

23 October 2020

NOTICE OF ANNUAL GENERAL MEETING

Sovereign Metals Limited (**Sovereign** or **the Company**) advises that attached to this announcement is the 2020 Notice of Annual General Meeting (**AGM**) which is to be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on Wednesday, 25 November 2020 at 11am (AWST).

The Notice of AGM and explanatory memorandum is being made available to shareholders electronically and can be viewed and downloaded online from the Company's website at: www.sovereignmetals.com.au/investors/.

The Company will not be sending shareholders a hard copy of the Notice of AGM by post ahead of the Meeting. This approach is consistent with the relief provided by the Australian Treasurer in response to the COVID-19 pandemic.

The Board is closely monitoring the rapidly changing coronavirus (COVID-19) pandemic. The health of the Company's Shareholders, employees and other stakeholders is of paramount importance.

While the Board would like to host all Shareholders in person, in order to minimise the risk to Shareholders and to the Company and its ongoing operations, the Company suggests that Shareholders do not attend the AGM in person. Accordingly, the Directors strongly encourage all Shareholders to lodge Proxy Forms prior to the AGM. The Company advises that a poll will be conducted for each of the Resolutions.

The Board will continue to monitor Australian Government restrictions on public gatherings. If it becomes necessary or appropriate to make alternative arrangements to those set out in the Notice of AGM, the Company will notify Shareholders accordingly via the Company's website at www.sovereignmetals.com.au and the ASX announcements platform.

The business to be considered at the AGM is set out in the Notice of AGM below.

ENQUIRIES

Lachlan Lynch
Company Secretary
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This ASX Announcement has been authorised for release by Sovereign Metals Limited's Company Secretary.



SOVEREIGN METALS LIMITED

ACN 120 833 427

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Sovereign Metals Limited will be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on Wednesday 25 November 2020 commencing at 11:00am (WST).

This 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 stock broker, investment advisor, 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 8 9322 6322.

Shareholders are urged to attend or vote by lodging the Proxy Form enclosed with the Notice.

SOVEREIGN METALS LIMITED

ACN 120 833 427

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual 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 Wednesday 25 November 2020 commencing at 11:00am (WST) (**Meeting**).

The Board is closely monitoring the rapidly changing coronavirus (COVID-19) pandemic. The health of the Company's Shareholders, employees and other stakeholders is of paramount importance.

While the Board would like to host all Shareholders in person, in order to minimise the risk to Shareholders and to the Company and its ongoing operations, the Company suggests that Shareholders do not attend the Meeting in person.

Accordingly, the Directors strongly encourage all Shareholders to lodge Proxy Forms prior to the Meeting. The Company advises that a poll will be conducted for each of the Resolutions.

The Board will continue to monitor Australian Government restrictions on public gatherings. 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 announcements platform.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this 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 Monday 23 November 2020 at 4:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2020, which includes the Financial Report, the Directors' Report and the Auditor's Report.

2. Resolution 1 – Remuneration Report

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

“That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (a) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution; or
 - (b) the person is the Chairperson voting an undirected proxy which expressly authorises the Chairperson to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.
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3. Resolution 2 – Re-election of Director – Mr Ian Middlemas

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

“That, pursuant to and in accordance with Listing Rule 14.4, Article 6.3(c) of the Constitution and for all other purposes, Mr Ian Middlemas, Director, retires and being eligible pursuant to Article 6.3(f), is re-elected as a Director on the terms and conditions in the Explanatory Memorandum.”

4. Resolution 3 – Election of Director – Mr Benjamin Stoikovich

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

“That, pursuant to and in accordance with Listing Rule 14.4, Article 6.3(j) of the Constitution and for all other purposes, Mr Benjamin Stoikovich, Director, who was appointed as a Director on 13 October 2020, retires and being eligible is elected as a Director on the terms and conditions in the Explanatory Memorandum.”

5. Resolution 4 – Approval of Employee Equity Incentive Plan

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

*“That, pursuant to and in accordance with Listing Rule 7.2 (Exception 13) and for all other purposes, Shareholders approve the Sovereign Metals Limited Employee Equity Incentive Plan (**Plan**), and the grant of Employee Incentives and the issue of underlying securities under the Plan, on the terms and conditions in the Explanatory Memorandum.”*

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is eligible to participate in the Plan or an associate of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this 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 Shareholder that the beneficiary is not excluded from voting, and is not an associated of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

6. Resolution 5 – Issue of Performance Rights to a Director – Dr Julian Stephens

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

“That, subject to the passing of Resolution 4, pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 3,000,000 Performance Rights to Dr Julian Stephens (and/or his nominees) under the Sovereign Metals Limited Employee Equity Incentive Plan on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person referred to in Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Plan or an associate of that person (or those persons).

