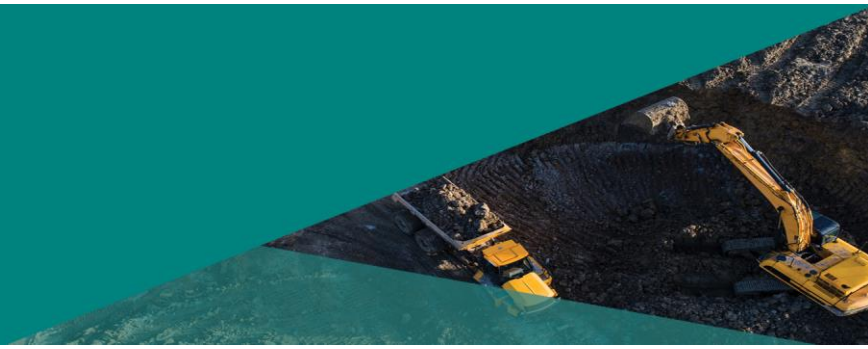
SOVEREIGN METALS LIMITED



30 January 2020

DECEMBER 2019 QUARTERLY REPORT

Sovereign Metals Limited (**Company** or **Sovereign**) is pleased to provide its quarterly report for the period ended 31 December 2019. The Company's focus continues to be on the exploration and development of the highly prospective rutile mineralisation discovered across its ~4,000km^2 strategic ground holding in Malawi.

HIGHLIGHTS

Rapidly Unlocking Rutile Potential

- Progressing rutile exploration programs in Malawi via extensive hand-auger and deeper air-core (10m to 30m) drilling programs focusing on four prospects.
- Completed 101 hand-auger holes for 800m and 68 deeper air-core holes for 830m across three of the four major rutile prospects
- Numerous batches of samples are being processed in Perth laboratories and will be reported over the coming weeks
- Received outstanding initial shallow drill results from the Railroad saprolite-hosted rutile prospect including;
    - ***13m @ 1.08% inc. 6m @ 1.25% rutile***
    - ***8m @ 0.92% inc. 5m @ 1.06% rutile***
    - ***5m @ 1.16% rutile***
    - ***7m @ 0.86% rutile***

    **All intercepts are from surface. Rutile = rutile recovered to a heavy mineral concentrate as a percentage of the primary drill sample mass.*
- In January, the Company discovered a very large soil anomaly at the Kasiya Prospect with observed rutile significantly higher than any previous anomaly identified
- The Company is targeting a large resource(s) that could support long-life, large-scale rutile production
- A steady stream of drilling results from these multiple sample batches across the numerous prospects are expected to start being received shortly and will be reported to market progressively as received
- Rutile market fundamentals continue to be highly robust with current and forecast demand and pricing remaining very strong

Strong Institutional Investor Support

- Successfully secured commitments for A$2m (gross proceeds) from institutional investors including, affiliates of Sprott Group

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RUTILE EXPLORATION UPDATE

During the December quarter, the Company continued to advance exploration on its potentially globally significant, strategic rutile province in Malawi.

A substantial number of shallow hand-auger and deeper air-core drill holes were completed in late 2019 and early 2020. The programs in late 2019 over three high-priority rutile prospects comprised a total of 101 hand-auger holes for 800m and 68 deeper air-core holes for 830m. Additionally, so far in 2020 a total of approximately 40 hand-auger holes have been completed over the large soil anomaly at Kasiya and five other regional targets.

A steady stream of drilling results from these multiple sample batches across the numerous prospects are expected to start being received shortly and will be reported to market progressively as received.

