

Malawi – A Potential Significant New Rutile Province

Rutile

is a highly valuable mineral
that contains $>95\% \text{TiO}_2$
(Titanium dioxide)

Titanium

Has a wide range of uses and is
irreplaceable



Titanium - A Growing \$15B Global Market

5%

TITANIUM METAL



90%

PIGMENT MARKET



5%

WELDING



Rutile is Highly Valuable

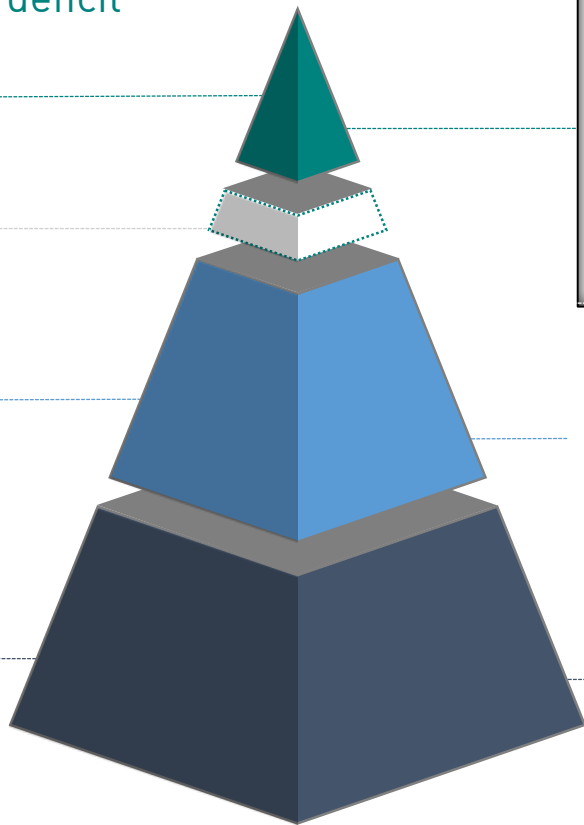
The predominant feedstock source for TiO_2 is ilmenite, while higher value **natural rutile** is scarce and in supply deficit

Natural Rutile

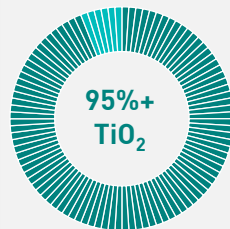
Others (inc. Leucoxene)

Chloride Ilmenite

Sulphate Ilmenite



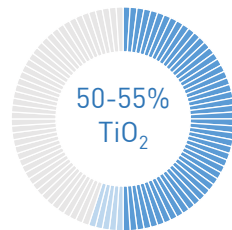
Highest Grade, Highest Value, Rarest
 TiO_2 mineral



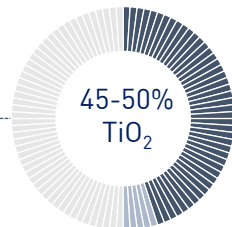
\$1,100/t

16%

Of Mined TiO_2
Feedstock
(2017)



~\$200/t



~\$180/t

84%

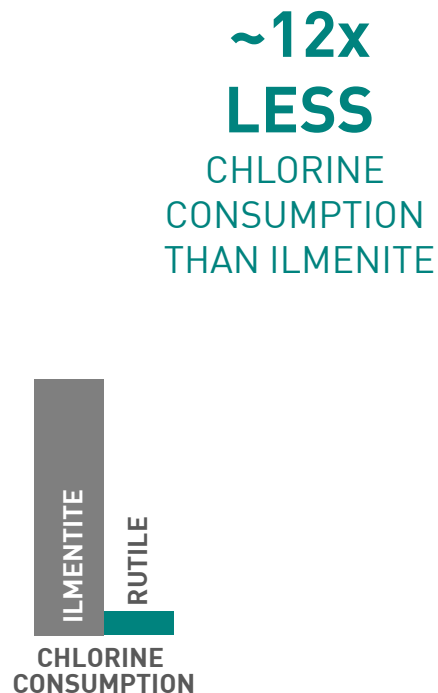
Of Mined TiO_2
Feedstock
(2017)

Environmental and “Value in Use” Advantages

Natural rutile is the preferred feedstock for pigment producers

Input and outputs based on feedstock of pigment plant (per tonne of pigment)