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or

- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this 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 Shareholder that the beneficiary is not excluded from voting, and is not an associated of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

7. Resolution 6 – Issue of Performance Rights to a Director – Mr Benjamin Stoikovich

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

“That, subject to the passing of Resolution 4, pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 1,200,000 Performance Rights to Mr Benjamin Stoikovich (and/or his nominees) under the Sovereign Metals Limited Employee Equity Incentive Plan on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person referred to in Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Plan or an associate of that person (or those persons).

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this 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 Shareholder that the beneficiary is not excluded from voting, and is not an associated of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

8. Resolution 7 – Ratification of Prior Placement Shares

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

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 22,222,222 Shares issued under Listing Rule 7.1 on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person (and/or their nominee(s)) who participated in the issue or an associate of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this 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 Shareholder that the beneficiary is not excluded from voting, and is not an associated of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

9. Resolution 8 – Ratification of Prior Placement Shares to Sprott Capital Partners LP

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

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 666,666 Shares issued under Listing Rule 7.1 on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Sprott Capital Partners LP (and/or their nominee(s)) or an associate of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this 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 Shareholder that the beneficiary is not excluded from voting, and is not an associated of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

10. Resolution 9 – Approval for 10% Placement Capacity

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

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person (and/or their nominee(s)) who is expected to participate in, or who will obtain a material benefit as a result of, the issue of Equity Securities under Listing Rule 7.1A (except a benefit solely by reason of being a holder of ordinary securities in the Company), or an associate of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this 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 Shareholder that the beneficiary is not excluded from voting, and is not an associated of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

Note: As at the date of this Notice, it is not known who may participate in any Equity Securities issued under Resolution 9 and the Company has not approached any Shareholder or identified a class of existing Shareholders to participate in any issue of Equity Securities under the 10% Placement Capacity. Accordingly, no Shareholders are excluded from voting on Resolution 9.

11. Resolution 10 – Renewal of Proportional Takeover Provisions

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

“That, for the purposes of section 648G of the Corporations Act and for all other purposes, Shareholders approve the renewal of the Proportional Takeover Provisions in the Constitution for a further three years with effect from the date of the Meeting and on the terms and conditions in the Explanatory Memorandum.”

BY ORDER OF THE BOARD



Lachlan Lynch
Company Secretary

Dated: 23 October 2020

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 Wednesday 25 November 2020 commencing at 11:00am (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

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

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 – Remuneration Report
Section 5:	Resolution 2 – Re-election of Director - Mr Ian Middlemas
Section 6:	Resolution 3 – Election of Director - Mr Benjamin Stoikovich
Section 7:	Resolution 4 – Approval of Employee Equity Incentive Plan
Section 8:	Resolution 5 – 6 Issue of Performance Rights to Directors – Dr Julian Stephens and Mr Benjamin Stoikovich
Section 9:	Resolutions 7 and 8 – Ratification of Prior Placement Shares
Section 10:	Resolution 9 – Approval of Additional 10% Placement Capacity
Section 11:	Resolution 10 – Renewal of Proportional Takeover Provisions
Schedule 1:	Definitions
Schedule 2:	Summary of Employee Equity Incentive Plan
Schedule 3:	Terms and Conditions of Performance Rights

A Proxy Form is enclosed with the Notice.

2. Action to be taken by Shareholders

Shareholders should read the Notice (including this Explanatory Memorandum) carefully before deciding how to vote on the Resolutions.

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 set out in the Proxy Form. Returning the Proxy Form to the Company will not preclude a Shareholder from attending or (subject to the voting exclusions set out in the Notice) voting at the Meeting in person.

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder 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. 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 11:00am (WST) on Monday 23 November 2020, being at least 48 hours before the Meeting

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

2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

A vote on Resolution 1 must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on Resolution 1; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on Resolution 1, but expressly authorises the Chairperson to exercise the proxy even if Resolution 1 is connected with the remuneration of a member of the Key Management Personnel.

3. Annual Report

In accordance with section 317 of the Corporations Act, the Annual Report for the financial year ended 30 June 2020 must be laid before the Meeting.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at www.sovereignmetals.com.au;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Auditor about:

- (a) the preparation and contents of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 – Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out:

- (a) the Company's remuneration policy; and
- (b) the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with section 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Pursuant to the Corporations Act, Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive AGMs.

If a resolution on the Remuneration Report receives a Strike at two consecutive AGMs, the Company will be required to put to Shareholders at the second AGM, a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the Company's 2019 AGM. If the Remuneration Report receives a Strike at the Meeting, Shareholders should be aware that if a second Strike is received at the Company's 2021 AGM, this may result in the re-election of the Board.

The Chairperson will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary Resolution.