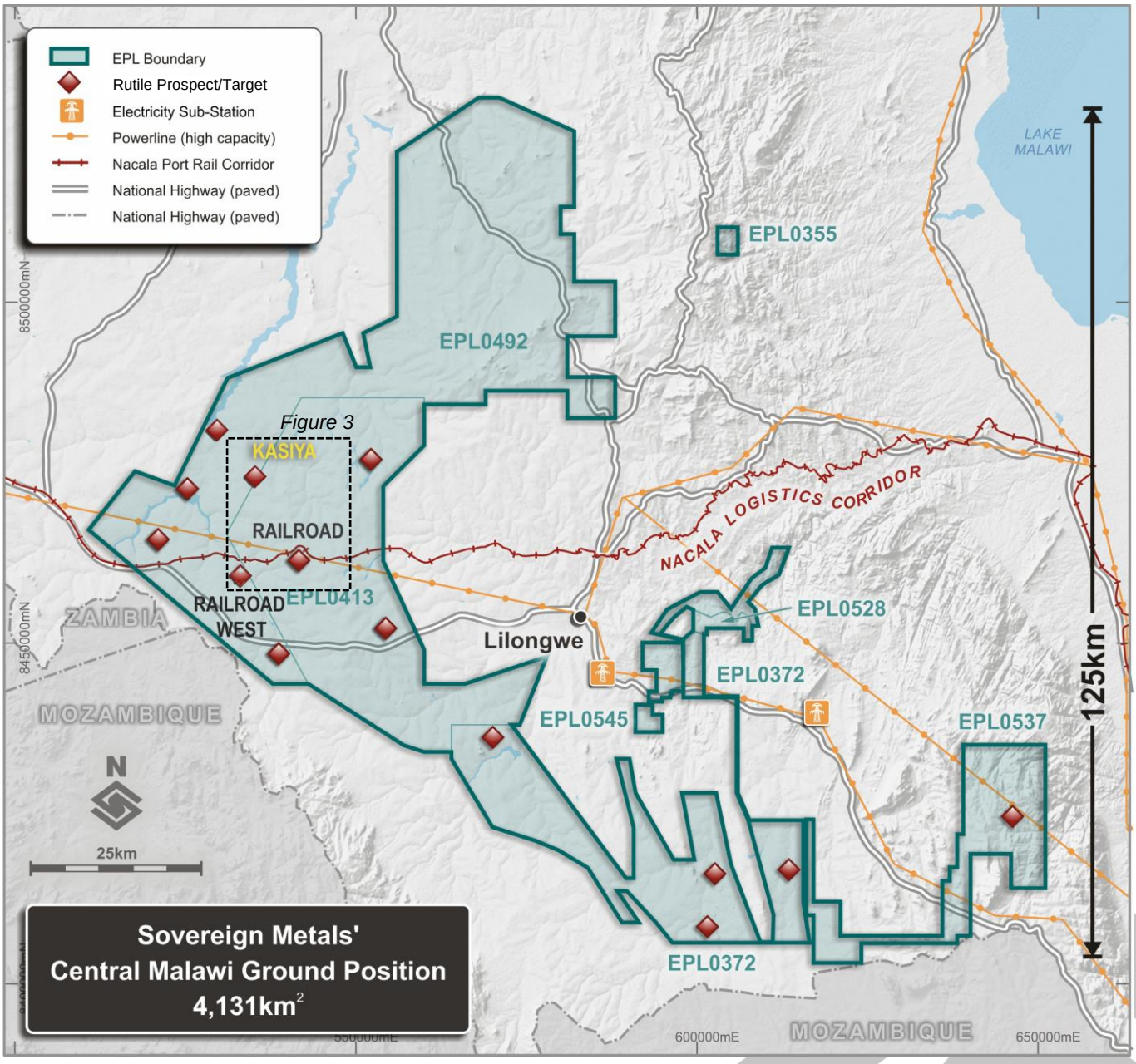

Figure 1. Project map showing the large ground package and multiple prospects

DRILLING RESULTS RECEIVED TO DATE

During the December quarter, the Company received outstanding initial shallow drill results from the Railroad saprolite-hosted rutile prospect including;

- ***13m @ 1.08% inc. 6m @ 1.25% rutile***
- ***8m @ 0.92% inc. 5m @ 1.06% rutile***
- ***5m @ 1.16% rutile***
- ***7m @ 0.86% rutile***

**All intercepts are from surface. Rutile = rutile recovered to a heavy mineral concentrate as a percentage of the primary drill sample mass.*

Further hand-auger and air-core drilling was carried out at Railroad and the nearby Railroad West target in late 2019.

