING	Mining contractor	57.18	57.18	23.82
PROCESS	Labour (incl G&A)	78.37	56.51	56.51
	ROM ore rehandle	3.67	3.67	3.67
	Power	142.92	35.16	35.16
	Reagents and consumables	33.78	50.64	50.64
	Maintenance materials	14.73	14.73	14.73
GENERAL & ADMIN.	Overall (excl Labour)	56.54	56.54	56.54
Concentrate Transport		76.68	76.68	76.68
TOTAL		463.87	351.11	317.75

15 PROJECT IMPLEMENTATION

The 2018 PFS generated a preliminary implementation schedule for the subsequent project phases, being the Definitive Feasibility Study (DFS), engineering design, construction and commissioning of the facilities, infrastructure and services for the Malingunde Graphite Project.

As the start dates for the commencement of the DFS are not defined, the milestones are presented as months from initiation of the DFS in Table 15.1.

SVM has recently completed an update on the 2018 PFS cost estimates to develop a representative study based on 2022/23 costing and revenue factors.

Table 15.1 Project Milestones

Item	Milestone	Month
1	DFS Phase Kick-Off	date not defined
2	Commence Early Engineering Phase	12
3	Final Investment Decision	15
4	EPC Contract Award	15
5	Commence Construction	20
6	Commence Production	35

From the commencement of the DFS, the project is estimated to take 35 months until first production.

16 MARKETING

The primary end-market for natural flake graphite is the refractory, foundries and crucible sectors which consumed approximately 77% (900,000 tonnes) of flake graphite production in 2020. The refractory industry is the volume driver for flake graphite, with foundries and crucibles offering smaller markets for higher purity graphite products. The major product flake graphite is consumed in its magnesia-carbon bricks, a mainstream, global refractory brick which is used in the steel industry.

The lithium-ion battery sector is the main emerging market for flake graphite. Greater capacity batteries, such as those required for electric vehicles, are expected to drive significant demand for graphite over the coming years. It is forecast the battery sector will become the largest segment by 2028.

China continues to be the world's leading producer of natural flake graphite, supplying approximately 62% of the market in 2020. Brazil, India, Canada, Mozambique, Madagascar and North Korea were major contributors of the remaining 38% of global production.

The supply-demand balance in the graphite market is forecast to remain in balance for an extended period. However, a significant supply deficit is anticipated by 2024 as demand is forecast to strengthen putting the market into deficit.

NGX will target a very simple mining and processing operation, selling reasonable volumes of very high-quality, dominantly coarse flake graphite products into existing markets.

NGX will focus on initial entry into existing primary end-markets, including the refractory, foundry and expandable graphite sectors. The Project's very low production costs are expected to allow NGX to compete on price point with China, the world's largest supplier of natural flake graphite.

Test-work on Malingunde flake graphite for suitability in lithium-ion battery and other high-tech applications is also being conducted. This will allow SVM to expand its market reach to capitalise on future growth in the lithium-ion battery demand.

SVM has engaged with a diverse range of potential off-takers across a number of industrial sectors and global locations. To date, concentrate samples have been provided to a significant number of potential partners for assessment. Larger quantities of sample are now being requested by a number of these groups in order to validate and qualify SVM's flake graphite concentrates for their particular requirements.

Industry participants confirm that the highest value graphite concentrates remain the large, jumbo and super-jumbo flake fractions, primarily used in industrial applications such as refractories, foundries and expandable products. These sectors currently make up the significant majority of total global natural flake graphite market by value.

SVM engaged Fastmarkets, a specialist international publisher and information provider for the global steel, non-ferrous and industrial minerals markets, to assess the marketability of Malingunde graphite product.

Fastmarket's PFS level assessment has confirmed that, based upon their high-level view on global demand and supply forecasts for natural flake graphite, and with reference to the specific attributes of the Malingunde Project, there is a reasonable expectation that the product will be able to be sold into existing and future graphite markets. Given the extremely low-cost profile and high-quality product, it is expected that output from Malingunde will be able to fill new demand or displace existing lower quality / higher cost supply.

The Company has taken a deliberately conservative view for its base-case PFS scenario on graphite pricing. Using these assumptions, the PFS shows high operating margins and significant cash generation.

Table 16.1 Graphite Basket Price

	µm	%	Discounted Fastmarket Pricing (US\$)	Contribution (US\$)
Super jumbo +32 mesh	+500	5%	\$2,955	\$158
Jumbo +48 mesh	+300	19%	\$2,391	\$448
Large +80 mesh	+180	26%	\$1,334	\$353
Medium +100 mesh	+150	9%	\$1,029	\$88
Small +200 mesh	+75	25%	\$818	\$206
Amorphous -200 mesh	-75	16%	\$277	\$44
Basket Price				\$1,296

The basket price used for the PFS was based on current pricing sourced from independent consultant, Fastmarkets. Prices are forecast to increase in the medium to long-term. The prices reported are in line with reported prices being received by other graphite producers with the prices discounted to incorporate market establishment and agent fees.

17 PROJECT ECONOMICS

The Company modelled numerous scenarios analysing the impact of several key inputs, including sales price, operating cost and capital cost, settling on a base case scenario using the following key parameters.

- Capital cost as set out in Section 14.1
- Operating cost as set out in Section 14.2
- Production assumptions as summarised in Sections 5, 6 and 7

- Life of Mine: 16 years
- Discount rate: 10%
- Tax rate: 30% (no RRT has been incorporated)
- Royalty rate: 5% royalty (Government) and 2% of gross profit (Original Project Vendor)
- Foreign exchanges (source: Oanda.com, 18 November 2022):
 - USD1 = AUD1.494
 - USD1 = MWK1018.16
 - USD1 = ZAR17.36
 - USD1 = CNY7.141
 - USD1 = EUR0.965
- Pricing: A flat basket price of US\$1,296 per tonne as discussed in Section 16

The financial model has been prepared internally by the Company using inputs from the various expert consultants and has been reviewed by an international accounting firm to validate the functionality and accuracy of the model.

The key metrics for the Project are shown below in Table 17.1.

Table 17.1 Key Project Metrics

<u>ECONOMIC</u>		
Development Capital	US\$M	48.9
Indirect Costs	US\$M	7.8
Owner's Costs (Inc. Contingency)	US\$M	11.0
Total Development Costs	US\$M	67.7
Sustaining Capital (over Life-of-mine)	US\$M	31.6
Mine Gate Opex (exc. Royalties)	US\$/t conc	317.8
Product Transport & Logistics	US\$/t conc.	77
Average LOM Opex (FOB Nacala)	US\$/t conc.	393
<u>PHYSICAL</u>		
Average Annual Plant Throughput	t/y	600,000
Average Annual Concentrate production	t/y	52,000
Average LOM Feed Grade	% TGC	9.5%
Average LOM Product Grade	% TGC	97.0%
Average LOM Plant Recovery	%	90%

<u>PHYSICAL</u>		
Life-of-Mine (LOM)	Years	16
Average LOM Strip Ratio	Waste : Ore	1.0
<u>FINANCIAL</u>		
NPV (10%) Pre-tax	US\$M	174
NPV (10%) Post-tax	US\$M	122
IRR Pre-tax	%	41
IRR Post-tax	%	33
Product basket Price applied	US\$/t conc.	1,296
Average Annual EBITDA LOM	US\$M	42
Average Annual Revenue (post ramp-up)	US\$M	64

17.1 Sensitivity Analysis

The Project economics presented were prepared at a $\pm 25\%$ level of accuracy to investigate the technical and economic parameters of a natural flake graphite operation at the Malingunde Project. The Company also modelled a number of different scenarios to evaluate the impact of key inputs to the Project's economics.

In the early stages of the Project, the major power source will be diesel generators prior to the availability of grid power. Changes in the diesel price have been modelled to analyse the impact it has on the operating costs of the project over its life. Based on the modelling a 10% increase in diesel price results in an increase in the operating costs of less than 2%.

The Company has applied a concentrate grade assumption of 97% TGC and an overall processing recovery of 90% for modelling production over the life of mine based on a conservative basket price. Large flake sizes and higher purity concentrates attract a premium price. If, at an operational level, a better flake distribution is able to be achieved margins maybe be improved.

Table 17.2 NPV Sensitivity based on discount rate

	Sensitivity			
	Weighted Average Cost of Capital (WACC)			
	6%	8%	Base (10%)	12%
NPV (US\$m) – post tax	202	157	122	95

A sensitivity analysis has been performed on the financial model to understand the impact of variations to estimates on the Project's economics. The purpose of this assessment is to indicate a possible range of project outcomes. The Table below shows the impact on the Project's NPV (10%) (post tax) for the variations to the following parameters:

- Sales price
- Operating Cost

- Capital Cost

Table 17.3 Project variables sensitivity analysis (NPV)

	<i>Sensitivity</i> NPV (10%) (US\$m) – post tax				
	-20%	-10%	Base	+10%	+20%
Price	66	94	122	149	177
Operating Cost	147	135	122	109	96
Capital Cost	135	128	122	115	108

Table 17.4 Project variables sensitivity analysis (IRR)

	<i>Sensitivity</i> Internal Rate of Return (IRR) – post tax				
	-20%	-10%	Base	+10%	+20%
Price	23%	28%	33%	37%	42%
Operating Cost	38%	35%	33%	30%	28%
Capital Cost	40%	36%	33%	30%	28%

18 CONCLUSIONS AND RECOMMENDATIONS

Malingunde Project's strong commercial potential, centred on very low operating and capital costs, with product revenues generated from a very high-quality product. The PFS validates Sovereign's strategy of exploring for soft, saprolite-hosted graphite mineralisation, with the aim of delivering:

- Very low operating costs.
- Low capital costs.
- Very simple mining & processing.
- Targeting entry to existing refractory, foundry and expandable graphite markets, with Li-ion battery markets as future upside.

The PFS shows that the Project is not reliant on an unrealistically large scale or overly optimistic basket pricing assumptions to be economically viable. The very low operating cost nature of the Project provides protection, and ensures profitability for the project, even in extreme downside global graphite pricing scenarios.

19 COMPETENT PERSONS STATEMENTS AND CONSENTS

19.1 Processing and Infrastructure Capital Costs

The information in this CPR that relates to Processing and Infrastructure Capital Costs are based on and fairly represent information compiled or reviewed by Mr Matthew Langridge, a Competent Person, who is a Fellow Member of The Australasian Institute of Mining and Metallurgy. Mr Langridge is a consultant employed by DRA Pacific Pty Ltd, an independent consulting company. Mr Langridge has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken. Mr Langridge, consents to the inclusion in the Announcement of the matters based on his information in the form and context in which it appears.

19.2 Operating Costs

The information in this CPR that relates to Operating Costs are based on and fairly represent information compiled or reviewed by Mr John Riordan, a Competent Person, who is a Fellow Member of The Australasian Institute of Mining and Metallurgy. Mr Riordan is employed by DRA Pacific Pty Ltd, an independent consulting company. Mr Riordan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken. Mr Riordan, consents to the inclusion in the Announcement of the matters based on his information in the form and context in which it appears.

19.3 Geology and Resource

The information in this CPR that relates to the Malingunde Geology and Resource are based on and fairly represent information compiled or reviewed by Mr David Williams, who is a Member of The Australian Institute of Geoscientists. 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'. Mr Williams, consents to the inclusion in the CPR of the matters based on his information in the form and context in which it appears.

19.4 Ore Reserves and Mining

The information in this CPR that relates to Production Targets and Ore Reserves is based on and fairly represent information provided by Mr Ryan Locke, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Locke is employed by Oreology Group Pty Ltd, an independent consulting company. Mr Locke 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'. Mr Locke consents to the inclusion in the CPR of the matters based on his information in the form and context in which it appears.

19.5 Metallurgy and Processing

The information in this CPR that relates to Metallurgy is based on, and fairly represents, information provided by Mr Oliver Peters, M.Sc., P.Eng., MBA, who is a Member of the Professional Engineers of Ontario (PEO), a 'Recognised Professional Organisation' (RPO) included in a list promulgated by the ASX from time to time. Mr Peters is the President of Metpro Management Inc and a consultant to SGS Canada Inc. ("SGS"). SGS is engaged as a consultant by Sovereign Metals Limited. Mr Peters 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 Reserves'. Mr Oliver consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

19.6 Consents

DRA has given and has not withdrawn, its written consent to consent for the CPR to be used in a notice of meeting and short form prospectus to support Sovereign seeking shareholder approval for the demerger of NGX, including publication on SVM's company website and to the inclusion of statements made by DRA and to the references to its CPR and its name in other documents pertaining to the demerger of NGX, in the form and context in which the report and those statements appear. DRA has authorised the contents of its report and context in which they are respectively included.

Table 19.1 Competent Person by section

Section	Name Of Competent Person	Signature	Company Name
CPR	John Riordan		DRA
Geology & Resource	David Williams		CSA Global
Ore Reserves	Ryan Locke	 <u>R Locke</u> R Locke (Jan 24, 2023 17:15 GMT+8)	Orelogy
Mining	Ryan Locke		
Metallurgy & Processing	Oliver Peters	 <u>Oliver Peters</u> Oliver Peters (Jan 24, 2023 17:45 EST)	Metpro Management
Cost Estimate - Capital	Matthew Langridge		DRA
Cost Estimate - Operating	John Riordan		DRA

20 DECLARATIONS

CPs are not, nor intend to be, directors, officers or employees of NGX, SVM and have no material interest, past or current, in any of the projects or NGX or SVM. The relationship with NGX and SVM is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

This report was prepared by DRA and accompanying CPs (qualifications set out in Section 19) in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition) and the "Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets" (VALMIN 2015). The report has also been prepared in accordance with ASIC Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts) .

DRA is not aware of any material change in any of the data used in this evaluation that would cause us to materially alter the estimates set forth herein.

21 REFERENCES

Minnovo Pty Ltd. (2018). *Malingunde Graphite Project Prefeasibility Study Report. S091-REP-PR-001 A*. Perth: Minnovo Pty Ltd.