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

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. Resolution 2 – Re-election of Director - Mr Ian Middlemas

5.1 General

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 year, whichever is the longer.

Article 6.3(c) of the Constitution requires that one third of the Directors must retire at each AGM (rounded down to the nearest whole number), excluding:

- (a) the Managing Director; and
- (b) any Director that was appointed by the Directors under Article 6.2(b) of the Constitution and is required to retire under Article 6.3(j) of the Constitution,

The Directors to retire shall be those who have held their office as Director the longest period of time since their last appointment at that office and if two or more Directors have held office for the same period of time since their last appointment, those Directors determined by the drawing of lots, unless those Directors agree otherwise.

Article 6.3(f) of the Constitution provides that a Director who retires under Article 6.3(c) of the Constitution is eligible for re-election.

Resolution 2 provides that Mr Middlemas retires by rotation and seeks re-election as a Director.

Details of Mr Middlemas' qualifications and experience are set out in the Annual Report.

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

5.2 Board Recommendation

The Board (excluding Mr Middlemas) supports the re-election of Mr Middlemas as a Director and recommends that Shareholders vote in favour of Resolution 2.

6. Resolutions 3 – Election of Director - Mr Benjamin Stoikovich

6.1 General

In accordance with Listing Rule 14.4, a director appointed as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the entity.

Article 6.2(b) of the Constitution allows the Directors to appoint a person as an addition to the Board at any time, subject to the limits on the number of Directors under the Constitution.

Under Article 6.3(j) of the Constitution, any Director so appointed may retire at the next general meeting, and otherwise, must retire at the next annual general meeting and is eligible for re-election at that Mr Stoikovich was appointed to the Board, as Director on 13 October 2020.

Resolution 3 provides that Mr Stoikovich retires from office and seeks re-election as Director of the Company.

Details of the qualifications and experience of Mr Stoikovich are in the 13 October 2020.

Resolution 3 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

6.2 Board Recommendation

The Board (excluding Mr Stoikovich) supports the election of Mr Stoikovich and recommends that Shareholders vote in favour of Resolution 3.

7. Resolution 4 – Approval of Employee Equity Incentive Plan

7.1 General

Resolution 4 seeks Shareholder approval, pursuant to Listing Rule 7.2, Exception 13, to adopt the Sovereign Metals Limited Employee Equity Incentive Plan (the **Plan**) and to enable Performance Rights, Options, and Shares upon exercise or conversion of those Performance Rights and Options to be issued under the Plan to

eligible Directors (excluding Mr Middlemas and Mr Pearce), employees and contractors (**Employee Incentives**) to be exempted from Listing Rule 7.1 for a period of 3 years from the date on which Resolution 4 is passed.

A summary of the Plan, to be adopted pursuant to Resolution 4, is set out in Schedule 2.

Resolution 4 seeks Shareholder approval to adopt the Plan to offer the opportunity for eligible Directors (excluding Mr Middlemas and Mr Pearce), employees and contractors to subscribe for Employee Incentives, in order to increase the range of potential incentives available for eligible Directors, employees and contractors.

The Plan is intended to assist the Company to attract and retain key staff, whether employees or contractors. The Board believes that grants made to eligible participants under the Plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the Plan will:

- (a) enable the Company to incentivise and retain existing key management personnel and other eligible employees and contractors needed to achieve the Company's business objectives;
- (b) enable the Company to recruit, incentivise and retain additional key management personnel, and other eligible employees and contractors, needed to achieve the Company's business objectives;
- (c) link the reward of key staff with the achievement of strategic goals and the long-term performance of the Company;
- (d) align the financial interest of participants of the Plan with those of Shareholders; and
- (e) provide incentives to participants under the Plan to focus on superior performance that creates Shareholder value.

Resolution 4 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 4.

If Resolution 4 is passed, Employee Incentives issued under the Plan in the 3 years from the date on which Resolution 4 is passed will be excluded when calculating the Company's 15% Placement Capacity, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

If Resolution 4 is not passed, the Employee Incentives issued under the Plan will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

7.2 ASX Listing Rules

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to convert to equity (such as an option or performance right), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, Exception 13, operates as one of the exceptions to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2, Exception 13 is that any issues of securities under the Plan are treated as having been made with the approval of shareholders for the purposes of Listing Rule 7.1. Approval under Listing Rule 7.2, Exception 13 lasts for a period of three years.

7.3 Specific Information Required by Listing Rule 7.2

In accordance with the requirements of Listing Rule 7.2, Exception 13(b), the following information is provided:

- (a) a summary of the material terms of the Plan is set out in Schedule 2 and form part of the Notice;
- (b) the Plan is being adopted for the first time and therefore no securities have been issued under the Plan since it was last approved;
- (c) the maximum number of securities that can be issued under the plan is 39,423,756 Employee Incentives, equivalent to 10% of the Company's issued share capital; and
- (d) a voting exclusion statement in respect of Resolution 4 has been included in the Notice.