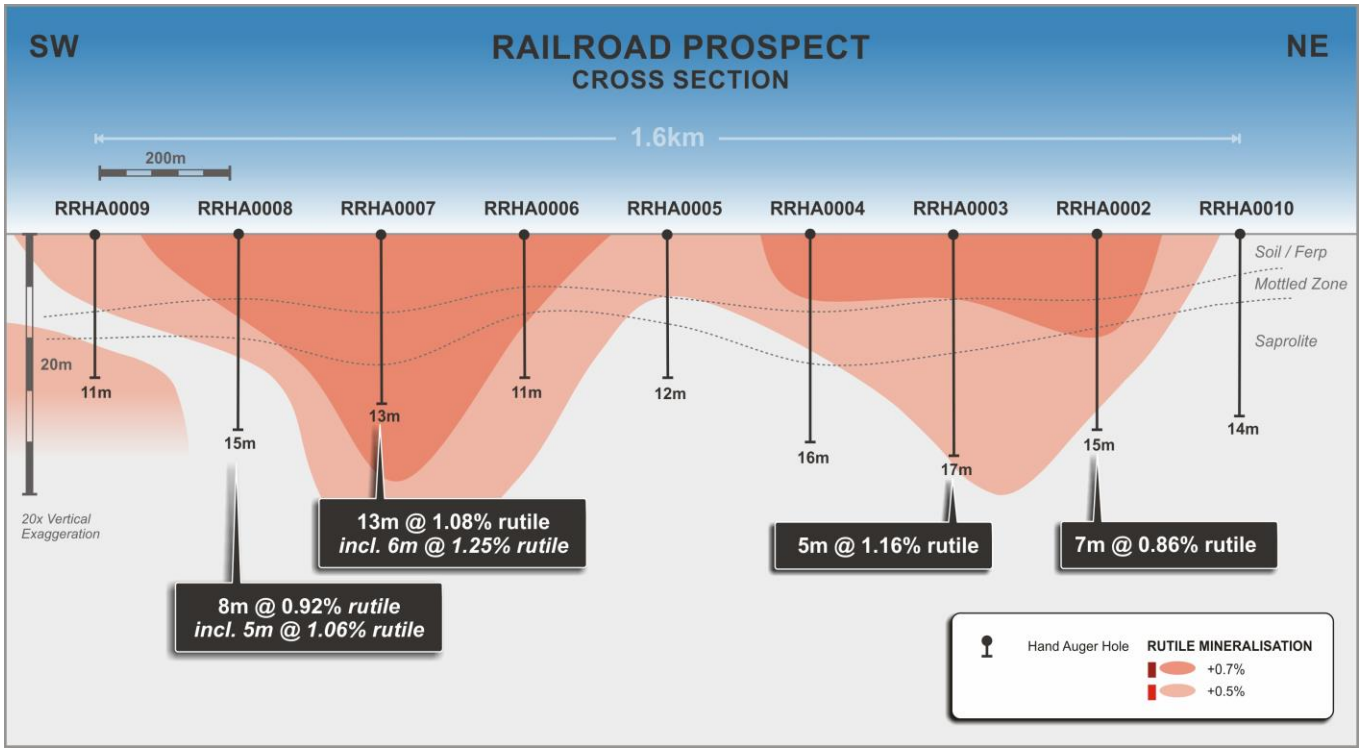

Figure 2. Railroad cross-section SW-NE.

**For simplicity and due to the extreme vertical exaggeration required in the cross-section (Figure 2), the differing RLs of the drill collars are not depicted.*

Additionally, samples from Railroad were also assayed for graphite, showing grades averaging about 1.2% TGC. The viability of a graphite by-product will be considered as part of ongoing technical studies. See Table 1 in the Appendix for graphite assay results from Railroad.

KASIYA PROSPECT

Results of soil sampling in late 2019 over a new, geologically defined prospect at Kasiya show a ~2.4km width with observed rutile significantly higher than any previous anomaly identified.

The potential strike length is currently undefined, though mapping of surface mineral assemblages and assessment of airborne magnetics signatures suggest it could be in excess of several kilometres.