22 GLOSSARY

Abbreviation	Description
°C	Degrees Celsius
µm	Micrometre or Micron
AC	Air-core
ALS	ALS Metallurgical Laboratory
amsl	Above Mean Sea Level
ARD	Acid Rock Drainage
AS	Australian Standard
ASX	Australian Stock Exchange
AUD	Australian Dollar
ave	Average
BCM	Bulk Cubic Meter
BOO	Build Own Operate
Capex	Capital Expenditure
CFR	Cost and Freight
CEAR	Central East African Railways
cm	Centimetre
CPR	Competent Persons Report
CSR	Corporate Social Responsibility
d	Day
D	Discharge
d/y	Days Per Year
DD	Diamond-core Drilling
DEM	Digital Elevation Model
DFS	Definitive Feasibility Study
DL	Detection Limit
dmt	Dry Metric Tonne
DRA	DRA Pacific
EAD	Environmental Affairs Department (of Malawi)
EAP	Employee Assistance Program
EBITDA	Earnings Before Interest, Taxes, Depreciation And Amortisation
EHS	Environment, Health, And Safety
EIA	Environmental Impact Assessment
EL	Exploration Licence
EMP	Environmental Management Plan

Abbreviation	Description
EPC	Engineering, Procurement, Construction
EPCM	Engineering, Procurement & Construction Management
ERP	Emergency Response Plan
ESIA	Environmental And Social Impact Assessment
ESR	Environmental Scoping Report
FEED	Front End Engineering And Design
FEL	Front End Loader
FOB	Free on Board
FS	Feasibility Study
G&A	General & Administration
GHG	Greenhouse Gas(es)
GISTM	Global Industry Standards on Tailings Management
h	Hour
H'	Diversity Index
h/d	Hours Per Day
h/y	Hours Per Year
HA	Hand Auger
ha	Hectare
HR	Human Resources
HRMP	Human Resources Management Plan
HSE	Health, Safety and Environment
HSEMS	Health Safety and Environmental Management System
HSMP	Health and Safety Management Plan
IBC	Intermediate Bulk Container
ICP-MS	Inductively Coupled Plasma Mass Spectrometer
ICP-OES	Inductively Coupled Plasma Optical Emission Spectrometry
IFC	International Finance Corporation
IRR	Internal Rate of Return
IT	Information Technology
JORC	Australasian Joint Ore Reserves Committee
JPY	Japanese Yen
k	Kilo or Thousand
kg	Kilogram
km	Kilometre
KPI	Key Performance Indicator
kt	Kilo Tonne (Thousand Metric Tonne)
kW	Kilowatt (Power)
kWh	Kilowatt Hour
L	Litre
LCT	Locked Cycle Testwork

Abbreviation	Description
LME	London Metals Exchange
LoM	Life of Mine
LSE	London Stock Exchange
m	Metre
M	Million
m ²	Square Metre
m ³	Cubic Metre
Ma	Mega annum (million years)
MG	Mine Gate
mm	Millimetre
MMINES	Ministry of Mining
MRA	Malawi Revenue Authority
MRE	Mineral Resource Estimate
mRL	Metre Reduced Level
Msal	Meters Above Sea Level
MSDS	Material Safety Data Sheet
Mt	Million Tonnes (Metric)
Mt/y	Million Tonnes Per Year
MW	Megawatt
N/A	Not Applicable
NA	Not Available
ND	Not Detected
NPI	Non Process Infrastructure
NPV	Net Present Value
OHS&E	Occupational Health, Safety & Environment
OK	Ordinary Kriging
PEA	Preliminary Economic Assessment
PFD	Process Flow Diagram
PFS	Pre-Feasibility Study
PPE	Personal Protective Equipment
QA/QC	Quality Assurance And Quality Control
RAP	Resettlement Action Plan
ROM	Run-Of-Mine
RRT	Resource Rent Tax
s	Second
SG	Specific Gravity
SGS	SGS Metallurgical Laboratory
SOP	Standard Operating Procedure
SVM	Sovereign Metals Limited
t	Tonne (Metric)

Abbreviation	Description
t/h	Tonnes Per Hour
t/m ³	Tonnes Per Cubic Metre
t/y	Tonnes Per Year
TBC	To Be Confirmed
TC	Total Carbon
TC	Treatment Charge
TDS	Total Dissolved Solids
TGC	Total Graphitic Carbon
TSF	Tailings Storage Facility
UOM	Unit of Measure
US\$	United States Dollar
USD	United States Dollar
V	Volt
VAT	Value Added Tax
VTEM	Versatile Time Domain Electromagnetic
w/v	Weight/Volume
w/w	Weight/Weight
WBG	World Bank Group
WHO	World Health Organization
XRD	X-Ray Diffraction
XRF	X-Ray Fluorescence

23 JORC CODE TABLE 1

SECTION 1 - SAMPLING TECHNIQUES AND DATA

Criteria	Explanation	Commentary
Sampling Techniques	<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>	<p>Hand Auger (HA), Air-core (AC) and Diamond core (DD) drilling form the basis of the Mineral Resource Estimate (MRE) and are described below:</p> <p>HA drilling was employed to obtain samples vertically from surface at nominal 1-metre depth intervals, with samples composited on geologically determined intervals. Composite samples were riffle split on site.</p> <p>A total of 1,053 HA holes (10,686 m) support the MRE.</p> <p>AC drilling was employed to obtain bulk drill cuttings at nominal 1-metre (downhole) intervals from surface. All 1-metre samples were collected in plastic bags directly beneath the drilling rig cyclone underflow. The entire 1-metre sample was manually split using either a 3-tier (87.5:12.5 split) or single tier (50:50 split) riffle splitter or a combination thereof to facilitate the mass reduction of a laboratory assay split. Compositing of the laboratory sample split was performed on a geological basis. Mineralised (>=3% v/v visual) laboratory splits of 1-metre intervals from surface to the top of the saprolite zone were not composited whereas mineralised splits of the underlying saprolite and saprock intervals were composited nominally at 2-metres. Unmineralised (<=3% v/v visual), laboratory splits of 4-metre intervals from top of hole to bottom of hole were composited.</p> <p>A total of 384 AC holes (11,595.8 m) support the MRE.</p> <p>DD drilling (angled and vertical) was designed to obtain representative large diameter (PQ3) core for geological, geotechnical and metallurgical testwork purposes. Subsequent to completion of all geological and geotechnical logging and sampling (whole core samples removed laboratory bulk density and strength testing) drill core was either manually hand split or sawn using a circular saw and sampled as ¼ PQ3 core. Upon completion of laboratory bulk density and strength testing of the whole core intervals the entire core was submitted to the laboratory. A total of 13 DD holes (487.75 m) support the MRE.</p> <p>Laboratory splits were submitted Intertek Perth for assay sample preparation. Total Graphitic Carbon (TGC) analysis of all assay pulps samples was undertaken by Intertek Perth.</p> <p>Metallurgy samples were collected from PQ drill-core and comprise whole, three-quarter and half core. Metallurgical samples were composited into a Master Composite which is approximately weighted on weathering types within the Ore Reserve model.</p>
	<i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i>	<p>Drilling and sampling activities were supervised by a suitably qualified Company geologist who was present at the drill rig at all times. All bulk 1-metre drill samples were geologically logged by the geologist at the drill site.</p> <p>All 1-metre downhole drill samples collected in plastic bags from directly beneath the cyclone underflow were individually weighed and moisture content was qualitatively logged prior to further splitting and sampling.</p> <p>All mass reduction (field and laboratory splitting) of samples were performed within Gy's Sampling Nomogram limits relevant to this style of mineralisation.</p> <p>Field duplicate splits were undertaken nominally every 20th sample to quantify sampling and analytical error. A program of field replicate splitting of selected (~5%) mineralised intervals was completed at the conclusion of the drill program.</p> <p>HA: The auger spiral and rods are cleaned between each metre of sampling to avoid contamination.</p> <p>AC: The sampling cyclone was routinely cleaned out between each drill hole. Sample recovery was quantitatively assessed throughout the duration of the drilling program. A program of field replicate splitting of selected (~5%) mineralised intervals was completed at the conclusion of the drill program to assess the sampling repeatability</p> <p>DD: core recovery was closely monitored during drilling particularly through the mineralised zones. Standard industry drilling mud mixtures were employed to improve core recovery especially through the softer upper clay rich pedolith and saprolith horizons.</p>

Criteria	Explanation	Commentary
	<p>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.</p>	<p>Flake graphite content is visually estimated as volume % (% v/v) of each 1-metre bulk drill samples during geological logging by Company geologist. A nominal lower cut-off of 5% TGC assay has been applied to define zones of 'mineralisation'.</p>
<p>Drilling Techniques</p>	<p>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.).</p>	<p>HA: drilling was performed manually by Sovereign employees using a conventional hand auger employing a combination of 62mm and 50mm diameter spiral auger flight and 1-metre long steel rods. Each 1m of drill advance is withdrawn and the contents of the auger flight removed. An additional 1-metre steel rod is attached and the open hole is re-entered to drill the next metre. This is repeated until the drill holes is terminated or reaches a maximum depth of 12m. The auger spiral and rods are cleaned between each metre of sampling to avoid contamination.</p> <p>AC: conventional blade bit aircore drilling was employed to obtain all drill cuttings from surface. Drilling was completed using a P900 truck mounted rig with and separate truck mounted air compressor. Drilling was completed using standard 3-inch or 4-inch diameter/3m length drill rods equipped with inner tubes. Drilling was performed with standard face discharge aircore blade bits. The nominal drill hole diameter for 3-inch and 4-inch holes is 85mm and 114mm respectively. The nominal inner tube inside diameter for 3-inch and 4-inch holes is 37mm and 45mm respectively. Drilling of all 3-inch holes employed a 2-stage compressor rated at 300CFM:200PSI run continuously on high stage. All 4-inch holes were drilled employing a 2-stage compressor rated at 900CFM:350PSI with high-stage generally run below about 15m downhole.</p> <p>DD: conventional wireline PQ triple tube (PQ₃) diamond drilling (DD) was employed to obtain all drill core. Drilling was undertaken with an Atlas Copco Christensen CT14 truck mounted drilling rig. The nominal core diameter is 83mm and the nominal hole diameter is 122mm. Coring was completed with appropriate diamond impregnated tungsten carbide drilling bits. Drill runs were completed employing either a 1.5m or 3.0m length PQ₃ core barrel. Core from all drilling runs was orientated using a Reflex ACTIII Electronic Orientation device. The orientation and marking of the bottom of hole (BOH) orientation line along the core was completed whilst the core was still within the drilling split. Core was transferred from the drilling split into PVC splits which were then wrapped with plastic layflat material, securely sealed and placed into core trays.</p>
<p>Drill Sample Recovery</p>	<p>Method of recording and assessing core and chip sample recoveries and results assessed.</p>	<p>HA: sample recovery was monitored visually during removal of the sample from the auger flights.</p> <p>AC: sample recovery was recorded for all holes. The 1-metre drill samples collected in plastic bags from directly beneath the cyclone underflow were individually weighed and moisture content (dry/damp/moist /wet/saturated) recorded prior to further splitting and sampling. The outside diameter of the drill bit cutting face was measured and recorded by the driller prior to the commencement of each drill hole. Each 1-metre sample interval was separately geologically logged using standard Company project specific logging codes. Logging of weathering and lithology along with drill hole diameter, recovered sample weight, moisture content and dry bulk density measurements of PQ diamond core allow the theoretical sample recovery to be assessed. Analysis of the calculated sample recoveries indicate an average recovery of greater than 75% for all mineralised (>=4% TGC) intervals.</p> <p>DD: drilling core recovery was recorded for each drill run by measuring the total length whilst still in the drilling splits prior to being transferred into core trays. Downhole depths were validated against core blocks and drill plods during each shift. Holes MGDD0001, MGDD0004 and MGDD0005 were re-drilled due to core loss within a number of mineralised zones. An overall core recovery of 92% was achieved for all sampled core.</p>

Criteria	Explanation	Commentary
	<p><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></p>	<p>HA: drill holes were terminated where they intersected the upper (perched) water table (approx.. 7-8m)</p> <p>AC: drill bit type (face discharge) used were appropriate for the type of formation to maximise amount of drill cutting recovered. Drill bits were replaced where excessive wearing of the tungsten cutting teeth had occurred. Adequate CFM/PSI of compressed air was used to maximise the drying of sample prior to recovering up the drill string. A number of the 2016 PQ diamond core holes were twinned by aircore holes to assess the representivity of AC drill samples. Where the ingress of water in deeper sections of holes resulted in wet samples (usually at the Saprolite/Saprock interface) the drill hole was terminated.</p> <p>DD: core recovery was closely monitored during drilling particularly through the mineralised zones. Standard industry drilling mud mixtures were employed to improve core recovery especially through the softer upper clay rich material of the Pedolith and Saprolith zones. Other measures such quantity of water, amount of rotation and drill bit types that are appropriate to soft formation drilling were considered and employed during drilling when required. At the completion of each drill run the steel splits containing the core were pumped out of the retrieved core tube. Core was then carefully transferred from the drill split into plastic sleeves (layflat) which were secured in rigid PVC splits. The layflat was securely bound and sealed (to preserve moisture) with tape prior to transferring PVC splits into plastic core trays.</p>
	<p><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></p>	<p>Twin hole comparison of aircore vs hand auger and diamond core drill hole visually estimated grades indicates that no sample bias exists. There does not appear to be any relationship between aircore sample recovery and TGC % v/v grade.</p>
Logging	<p><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></p>	<p>All drill holes were geologically logged by a suitably trained Company geologist using standard Company code system. Relevant data for each individual 1-metre sample for aircore or for each geological interval for diamond was initially recorded using a standard A4 paper template and later digitally entered into customised Company MS Excel spreadsheets designed with fully functional validation. Excel files are checked and loaded to MS Access by the Database Administrator. Upon loading into the Access database further validation is performed. In addition, all core is photographed wet and dry for future reference.</p> <p>This information is of a sufficient level of detail to support appropriate Mineral Resource estimation.</p>
	<p><i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.</i></p>	<p>Logging is both qualitative and quantitative. Geological logging includes but is not limited to lithological features, volumetric visual estimates of graphite content and flake characteristics.</p>
	<p><i>The total length and percentage of the relevant intersection logged</i></p>	<p>100% of drill hole sample intervals have been geologically logged.</p>
Sub-sampling	<p><i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></p>	<p>Quarter PQ3 DD core is manually split and/or cut using a motorised diamond blade core saw and sampled for laboratory analysis.</p>