7.4 Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 4.

8. Resolutions 5 and 6 – Issue of Performance Rights to Directors - Dr Julian Stephens and Mr Benjamin Stoikovich

8.1 General

Resolutions 5 and 6 seek Shareholder approval, pursuant to Listing Rule 10.14, for the issue of up to 3,000,000 and 1,200,000 Performance Rights to Dr Stephens and Mr Stoikovich (and/or their nominees), respectively, under

the Plan, as part of the long-term incentive component of their remuneration as Managing Director and Non-Executive Director of the Company respectively.

In the Company's present circumstances, the Board considers that the grant of these Performance Rights is a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Dr Stephens and Mr Stoikovich and is consistent with the strategic goals and targets of the Company.

Dr Stephens was appointed a Director of the Company on 22 January 2016 and Managing Director on 27 June 2016. Mr Stoikovich was appointed a Director of the Company on 13 October 2020. Details of the Directors' qualifications and experience are set out in the Annual Report and/or the ASX announcement of Mr Stoikovich's appointment dated 13 October 2020.

The Company has set performance criteria for these Performance Rights to ensure that they only vest in accordance with short term serviced based conditions or upon achievement of fundamental milestones that will drive the long-term value of the Company's securities. The Performance Rights will be granted to Dr Stephens and Mr Stoikovich (and/or their nominees) with the following performance criteria and expiry dates:

Tranche	Performance Criteria	Expiry Date	Number of Performance Rights	
			Dr Julian Stephens	Mr Benjamin Stoikovich
1.	Scoping Study Milestone means announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.	31 Dec 2021	900,000	360,000
2.	Feasibility Study Milestone means announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.	31 Dec 2023	900,000	360,000
3.	Decision to Mine Milestone means announcement of a Decision to Mine for the Malawi Rutile Project.	31 Oct 2025	1,200,000	480,000

The principal terms of the Performance Rights to be granted to Dr Stephens and Mr Stoikovich (and/or their nominees) are summarised in Schedule 3.

Resolutions 5 and 6 are ordinary resolutions.

Resolutions 5 and 6 are subject to Shareholders approving the Plan pursuant to Resolution 4.

The Chairperson intends to exercise all available proxies in favour of Resolutions 5 and 6.

8.2 Corporations Act

In accordance with section 208 of the Corporations Act, the Company must obtain Shareholder approval to give a financial benefit to a related party unless an exception applies. A "related party" includes a Director of the Company and "giving a financial benefit" is interpreted broadly.

Section 211 of the Corporations Act provides an exception to the requirement to obtain Shareholder approval for giving a financial benefit if:

- (a) the benefit is remuneration of a related party as an officer (including a Director) of the company; and
- (b) to give the remuneration would be reasonable given the circumstances.

The Board (excluding Dr Stephens) considers that the proposed issue of Performance Rights to Dr Stephens (and/or his nominees) is reasonable in all the circumstances and that the exception in section 211 of the Corporations Act applies. Accordingly, the Board (excluding Dr Stephens) considers that Shareholder approval under section 208 of the Corporations Act is not required for the issue of Performance Rights to Dr Stephens (and/or his nominees).

The Board (excluding Mr Stoikovich) considers that the proposed issue of Performance Rights to Mr Stoikovich (and/or his nominees) is reasonable in all the circumstances and that the exception in section 211 of the Corporations Act applies. Accordingly, the Board (excluding Mr Stoikovich) considers that Shareholder approval under section 208 of the Corporations Act is not required for the issue of Performance Rights to Mr Stoikovich (and/or his nominees).

8.3 ASX Listing Rules

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of shareholders:

- (a) a director of the company;

- (b) an associate of a director of the company; or
- (c) a person whose relationship with the entity or a person referred to in (a) or (b) above is, in ASX's opinion, the acquisition should be approved by its shareholders.

The issue of Performance Rights to Dr Stephens and Mr Stoikovich (and/or their nominees) falls within Listing Rule 10.14.1, as Dr Stephens and Mr Stoikovich are Directors of the Company and therefore requires the approval of the Company's Shareholders under Listing Rule 10.14.

Resolutions 5 and 6 seeks the required Shareholder approval, pursuant to Listing Rule 10.14, for the proposed issue of Performance Rights to Dr Stephens and Mr Stoikovich (and/or their nominees) as they are Directors.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required. Accordingly, the grant of Performance Rights to Dr Stephens and Mr Stoikovich (and/or their nominees) pursuant to Resolutions 5 and 6 will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

If Resolution 5 is passed, the Company will be able to proceed with the issue of the Performance Rights to Dr Stephens (and/or his nominees). If Resolution 5 is not passed, the Company will not be able to proceed with the issue of the Performance Rights to Dr Stephens (and/or his nominees) and may consider alternative forms of remuneration for Dr Stephens in lieu of such issue.