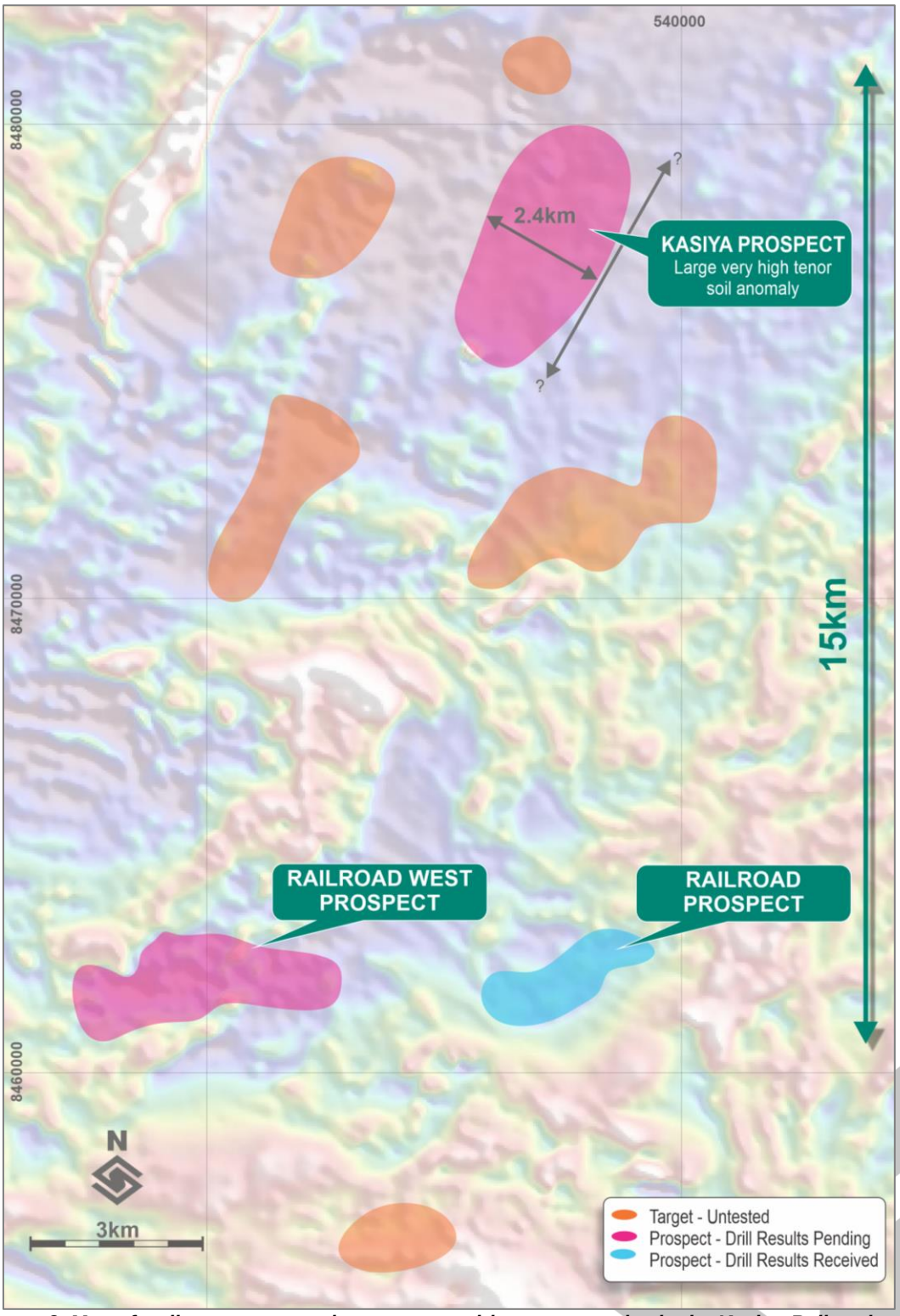

Figure 3. Map of rutile prospects and targets over airborne magnetics in the Kasiya-Railroad area

This high-priority, large soil anomaly was tested with an initial 19 shallow hand-auger holes drilled in early 2020. Laboratory results are pending.