Criteria	Explanation	Commentary
techniques and sample preparation	<i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i>	<p>HA: 1-metre samples are composited on geological intervals and then riffle split at 50:50 using a standard Jones riffle splitter. Wet samples are first air dried and then manually broken up prior to compositing or splitting.</p> <p>AC: The entire 1-metre sample was manually split using either a 3-tier (87.5:12.5 split) or single tier (50:50 split) riffle splitter or a combination thereof to facilitate the mass reduction of a laboratory assay split. Compositing of the laboratory sample split was performed on a geological basis. Mineralised (>=3% v/v visual) laboratory splits of 1-metre intervals from surface to the top of the saprolite zone were not composited whereas mineralised splits of the underlying saprolite and saprock intervals were composited nominally at 2-metres. Unmineralised (<3% v/v visual), laboratory splits of 4-metre intervals from top of hole to bottom of hole were composited.</p> <p>All wet samples were removed from the drill site without splitting and relocated to the Company's premises in Lilongwe. The wet samples were transferred into large metal trays and sun dried. Samples were subsequently hand pulverised and thoroughly homogenised prior to splitting 50:50 with a single tier riffle splitter. One of the off-splits was submitted to the laboratory for assay.</p> <p>All reject splits (i.e. the material not sent for assaying) of each individual 1-metre interval were returned to original sample bag, cable tied and placed in storage for future reference.</p>
	<i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i>	<p>HA samples: sample preparation is conducted at Intertek's laboratory in Johannesburg. Each entire sample is crushed to nominal 100% -3mm in a Boyd crusher then pulverised to 85% -75µm in a LM5. Approximately 100g pulp is collected and sent to Intertek Perth for TGC analysis.</p> <p>AC samples: sample preparation was conducted at either Intertek in Perth or Johannesburg. The entire submitted sample (= < ~3kg) is pulverised to 85% -75µm in a LM5. Approximately 100g pulp is collected and sent to Intertek-Genalysis Perth for chemical analysis.</p> <p>DD samples: all sample preparation was conducted at Intertek Perth. Each entire sample is crushed to nominal 100% -3mm in a Boyd crusher then pulverised to 85% -75µm in a LM5. The entire submitted sample (= < ~3kg) is pulverised to 85% -75µm in a LM5. Approximately 100g pulp is collected and sent to Intertek-Genalysis Perth for chemical analysis.</p>
	<i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i>	<p>All sampling was carefully supervised. Ticket books were used with pre-numbered tickets placed in the laboratory sample bag and double checked against the sample register. Subsequent to splitting an aluminium tag inscribed with hole id/sample interval was placed inside the bulk 1-metre sample bag.</p> <p>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 in 20.</p>
	<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>	<p>All mass reduction (field and laboratory splitting) of samples were performed within Gy's Sampling Nomogram limits relevant to this style of mineralisation. Field duplicate splits of HA/AC samples and quarter DD core were undertaken nominally every 20th sample to assess sampling errors. A program of field replicate splitting of selected (~10%) "mineralised" AC intervals was completed at the conclusion of the drill program. In addition, a number of air core holes were drilled to "twin" existing HA and DD holes, to assess the representivity of the AC drill samples. The results of these programs indicate there are no significant sampling errors.</p>
	<i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	<p>All mass reduction of aircore drill samples undertaken during field sampling and laboratory sample preparation were guided by standard sampling nomograms and fall within Gy's safety limits for the type of mineralisation sampled.</p>

Criteria	Explanation	Commentary
Quality of assay data and laboratory tests	<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i>	<p>HA, AC and DD assaying and laboratory procedures are considered to be appropriate for reporting graphite mineralisation, according to industry best practice.</p> <p>Each entire sample was pulverised to 85% -75µm. Approximately 100g pulp is collected for analysis at Intertek-Genalysis Perth.</p> <p>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.</p> <p>Metallurgy: Two Locked Cycle Tests (LCT) were conducted using the Scrubbed Master Composite. Each of the tests consisted of 6 cycles with the recycle tails from each cycle utilised in each subsequent cycle. The test used the conditions from optimisation program completed prior to the start of LCT. In the second LCT a marginal higher reagent dosage in the rougher circuit was trialled (120g/t vs 80g/t), all other conditions were the same. The LCTs involved the following:</p> <ul style="list-style-type: none"> - Polishing grind (20 min, pebble mill, 1/2" ceramic) - +65 mesh Polishing Grind (10 min, SMM, steel) - -65 mesh Polishing Grind (20 min, SMM, steel)
	<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 chemical 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 and 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 in 20.
Verification of sampling & assaying	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	Significant mineralisation intersections were verified by alternative company personnel. An independent resource consultant (Competent Person, Mineral Resources) conducted a site visit during December 2016 during the aircore drilling program. All drilling and sampling procedures were observed by the CP during the site visit. These procedures remained in use for the 2017 drilling program.
	<i>The use of twinned holes.</i>	Several of the 2016 PQ diamond core holes were twinned by aircore holes to assess sampling representivity.
	<i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i>	<p>All data is initially collected 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.</p> <p>Assay data is provided as .csv files from the laboratory and loaded into the project specific drill hole database. Spot checks are made against the laboratory certificates.</p>
	<i>Discuss any adjustment to assay data.</i>	No adjustments have been made to assay data.
Location of data points	<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>	<p>Collar points were set out using the Company's R2 Rover DGPS (accuracy 0.04m x/y), and upon completion of drilling all collars were picked-up again using the same survey tool. The accuracy of R2 Rover unit is quoted to be 0.04m x/y and 0.09m z.</p> <p>Down-hole surveying was undertaken on selected holes to determine drill hole deviation. Surveys were carried out using a Reflex Ez-Trak multi-shot survey tool at nominal 30m intervals down hole on selected holes was used to show that significant deviation does not occur over the relatively short length of the aircore holes. As such drill hole deviation is not considered material throughout the program.</p>
	<i>Specification of the grid system used.</i>	WGS84 (GRS80) UTM Zone 36 South

Criteria	Explanation	Commentary
	<i>Quality and adequacy of topographic control.</i>	<p>The Company's DGPS survey tool has sub 0.1m accuracy in the X, Y and Z planes. This is considered sufficiently accurate for the purposes of topographic control. In addition, the Company has installed several independently surveyed control pegs and undertakes QC surveys on these points before every survey program. Given the low topographic relief of the area it is believed that this represents high quality control.</p> <p>Previous checking of Hand Auger holes with the Shuttle Radar Topographic Mission (SRTM) 1-arc second digital elevation data has shown that the Leica GPS System produces consistently accurate results.</p>
Data spacing & distribution	<i>Data spacing for reporting of Exploration Results.</i>	Drill holes occur along east-west sections spaced at between 100-400m north-south between 8,434,400mN to 8,437,800mN. Spacing along drill lines generally ranges between 15m and 40m. Between sections 8,436850 and 8,437,150 drill lines are spaced at 50 m intervals with holes along section lines at 20 m spacing.
	<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>	The Company's independent resource consultants completed a Mineral Resource Estimate (MRE) for Malingunde in 2017 following the completion of the 2016 drilling program. The drill hole sample data sourced in 2017 has allowed an update to the MRE (this document).
	<i>Whether sample compositing has been applied.</i>	No sample compositing has occurred.
Orientation of data in relation to geological structure	<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 upgrading of results has been identified.
	<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 sampling upgrading of results has been identified. Flake graphite mineralisation is conformable with the main primary layering of the gneissic and schistose host lithologies. Drill hole inclination of -60 degrees are generally near orthogonal to the interpreted regional dip of the host units and dominant foliation.
Sample security	<i>The measures taken to ensure sample security</i>	Samples are securely stored at the Company's compound in Lilongwe. Chain of custody is maintained from time of sampling in the field until sample is dispatched to the laboratory.
Audits or reviews	<i>The results of any audits or reviews of sampling techniques and data</i>	<p>The Competent Person (Mineral Resources) reviewed sampling techniques and data during the December 2016 site visit. The field crew were following company sampling procedures and the CP did not note any issues of significance during the inspection.</p> <p>It is considered by the Company that industry best practice methods have been employed at all stages of the exploration.</p>

SECTION 2 - REPORTING OF EXPLORATION RESULTS

Criteria	Explanation	Commentary
Mineral tenement & land tenure status	<i>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.</i>	The Malingunde Project was previously situated on EL0372 and is now subject to a Mining License application AML0088 which is currently pending.
	<i>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.</i>	The tenements are in good standing and no known impediments to exploration or mining exist.

Criteria	Explanation	Commentary
Exploration done by other parties	<i>Acknowledgement and appraisal of exploration by other parties.</i>	No other parties were involved in exploration.
Geology	<i>Deposit type, geological setting and style of mineralisation</i>	<p>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 tropical weathering profile is preserved, resulting in significant vertical thicknesses from near surface of saprolite-hosted graphite mineralisation.</p> <p>Malingunde occurs in a topographically flat area west of Malawi's capital known as the Lilongwe Plain and a deep tropical weathering profile is preserved. A typical profile from top to base is generally soil ("SOIL" 0-1m) ferruginous pedolith ("FERP", 1-4m), mottled zone ("MOTT", 4-7m), pallid saprolite ("PSAP", 7-9m), saprolite ("SAPL", 9-25m), saprock ("SAPR", 25-35m) and fresh rock ("FRESH" >35m).</p>
Drill hole information	<i>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</i>	No new exploration results are included in this release.
	<i>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</i>	All drill holes within the resource area have previously been reported in releases to the ASX providing collar easting, northing, elevation, dip, azimuth, length of hole, and mineralised intercepts as encountered. All drill holes were used to prepare the MRE.
Data aggregation methods	<i>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.</i>	No new exploration results are included in this release. All drill holes within the resource area have previously been reported.
	<i>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.</i>	No new exploration results are included in this release. All drill holes within the resource area have previously been reported.
	<i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	No metal equivalent values are used in this report.
Relationship between mineralisation widths & intercept lengths	<i>These relationships are particularly important in the reporting of Exploration Results.</i>	Interpretation of mineralised zones in aircore holes supported by DD (2016) orientated core measurements indicate that mineralised zones are shallow-moderate north-east dipping.
	<i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i>	Flake graphite mineralisation is conformable with the main primary layering of the gneissic and schistose host lithologies. Drill hole inclination of -60 degrees are generally near orthogonal to the regional dip of the host units and dominant foliation and hence specific drill hole intercepts for -60 degree holes may only approximate true width. The averaged strike of mineralised zones is approximately 160° grid whereas all -60 inclined aircore holes were orientated at grid east.

Criteria	Explanation	Commentary
	<i>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'.</i>	Refer to the statement above.
Diagrams	<i>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.</i>	Refer to figures in the body of this report.
Balanced reporting	<i>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.</i>	Exploration results are not reported here. All drill hole sample data were used to support the Mineral Resource estimate.
Other substantive exploration data	<i>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.</i>	No additional meaningful and material exploration data has been excluded from this report that has not previously been reported to the ASX.
Further work	<i>The nature and scale of planned further work (e.g. test for lateral extensions or depth extensions or large-scale step-out drilling).</i>	The next phase of exploration is to complete aircore drilling on regional saprolite targets identified through hand auger drilling.
	<i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i>	Refer to diagrams in the body of this report.

SECTION 3 - ESTIMATION AND REPORTING OF MINERAL RESOURCES

Criteria	Explanation	Commentary
Database integrity	<i>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</i>	Data used in the Mineral Resource estimate is sourced from an MS Access database. The database is maintained by Sovereign. Relevant tables from the database were exported to csv format, and then imported into Datamine Studio RM software for use in the Mineral Resource estimate.
	<i>Data validation procedures used.</i>	Validation of the data import include checks for overlapping intervals, missing survey data, missing assay data, missing lithological data, and missing collars.
Site visits	<i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i>	The Competent Person (Mineral Resources) visited the project in December 2016. The aircore drilling rig was in operation and the Competent Person reviewed drilling and sampling procedures. Planned drill sites were examined and assessed with respect to strike and dip of the interpreted geological model. Sample storage facilities were inspected.