Source: RBC and Iluka

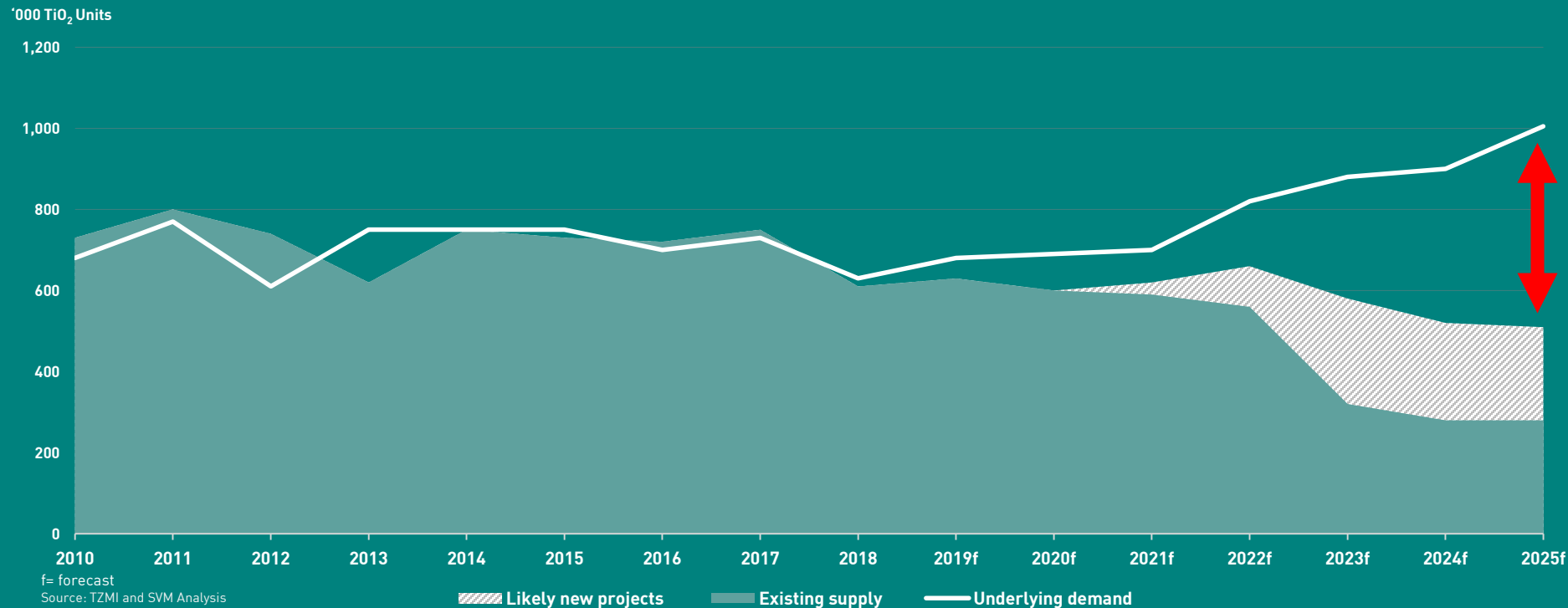


Advantages

- Does not require upgrading for the pigment process
- Much less waste generated than lower grade feedstocks
- Much lower consumable use
- Much lower energy required for pigment production, lower greenhouse gas emissions

Supply Gap Emerging

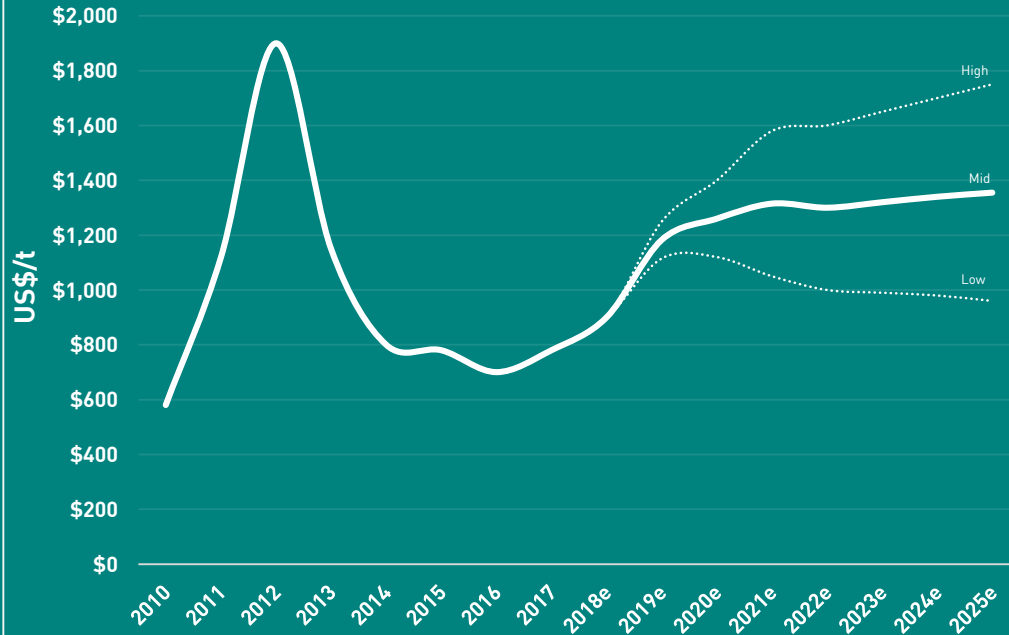
Global natural rutile supply/demand to 2025



Supply Deficit Driving Rutile Prices Up

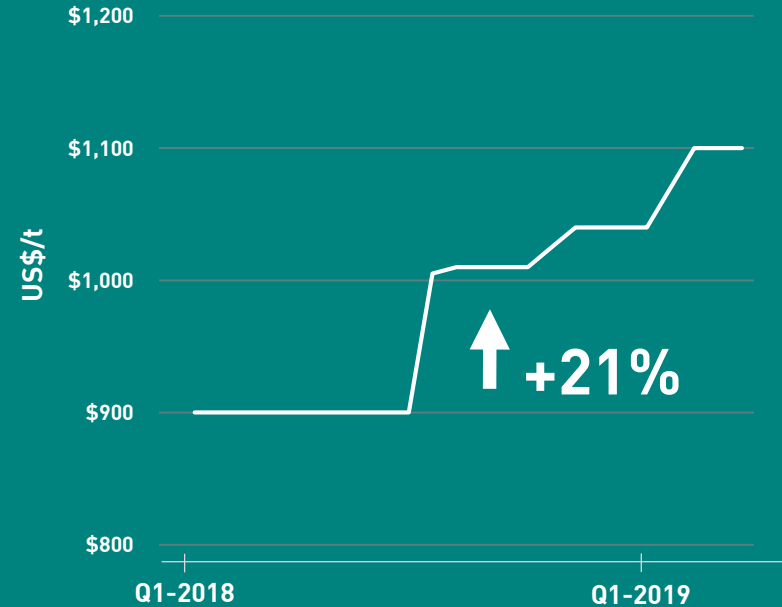
Historical and Forecast Rutile Pricing

Source: TZMI (February 2019)



Current Rutile Pricing

Source: Iluka



Strong Indications From The Industry



"...demand for high grade (titanium) feedstocks remained strong. Demand for pigment strengthened over the first quarter of 2019 and this has contributed to sustained strong demand for high-grade feedstocks."