If Resolution 6 is passed, the Company will be able to proceed with the issue of the Performance Rights to Mr Stoikovich (and/or his nominees). If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the Performance Rights to Mr Stoikovich (and/or his nominees) and may consider alternative forms of remuneration for Mr Stoikovich in lieu of such issue.

8.4 Specific Information required by Listing Rule 10.15

Listing Rule 10.15 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant of the Performance Rights to Dr Stephens and Mr Stoikovich (and/or their nominees):

- (a) the Performance Rights will be granted to Dr Stephens, Managing Director and Mr Stoikovich, a Non-Executive Director of the Company (and/or their nominees);
- (b) Dr Stephens and Mr Stoikovich fall within category 10.14.1 of the Listing Rules, as they are Directors of the Company;
- (c) the maximum number of Performance Rights to be granted to:
 - (i) Dr Stephens (and/or his nominees) is 3,000,000 Performance Rights; and
 - (ii) Mr Stoikovich (and/or his nominees) is 1,200,000 Performance Rights;

noting that the actual number of Performance Rights that vest is dependent on the achievement of the Performance Criteria as described in Section 8.1 above;

- (d) the current remuneration package of the Directors is as follows:
 - (i) Dr Stephens – annual remuneration of \$300,000 plus statutory superannuation plus an annual bonus of up to \$100,000 payable in two equal instalments upon successful completion of KPIs as determined by the Board. Additionally, Dr Stephens holds 2,000,000 \$0.10 Incentive Options expiring 30 June 2021 and 2,000,000 \$0.14 Incentive Options expiring 30 June 2022; and
 - (ii) Mr Stoikovich – annual directors fees of \$20,000. Selwyn Capital Limited (“Selwyn”), a company associated with Mr Stoikovich has been engaged since February 2019 under an agreement to provide consulting services to the Company, on a rolling 12-month term that either party may terminate with one month written notice. Selwyn receives a daily rate of £800 under the consulting agreement. Additionally, Selwyn holds 1,500,000 \$0.10 Incentive Options expiring 30 June 2021 and 1,500,000 \$0.14 Incentive Options expiring 30 June 2022.
- (e) Dr Stephens and Mr Stoikovich have not previously been issued any securities under the Plan;
- (f) The exercise price of the Performance Rights is nil and the expiry dates are either 31 December 2021, 31 December 2023 or 31 October 2025. The Performance Rights:
 - (i) are subject to the material terms summarised in Schedule 2 and Schedule 3 and the performance criteria detailed Section 8.1 to this Notice;
 - (ii) are being issued as a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Dr Stephens and Mr Stoikovich and is considered by the Board to be consistent with the strategic goals and targets of the Company;

- (g) the Company has not obtained an independent valuation of the Performance Rights. The Company considers that due to the binary nature of achievement of the vesting conditions associated with the Performance Rights, provided the vesting conditions are satisfied, the Performance Rights have the value of a Share, as the Performance Rights have a nil exercise price and do not have market conditions attached to them. As at 21 October, 2020, the price of a Share is A\$0.40 per Share. As a result, the total value attributed to the Performance Rights to be issued to Dr Stephens and Mr Stoikovich (and/or their nominees) would be approximately A\$1,200,000 and A\$480,000 respectively;
- (h) the Company will grant the Performance Rights no later than 3 years after the date of the Meeting;
- (i) the Performance Rights will be granted for nil consideration;
- (j) a summary of the material terms of the Plan are detailed in Schedule 2 and a summary of the material terms of the Performance Rights are detailed in Schedule 3 to this Notice;
- (k) there is no loan associated with the grant of the Performance Rights;
- (l) details of any securities issued under the Plan will be published in the Annual Report of the Company relating to a period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14 and any additional persons covered by Listing Rule 10.14 who become entitled to participate in the Plan after the Resolution is approved and who were not named in the Notice will not participate until approval is obtained under that rule; and
- (m) a voting exclusion statement is included in the Notice for the purposes of Resolution 5 and 6.

8.5 Board Recommendation

The Board (other than Dr Stephens) recommends that Shareholders vote in favour of Resolution 5.

The Board (other than Mr Stoikovich) recommends that Shareholders vote in favour of Resolution 6.

9. Resolutions 7 and 8 – Ratification of Prior Placement Shares

9.1 General

On 10 February 2020, the Company issued 22,888,888 Shares at an issue price of AUD\$0.09 per share (**Placement Shares**).