Criteria	Explanation	Commentary
		Discussions were held with the Sovereign geological staff regarding all drilling and sampling procedures and outcomes. Selected diamond drill core was inspected, with all weathering types pertinent to the Mineral Resource reviewed. There were no negative outcomes from any of the above inspections, and all samples and geological data were deemed fit for use in the Mineral Resource estimate.
	<i>If no site visits have been undertaken indicate why this is the case.</i>	Not applicable, site visit was undertaken.
Geological interpretation	<i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i>	There is a high level of confidence in the geological interpretation in the Measured Mineral Resource volumes, based upon lithological logging of diamond drill core, aircore chip samples and hand auger samples. Multi-spectral satellite imagery and airborne geophysical data provided guidance for the initial geological interpretation of the strike continuity of the deposit. Drill hole intercept logging and assay results (aircore, hand auger and diamond core), structural interpretations from drill core and geological logs of aircore and hand auger drill data have formed the basis for the geological interpretation.
	<i>Nature of the data used and of any assumptions made.</i>	Assumptions were made on depth and strike extension of the gneiss, using drill hole assays as anchor points at depth and at intervals along strike. Geological mapping also supports the geological model. Seven weathering domains were modelled and support the grade interpolation and Mineral Resource classification.
	<i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i>	No alternative interpretations were considered because the geophysical models and diamond core support the current interpretation.
	<i>The use of geology in guiding and controlling Mineral Resource estimation.</i>	Graphitic Graphite mineralisation is hosted within a graphitic gneiss, which is mapped along its strike length within the project area and within the license area. Grade (total graphitic carbon, TGC%) is assumed to be likewise continuous with the host rock unit. Mineralised waste and non-mineralised waste zones were modelled within the graphitic gneiss.
	<i>The factors affecting continuity both of grade and geology.</i>	The graphitic gneiss is open along strike and down dip. The interpretation of the mineralisation domains is based upon a pre-determined lower cut-off grade for TGC, which is equivalent to the graphitic gneiss domain boundary. A variation to the cut-off grade will affect the volume and average grade of the domains, however there are no geological reasons identified to date to support higher grade TGC domains within the graphitic gneiss.
Dimensions	<i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i>	The Malingunde Deposit comprises 4,500 m strike length of shallowly north-east dipping, north-west striking graphitic gneisses. The mineralised package has up to six separate sub-parallel zones of graphite gneiss with cumulative across strike widths averaging 120 m and locally exceeding 200 m. The Msinja Deposit has a strike length of approximately 1.0 km with about five parallel zones of mineralisation. Across strike cumulative widths range between 40 and 100 m. The depth extent of the MRE is approximately 50 m although the mineralisation is believed to extend considerably deeper, but is not considered as an exploration target at this stage.
Estimation and modelling techniques	<i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i>	Datamine Studio RM software was used for all geological modelling, block modelling, grade interpolation, Mineral Resource classification and reporting. GeoAccess Professional and Snowden Supervisor (V8.7) were used for geostatistical analyses. All samples were composited to 2 m intervals. All drill hole assay data (diamond, aircore and hand auger) were utilised in the grade interpolation. A block model with parent cell sizes 10 m (E) x 25 m (N) x 5 m (RL) was constructed for Malingunde, compared to typical drill spacing of 20 m (E) x 50 m (N) within the Measured volumes.

Criteria	Explanation	Commentary
	<i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i>	Inverse distance squared (IDS) estimation was run as a check estimate of the ordinary kriging (OK) grade estimation. No depletion of the Mineral Resource due to mining activity was required due to no mining having occurred historically. The Malingunde MRE was previously reported in 2017 and the current MRE has not presented an adjustment of any significance to tonnes or grade, but has improved the confidence levels as demonstrated in the classification of the MRE.
	<i>The assumptions made regarding recovery of by-products.</i>	No by-products were modelled.
	<i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</i>	No estimation of deleterious elements or non-grade variables of economic significance were modelled.
	<i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i>	Grade estimation was by ordinary kriging (OK) with inverse distance squared (IDS) estimation run as a check estimate. A minimum of 12 and maximum of 28 composited samples were used in any one block estimate for all domains. A maximum of 6 composited samples per drill hole were used in any one block estimate. Cell discretisation of 3 x 3 x 3 was used. No hard estimation domain boundaries at weathering domain interfaces were used, although each mineralisation domain was a separate domain for grade interpolation.
	<i>Any assumptions behind modelling of selective mining units.</i>	No selective mining units were assumed in this model.
	<i>Any assumptions about correlation between variables.</i>	TGC grade was the only variable estimated.
	<i>Description of how the geological interpretation was used to control the resource estimates.</i>	Drill hole intercept logging and assay results (aircore, hand auger and diamond core), structural interpretations from drill core and geological logs of aircore and hand auger drill data have formed the basis for the geological interpretation. The drilling mostly targeted the SAPL and SAPR weathering horizons, with limited sampling below the upper level of the fresh rock (FRESH) domain. The MRE block model consists of 6 zones of TGC mineralisation in the Malingunde deposit, and 5 in the Msinja deposit. Mineralisation domains were encapsulated by means of 3D wireframed envelopes based upon a lower cut-off grade of 4% TGC. Weathering domains were interpreted based upon geological logs of drill samples.
	<i>Discussion of basis for using or not using grade cutting or capping.</i>	Top cutting of composited sample assays was applied to constrain extreme grade values when warranted. Top cuts were determined by reviewing histograms and log probability plots of domained assays, and iterative calculations of mean domain TGC grades, testing a range of top cuts. All top cuts were applied to data in the 99th percentile of data.
	<i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i>	The grade model was validated by 1) creating slices of the model and comparing to drill hole samples on the same slice; 2) swath plots comparing average block grades with average sample grades on nominated easting, northing and RL slices; 3) mean grades per domain for estimated blocks and flagged drill hole samples; and 4) cross sections with block model and drill hole data colour coded in like manner. No reconciliation data exists to test the model. The estimated tonnes and grade compare favourably with the previous MR model.
Moisture	<i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i>	Tonnages are estimated on a dry basis.
Cut-off parameters	<i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i>	Visual analysis of the drill analytical results demonstrated that the lower cut-off interpretation of 4% TGC corresponds to a natural break in the grade population distribution. The lower cut-off of 4% TGC is approximately equivalent to the graphitic gneiss domain boundary, from logging of diamond drill core, aircore and hand auger chips.

Criteria	Explanation	Commentary
Mining factors or assumptions	<i>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i>	<p>It is assumed the deposit, if mined, will be developed using open pit mining methods. No assumptions have been made to date regarding minimum mining widths or dilution.</p> <p>The largest mineralisation domains in plan view have an apparent width of up to 250 m which may result in less selective mining methods, as opposed to (for example) mining equipment that would need to be used to mine narrow veins in a gold mine.</p> <p>The insitu rock mass within the saprolite weathering zones are relatively friable and present an attractive mining scenario where drill and blast is generally not required for excavation of ore.</p>
Metallurgical factors or assumptions	<i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i>	<p>Sovereign announced metallurgical results to the ASX on a number of occasions during 2016 and 2017, relating to flake size distribution and purity of graphite concentrate. Metallurgical testwork is ongoing as part of the Prefeasibility Study.</p> <p>Metallurgical data previously reported in 2017, plus new data generated in 2018, support the Mineral Resource classification. The flotation testwork on auger and diamond drill core samples demonstrated that approximately 50-80% of the liberated flakes are larger than 150 µm (100 mesh), and that final overall concentrate grades are in the range of approximately 97-99% Carbon for all weathering domains. The conventional flotation process produced flake graphite concentrates of acceptable quality, potentially for markets such as spherical graphite, expandable graphite, graphite foil, brake lining pads, lubrication and refractories. Performance tests verified that Malingunde graphite concentrates should meet or exceed the specifications for expandable graphite. The available process testwork in conjunction with drill sample observations from the remainder of the deposit supports the classification of the Malingunde deposit as an Industrial Mineral Resource in terms of the JORC Code Clause 49.</p> <p>The Competent Person recommends continued variability flotation testing to verify product quality across the deposit.</p>
Environmental factors or assumptions	<i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i>	<p>A large portion of the Mineral Resource is confined to the saprolitic weathering domains, and any sulphide minerals have been oxidised in the geological past. Therefore acid mine-drainage is not anticipated to be a significant risk when mining from the oxidised domain. Acid-mine drainage would be considered if mining of the fresh-rock domain was to be undertaken in the future.</p> <p>No major water courses run through the resource area, although a fresh water dam is located at the southern end of the Malingunde deposit, with the deposit believed to have strike continuity below the dam and extends to the Msinja deposit to the south-east. No Mineral Resources are reported within the dam limits.</p> <p>The Malingunde and Msinja deposits are located within a farming area and has villages located along the strike of the deposit. Sovereign holds regular discussions with local landholders and community groups to keep them well informed of the status and future planned directions of the project.</p> <p>Malingunde is in a sub-equatorial region of Malawi and is subject to heavy seasonal rainfall, with rapid growth of vegetation in season.</p>
Bulk density	<i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i>	Density was calculated from 213 billets of core taken from across the deposit, with density measured using wax coated immersion method performed by Intertek Perth. Density data was loaded into a Datamine drill hole file, which was flagged against weathering horizons and mineralisation domains.
	<i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vughs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.</i>	All bulk density determinations were completed by the waxed immersion method.

Criteria	Explanation	Commentary
	<i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i>	An average density value of 1.7 t/m ³ was determined for the soil domain, 1.8 t/m ³ for the ferruginous pedolith (FERP) domain, 1.8 t/m ³ for the mottled zone (MOTT) domain, 2.0 t/m ³ for the pallid saprolite (PSAP) domain, 2.0 t/m ³ for the saprolite (SAPL) domain, and 2.2 t/m ³ or 2.3 t/m ³ for the saprock (SAPR) rock profile, dependent upon the depth of the profile. A value of 2.4 t/m ³ was assigned to the upper 10 m of the fresh rock profile, which is reported as an Inferred Mineral Resource. A small data population did not allow for discernible differences in density between the waste and mineralisation zones to be determined.
Classification	<i>The basis for the classification of the Mineral Resources into varying confidence categories.</i>	<p>Classification of the Mineral Resource estimates was carried out taking into account the geological understanding of the deposit, quality of the samples, density data and drill hole spacing, supported by metallurgical test results that indicate general product marketability.</p> <p>The Mineral Resource is classified as a combination of Measured, Indicated and Inferred, with geological evidence sufficient to confirm geological and grade continuity in the Measured volumes.</p> <p>The Malingunde MRE is classified as Measured where drill spacing of 50 m (N) by 20 m (E) supports the geological interpretation and grade interpolation. Eight DD holes were drilled within the Measured footprint and provided detailed geological information as well as samples for metallurgical testwork. Drill spacing of 100 m (N) by 20 m (E) supports the Indicated classification, whilst drill spacing of 200 m (N) by 20 m (E) to 200 m (N) by 50 m (E) supports the Inferred classification.</p> <p>Drill spacing at Msinja supporting the Inferred classification ranges from 100 m (N) by 20 m (E) to 200 m (N) by 20 m (E).</p>
	<i>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i>	All available data was assessed and the competent person's relative confidence in the data was used to assist in the classification of the Mineral Resource.
	<i>Whether the result appropriately reflects the Competent Person's view of the deposit</i>	The current classification assignment appropriately reflects the Competent Person's view of the deposit.
Audits or reviews	<i>The results of any audits or reviews of Mineral Resource estimates.</i>	No audits or reviews of the current Mineral Resource estimate have been undertaken, apart from internal reviews carried out by CSA Global and Sovereign.
Discussion of relative accuracy/ confidence	<i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i>	<p>An inverse distance estimation algorithm was used in parallel with the ordinary kriged interpolation, with results very similar.</p> <p>No other estimation method or geostatistical analysis has been performed.</p> <p>Relevant tonnages and grade above nominated cut-off grades for TGC are provided in the introduction and body of this report. Tonnages were calculated by filtering all blocks above the cut-off grade and sub-setting the resultant data into bins by mineralisation domain. The volumes of all the collated blocks were multiplied by the dry density value to derive the tonnages. The graphite metal values (g) for each block were calculated by multiplying the TGC grades (%) by the block tonnage. The total sum of all metal for the deposit for the filtered blocks was divided by 100 to derive the reportable tonnages of graphite metal.</p>
	<i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i>	The Mineral Resource is a local estimate, whereby the drill hole data was geologically dominated above nominated TGC cut-off grades, resulting in fewer drill hole samples to interpolate the block model than the complete drill hole dataset, which would comprise a global estimate.
	<i>These statements of relative accuracy and confidence of the estimate should be</i>	No mining has taken place to date therefore no production data is available to reconcile model results.

Criteria	Explanation	Commentary
	<i>compared with production data, where available.</i>	

SECTION 4 – ESTIMATION AND REPORTING OF ORE RESERVES

Criteria	Explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	<p><i>Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.</i></p> <p><i>Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.</i></p>	<p>The Minerals Resource Estimate (“MRE”) declared on 12th June 2018 underpins the Ore Reserve. The Company engaged independent geological and mining consultants CSA Global Pty Ltd (“CSA”) to complete the MRE for the Malingunde deposit. The principal resource geologist Mr David Williams is highly experienced with more than 25 years in resource estimation and mine geology. David Williams is a Competent Person for the purposes of the MRE as defined and in accordance with the JORC Code 2012.</p> <p>The MRE as reported in this document is inclusive of the Ore Reserve declared in this document. The Ore Reserve does not include Inferred Mineral Resources.</p>
Site visits	<i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i>	<p>Site visits have been carried out by the following personnel:</p> <ul style="list-style-type: none"> • Dr Julian Stephens, the Competent Person for Exploration Results and Managing Director of Sovereign Metals Ltd has conducted multiple site visits since the discovery of the Malingunde deposit; • Mr David Williams, the Competent Person for the JORC Resource Estimate, and a representative of CSA Global has conducted one site visit; and • Mr Ryan Locke, the Competent Person for the JORC Reserve estimate and a representative of Orelogy Pty Ltd has conducted one site visit.
Study status	<p><i>The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.</i></p> <p><i>The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.</i></p>	<p>The technical and financial information in this release are at PFS-level enabling the declaration of Ore Reserves. The studies carried out have determined a mine plan that is technically achievable and economically viable with all material Modifying Factors having been considered.</p> <p>The Ore Reserve was underpinned by a mine plan detailing mining locations, ore and waste quantities; mill feed quantities and mill head grades. Scheduling was undertaken in monthly and quarterly periods.</p> <p>Mine planning activities included an updated pit optimisation, mine design, scheduling, mining cost estimation and financial analysis in order to confirm the ability to economically mine the Malingunde Ore Reserve.</p> <p>Modifying factors considered during the mine planning process included pit slope design criteria, mining costs, mining dilution and ore loss, processing recoveries, processing costs, selling costs, general and administration costs and product price.</p>
Cut-off parameters	<i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i>	<p>A cut-off of 4% Total Graphitic Carbon (TGC) was applied to the global JORC resource.</p> <p>Ore Reserve cut-off grades were determined as follows:</p> <ul style="list-style-type: none"> • The break-even cut-off grade (i.e. material is treated as ore if the net revenue exceeds the total cost of processing) was determined based on the economic inputs. The break-even cut-off grade was calculated to be 2.1% TGC. • In order to reduce the global operating costs on a per tonne of concentrate basis, an elevated cut-off grade was assessed during the optimisation phase where multiple cut-off grades sensitivities were applied. • The final TGC cut-off grades applied to determine the Ore Reserve estimate are: <ul style="list-style-type: none"> - 6.75% TGC to the saprolite material, - 9.5% TGC to the Saprock material located in the northern zone, and 11.0% TGC to the Southern Saprock material. (Saprock material incurred a higher cut-off grade over the saprolite material to reduce the proportion of Saprock material within the processing stream. The Southern proportion of the Saprock material incurred a higher COG than the Northern zone to ensure the processing blend could be achieved in the later years of the mine life) <p>Material mined above the 4% TGC break-even cut-off grade and below the Ore Reserve cut-off grade defined above is planned to be stockpiled for potential future processing. However, this material does not contribute to the Ore Reserve or project value estimation.</p>