*Iluka sees continued growth in demand for high-grade titanium feedstocks over 2019 and is **physically unable to satisfy all requests for feedstock** in both the high-grade titanium and ilmenite segments of the market. Iluka's contract prices for rutile exceed US\$1,100 to pigment manufacturers and up to US\$1,300 to small lot customers*



"Constraints on the global supply of sulphate ilmenite and high-grade chloride feedstocks (including rutile) have continued into the quarter."

*"Demand for Base Resources ilmenite from existing customers exceeded the Company's ability to supply and there has been a **significant increase in enquiries** from new customers globally"*

*"Rutile prices continued to strengthen in the quarter and **further improvement is expected** in coming quarters."*



TiO₂ pigment market conditions improving as destocking runs its course in Europe and Asia; North America market remains resilient



*The supply of high-grade mineral sands (titanium dioxide and zircon) **remained tight** due to a combination of grade decline and production disruptions – and this has **underpinned robust prices**.*

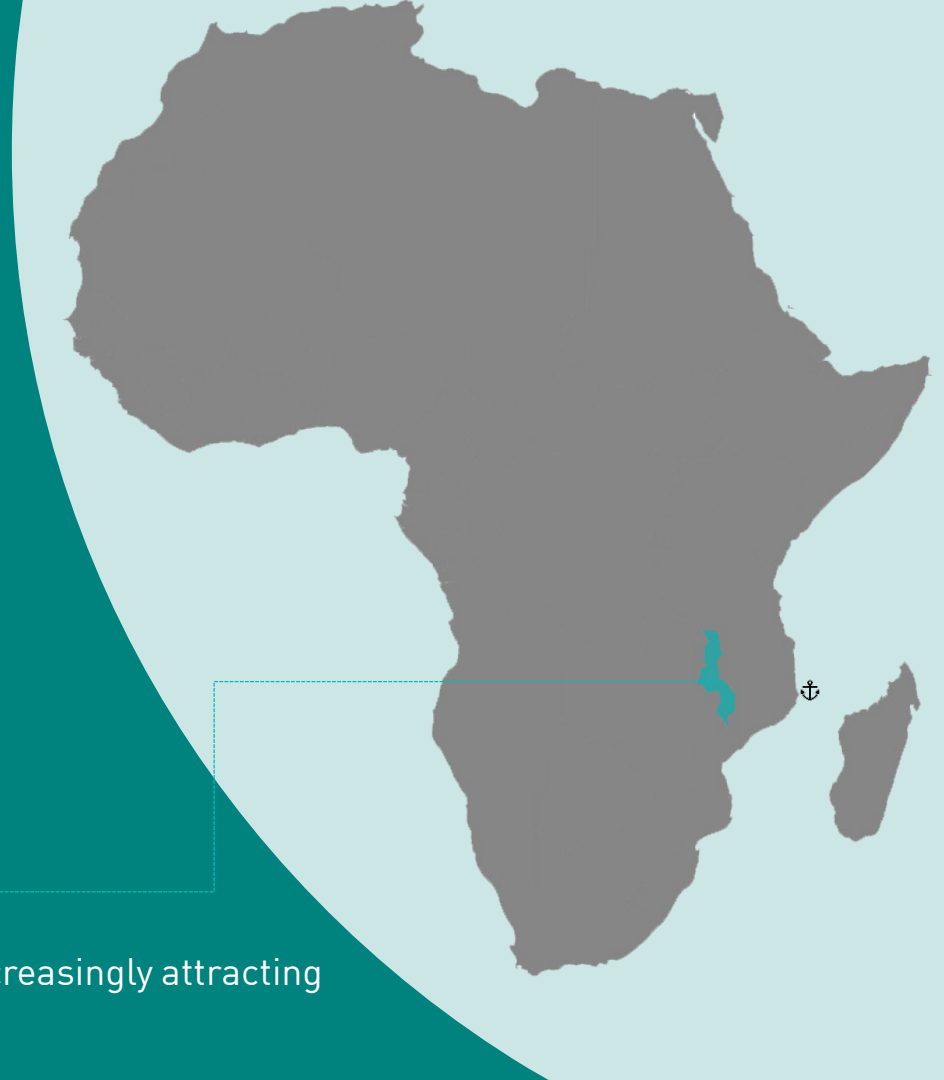
Sources:

- Iluka Resources Limited (ASX:ILU) – 31 March 2019 Quarterly Report
- Base Resources Limited (ASX:BSE) – Quarterly Report March 2019
- Tronox – Investor Day 2019 Presentation (May 2019)
- Rio Tinto plc (ASX:RIO) – Annual Report 2018