Of the 22,888,888 Placement Shares:

- (a) 22,222,222 Placement Shares were issued to two well regarded North American and United Kingdom based institutional investors, as well as a small number of high net worth investors (who are not related parties or associates of related parties of the Company) to raise A\$2.0 million (Placement); and
- (b) 666,666 Placement Shares were issued to Sprott Capital Partners LP in lieu of a broker fee payable on the amounts placed under the 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.

Refer to the Company's announcement released on ASX on 29 January 2020 for further details regarding the Placement.

The Placement Shares were issued using the Company's placement capacity under Listing Rule 7.1. Accordingly, Resolution 7 seeks Shareholder approval to ratify the issue of 22,222,222 Placement Shares pursuant to Listing Rule 7.4 and Resolution 8 seeks Shareholder approval to ratify the issue of 666,666 Placement Shares pursuant to Listing Rule 7.4.

Resolutions 7 and 8 are ordinary resolutions.

The Chairperson intends to exercise all available proxies in favour of Resolutions 7 and 8.

9.2 ASX Listing Rules

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period (**15% Placement Capacity**).

Listing Rule 7.4 provides that if the Company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 or Listing Rule 7.1A (and provided that the previous issue did not breach Listing Rule 7.1 or Listing Rule 7.1A) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1 or Listing Rule 7.1A. The Company confirms that the issue of Shares and Options sought to be ratified did not breach Listing Rule 7.1 or Listing Rule 7.1A.

The effect of passing Resolutions 7 and/or 8 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% Placement Capacity set out in Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

If Resolutions 7 and/or 8 are not passed, the effect will be that the Placement Shares issued will be included in calculating the Company's 15% limit under Listing Rule 7.1, effectively decreasing the number of Equity Securities the Company can issue without Shareholder approval over the 12 month period following the issue dates.

9.3 Specific information required by Listing Rule 7.5

In accordance with Listing Rule 7.5, information is provided in relation to the Placement Shares as follows:

- (a) on 10 February 2020, the Company issued:
 - (i) **(Resolution 7)** 22,222,222 Placement Shares to two well regarded North American and United Kingdom based institutional investors as well as a small number of high net worth investors being investors selected by the Company. The 22,222,222 Shares were issued pursuant to Listing Rule 7.1;
 - (ii) **(Resolution 8)** 666,666 Placement Shares to Sprott Capital Partners LP in lieu of a broker fee payable on amounts placed. The 666,666 Shares were issued pursuant to Listing Rule 7.1.
- (b) no related parties, members of the Company's key management personnel, substantial shareholders, advisers to the Company, or any associates of such persons, participated in the Placement;
- (c) the Placement Shares issued were all fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue;
- (d) of the 22,888,888 Placement Shares:
 - (i) **(Resolution 7)** 22,222,222 Placement Shares were issued for AUD\$0.09 per share
 - (ii) **(Resolution 8)** 666,666 Placement Shares were issued for no consideration in lieu of a broker fee of \$60,000 payable in relation to the Placement;
- (e) the purpose of the Placement was to raise A\$2 million with the proceeds raised from the Placement Shares to be used to fund exploration and development activities on the Company's rutile projects in Malawi, for general corporate purposes and working capital; and
- (f) voting exclusion statements are included in the Notice for Resolutions 7 and 8.

9.4 Board recommendation

The Board recommends that Shareholders vote in favour of Resolutions 7 and 8.

10. Resolution 9 – Approval for 10% Placement Capacity

10.1 General

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12-month period after the annual general meeting (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Capacity. The number of Equity Securities to be issued under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.

If Resolution 9 is passed, the effect will be that the Company will be able to issue Equity Securities under the 10% Placement Capacity in addition to the Company's 15% placement capacity under Listing Rule 7.1.

If Resolution 9 is not passed, the effect will be that the Company will not be able to issue any Equity Securities under the 10% Placement Capacity and will have to rely upon its 15% placement capacity under Listing Rule 7.1 for the issue of Equity Securities.

Resolution 9 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 9.

10.2 Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Capacity is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue one quoted class of Equity Securities, being Shares.