Criteria	Explanation	Commentary												
<p>Mining factors or assumptions</p>	<p><i>The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).</i></p> <p><i>The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.</i></p> <p><i>The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc.), grade control and pre-production drilling.</i></p> <p><i>The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).</i></p> <p><i>The mining dilution factors used.</i></p> <p><i>The mining recovery factors used.</i></p> <p><i>Any minimum mining widths used.</i></p> <p><i>The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.</i></p> <p><i>The infrastructure requirements of the selected mining methods.</i></p>	<p>The Company engaged independent consultants Orelogy Mining Consultants Pty Ltd to carry out the pit optimisations, mine design, scheduling, mining cost estimation and Ore Reserve generation for the Malingunde PFS.</p> <p>The proposed mining method is a conventional truck and shovel mining operation. Free dig mining is considered appropriate for this style of shallow, saprolite-hosted graphite mineralisation. This methodology is used throughout the region for open pit mining operations and is a robust, easily implementable approach. No alternative mining methods were considered in this study.</p> <p>Zero dilution factor was assumed and is warranted because the majority of the high-grade production target mineralisation is bounded by lower grade mineralisation, and, the free digging, non-blocky nature of the material would result in no displacement by blasting. An allowance of 2% ore loss was applied to account for mining inaccuracies.</p> <p>A contract mining strategy was selected for the initial eight years to mitigate project risk, although operational management will be retained by Sovereign personnel. An owner-operator model is adopted from Year 9 onwards.</p> <p>The deposit is planned to be mined on 2.5m high benches to maximise mining selectivity and therefore minimise dilution.</p> <p>A minimum mining width of 20m was used for all pit designs.</p> <p>Mine designs have been undertaken using the geotechnical recommendation provided by Peter O'Bryan and Associates (POBA), the independent geotechnical consultant appointed by Sovereign Metals Ltd to undertake the geotechnical assessment. POBA provided specific berm, batter and inter-ramp angle design criteria for the deposit. The risk around any geotechnical uncertainty is mitigated by:</p> <ul style="list-style-type: none"> • The pits are relatively shallow, being a maximum of ~30m below surface. • Sensitivity to slope angles was assessed during the optimisation phase and showed the deposit discounted value was insensitive (less than -4%) to changes in slope parameters. • The nature of the deposit and the small scale and low strip ratio of the mining stages will enable access to other areas of the deposit in the event a mining area is inaccessible. <p>The mine schedule is based on achievable production rates for the specified size of mining fleet with only a single shift per day required.</p> <p>No inferred mineral resources have been used in the determination of the Malingunde Ore Reserve.</p> <p>The proposed mining method requires conventional mining infrastructure including but not limited to mining equipment workshop, fuel & oil storage facilities, wash bay, offices, lunch and ablution facilities and a first aid room. These are to be supplied by the mining contractor. Sovereign Metals have defined a mining infrastructure area and will supply water and power to this location.</p> <p>As there is no anticipated requirement for blasting, no infrastructure is required for explosives storage.</p>												
<p>Metallurgical factors or assumptions</p>	<p><i>The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.</i></p> <p><i>Whether the metallurgical process is well-tested technology or novel in nature.</i></p> <p><i>The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.</i></p> <p><i>Any assumptions or allowances made for deleterious elements.</i></p> <p><i>The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole</i></p> <p><i>For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet specifications?</i></p>	<p>The Company engaged graphite-industry veteran metallurgist Oliver Peters, MSc, P.Eng., MBA (Consulting Metallurgist for SGS and Principal Metallurgist of Metro Management Inc.) to complete initial variability comminution and flotation bench-scale test-work on mineralised sample material from Malingunde. This was followed by completion of a number of locked-cycle tests (LCTs) which were used as the basis for the processing design in the PFS. Mr Peters has over 25 years' experience in metallurgy on graphite and other commodities. He has operated numerous graphite pilot plants and commissioned a number of full-scale processing facilities. Mr Peters has developed the process flowsheet employed for the PFS.</p> <p>The flowsheet involves washing and disaggregation by high-energy scrubber with steel media, followed by rougher flotation, polishing grind and final attritioning and cleaner flotation stages.</p> <p>Processing engineering was completed by DRA (recently acquired by DRA Global) who developed the process plant design and associated cost estimate for the PFS.</p> <p>Overall average flotation recovery of 90% has been used. Overall concentrate grades average 97% C(t). These figures were derived from averaging 2 recent, optimised and representative LCTs.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Particle size</th> <th>C (%)</th> <th>Distribution (wt. %)</th> </tr> </thead> <tbody> <tr> <td><i>Tyler mesh</i></td> <td></td> <td></td> </tr> <tr> <td>+ 32</td> <td>98</td> <td>5</td> </tr> <tr> <td>+ 48 - 32</td> <td>97</td> <td>19</td> </tr> </tbody> </table>	Particle size	C (%)	Distribution (wt. %)	<i>Tyler mesh</i>			+ 32	98	5	+ 48 - 32	97	19
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		<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>- 48 + 80</td> <td style="text-align: center;">97</td> <td style="text-align: center;">26</td> </tr> <tr> <td>-80+100</td> <td style="text-align: center;">97</td> <td style="text-align: center;">9</td> </tr> <tr> <td>- 100 + 200</td> <td style="text-align: center;">97</td> <td style="text-align: center;">25</td> </tr> <tr> <td>- 200</td> <td style="text-align: center;">94</td> <td style="text-align: center;">16</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: center;">97</td> <td style="text-align: center;">100</td> </tr> </table> <p>It is acknowledged that laboratory scale test-work will not always represent actual results achieved from a production plant in terms of grade, flake size and recovery. Further upscaled test-work will be required to gain additional confidence of specifications and recoveries that will be achieved at full-scale production.</p>	- 48 + 80	97	26	-80+100	97	9	- 100 + 200	97	25	- 200	94	16	TOTAL	97	100
- 48 + 80	97	26															
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- 100 + 200	97	25															
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TOTAL	97	100															
Environmental	<i>The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.</i>	<p>An Environmental Impact Assessment (ESIA) is currently underway with reference to applicable Malawian and international environmental and social permitting and baseline requirements for the Malingunde Project.</p> <p>Sovereign is committed to conduct its activities in full compliance to the requirements of national regulations, its obligations under international conventions and treaties and giving due consideration to international best practices and policies. The Company has appointed an experienced environmental consultant to manage the ESIA process, and environmental and social baseline studies have commenced with appropriately qualified independent experts. The Company has also completed a high-level risk assessment to identify major environmental and social risks which could affect the development of the Project, along with mitigating strategies to allow identified risks to be addressed early in the project design phase.</p> <p>The Company has embarked on several exercises with the communities in the area and there is a general positive acceptance of the Project. No social responsibility costs have been factored into this Study, however they will be assessed as part of the overall ESIA for the Project in the future.</p> <p>Based on the current assessments and commenced ESIA, the Company believes there are no environmental issues currently identified that cannot be appropriately mitigated in accordance with standard practices adopted for the development of mining projects.</p>															
Infrastructure	<i>The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.</i>	<p>Malingunde's proximity to the major city of Lilongwe means relatively minor area infrastructure upgrades and modifications are required outside of the immediate proposed mine-site area.</p> <p>DRA is a recognised global leader in mining and processing with capabilities extending to detailed engineering, procurement and construction management. All infrastructure related capital and operating costs were estimated by DRA.</p> <p>Power at site will be sourced from the local grid system with additional power provided via diesel generator located onsite as required.</p>															
Costs	<p><i>The derivation of, or assumptions made, regarding projected capital costs in the study.</i></p> <p><i>The methodology used to estimate operating costs.</i></p> <p><i>Allowances made for the content of deleterious elements.</i></p> <p><i>The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co-products.</i></p> <p><i>Derivation of transportation charges.</i></p> <p><i>The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.</i></p> <p><i>The allowances made for royalties payable, both Government and private.</i></p>	<p>Operating Costs</p> <ul style="list-style-type: none"> • All cost information has been estimated to a PFS level of accuracy (±25%). Costs are presented in real 2018 terms and are exclusive of escalation. • Mining costs have been calculated based on the submissions received for a Request for Budget Pricing (RFPB) sent to a range of African based mining contractors. The submission prices used have been adjusted to allow for the differences in the mine plan from the one presented in the RFBP. This includes: <ul style="list-style-type: none"> ○ Overhaul rates for longer haulage distances ○ Updated diesel fuel price received. • The in-country diesel fuel price was supplied by Puma Energy. • Processing costs have been estimated by DRA, a global expert in minerals processing. Processing costs are based upon a combination of first principle cost build-up, direct supplier quotes and similar projects in the region. Labour costs have been developed from similar projects in the region adjusted for Malawian labour rates. • General & administrative costs have been estimated by DRA. • The PFS power supply model assumes provision of grid power to the project by 2024 based on written advice received from ESCOM, the Malawi power utility. • A Government royalty of 5% (applied to revenue) and a vendor profit share of 2% (applied to earnings) has been included in all project economics. Royalties are not included in the headline life of mine unit operating cost of US\$323/t concentrate. • Operating costs do not make provision for the following; 															

Criteria	Explanation	Commentary
		<ul style="list-style-type: none"> o Corporate head office costs o Mine closure and environmental costs o Social responsibility costs <p>Capital Costs</p> <ul style="list-style-type: none"> • Capital estimates have been developed by DRA, using a combination of quotations and cost estimates from suppliers, historical data and reference to recent comparable projects. Costs are presented in real 2018 terms and are exclusive of escalation. The overall accuracy is determined to be $\pm 25/-15\%$. • Capital costs include the cost of all services, infrastructure and facilities used for the operation of the mine and processing plant. Capital costs do not make provision for the following: <ul style="list-style-type: none"> o Mine closure and environmental costs; and o Social responsibility costs. • Working capital requirements prior to plant commissioning and full ramp up have been excluded from the capital estimate, and are captured in project operating costs.
Revenue factors	<p><i>The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.</i></p> <p><i>The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.</i></p>	<p>Sales pricing is based on current market analysis by an independent party (see below)</p> <p>The Company has provided samples to multiple end-users which has generated substantive interest in the supply of high-quality natural flake from the Project.</p> <p>The Company has applied a conservative flake distribution and assumed pricing for the concentrate as shown in the economic model presented.</p> <p>No co-product revenue is considered.</p>
Market assessment	<p><i>The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.</i></p> <p><i>A customer and competitor analysis along with the identification of likely market windows for the product.</i></p> <p><i>Price and volume forecasts and the basis for these forecasts.</i></p>	<p>Sovereign Metals engaged Metal Bulletin Research (“Metal Bulletin”), a specialist international publisher and information provider for the global steel, non-ferrous and industrial minerals markets, to prepare a marketing report as a key input into the Malingunde Graphite Project PFS in August 2018.</p> <p>Metal Bulletin’s assessment has confirmed that based upon their high level view on global demand and supply forecasts for natural flake graphite, and with reference to the specific attributes of the Malingunde project, there is a reasonable expectation that the product from the Malingunde project will be able to be sold into existing and future graphite markets. Given the extremely low cost profile and high quality product, it is expected that output from Malingunde will be able to fill new demand or substitute existing lower quality / higher cost supply.</p> <p>Project considerations taken into account by Metal Bulletin in forming an opinion about the marketability of product include Malingunde’s:</p> <ul style="list-style-type: none"> • Ore Reserves • Capital costs • Operating costs • Concentrate specifications <p>Sovereign has undertaken extensive market discussions with international graphite industry participants, which have indicated substantive interest in the supply of high quality natural flake from a Malawian natural flake graphite project.</p> <p>Metal Bulletin have confirmed that based on a high level view of the market, there is a reasonable expectation the Company will be able to execute off-take agreements with customers.</p> <p>Metal Bulletin have formed their opinion based solely upon project information provided by Sovereign Metals to Metal Bulletin, and have not conducted any independent analysis or due diligence upon the information provided.</p>
Economic	<p><i>The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc</i></p> <p><i>NPV ranges and sensitivity to variations in the significant assumptions and inputs.</i></p>	<p>Key parameters are disclosed in the body of the announcement, and include:</p> <ul style="list-style-type: none"> • Discount rate: 10% • Tax rate: 30% (Super tax of 10% has not been applied) • Royalty rate: 5% (Revenue) Government, 2% (Earnings) Vendor • Pricing: Sensitivity analysis only <p>The financial model has been prepared internally by the Company using inputs from the various expert consultants, and has been reviewed by an international accounting firm to validate the functionality and accuracy of the model.</p>