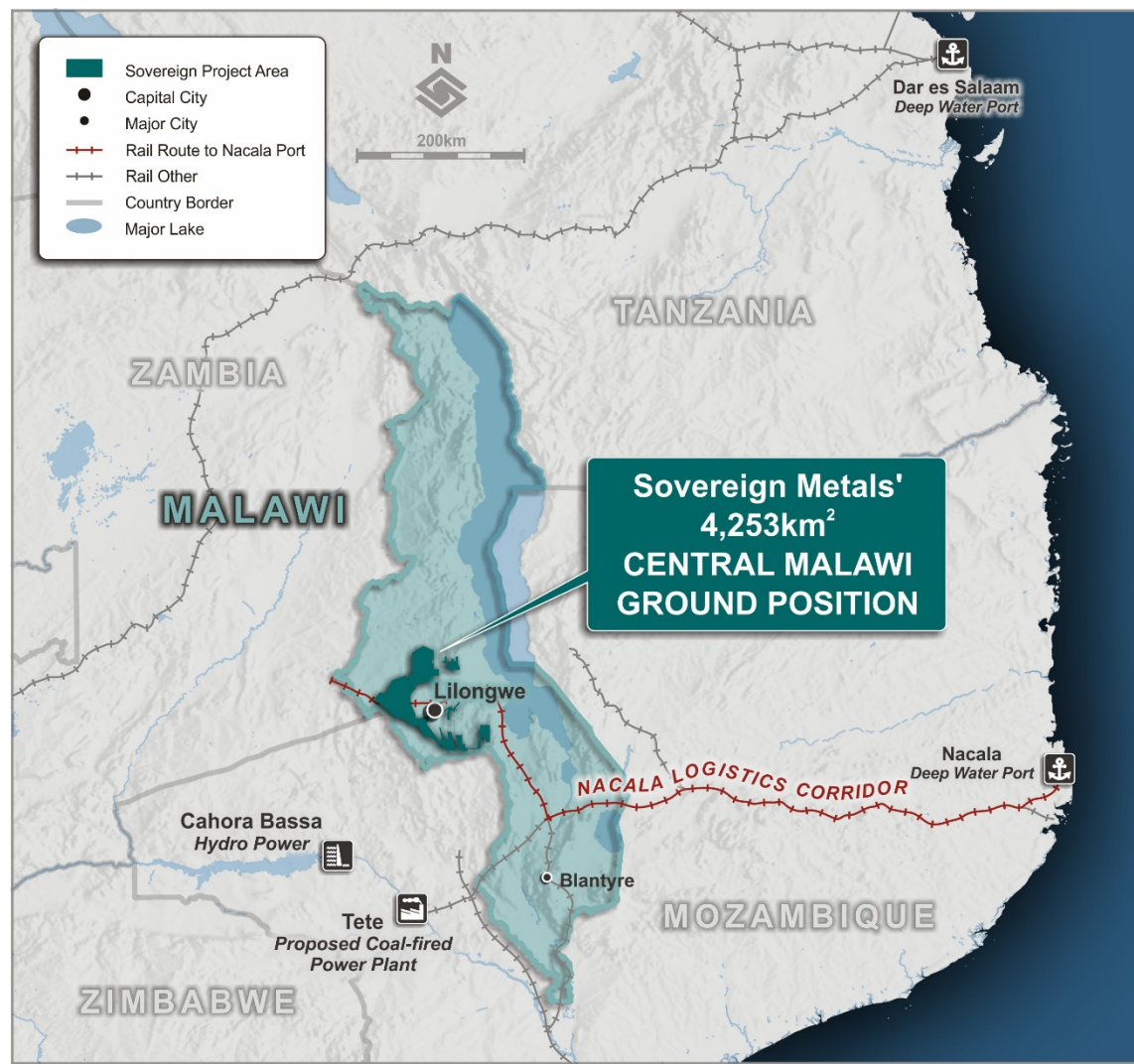
Sovereign Metals has identified a potential **NEW RUTILE PROVINCE** in Malawi

Malawi

A stable, transparent jurisdiction, increasingly attracting international investment



Sovereign controls
>4,000 km²
of highly prospective
ground in Malawi



Operation Ready Infrastructure



Established rail network direct to Nacala Port



Paved roads surrounding project locations



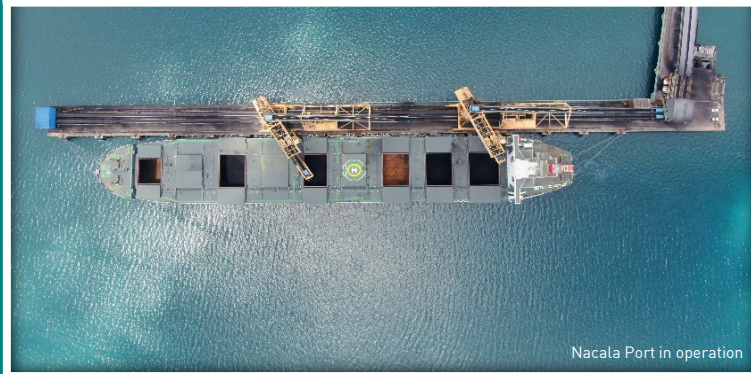
Grid power becoming available
across license areas