(c) Formula for calculating 10% Placement Capacity

Listing Rule 7.1A.2 provides that eligible entities that have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2 (other than exception 9, 16 or 17),
- (ii) plus the number of fully paid ordinary securities issued in the 12 months on the conversion of convertible securities within rule 7.2 (exception 9) where:
 - (A) the convertible securities were issued or agreed to be issued before the commencement of the 12 months; or
 - (B) the issue of, or agreement to issue, the convertible securities was approved, or taken under these Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4,
- (iii) plus the number of fully paid ordinary securities in the 12 months under an agreement to issue securities within Listing Rule 7.2 (exception 16) where:
 - (A) the agreement was entered into before the commencement of the relevant period; or
 - (B) the agreement or issue was approved or taken under these rules to have been approved under Listing Rule 7.1 or Listing Rule 7.4,
- (iv) plus the number of any other fully paid ordinary securities issued in the 12 months with approval under Listing Rule 7.1 or Listing Rule 7.4 (noting that this may include fully paid ordinary securities issued in the 12 months under an agreement to issue securities within Listing Rule 7.2 (exception 17) where the issue is subsequently approved under Listing Rule 7.1),
- (v) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (vi) less the number of fully paid ordinary securities cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months where the issue or agreement to issue has not been subsequently approved by Shareholders under Listing Rule 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 394,237,561 Shares and therefore has a capacity to issue:

- (i) 59,135,634 Equity Securities under Listing Rule 7.1; and

- (ii) subject to Shareholder approval being sought under Resolution 9, 39,423,756 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 10.2(c)).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days on which trades were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) **10% Placement Period**

(i) Shareholder approval of the 10% Placement Capacity under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the first to occur of the following:

- (A) The date that is 12 months after the date of the annual general meeting at which the approval is obtained.
- (B) The time and date of the entity's next annual general meeting.
- (C) The time and date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the 10% Placement Period).

10.3 Effect of Resolution

The effect of Resolution 9 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

10.4 Specific information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) Shareholder approval will be valid during the 10% Placement Period as detailed in Section 10.2(f).
- (b) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 10 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (c) If Resolution 9 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

- (d) The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.

(e) The table also shows:

- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary

securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.20 50% decrease in Issue Price	\$0.40 Issue Price	\$0.80 100% increase in Issue Price
Current Variable 'A' 394,237,561 Shares	10% voting dilution	39,423,756 Shares	39,423,756 Shares	39,423,756 Shares
	Funds raised	\$7,884,751	\$15,769,502	\$31,539,005
50% increase in current Variable 'A' 591,56,342 Shares	10% voting dilution	59,135,634 Shares	59,135,634 Shares	59,135,634 Shares
	Funds raised	\$11,827,127	\$23,654,254	\$47,308,507
100% increase in current Variable 'A' 788,475,122 Shares	10% voting dilution	78,847,512 Shares	78,847,512 Shares	78,847,512 Shares
	Funds raised	\$15,769,502	\$31,539,005	\$63,078,010

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Capacity.
- (ii) No Performance Rights or Options are exercised or converted into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The issue price is \$0.40, being the closing price of the Shares on ASX on 21 October 2020. The Company will only issue the Equity Securities during the 10% Placement Period.
- (f) The Company may seek to issue the Equity Securities for cash consideration for continued exploration and development of the Malawi Rutile Project and for general working capital.
- (g) The Company will only issue the Listing Rule 7.1A Shares during the 10% Placement Period. The approval under Resolution 10 will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature of scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (h) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.3 upon issue of any Equity Securities.
- (i) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

- (j) The subscribers under the 10% Placement Capacity have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company and are likely to be sophisticated and professional investors.
- (k) In the 12 months preceding the date of the Meeting, the Company has not issued any Equity Securities pursuant to Listing Rule 7.1A.2.
- (l) A voting exclusion statement is included in the Notice for Resolution 9. However as at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on this Resolution.

10.5 Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 9.

11. Resolution 10 - Renewal of Proportional Takeover Provisions

11.1 General

Section 648G(1) of the Corporations Act provides that a company's proportional takeover approval provisions, unless sooner omitted from its constitution, cease to apply at the end of 3 years from adoption or renewal as appropriate unless otherwise specified.

The Company's Constitution (including the Proportional Takeover Provisions detailed in Schedule 5 of the Constitution) (**Proportional Takeover Provisions**) was adopted on 25 November 2014. Accordingly the proportional takeover provisions included in the Constitution applied until 25 November 2017 and now need to be renewed.

A copy of the proposed Constitution is available at the Company's registered office.

Resolution 10 seeks Shareholder approval to renew the proportional takeover provisions in the Constitution. Resolution 10 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 10.

11.2 What is a proportional takeover bid?

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares (i.e. less than 100%). The proportion specified must be the same for all holders of shares. Accordingly, shareholders who accept such a proportional takeover offer in full will only dispose of that specified proportion and retain the balance of their shares.

In order to deal with this possibility, a company may provide in its constitution that:

- (a) in the event of a proportional takeover bid being made for shares in the company, shareholders are required to vote and collectively decide whether to accept or reject the offer (**Approving Resolution**); and
- (b) the majority decision of the company's members will be binding on all members.

11.3 Effect of the proportional takeover provisions

The effect of the Proportional Takeover Provisions is that in the event a proportional takeover bid is made, the Directors must ensure that a general meeting is held more than 14 days before the last day of the bid period for the purpose of allowing Shareholders to vote on the Approving Resolution.