Shallow hand-auger drilling continues on numerous near-by targets in this highly prospective area.

The Kasiya anomaly is within regional proximity to the previously announced Railroad and Railroad West saprolite-hosted rutile prospects and suggests the potential for cumulatively large to very large tonnages of mineralisation within a small radius across a number of prospects.

ONGOING WORK PROGRAM

The Company's ongoing 2020 rutile work program includes;

- Laboratory processing of the large number of hand-auger and air-core drill samples from the late 2019 and early 2020 drilling programs.
- Initial hand-auger drilling on a number of new saprolite-hosted prospects identified by the Company's ongoing soil sampling mapping programs.
- Additional air-core drilling during the current wet season (December to March) to extend rutile mineralisation at depth and along strike on a number of prospects.
- Continuation of technical studies on mining and tailings disposal methods in advance of potential future Scoping Studies.
- Commencement of metallurgical programs on new saprolite-hosted prospects.

Figure 4. Malawi field operations and on-site laboratory

RUTILE MARKET

Rutile is the purest, highest-grade natural form of titanium dioxide (TiO_2) and is the preferred feedstock in manufacturing titanium pigment and producing titanium metal. Titanium pigments are used in paints, coatings and plastics. Titanium also has specialty uses including welding electrodes, commercial aerospace and military applications.

Global supplies of natural rutile are in structural deficit, with limited new deposits forecast to come online in the short to medium term. Global supply is continuing to decline, as a number of current operations deplete reserves and mine declining ore grades.

The rutile market fundamentals continue to be robust with current and forecast pricing remaining very strong. Current rutile pricing is US$1,176/t[1], increasing over 22% year-on-year, with expected price increases based on tight supply conditions coupled with continued strong demand from the pigment and welding markets.

MALINGUNDE GRAPHITE UPDATE

Targeting Sales & Offtake

Sovereign is continuing discussions and developing relationships with a number of Tier 1 end users and traders of graphite, particularly in the industrial space and primarily for coarser flake material. The Company continues to receive positive feedback on the high-quality of the concentrate provided.

The Company will inform the market of any material developments.

CORPORATE

As at 31 December 2019, Sovereign had cash reserves of A$1.75 million.

Subsequent to the end of the quarter, the Company secured commitments from two well regarded North American and United Kingdom based institutional investors as well as a small number of high net worth investors to subscribe for 22,222,222 new ordinary shares of the Company, to raise gross proceeds of A$2.0 million (**Placement**).

Included in the Placement were affiliates of the Sprott Group (**Sprott**). Sprott is a leading North American-based asset management firm with an enviable track record of identifying and funding successful early stage resource companies.

The Placement will fund exploration and development activities on the Company's rutile project in Malawi where work continues to unlock a potentially globally significant, strategic rutile province.

CARPENTARIA JOINT VENTURE

Mount Isa Mines Limited (MIM), a Glencore plc Company, continues to manage and sole fund exploration on all tenements comprising the Carpentaria Joint Venture (**CJV**). Sovereign currently holds a 23.73% diluting interest in the tenements.

Competent Person Statements

The information in this Announcement that relates to rutile Exploration Results are extracted from announcements dated 7 November 2018, 24 January 2019, 24 June 2019, 7 August 2019, 23 September 2019, 6 November 2019 and 16 January 2020. These announcements are available to view on www.sovereignmetals.com.au. The information in the original ASX Announcements that related to Exploration Results was 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 and options 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 report that relates to graphite Exploration Results is based on information compiled by Dr Julian Stephens, a Competent Person who is a member of the Australian 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'. Dr Stephens consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Forward Looking Statement

This release may include forward-looking statements, which may be identified by words such as "expects", "anticipates", "believes", "projects", "plans", and similar expressions. These forward-looking statements are based on Sovereign's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Sovereign, which could cause actual results to differ materially from such statements. There can be no assurance that forward-looking statements will prove to be correct. Sovereign makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.

References

1. *Iluka Resources Limited – Quarterly Review 31 December 2019*

This announcement has been authorised for release by the Company's Board of Directors.