Established labour pool and other industrial
services



Plentiful water sources for operations



High-Grade and Widespread Rutile Mineralisation

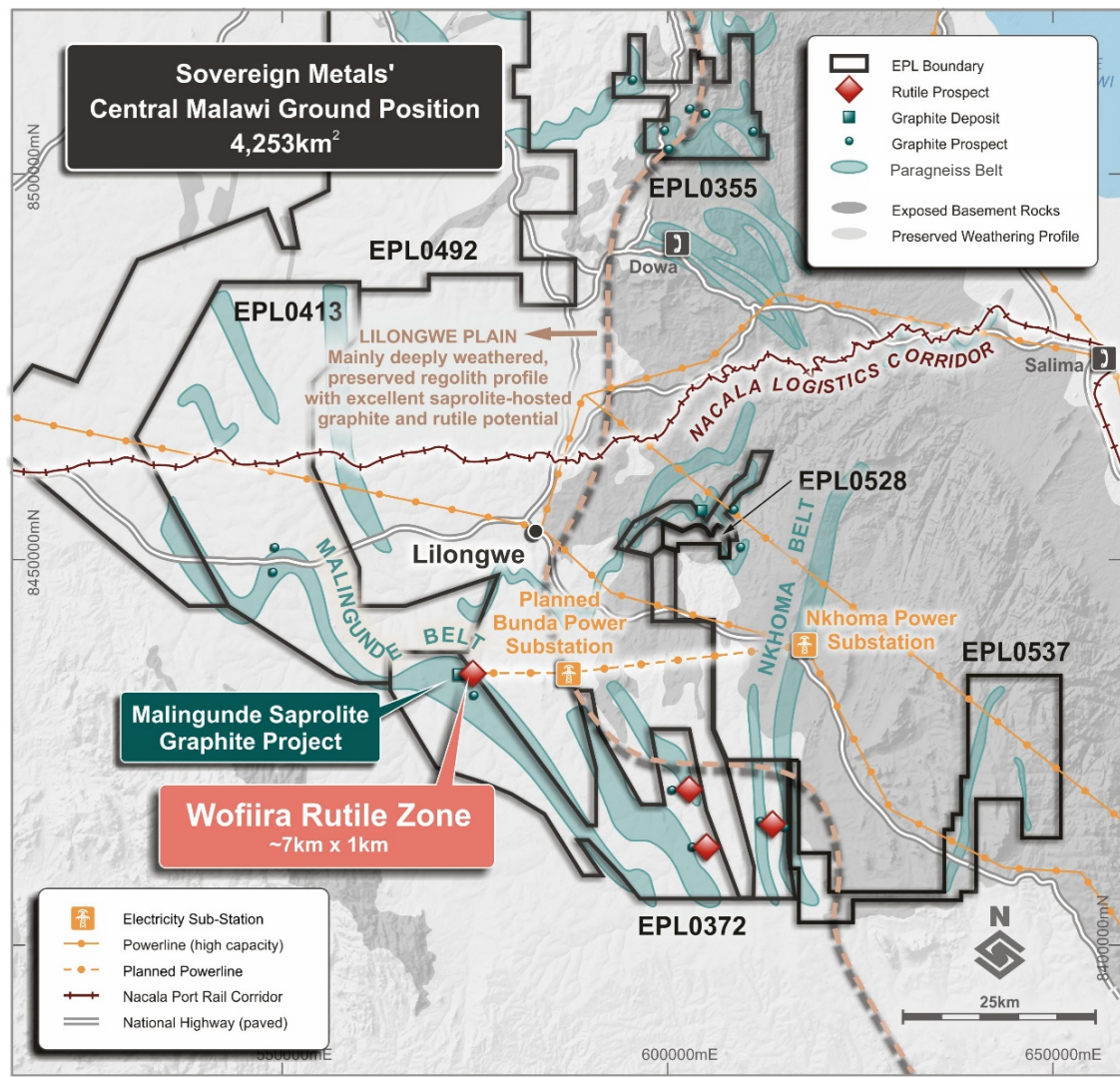
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Regional Drill Holes Re-Assayed

Rutile

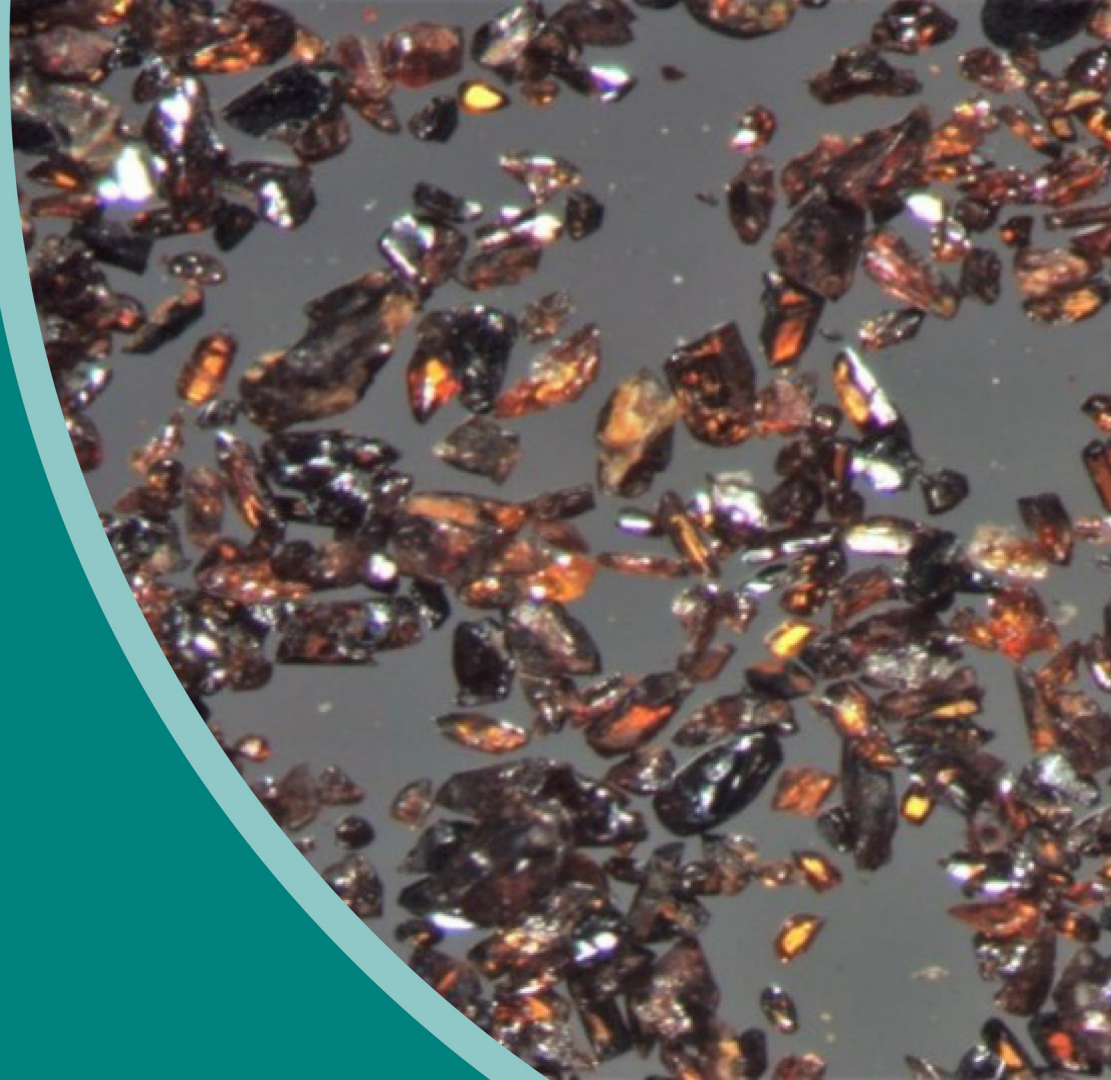
Dominant TiO_2 mineral in numerous zones