Criteria	Explanation	Commentary
		<p>In 2018, the Company engaged the services of advisory firm, Argonaut, with regards to project economics. Argonaut is a financial advisory firm which specialises in multiple sectors, including metals and oil & gas. Argonaut is well regarded as a specialist capital markets service provider and has raised project development funding for companies across a range of commodities including the industrial and speciality minerals sector. Following the assessment of a number of key criteria, Argonaut has confirmed that, on the basis that a DFS arrives at a result that is not materially negatively different than the PFS as noted above, Sovereign should be able to raise sufficient funding to develop the Project, particularly given the current climate of capital markets.</p> <p>An assessment of various funding alternatives available to Sovereign has been made based on precedent transactions that have occurred in the mining industry, including an assessment of alternatives available to companies that operate in industrial and specialty minerals sector. The assessment and advice from Argonaut Capital (referred to above) indicates that financing for industrial mineral companies often involves a broader mix of funding sources than just traditional debt and equity. Argonaut Capital considers that given the nature of the Project, funding is likely to involve specialist funds, with potential funding sources including, but not limited to, traditional equity and debt, royalty financing and off-take agreements, at either the corporate or project level. It is important to note that no funding arrangements have yet been put in place as these discussions continue to take place. The composition of the funding arrangements ultimately put in place may also vary, so it is not possible at this stage to provide any further information about the composition of potential funding arrangement.</p> <p>Since initial exploration of the Malingunde Project in December 2014, the Company has completed extensive drilling, sampling and geophysical surveys to understand the geological setting and define graphite resources within the Malingunde Project area. The Company's market capitalisation currently stands at approximately A\$193m. Upfront capital cost to develop Malingunde amounts to US\$68m (A\$98m) which represents ~50% of the Company's market capitalisation. Taking the market capitalisation into account, management are confident that it that it could secure funding for the Project in the form of equity, but in any event the Company would consider various funding alternatives based on precedent transactions that have occurred worldwide in the resources sector including equity style convertible notes, project finance, royalty financing and mezzanine finance.</p> <p>Further, Sovereign has a high-quality Board and management team comprising highly respected resource executives with extensive finance, commercial and capital markets experience. The Directors have previously raised more than A\$1.75bn from capital markets for a number of exploration and development companies.</p> <p>As a result, the Board has a high level of confidence that the Project will be able to secure funding in due course, having particular regard to:</p> <ol style="list-style-type: none"> 1. Required capital expenditure; 2. Sovereign's market capitalisation; 3. Recent funding activities by Directors in respect of other resource projects; 4. Recently completed funding arrangements for similar or larger scale development projects; 5. The range of potential funding options available; 6. The favourable key metrics generated by the Malingunde Project; 7. Ongoing discussions for potential offtake agreements; and 8. Investor interest to date.
Social	<i>The status of agreements with key stakeholders and matters leading to social license to operate.</i>	The Company expects to enter into a Community Development Agreement ("CDA") with the surrounding communities. Significant engagement with these communities has occurred is ongoing ahead of negotiation of the CDA which is expected to be concluded during the DFS stage.
Other	<p><i>To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:</i></p> <p><i>Any identified material naturally occurring risks.</i></p> <p><i>The status of material legal agreements and marketing arrangements.</i></p>	<p>No identifiable naturally occurring risks have been identified to impact the Malingunde Ore Reserve.</p> <p>The Company has no existing offtake agreement in place.</p> <p>The Company applied for a Mining Licence ("ML") covering the footprint of the project and it is not anticipated for there to be any objections in obtaining the necessary government approvals.</p>

Criteria	Explanation	Commentary
	<p><i>The status of government agreements and approvals critical to the viability of the project, such as mineral tenement status and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.</i></p>	
<p>Classification</p>	<p>The basis for the classification of the Ore Reserves into varying confidence categories. Whether the result appropriately reflects the Competent Person's view of the deposit. The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).</p>	<p>The Malingunde PFS Ore Reserves comprise Measured Mineral Resource material converted to "Proved" reserves and Indicated Mineral Resource material converted to "Probable" reserves.</p> <p>In line with JORC 2012 guidelines, Inferred Mineral Resource material has not been included.</p> <p>Approx. 32% of the Malingunde PFS Ore Reserve is Proved Reserves, with the remainder being in the Probable Reserve category.</p>
<p>Audit or reviews</p>	<p>The results of any audits or reviews of Ore Reserve estimates.</p>	<p>No external audits or reviews have been carried out to date.</p>

Schedule 8 – Independent Solicitor's Report

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Our Ref. WF/CONS/810/22

25th January, 2023.

The Directors
Sovereign Metals Limited
Level 9, 29 The Esplanade
PERTH WA 6000
Australia

Dear Sirs,

RE: Local Counsel's Report – Mineral Rights in Malawi

We are a firm of Legal Practitioners and are qualified to advise on matters of Malawian law.

We have been asked as local Counsel by Sovereign Metals Limited ("**Sovereign**") to issue a Legal Opinion for Sovereign's wholly owned Malawian subsidiaries, NGX Exploration Limited ("**NGXE**") and NGX Mining Limited ("**NGXM**") (together the "**Malawian Entities**") in order to confirm that:

1. The Malawian Entities have been duly incorporated and remain in good standing;
2. The Malawian Entities have good and valid title to all of their assets and that such assets are enforceable in Malawi;
3. The Nanzeka Retention Licence ("**Nanzeka RL**") held by NGXE is valid and remains in good standing as is set out in Schedule 1 to this Report, which, together with the Notes thereto form part of this Report;

4. The Malingunde Mining Licence Application ("**Malingunde ML**") has been conditionally approved for Sovereign Services Limited ("**SSL**"), Sovereign's wholly owned Malawian subsidiary, subject to SSL's submission of an Environmental and Social Impact Assessment ("**ESIA**") approval certificate under the Malawian Environmental Management Act (No.19 of 2017) ("**Enviro Act**") in respect of section 150(1)(f) of the Malawian Mines and Minerals Act (No.8 of 2019) ("**Mines Act**");
5. The Duwi Retention Licence ("**Duwi RL**") held by SSL is valid and remains in good standing as is set out in Schedule 1 to this Report, which, together with the Notes thereto form part of this Report. The Transfer of the Duwi RL from SSL to NGXE is currently pending;
6. The Mabuwa Exploration Licence application ("**Mabuwa EL**") has been conditionally approved for NGXE subject to an approved environmental clearance certificate under the Enviro Act; and
7. We are a Firm of Lawyers, duly qualified to practice in Malawi and we provide this Report on matters concerning Malawian law alone.

This report ("**Report**") has been prepared for Sovereign's due diligence requirements and covers:

- details of documents reviewed and searches made in respect of the Nanzeka RL, Malingunde ML, Duwi RL and Mabuwa EL;
- our qualifications and assumptions;
- general information about mineral rights and the operation of mining legislation in Malawi;
- the corporate status of the Malawian Entities; and
- details of the Nanzeka RL, Malingunde ML, Duwi RL and Mabuwa EL set out in Schedule 1.

As used in this opinion letter, the following term shall have the following meaning:

- (i) "Applicable Laws" means those laws, rules and regulations which, in our experience, are normally applicable to companies in Malawi, without our having made any special investigation as to the applicability of any specific law, rule or regulation, and which are not the subject of a specific opinion herein referring expressly to a particular law or laws;

Malawian Law

This opinion is limited to the law of Malawi as applied by the Courts of Malawi in effect on the date of this opinion. It is given on the basis that all matters relating to it will be governed by, and that it (including all terms used in it) will be construed in accordance with the law of Malawi. We express no opinion as to the laws of any jurisdiction other than Malawi.

Scope of Enquiry

In rendering the opinions set forth herein, we have examined originals or copies of the following:

- (a) Memorandum and Articles of Association of the Malawian Entities;
- (b) Share Transfer Forms in respect of Malawian Entities;
- (c) Certificate of Incorporation of Malawian Entities;
- (d) Bare Trust Deeds with NGXM which confers all legal rights over NGXM shares (refer paragraph 2 below);
- (e) Results of title searches on the Nanzeka RL and Duwi RL as described in paragraph 7.3 and documentation, including Licence Certificates, Licence Area and Minerals, Terms and Conditions and Map, as applicable for Nanzeka RL set out in Schedule 1;
- (f) The Malingunde ML and Mabuwa EL applications and the letters of conditional approval provided by the Malawi Department of Mines;
- (g) Documentation from the Malawi Revenue Authority showing that the Malawian Entities are in good standing in payment of Fringe Benefit Tax, Pay As You Earn (PAYE), Withholding Tax and TEVET Levy; and
- (h) Civil Registry of the High Court of Malawi, Commercial Division, Lilongwe District Registry shows that there is no litigation or bankruptcy proceedings against the Malawian Entities.

Our opinions are subject to the following assumptions and qualifications:

- (a) the authenticity of all documents submitted to us as originals;
- (b) all documents submitted to us as facsimile, electronic, certified or photo static copies conform to the original of such documents;
- (c) the genuineness of all signatures (including endorsements); and

- (d) our opinion that the Malawian Entities are corporate entities validly existing and in good standing as stated below is based on our examination of documents relating to the incorporation of the Malawian Entities existing at the Company Registry in the Office of the Registrar General and the tax-related searches noted at (g) above.

LEGAL OPINION

1. CORPORATE STATUS

- NGXE is a private limited company duly incorporated in Malawi under the Companies Act (No. 15 of 2013) ("**Companies Act**") with a registered company number of 1013573. NGXE's registered office is Plot No 204, Area 9, P. O. Box 30523, Lilongwe, Malawi.

NGXE is a company duly incorporated, validly existing and in good standing, under the Applicable Laws.

- NGXM is a private limited company duly incorporated in Malawi under the Companies Act with a registered company number of 1013529. NGXM's registered office is Plot No 204, Area 9, P. O. Box 30523, Lilongwe, Malawi.

NGXM, is a company duly incorporated, validly existing and in good standing, under the Applicable Laws.

2. SHARE CAPITAL

- (a) NGX Exploration UK Limited, a wholly owned subsidiary of NGX Limited ("**NGX**"), is the legal owner of all of the fully paid ordinary shares ("**Shares**") in NGXE;
- (b) SSL is currently the legal owner of all Shares in NGXM;
- (c) SSL and NGXM have lodged the share transfer forms for the transfer of:
- (i) NGXM Shares from SSL to NGX Mining UK Limited,
- and is awaiting the administrative registration of the Share transfers by the relevant Malawian authorities;
- (d) in the interim, SSL has entered into a Bare Trust Deed with NGX Mining UK Limited which confers all legal rights over the NGXM Shares to NGX until the relevant share transfers have been registered ("**Trust Deed**").
- (e) The share capital is in conformity with the Applicable Laws and has received all necessary authorisations.

There is the requirement to have one shareholder of a private limited company in Malawi.

3. DIRECTORS

(a) The Directors of the Malawian Entities are as follows:

Malawian Entity	Directors
NGXE	Mr Benjamin Stoikovich Mr Dylan Browne Mr Reidwel Nyirenda
NGXM	Mr Benjamin Stoikovich Mr Dylan Browne Mr Reidwel Nyirenda

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association of the Malawian Entities are in conformity with the Applicable Laws.

5. MATERIAL LITIGATION

So far as we are aware, there is no litigation or arbitration, prosecution or other civil or criminal legal proceedings pending or threatened, in which Malawian Entities are involved which may have, or have had, a significant impact on the Malawian Entities financial position. Furthermore, so far as we have been informed by the Malawian Entities, the Malawian Entities have not been served with any demand letters and/or summons to enter appearance to date.

6. BANKRUPTCY/RECEIVERSHIP PROCEEDINGS

To the best of our knowledge, information, and belief and after due enquiry, we can confirm that no bankruptcy, receivership, or similar proceedings have been brought against the Malawian Entities or any of its Directors in Malawi to date.

7. LICENCE, DOCUMENTS AND SEARCHES:

7.1 General

Rights for prospecting or mining for minerals in Malawi are licensed under the Mines Act.

Pursuant to section 33 of the Mines Act, the following mineral tenements may be granted under the Mines Act:

- (a) non-exclusive prospecting licence, that grants the holder the non-exclusive right in the licence area, which area is defined by district boundaries, to do prospecting for all minerals;

- (b) reconnaissance licence, that grants the holder the non-exclusive right in the licence area to do reconnaissance;
- (c) Exploration Licence (“**EL**”), that grants the holder the exclusive right in the licence area to explore for all mineral deposits and an exclusive priority right to apply for a Mining Licence (“**ML**”);
- (d) Retention Licence (“**RL**”), that grants the holder the right to maintain the exclusive right to apply for a ML in the licence area when exploration has been completed but other specified conditions preclude mining at the present time;
- (e) small-scale ML, that grants the exclusive right to mine minerals in the licence area using only small-scale mining methods;
- (f) medium-scale ML, that grants the exclusive right to mine all minerals in the licence area; and
- (g) large-scale ML, that grants the exclusive right to mine all minerals in the licence area.

Pursuant to section 19 of the Mines Act, the Commissioner of Mines has power to approve applications:

- (a) for the grant of non-exclusive prospecting licences, reconnaissance licences and small-scale MLs, pursuant to section 49 of the Mines Act;
- (b) to expand the area of a small-scale ML, pursuant to section 49 of the Mines Act;
- (c) to extend the term of mineral tenements, as provided under section 49 of the Mines Act;
- (d) to consolidate mineral tenements, pursuant to section 67 of the Mines Act;
- (e) for the grant of reserved mineral tenements, pursuant to section 213 of the Mines Act;
- (f) for the grant of export permits, pursuant to section 306 of the Mines Act.

Pursuant to section 6 of the Mines Act, the Mineral Resources Committee (“**MRC**”) shall have the power to, amongst other items:

- (a) recommend for granting to the Minister, applications for ELs, RLs, medium-scale MLs and large-scale MLs; and
- (b) recommend to the Minister, upon mandatory referral by the Commissioner, whether an EL, RL or large scale ML be cancelled.

NGXE is the registered holder of the Nanzeka RL as per Schedule 1.

NGXE is applicant for the Mabuwa EL as per Schedule 1.

SSL is applicant for the Malingunde ML as per Schedule 1.

SSL is currently registered holder of the Duwi RL as per Schedule 1. We have cited the transfer application of the Duwi RL from SSL to NGXE which remains pending.

We are satisfied after such enquiry as we deemed necessary for the purposes of this opinion that NGXE and SSL, where applicable, has good and valid title as per Schedule 1.

7.2 Types of Mineral Tenements and other clauses in the Mines Act

Licences that may be granted under the Mines Act include a non-exclusive prospecting licence, reconnaissance licence, EL, RL, and a ML (small, medium and large) as per section 7.1 above. The licence types most applicable to the Malawian Entities are included below.