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Table 1: Railroad Rutile and Graphite Results

Hole ID	Interval (m)	Rutile %	Graphite % TGC		Interval	Rutile %
RRHA0002	**7**	**0.86**	0.6			
RRHA0003	17	0.76	2.7	**inc.**	**5**	**1.16**
RRHA0004	10	0.66	0.6	inc	6	0.77
RRHA0005	5	0.58	0.3			
RRHA0006	11	0.79	1.6	inc.	4	0.99
RRHA0007	**13**	**1.08**	0.5	**inc**	**6**	**1.25**
RRHA0008	**8**	**0.92**	2.1	**inc**	**5**	**1.06**
RRHA0009	11	0.51	0.2			
RRHA0010	*No significant results*					

Table 2: Drill Hole Data

Hole ID*	Easting	Northing	RL	Depth (m)
RRHA0002	538904	8462693	1136	15
RRHA0003	538717	8462609	1134	17
RRHA0004	538555	8462498	1133	16
RRHA0005	538400	8462352	1131	12
RRHA0006	538253	8462197	1129	11
RRHA0007	538102	8462042	1127	13
RRHA0008	537954	8461906	1125	15
RRHA0009	537760	8461810	1123	11
RRHA0010	539101	8462763	1138	14

**All reported intercepts are from surface. All holes were vertical*

Appendix 1: Summary of mining tenements

As at 31 December 2019, the Company had an interest in the following tenements:

Project Name	Permit Number	Percentage Interest	Area (km²)	Status
Malawi				
Central Malawi Ground Holdings	EPL 0372	100%	732	Granted
	EPL 0355	100%	12	Granted
	EPL 0413	100%	1,077	Granted
	EPL 0492	100%	1,895	Granted
	EPL 0528	100%	21	Granted
	EPL 0537	100%	339	Granted
	EPL 0545	100%	54	Granted
		Total	**4,131**	

Project Name	Permit Number	Percentage Interest	Joint Venture Partner	Status
Queensland, Australia				
Mt Marathon	EPM 8586	23.73%	Mount Isa Mines	Granted
Mt Avarice	EPM 8588	23.73%	Mount Isa Mines	Granted
Fountain Range	EPM 12561	23.73%	Mount Isa Mines	Granted
Corella River	EPM 12597	23.73%	Mount Isa Mines	Granted
Saint Andrews Extended	EPM 12180	23.73%	Mount Isa Mines	Granted

Beneficial percentage interests in Farm-out agreements disposed during the quarter ending 31 December 2019:

Project Name	Permit Number	Type of change	Interest at beginning of quarter	Interest disposed of during quarter	Interest at end of quarter
Carpentaria JV:					
Mt Marathon	EPM 8586	Farm out	24.43%	0.70%	23.73%
Mt Avarice	EPM 8588	Farm out	24.43%	0.70%	23.73%
Fountain Range	EPM 12561	Farm out	24.43%	0.70%	23.73%
Corella River	EPM 12597	Farm out	24.43%	0.70%	23.73%
Saint Andrews Ext.	EPM 12180	Farm out	24.43%	0.70%	23.73%