Multiple Rutile
Prospects Identified

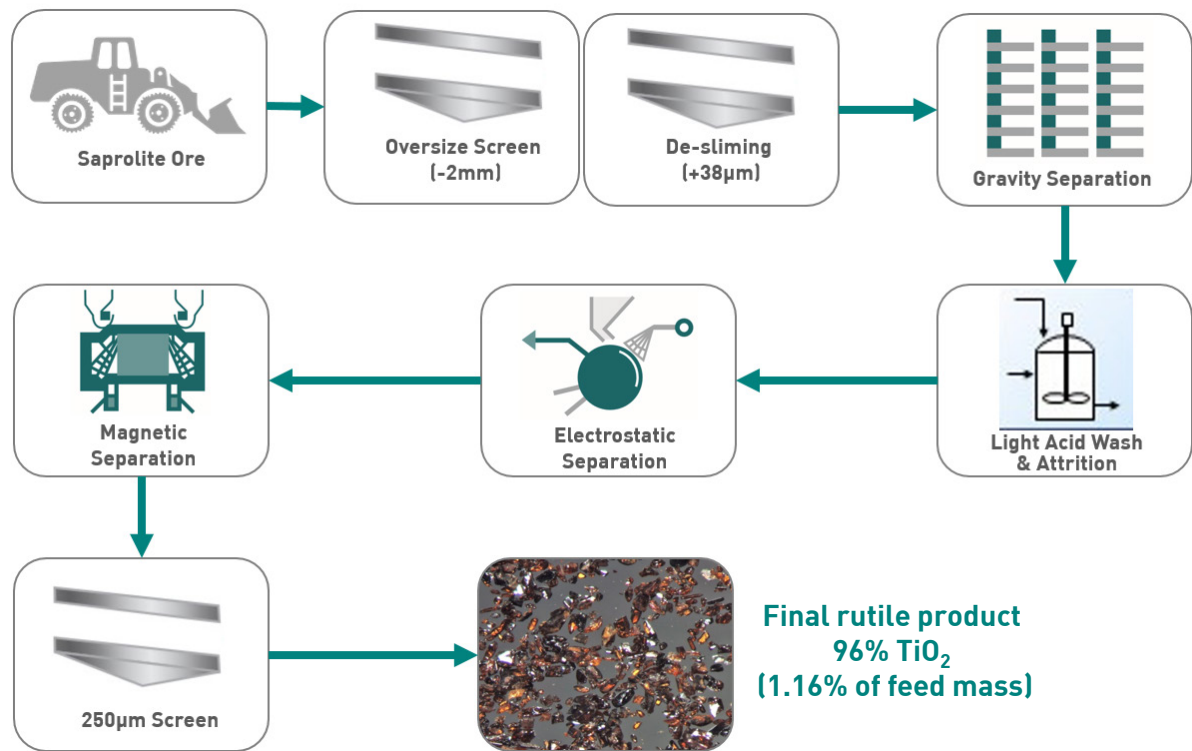


Rutile mineralisation hosted in saprolite

- ◆ Intense weathering has formed a “blanket” of soft, friable saprolite across much of Sovereign’s ground
- ◆ The saprolite is highly enriched in rutile in numerous areas
- ◆ Saprolite is “free-dig” from surface to ~25m
- ◆ Highly successful metallurgical testwork demonstrates recovery of rutile with outstanding specifications



High Recovered Rutile Grade Using Conventional Mineral Sands Flowsheet



- ◆ Produced from 180kg sample from the Wofiiira prospect
- ◆ Conventional mineral sands flowsheet
- ◆ Metallurgy conducted at world-class Australian laboratories
- ◆ Recovered grade of 1.16% rutile from in-situ saprolite ore at commercial specification
- ◆ Further flowsheet optimisation for improved recovered grades is underway