7.3 Retention Licences

- 7.3.1 As already confirmed above, NGXE is the legal and beneficial owner of the Nanzeka RL as per Schedule 1.
- 7.3.2 As already confirmed above, SSL the legal and beneficial owner of the Duwi RL as per Schedule 1. A transfer application for the Duwi RL from SSL to NGXE has been submitted and is pending approval from the Department of Mines.
- 7.3.3 In accordance with section 134 and 139 of the Mines Act, mineral deposits contained within an EL that have come to the end of their term, as per point 7.5.1 below, can be converted into a RL for a term of up to but does not exceed five (5) years. Justification to grant a RL includes the following:
- (a) it has been demonstrated that the applicant has located a mineral deposit which is of commercial significance;
 - (b) the mineral deposit cannot justifiably be mined at the present time utilizing proven technology for one of the following reasons:
 - (i) adverse current mineral conditions, which are, or may be, of a temporary nature;
 - (ii) adverse current financing conditions, which are, or may be, of a temporary nature;
 - (iii) adverse current infrastructure conditions, which are, or may be of a temporary nature;
 - (iv) a feasibility study (but not a pre-feasibility study) has been commissioned which has a firm delivery date but which has not yet been completed;
 - (v) difficulties in obtaining requisite Government approvals are involved before mining can commence or that prevent mining or restrict it in a manner that is, or subject it to conditions that are, for the time being impracticable; or

(vi) agreement or resettlement or compensation arrangements with lawful occupiers or owners of land have not successfully progressed; and

(c) exploration work has progressed as far as is practicable at the time and therefore a RL is necessary.

7.4 Mining Licences:

7.4.1 A company duly incorporated under the Companies Act may apply for a medium or large-scale ML pursuant to sections 149 and 150 of the Mines Act. Determination of the need for a medium or large-scale ML is pursuant to section 148 of the Mines Act.

7.4.2 Pursuant to section 155 of the Mines Act, medium and large-scale MLs shall be granted for an initial period of up to twenty-five (25) years or for the life of the mine, whichever is shorter. A holder of a ML may apply for an extension of up to fifteen (15) years.

7.4.3 Pursuant to section 151 of the Mines Act, medium and large-scale MLs cannot be granted over land which constitutes any part of a RL or exploration licence ("EL"), unless the applicant is the holder of the RL or EL, or the holder of such licence has given its written consent to allow the application to be granted.

7.4.4 Pursuant to section 150 of the Mines Act, an application for the grant of a medium-scale ML or large-scale ML shall be submitted to the MRC in the prescribed form and manner and shall have attached to it:

- (a) proof of the company's incorporation or registration under the Companies Act;
- (b) the names and nationalities of the directors or equivalent officers and, if the company has share capital, the name of any person who is the beneficial owner of more than five percent (5%) of the issued share capital;
- (c) evidence that the applicant has the technical competence to fulfil the licence obligations;
- (d) evidence that the applicant has the financial ability or a credible plan to obtain adequate financing to fulfil the licence obligations;
- (e) an attestation that the applicant is not barred from being granted a ML;
- (f) documentation proving that the project has received approval by the Environment Management Act and a copy of the environmental and social impact assessment report that supported such approval;
- (g) a schedule, in the prescribed form, describing the corners of the proposed ML area as

- prescribed under section 295 of the Mines Act;
- (h) a sketch map, in a prescribed form, showing the boundary of the proposed ML area;
 - (i) a boundary survey, as required under section 159 of the Mines Act, or a waiver as provided by the Commissioner under section 159 of the Mines Act;
 - (j) an attestation that the area applied for has been marked out as required under section 160;
 - (k) a justification for the period for which the licence is sought;
 - (l) where the area applied for is subject to an RL or EL that is held by the applicant, a copy of the applicant's RL or EL;
 - (m) a report, which may be part of a prefeasibility or feasibility study, prepared by a geologist giving details of the mineral deposits in the area of land over which the licence is sought
 - (i) including details of all known mineral resources, minerals proved, estimated or inferred, and ore reserves in accordance with section 298 of the Mines Act; or
 - (ii) where the nature of the operation, because of the mineral to be mined, the scale of operation or other circumstance, does not warrant the estimation of mineral resources and reserves (such as a quarry for aggregate), a statement justifying why the applicant should not be required to submit mineral resource and reserve estimates;
 - (n) a detailed justification for the requested licence area and the requirement that such area shall be justified, in the case of a medium-scale ML, by the required pre-feasibility study or in the case of a large-scale ML, by the required feasibility study, and shall not include any area where mineral potential has not been proved or inferred other than land essential for mining plant and operations;
 - (o) a report providing the name of each lawful occupier and landowner of lands located in, or partly in, the licence area applied for and, in the case of more than one such holding, the boundaries of each holding within the area of the proposed ML;
 - (p) a description of plans and initiatives for planned, sustained economic and social development in the region and local communities affected by the mining operation, and in the case of a large-scale ML, any community development agreements that have already been approved;
 - (q) in the case of an application for a medium-scale ML:
 - (i) a community engagement plan pursuant to section 300 of the Mines Act;
 - (ii) a prefeasibility study pursuant to section 161 of the Mines Act;
 - (iii) a mining operations plan pursuant to section 162 of the Mines Act;

- (iv) a mine site plan pursuant to section 166 of the Mines Act;
- (v) a mine waste management plan pursuant to section 167 of the Mines Act;
- (vi) a rehabilitation and closure plan pursuant to section 272 of the Mines Act;
- (vii) a resettlement management plan pursuant to section 168 of the Mines Act;
- (viii) an employment and training plan pursuant to section 163 of the Mines Act; and
- (ix) a goods and services procurement plan pursuant to section 164 of the Mines Act;
- (r) in the case of an application for a large-scale ML:
 - (i) an attestation that the company has been legally constituted;
 - (ii) a community engagement plan pursuant to section 300 of the Mines Act;
 - (iii) a feasibility study (not a pre-feasibility study) pursuant to section 161 of the Mines Act;
 - (iv) a mining operations plan pursuant to section 162 of the Mines Act;
 - (v) an employment and training plan pursuant to section 163 of the Mines Act;
 - (vi) a goods and services procurement plan pursuant to section 164 of the Mines Act;
 - (vii) a mine site plan pursuant to section 166 of the Mines Act;
 - (viii) a mine waste management plan pursuant to section 167 of the Mines Act;
 - (ix) a rehabilitation and closure plan pursuant to section 272 of the Mines Act;
 - (x) a resettlement management plan meeting the requirements of section 168 of the Mines Act; and
 - (xi) a business development assistance plan pursuant to section 165 of the Mines Act;
- (s) any other materials required to be included in the application by the Mines Act or as prescribed;
- (t) a description of any circumstances that may require the ML to be granted subject to particular conditions;
- (u) any other material addressing matters that the applicant wants to have considered; and
- (v) a prescribed application fee or proof that the fee has been paid.

7.4.5 It is proposed that following the grant of the Malingunde ML to SSL, a transfer application will be made for the Malingunde ML from SSL to NGXM.

7.5 Exploration Licences:

7.5.1 An EL covering a preliminary period in accordance with section 118 of the Mines Act is granted

for a period not exceeding three (3) years. Thereafter two successive periods of renewal may be granted, but each must not exceed two years. This means that an exploration has a potential life span of seven (7) years.

- 7.5.2 Pursuant to Section 33 of the Mines Act and as noted above, an EL provides the holder the exclusive right in the licence area to explore for all mineral deposits and an exclusive priority right to apply for a ML.
- 7.5.3 Pursuant to section 119 of the Mines Act, the holder of an EL shall not later than ninety (90) days prior to the expiry of the licence, apply for an extension of the term of the licence (in accordance with the renewal periods noted in the paragraph above). Where the Commissioner has determined that all required conditions of renewal are met, the Commissioner shall inform the Registrar to endorse the licence with the extended term.
- 7.5.4 NGXE has made an application for the Mabuwa EL which remains pending but has been conditionally approved subject to an approved environmental clearance certificate under the Enviro Act.

7.6 Government Ownership Interest:

- 7.6.1 The Government of Malawi ("**Government**") shall have the right, but not the obligation, to acquire, directly or through a Government nominee, without cost, a free equity ownership interest of up to ten percent (10%) in any mining project that will be subject to a large-scale ML.
- 7.6.2 The Government shall have a limited-time option to exercise its right to a free equity ownership interest in a mining project commencing at the time that a large-scale ML application is submitted and terminating on the date that the ML application is granted or denied.
- 7.6.3 At the time that the MRC considers a large-scale ML application, but before it decides the application, it shall recommend in a notice to the Government whether the Government should elect to require a ten percent (10%) free equity ownership interest in the associated mining project.
- 7.6.4 The Government shall, within twenty-eight (28) days of a notice to decide, in consultation with the minister responsible for finance, and notify the MRC whether the Government shall exercise its right for up to a ten percent (10%) free equity ownership interest in the mining project, and if so, the percentage.

- 7.6.5 Where the Minister has failed to notify the MRC of his decision within the time period stipulated in point 7.6.4 above, it is deemed that the Government has elected to not exercise its right to a free equity ownership interest in the mining project.
- 7.6.6 Within fourteen (14) days of receipt of a notice discussed in 7.6.4 above the MRC shall notify the ML applicant of the Government's decision or if the Government is deemed to not have elected to exercise its rights as discussed in 7.6.5 above.
- 7.6.7 A large-scale ML applicant receiving a notice pursuant to 7.6.6 may withdraw its application but its application fee shall not be refunded.

7.7 Royalty Rates:

- 7.7.1 In accordance with the Taxation (Amendment) Bill, 2016, a royalty for all minerals exported in an unmanufactured state shall be 5% (five-percent) of their royalty base.

7.8 Transfer of a Mineral Tenement

- 7.8.1 A holder of a mineral tenement (i.e. a EL, RL and ML) may apply to transfer a mineral tenement to another party pursuant to Part III, Division 4 of the Mines Act.
- 7.8.2 Pursuant to Section 59 of the Mines Act, the holder of an EL, RL and ML may apply to transfer a licence to another party via application to the Mines Department which shall include:
- (a) an instrument of transfer in the prescribed form;
 - (b) a detailed statement describing the reasons for the requested transfer;
 - (c) an attestation by the transferee that the transferee:
 - (i) has the financial and technical capability to perform all obligations under the tenement and documentation to support the attestation;
 - (ii) meets all the eligibility requirements of this Act to hold the type of mineral tenement to be transferred;
 - (iii) shall assume all liability for acts or omissions that arose out of the obligations of the mineral tenement before the transfer of such title to the transferee; and
 - (iv) upon transfer of the mineral tenement, shall assume all obligations imposed on the mineral tenement by this Act, the regulations and the conditions set out in the licence; and
 - (d) the prescribed application fee or proof that such fee has been paid.

- 7.8.3. Upon receipt of an application to transfer a mineral tenement, the Mines Department shall determine whether the application meets all the requirements set out paragraph 7.8.2 above and if not, shall reject the application.
- 7.8.4. Where the Mines Department determines that an application submitted meets all the requirements under paragraph 7.8.2, the Mines Department shall, within fourteen (14) calendar days, refer the application to the MRC.
- 7.8.5. Subject to paragraph 7.8.6 below, an application to transfer an EL, EL or ML, the MRC may approve or refuse to approve the application, and an approval may be subject to such conditions as the MRC considers necessary in the circumstances.
- 7.8.6. The MRC shall give its approval to the transfer of an EL, RL or ML where the transferee:
- (a) is a person controlling, controlled by, or under common control with, the transferor;
 - (b) is a person eligible under this Act to hold that type of mineral tenement;
 - (c) has provided the attestations required under paragraph 7.8.2 (c) above; and
 - (d) has demonstrated to the satisfaction of the MRC that transferee has the financial and technical capability to perform all obligations under the tenement.
- 7.8.7. Where an application to transfer a mineral tenement is approved by the MRC, the Mines Department shall, within fourteen (14) calendar days, notify the applicant of the approval and shall reissue to the transferee, with no change in its term, the mineral tenement licence with the new holder's name and any changed conditions specified by the MRC in the licence being transferred and enter the details of the instrument of transfer in the register.
- 7.8.8. An instrument of transfer of a mineral tenement shall not convey a legal or equitable interest in a mineral tenement unless and until it has been registered by the Mines Department.
- 7.8.9. Where an application to transfer a mineral tenement is refused, the Mines Department shall, within fourteen (14) calendar days, notify the applicant that his application is refused and the reasons for the refusal.

7.9 Title Search Finding and Confirmation

- 7.9.1 Our search at the registry of Mineral Tenements confirmed the status of the Nanzeka RL of which NGXE is the registered holder and the Duwi RL which SSL is the registered holder, as per Schedule 1. We confirm that the Nanzeka RL and Duwi RL are validly issued with exclusive rights to undertake mineral exploration and if viable deposits are found, to develop mines at the licensed areas. The Nanzeka RL and Duwi RL have been validly granted by the

Minister for Mining pursuant to the Mines Act and is valid and in good standing and has not been cancelled, suspended or expired as of the date of this Report. The Nanzeka RL and Duwi RL are also free and clear of liens and encumbrances.

7.9.2 We have cited the SSL Malingunde ML application and the conditional letter of approval from the Department of Mines for the grant of the Malingunde ML.

7.9.3 We have cited the NGXE Mabuwa EL application and the conditional letter of approval from the Department of Mines for the grant of the Mabuwa EL.

7.9.4 We confirm further that:

- There are no disputes that we are aware of relating to the Nanzeka RL, Malingunde ML, Duwi RL and Mabuwa EL with any governmental or regional authority or any unrelated third party;
- There are no other current licenses (ML, EL or RL) granted over the area the subject of the Nanzeka RL, Malingunde ML, Duwi RL and Mabuwa EL; and
- There are no provisions under Malawian law or regulation in relation to the Nanzeka RL, Malingunde ML, Duwi RL and Mabuwa EL, which would permit it to be forfeited, denied or otherwise withdrawn in the event of change of ownership.

7.9.5 For the purposes of this Report we have searched the mineral titles registry, reviewed the register of Mineral Tenements maintained by the Ministry of Mining and spoken with the Commissioner of Mines and Minerals to confirm the status of the Nanzeka RL, Malingunde ML, Duwi RL and Mabuwa EL.