Appendix 2: JORC Code, 2012 Edition – Table 1

SECTION 1 - SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code explanation	Soil Sampling Commentary
Sampling Techniques	*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.*	Nine hand auger holes were drilled to test a high-tenor rutile soil anomaly at Railroad and to obtain samples for quantitative mineralogical determination. Samples were composited based on regolith boundaries and chemistry generated by hand-held XRF.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	Each 1m sample was sun dried and homogenised. Sub-samples were carefully coned and quartered to ensure sample representivity. ~1kg composite samples were processed. Extreme care is taken to ensure an equivalent mass is taken from each 1m sample to make up the composite. The primary composite sample is considered representative for this style of graphite mineralisation.
	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.	Flake graphite content is visually estimated as volume % (% v/v) of each 1-metre bulk drill samples during geological logging by Company geologist.
Drilling Techniques	*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).*	Hand-auger drilling with 62mm diameter spiral bits with 1-metre steel rods were used. Each 1m of drill sample is collected into separate sample bags and set aside. The auger bits and flights are cleaned between each metre of sampling to avoid contamination.
Drill Sample Recovery	*Method of recording and assessing core and chip sample recoveries and results assessed.*	Samples are assessed visually for recoveries. Overall, recovery is very good.
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	The Company's trained geologists supervise auger drilling on a 1 team 1 geologist basis and are responsible for monitoring all aspects of the drilling and sampling process
	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.	No bias related to preferential loss or gain of different materials has occurred.
Logging	*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.*	All individual 1-metre auger intervals are geologically logged, recording relevant data to a set template using company codes. A small representative sample is collected for each 1-metre interval and placed in appropriately labelled chip trays for future reference.
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.	All logging includes lithological features and estimates of basic mineralogy. Logging is generally qualitative
	The total length and percentage of the relevant intersection logged	100% of samples are geologically logged.
Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.*	Not applicable – No core drilling completed.
	If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.	The samples were passed through a standard Jones 50:50 riffle splitter for generation of a 1kg sample for graphite processing. The remaining sample was retained for potential future processing. All samples were recorded as dry.

Criteria	JORC Code explanation	Soil Sampling Commentary
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	Use of the Jones splitter is deemed appropriate given the generally dry nature of the soil samples.
	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	The splitter was cleaned after each sample.
	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.	Duplicate samples have not been taken at this early stage of exploration.
	Whether sample sizes are appropriate to the grain size of the material being sampled.	The sample size is considered appropriate for the material sampled.
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	The assaying and laboratory procedures are considered to be appropriate for reporting graphite mineralisation, according to industry best practice. Each entire sample was pulverised to 85% -75µm. Approximately 100g pulp is collected for analysis at Intertek-Genalysis Perth. 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.
	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.	Acceptable levels of accuracy and precision have been established. No handheld methods are used for quantitative determination.
	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.	Intertek Genalysis used internal standards and duplicates. The overall quality of QA/QC is considered to be good.
Verification of sampling & assaying	*The verification of significant intersections by either independent or alternative company personnel.*	Significant mineralisation intersections were verified by qualified, alternative company personnel.
	The use of twinned holes.	No twin holes have been used.
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	All data was collected initially 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.
	Discuss any adjustment to assay data.	No assay adjustment has occurred.
Location of data points	*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.*	A Trimble R2 Differential GPS was used to pick up the hand auger collars No downhole surveying of auger holes is completed. Given the vertical nature and shallow depths of the auger holes drill hole deviation is not considered to significantly affect the downhole location of samples.
	Specification of the grid system used.	WGS84 UTM Zone 36 South.
	Quality and adequacy of topographic control.	DGPS pickups are considered adequate topographic control (metres above mean sea level).
Data spacing & distribution	*Data spacing for reporting of Exploration Results.*	The hand auger collars are spaced at approximately 200m and were designed to provide systematic coverage of the anomalous area of soil samples previously analysed in this area. The drilling was completed along accessible road networks. It is thought that these holes intercepts should be broadly representative of the mineralisation style in the general area.

Criteria	JORC Code explanation	Soil Sampling Commentary
	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.	Not applicable, no Mineral Resource or Ore Reserve estimations are covered by new data in this report.
	Whether sample compositing has been applied.	Individual 1-metre auger intervals have been composited over a determined interval of interest for the 9 auger holes drilled in order to obtain a primary sample of ~1kg mass for analysis.
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known considering the deposit type*	No bias attributable to orientation of sampling has been identified.
	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.	No bias attributable to orientation of drilling has been identified.
Sample security	*The measures taken to ensure sample security*	Samples were stored in secure storage from the time of drilling. The samples were sealed as soon as site preparation was completed, and again securely stored during shipment and while at Australian laboratories.
Audits or reviews	*The results of any audits or reviews of sampling techniques and data*	It is considered by the Company that industry best practice methods have been employed at all stages of the exploration.