Outstanding Rutile Specifications

96% TiO₂ with recovered grade of 1.16% rutile

No critical impurities

Standout chemical parameters

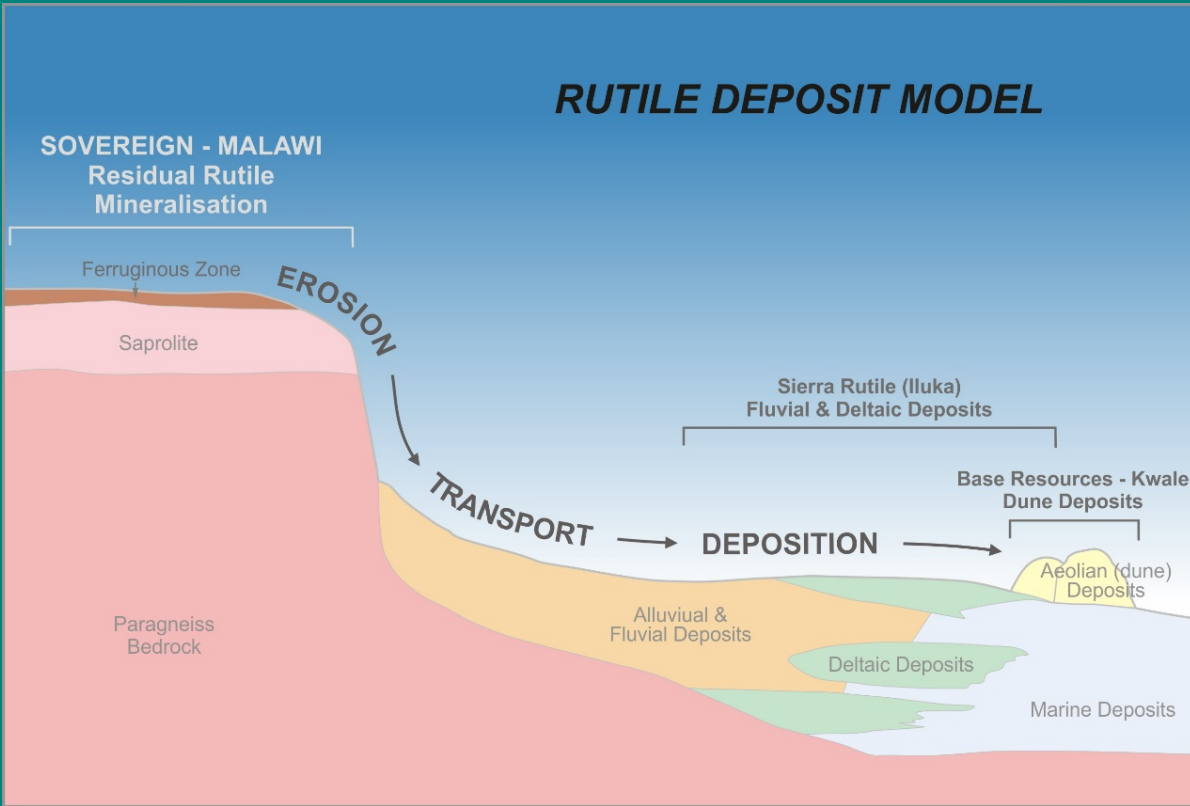
Exceptionally low levels of chromium, zirconium, tin and uranium + thorium

Comparison of Sovereign's rutile specifications to leading global producers

Constituent		Malawi Rutile (Sovereign)	Sierra Rutile (Iluka)	RBM (Rio Tinto)	Kwale (Base Resources)	Namakwa Sands (Tronox)
TiO ₂	%	96.0	96.29	93.30	96.18	94.50
ZrO ₂ +HfO ₂	%	0.14	0.78	1.30	0.72	1.10
SiO ₂	%	1.29	0.62	2.00	0.94	2.00
Fe ₂ O ₃	%	0.97	0.38	0.70	1.25	0.8
Al ₂ O ₃	%	0.33	0.31	0.90	0.23	0.6
Cr ₂ O ₃	%	0.046	0.19	0.11	0.17	0.14
V ₂ O ₅	%	0.50	0.58	0.40	0.52	0.33
Nb ₂ O ₅	%	0.25	0.15	0.30	-	0.04
P ₂ O ₅	%	0.036	0.01	0.03	0	0.02
MnO	%	<0.01	0.01	-	0.03	0.4
MgO	%	0.01	<0.01	-	0.1	0.01
CaO	%	0.02	0.01	-	0.04	0.04
SO ₃ /S	%	0.048	<0.01	<0.05	-	0.01
Sn	%	0.005	-	-	-	-
U+Th	ppm	30	26	100	-	-

"Iluka" is Iluka Resources Limited; "Rio Tinto" is Rio Tinto plc; "Base Resources" is Base Resources Limited; "Tronox" is Tronox Holdings plc. "-" is not disclosed. Sources: RBM data from World Titanium Resources Ltd TZMI Conference Presentation November 2011 (Updated January 2012); Sierra Rutile, Kwale and Namakwa Sands data from BGR Assessment Manual titled "Heavy Minerals of Economic Importance" 2010.

Source Rocks Similar to Sierra Rutile (Iluka)



- ❖ Sovereign tenements underlain by paragneiss bed rock
- ❖ Sierra Rutile deposits formed due to weathering and erosion of paragneiss bed rock into Alluvial placer deposits
- ❖ In Malawi, deep weathering of the bedrock has resulted in high concentrations of rutile in saprolite as a “residual placer”

Sierra Rutile

- ❖ The world's only primary rutile operation
All other rutile is produced as a by-product
- ❖ 2018 rutile production was 122kt, accounting for 18% of global natural rutile supply

June 2019: International Finance Corporation (IFC) a member of the World Bank Group invested **US\$60m for 10% of Sierra Rutile**