7.9.6 In accordance with the Terms and Conditions issued as part of the Nanzeka RL, the annual expenditure shall not be less than MWK30,000,000.

7.9.7 In accordance with the Terms and Conditions issued as part of the Duwi RL, the annual expenditure shall not be less than MWK30,000,000.

8. CONCLUSION

William Faulkner has given, and has not withdrawn, its consent to use this Report in the form and context in which it is included for Sovereign, including in respect of the notice of meeting and the short form prospectus which incorporates the notice of meeting prepared by Sovereign in connection with the demerger of NGX Limited. .

Yours sincerely,

A handwritten signature in black ink, appearing to be 'W Faulkner', with a long horizontal line extending to the right.

William Faulkner

SCHEDULE 1

MINERAL TENEMENT SUMMARY

No.	License No. (Name)	Area (sq. km)	Registered Holder	Primary Commodity	Original Date Issued	Expiry Date	Annual Rent (MWK)	Remarks
1	RTL0012/21 (Nanzeka)	6.0	NGX Exploration Limited	Graphite, Titanium Minerals, Base Metals and Gold	27.07.21	26.07.26	60,000	Current, in good standing, valid and subsisting
2	RTL0032/22 (Duwi)	24.6	Sovereign Services Limited	Graphite, Titanium Minerals, Base Metals and Gold	4.10.22	3.10.27	246,400	Current, in good standing, valid and subsisting. Transfer to NGXE pending.
3	AML0088 (ML application)	5.7	Sovereign Services Limited	Graphite, Titanium Minerals and Base Metals	Not applicable	Not applicable	Not applicable	Conditional approval for grant of the ML received from the Department of Mines. Transfer to NGXM pending
4	APL0329 (EL application)	9.0	NGX Exploration Limited	Nickel, Copper, PGE's, Silver, Gold, Zinc and Lead	Not applicable	Not applicable	Not applicable	Conditional approval for grant of the EL received from the Department of Mines.

Schedule 9 – Comparison of NGX as an Australian Unlisted and ASX-Listed Public Company

Matter	Unlisted NGX	ASX-Listed NGX
Disposal of NGX Shares	As an unlisted company, there will be no active, public listed market for the sale and purchase of NGX Shares.	As NGX Shares are listed on ASX, they can be, subject to the liquidity of the market for NGX Shares, freely traded on ASX at the prevailing market price.
Continuous disclosure	<p>NGX is required to provide certain information to NGX Shareholders (see “Inspection of register” and “Shareholder reports” below for further details).</p> <p>If there are less than 100 NGX Shareholders, there will be no requirement to provide any disclosure to NGX Shareholders that is comparable to the continuous disclosure obligations applicable to an ASX-listed company.</p> <p>If, following the Demerger there are, and for so long there continues to be, at least 100 NGX Shareholders, NGX will be subject to the ongoing continuous disclosure provisions in section 675 of the Corporations Act. These provisions will require NGX, if it becomes aware of information that is not generally available and that a reasonable person would expect, if it were generally available, to have a material effect on the price or value of NGX Shares, to lodge with ASIC a document detailing the information as soon as practicable.</p> <p>NGX Shareholders should note that, compared to the ASX company announcements platform, documents lodged with ASIC may not be available:</p> <p>(a) without charge; and</p> <p>(b) as quickly following lodgement.</p> <p>The above obligation does not arise if a reasonable person would not expect the information to be disclosed, the information is confidential and at least one of the following applies:</p> <p>(a) the disclosure of the information would contravene a law;</p> <p>(b) the information is about a matter of supposition;</p> <p>(c) the information is not definite enough to make disclosure appropriate;</p> <p>(d) the information relates to an incomplete proposal or a matter that is in the course of negotiation;</p> <p>(e) the information was prepared or created for the internal management purposes of NGX; or</p> <p>(f) the information is a trade secret.</p>	<p>An ASX-listed NGX must also comply with Chapter 3 of the Listing Rules which requires immediate disclosure to the market of certain material price sensitive information.</p> <p>Chapter 3 of the Listing Rules provide an exception to this requirement where each of the following are satisfied:</p> <p>(a) one or more of the following five situations applies:</p> <p>(i) it would be a breach of law to disclose the information;</p> <p>(ii) the information concerns an incomplete proposal or negotiation;</p> <p>(iii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;</p> <p>(iv) the information is generated for the internal management purposes of NGX; or</p> <p>(v) the information is a trade secret;</p> <p>(b) the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and</p> <p>(c) a reasonable person would not expect the information to be disclosed.</p>

Matter	Unlisted NGX	ASX-Listed NGX
ASX Corporate Governance Principles & Recommendations	NGX's corporate governance will be the subject of its constitution and other general legal requirements.	An ASX-listed NGX is also subject to, and must disclose its compliance with, the ASX Corporate Governance Principles and Recommendations.
New share issues	Under NGX's constitution, the Directors may issue shares and decide the persons to whom shares are issued, the terms on which shares are issued and the rights and restrictions attached to those shares.	The NGX Directors have the power to cause an ASX-listed NGX to issue shares, subject to the law and the Listing Rules (in particular Chapters 6 and 7).
Transactions with persons in a position of influence	<p>NGX must comply with Chapter 2E of the Corporations Act (Related Party Transactions) which imposes restrictions on NGX giving a financial benefit to a related party unless it obtains shareholder approval, the transaction is on arms' length terms, or other prescribed exceptions apply.</p> <p>Notwithstanding the above, the NGX Directors will still be subject to directors' duties imposed by the Corporations Act and general law.</p> <p>If there are less than 50 NGX Shareholders, NGX may, subject to the passing of a special resolution of NGX Shareholders, be converted to a proprietary company limited shares and there will be no restrictions on its dealings with related parties.</p>	<p>NGX must comply with Chapter 2E of the Corporations Act (Related Party Transactions) and NGX Directors must satisfy their general directors' duties.</p> <p>In addition, NGX must comply with Chapter 10 of the Listing Rules (Transactions with persons in a position of influence) which imposes certain restrictions on persons in a position of influence, including related parties and substantial shareholders from entering into certain transactions with NGX without NGX Shareholder approval.</p>
Change of activities / disposal of main undertaking	Any activities and/or disposals are made at the sole discretion of the NGX Directors (subject to any Chapter 2E approvals that may be required).	Chapter 11 of the Listing Rules (Significant Transactions) requires an ASX-listed NGX to obtain shareholder approval in certain circumstances (and where required by the ASX) if it proposes to make a significant change to the nature or scale of its activities.
General meetings and shareholder approvals	<p>Under the Corporations Act, an unlisted NGX must hold an annual general meeting at least once in each calendar year and within five months after the end of its financial year.</p> <p>All matters to be passed at a general meeting require a simple majority unless the Corporations Act provides otherwise. Under the Corporations Act, an amendment to NGX's constitution or change of NGX's name requires a special resolution (passed by 75% or more of the votes cast on the resolution), amongst other matters which require passage by special resolution.</p>	All matters to be passed at a general meeting of NGX require a simple majority unless the Corporations Act and/or Listing Rules provides otherwise.
Right to request a meeting	<p>The Corporations Act requires NGX Directors to call a general meeting on the request of NGX Shareholders with at least 5% of the vote that may be cast at the general meeting.</p> <p>NGX Shareholders with at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting at their own expense.</p>	
Right to propose resolutions for consideration at meetings	<p>Under the Corporations Act, the following NGX Shareholders may give NGX notice of a resolution that they propose to move at a general meeting:</p> <p>(a) NGX Shareholders with at least 5% of the votes that may be cast on the resolution; or</p> <p>(b) at least 100 NGX Shareholders who are entitled to vote at a general meeting.</p>	

Matter	Unlisted NGX	ASX-Listed NGX
	If NGX has been given notice of such a resolution, the resolution is to be considered at the next general meeting that occurs more than two months after the notice is given. NGX must give all NGX Shareholders notice of the resolution at the same time, or as soon as practicable afterwards, and in the same way, as it gives notice of a meeting.	
Appointment of directors	Under the Corporations Act, an unlisted NGX must have at least three NGX Directors. At least two NGX Directors must ordinarily reside in Australia.	In addition to the Corporations Act provisions, at the close of each annual general meeting one-third of the directors, or if their number is not a multiple of three, then the number nearest to but not more than one-third of the directors, must retire. A retired NGX Director may present himself or herself for re-election at the annual general meeting.
Substantial holdings and takeovers	Chapter 6 of the Corporations Act (Takeovers) will only apply if there are more than 50 NGX Shareholders. Among other things, Chapter 6 and related provisions restrict transactions which would allow a person to acquire a relevant interest in voting NGX Shares in the company if their voting power would increase from below 20% to above 20% or from a starting point between 20% and 90%. It also requires public disclosure where a NGX Shareholder holds 5% or more of the voting NGX Shares or changes that position by 1% or more. This regime is supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel. If there are less than 50 NGX Shareholders, then there is no specific regime under the Corporations Act regulating acquisitions of NGX Shares or the assets of NGX.	
Compulsory acquisition	In certain circumstances a NGX Shareholder who holds/controls at least 90% of all NGX Shares may move to compulsorily acquire the remaining NGX Shares which it does not hold.	
Share class rights	The Corporations Act provides that an unlisted NGX may not vary or cancel rights attaching to a class of NGX Shares without the approval of a special majority of NGX Shareholders.	
Inspection of register	An NGX Shareholder is permitted access to the shareholder register and minute books for meetings of members and member resolutions under the Corporations Act.	The Corporations Act also contains a provision which permits an ASX-listed NGX to trace the beneficial ownership of its securities and require its members to disclose full details of their relevant interests.
Shareholder reports	NGX must prepare annual audited reports in accordance with Chapter 2M of the Corporations Act (Financial Reports and Audit) to be lodged with ASIC and accessible by NGX Shareholders. NGX's financial report, directors' report and auditor's report must also be laid before the annual general meeting for consideration If, following the Demerger there are, and for so long there continues to be, at least 100 NGX Shareholders, NGX must also prepare an audited-reviewed half-year report that is lodged with ASIC 75 days after the end of the half-year and must otherwise meet the reporting obligations of a disclosing entity (refer to the information on the right for further details).	Under the Listing Rules and the Corporations Act, NGX is required to provide annual and half-year disclosures and quarterly disclosures in certain circumstances. Financial reports are required to include financial statements and notes, a directors' declaration that the disclosing entity will be able to meet its debts as and when they become due and payable, and the directors' opinion that the financial statements and notes comply with accounting standards and give a true and fair view of the financial performance of the company. NGX is also required to provide additional reporting information compared to an unlisted (disclosing) entity, including information that NGX Shareholders would reasonably require to make an informed assessment of NGX's operations, financial position, business strategies and prospects for future financial years.
Two Strikes Policy	An unlisted NGX is not subject to the "two strikes" policy.	Under the Corporations Act, NGX must put a non-binding, advisory resolution to NGX Shareholders at each annual general meeting seeking NGX Shareholder approval for the remuneration report included in NGX's annual report. If more than 25% of votes on that resolution are cast against the remuneration report at two consecutive annual general meetings (i.e. two

Matter	Unlisted NGX	ASX-Listed NGX
		strikes), an ordinary resolution must be put to NGX Shareholders at the second annual general meeting proposing that a further meeting be held within 90 days at which all of the NGX Directors who were NGX Directors when the NGX Board resolved to approve the second remuneration report must (except for the managing director) resign and stand for re-election.
Protection of minority shareholders and oppression remedies	<p>A statutory derivative action may be instituted by an NGX Shareholder, former NGX Shareholder or person entitled to be registered as an NGX Shareholder. In all cases, leave of the court is required. Such leave will be granted if:</p> <ul style="list-style-type: none"> (a) it is probable that NGX will not itself bring the proceedings or properly take responsibility for them; (b) the applicant is acting in good faith; (c) it is in the best interests of NGX; (d) there is a serious question to be tried; and (e) a written notice of intention is given by the member to NGX at least 14 days before the application for leave is made. <p>The Corporations Act also provides that NGX Shareholders can bring an action in cases of conduct which is either contrary to the interests of NGX Shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any NGX Shareholders in their capacity as a NGX Shareholder. Former NGX Shareholders can also bring an action if it relates to the circumstances in which they ceased to be a NGX Shareholder.</p>	

SOVEREIGN METALS LIMITED

ACN 120 833 427

PROXY FORM

The Company Secretary
Sovereign Metals Limited

By delivery:

Level 9, 28 The Esplanade
PERTH WA 6000

By post:

PO Box Z5083
PERTH WA 6831

By email:

voting@sovereignmetals.com.au

By facsimile:

+61 8 9322 6558

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark to indicate your directions. Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting. Further instructions are provided overleaf.

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/we being Shareholder/s of the Company hereby appoint:

The Chairperson
(mark box)

OR if you are **NOT** appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson, as my/our proxy to act generally on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Sovereign Metals Limited to be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on 17 March 2023 commencing at 10:00am (AWST) and at any adjournment or postponement of such meeting. If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is []% of the Shareholder's votes / [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

Important – If the Chairperson is your proxy or is appointed your proxy by default

The Chairperson intends to vote all available proxies in favour of Resolution 1. If the Chairperson is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 1, you will be expressly authorising the Chairperson to vote in accordance with the Chairperson's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Step 2 – Instructions as to Voting on the Resolution

INSTRUCTIONS AS TO VOTING ON THE RESOLUTION

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

	For	Against	Abstain*
Resolution 1 Approval for Demerger			

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf and your votes will not be counted in computing the required majority on a poll.

The Chairperson intends to vote all available proxies in favour of each Resolution.

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Share Registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or an electronic copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received electronically by e-mail or by facsimile transmission at the Perth office of the Company (Level 9, 28 The Esplanade, Perth, WA, 6000, or by post to PO Box Z5083, Perth, WA, 6831, or by email to voting@sovereignmetals.com.au or by Facsimile (08) 9322 6558 if faxed from within Australia or +618 9322 6558 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (AWST).