SECTION 2 - REPORTING OF EXPLORATION RESULTS

Criteria	Explanation	Commentary
Mineral tenement & land tenure status	*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.*	The Company owns 100% of 7 Exclusive Prospecting Licences (EPLs) in Malawi. EPL0355 renewed in 2019 for 2 years, EPL0372 renewed in 2018 for 2 years and EPL0413 renewed in 2019 for 2 years. EPL0492 and EPL0528 were granted in 2018 for an initial period of three years (renewable). EPL0537 and EPL0545 were granted in 2019 for an initial period of three years (renewable).
	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.	The tenements are in good standing and no known impediments to exploration or mining exist.
Exploration done by other parties	*Acknowledgement and appraisal of exploration by other parties.*	No other parties were involved in exploration.
Geology	*Deposit type, geological setting and style of mineralisation*	The graphite mineralisation occurs as multiple bands of rutile and graphite-rich gneisses, hosted within a broader Proterozoic paragneiss package. A deep tropical weathering profile is preserved, resulting in significant vertical thicknesses from near surface of saprolite-hosted rutile and graphite mineralisation. Graphite tends to be higher grade in true saprolite from about 10-25m vertical depth, whilst rutile tends to be higher grade in the upper ferruginous zone from about 0-10m vertical depth.
Drill hole information	*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*	Refer to Tables 1 and 2 in Appendix.
	If the exclusion of this information is justified on the basis that the information is not Material and this	Not applicable, no information has been excluded.

Criteria	Explanation	Commentary
	exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case	
Data aggregation methods	*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.*	All results reported are of a length-weighted average. The results reported in the body of the report are on a lower cut-off of 0.5% rutile.
	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.	No significant aggregate intercepts with short zones of high grade or longer lengths of low grade have been reported.
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	No metal equivalents are used in this report.
Relationship between mineralisation widths & intercept lengths	*These relationships are particularly important in the reporting of Exploration Results.*	It is not possible to estimate the true widths of graphite mineralisation at this stage as dips of primary units are not currently known.
	If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.	Not Applicable, refer to explanation directly above.
	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'.	Downhole widths approximate true widths. Some mineralisation currently remains open at depth.
Diagrams	*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.*	No diagram in the body of this report.
Balanced reporting	*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.*	All results have been reported in this report.
Other substantive exploration data	*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.*	The company continues to explore across wide areas within the large tenement package for rutile mineralisation.

Criteria	Explanation	Commentary
Further work	*The nature and scale of planned further work (e.g. test for lateral extensions or depth extensions or large-scale step-out drilling).*	Sovereign's primary focus is on rutile work programs with no further work currently planned for graphite, except where it may occur as a by-product.
	Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	Refer to diagrams in the body of this report.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SOVEREIGN METALS LIMTED

ABN	**Quarter ended ("current quarter")**
71 120 833 427	31 December 2019

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(552)	(1,781)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(143)	(257)
	(e) administration and corporate costs	(141)	(277)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	9	29
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)		
	Business Development	(74)	(130)
1.9	**Net cash from / (used in) operating activities**	**(901)**	**(2,416)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(5)	(8)
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(5)**	**(8)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(2)	(2)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(2)**	**(2)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	**2,660**	**4,178**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(901)	(2,416)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	(2)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,752**	**1,752**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	38	45
5.2	Call deposits	1,714	2,615
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,752**	**2,660**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	164
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments include director fees and salaries, superannuation and provision of a fully serviced office.

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Not applicable

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Not applicable

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	680
9.2	Development	-
9.3	Production	-
9.4	Staff costs	130
9.5	Administration and corporate costs	150
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**960**

Subsequent to the end of the quarter, the Company secured commitments from two well regarded North American and United Kingdom based institutional investors as well as a small number of high net worth investors to subscribe for 22,222,222 new ordinary shares of the Company, to raise gross proceeds of A$2.0 million.

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EPM 8586 EPM 8588 EPM 12561 EPM 12597 EPM 12180	Reduction of interest in accordance with terms of joint venture agreement.	24.43%	23.73%
10.2	Interests in mining tenements and petroleum tenements acquired or increased			-	-

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

[lodged electronically without signature]

Sign here: ..... Date: 30 January 2020
(Company secretary)

Print name: Lachlan Lynch.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.