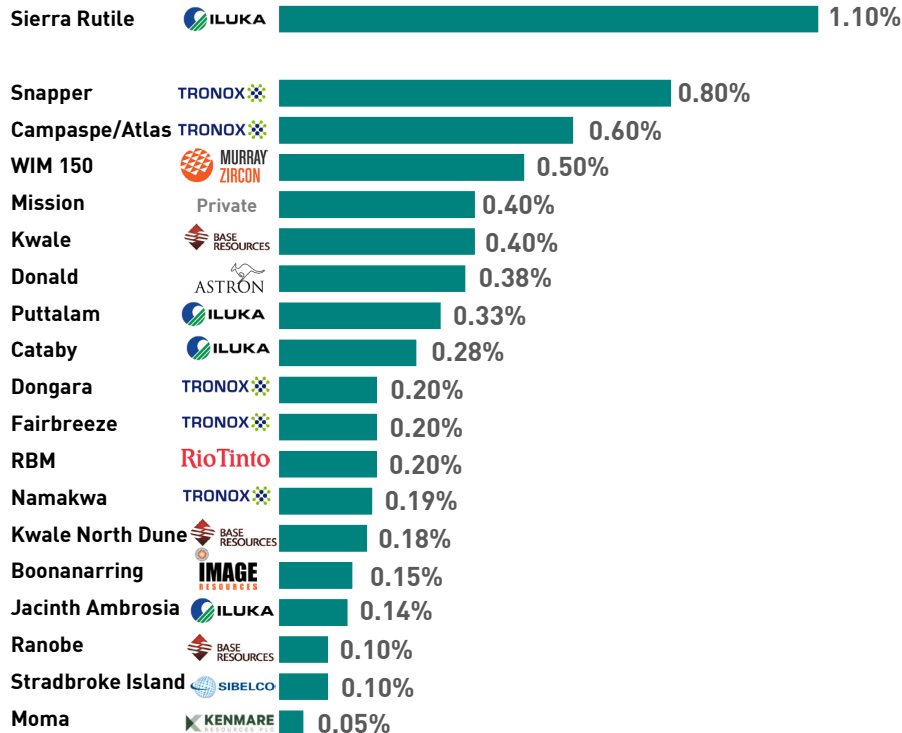
Valuing Sierra Rutile at +A\$800m*

* Implied valuation – 10% at US\$60m = US\$600 (FX rate 0.70) = A\$800m.
Note there are a number of social and other restrictions on IFC's investment.

Sierra Rutile JORC Resources and Grade

714_{Mt} @ 1.1% rutile

Rutile resource grades for current producers and planned mineral sand projects



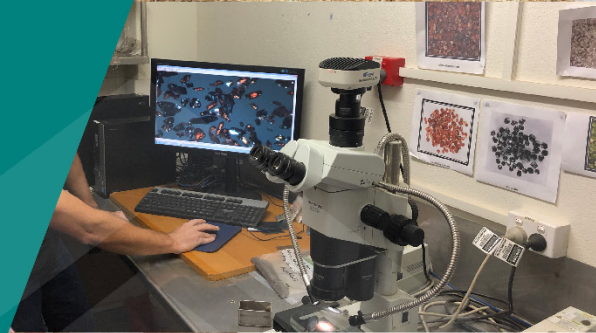
Source: Company Reports

SVM Recovered In-Situ Grade From Wofiira

1.16% Rutile

Accelerated exploration and metallurgy testwork programs underway

- ❖ Hand auger drilling to define discrete areas of mineralisation for future resource definition
- ❖ Extensive regional soil sampling and panning to identify new areas of rutile mineralisation
- ❖ Continued metallurgical test-work to optimise and validate metallurgical flowsheet
- ❖ Produce quantities of commercial specification rutile for initial market sounding



Compelling Investment Case

Exposure to undersupplied commodity during increasing demand

Mining friendly jurisdiction

Operation-ready infrastructure

Highly promising metallurgical testwork

Extensive ground-holding in Malawi with multiple rutile targets identified



Company Information

Sovereign Metals Limited

ABN: 71 120 833 427

ASX : SVM

CAPITAL STRUCTURE

Shares on Issue	359,273,673
Unlisted Options (\$0.10 to \$0.18)	45,550,000
Un-Diluted Market Capitalisation @A\$0.12 ¹	A\$43.1 m
Cash ²	~A\$5.2 m

1. Price as at 18 June 2019

2. Cash is calculated based on the 31 March 2019 Cash at Bank

Contact Us

Dr Julian Stephens (Perth)
Managing Director
+61(8) 9322 6322

Sam Cordin (Perth)
+61(8) 9322 6322

Sapan Ghai (London)
+44 207 478 3900

E: info@sovereignmetals.com.au

Level 9, BGC Centre, 28 The Esplanade,
PERTH WA 6000

www.sovereignmetals.com.au

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COMPETENT PERSONS STATEMENT

The information in this presentation that relates to Exploration Results is extracted from announcements on 24 January 2019 and 24 June 2019. These announcements are available to view on www.sovereignmetals.com.au. The information in the original announcements that related to Exploration Results were based on, and fairly represents, information compiled by Dr Julian Stephens, a Competent Person who is a member of the Australasian Institute of Geoscientists (AIG). Dr Stephens is the Managing Director of Sovereign Metals Limited and a holder of shares, options and performance rights in Sovereign Metals Limited. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

The information in this presentation that relates to Metallurgical Testwork Results is extracted from announcements on 14 August 2018 and 24 June 2019. This announcement is available to view on www.sovereignmetals.com.au. The information in the original ASX Announcements that related to Metallurgical Testwork Results was based on, and fairly represents, information compiled by Mr Gavin Diener, a Competent Person who is a member of the AusIMM. Mr Diener is the Chief Operating Officer of TZMI, an independent mineral sands consulting company and is not a holder of any equity type in Sovereign Metals Limited. Mr Diener has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information including in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.