Each Shareholder will have one vote for each Share that they hold. The bidder and its associates are not allowed to vote on the Approving Resolution.

If the Approving Resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn.

The bid will be taken to have been approved if the Approving Resolution is not voted on within the deadline specified under the Corporations Act. However, the Directors will breach the Corporations Act if they fail to ensure the Approving Resolution is voted on.

If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Constitution.

The Proportional Takeover Provisions only apply for three years from the date of their renewal (after that, the provisions may again be renewed by a special resolution of Shareholders). The provisions do not apply to full takeover bids.

11.4 Reasons for renewing the proportional takeover provisions

The Directors consider that Shareholders should have the opportunity to vote on any proportional takeover bid for the Company. Without the inclusion of the Proportional Takeover Provisions, control of the Company may pass without Shareholders having the chance to sell all of their Shares. Shareholders could be at risk of passing control to a bidder without receiving an adequate control premium, whilst becoming part of a minority interest in the Company. The Proportional Takeover Provisions deal with this possibility by providing that if a proportional takeover bid is made in respect of the Company, Shareholders must vote on whether or not the bid should be permitted to proceed. The benefit of renewing the Proportional Takeover Provisions is that Shareholders are able to decide collectively whether any proportional takeover offer is acceptable in principle and may ensure that any partial offer is appropriately priced.

11.5 Potential advantages and disadvantages for Directors and Shareholders

The Directors consider that the potential advantages for Shareholders of renewing the Proportional Takeover Provisions are as follows:

- (a) Shareholders will have an opportunity to consider a proportional takeover bid and then attend or be represented by proxy at, a meeting of Shareholders called specifically to vote on the proposal. Accordingly, Shareholders will be able to prevent a proportional takeover bid proceeding if there is sufficient support for the proposition that control of the Company should not be permitted to pass under the proportional takeover bid.
- (b) The provisions may assist Shareholders to avoid being locked in as a minority.
- (c) Increasing the bargaining power of Shareholders may ensure that any partial offer is adequately priced.
- (d) Knowing the view of other Shareholders assists each individual Voter in assessing the likely outcome of the proportional takeover bid and whether to accept or reject that bid.

The Directors consider that the potential disadvantages for Shareholders of renewing the Proportional Takeover Provisions are as follows:

- (a) The inclusion of the provisions may make proportional takeover bids more difficult, such that proportional takeover bids will be discouraged. The chance of a proportional takeover bid being successful may be reduced.
- (b) The provisions may reduce the opportunities which Shareholders may have to sell all, or some, of their Shares at a premium to persons seeking control of the Company and may reduce any takeover speculation element in the Share price.
- (c) The provisions may be considered to constitute an additional restriction on the ability of individual Shareholders to deal freely in their Shares.

On balance, the Directors consider that the possible advantages for Shareholders outweigh the possible disadvantages for Shareholders, such that renewing the Proportional Takeover Provisions is in the interests of Shareholders.

The renewal of the Proportional Takeover Provisions will enable the Directors to formally ascertain the views of Shareholders in respect of a proportional takeover bid. Without the Proportional Takeover Provisions, the Directors are dependent upon their perception of the interests and views of Shareholders. Other than this advantage, the Directors consider that renewing the Proportional Takeover Provisions has no potential advantages or potential disadvantages for them as they remain free to make a recommendation on whether a proportional takeover offer should be accepted.

11.6 Knowledge of present acquisition proposals

As at the date on which this Explanatory Memorandum is prepared, no Director is aware of any proposal to acquire, or to increase the extent of, a substantial interest in the Company.

11.7 Impact of the existing proportional takeover approval provisions

As far as the Directors are aware, while the existing Proportional Takeover Provisions have been in effect, no takeover bids for the Company have been made, either proportional or otherwise. Accordingly, no actual advantages or disadvantages of the existing Proportional Takeover Provisions, for the Directors or the Shareholders, could be reviewed. The Directors are not aware of any potential takeover bid that was discouraged by the inclusion of the Proportional Takeover Provisions.

11.8 Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 10.

Schedule 1 - Definitions

In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Capacity has the meaning given to that term in Section 10.1.

10% Placement Period has the meaning given to that term in Section 10.2(f).

15% Placement Capacity has the meaning given to that term in Section 10.2.

AGM means an annual general meeting of the Shareholders.

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2020.

Article means an article in the Constitution.

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

Auditor means the Company's auditor from time to time (being Deloitte as at the date of the Notice).

Auditor's Report means the Auditor's report on the Financial Report.

Board means the board of Directors of the Company.

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

Closely Related Party means in relation to a member of a Key Management Personnel:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Sovereign Metals Limited ACN 120 833 427.

Constitution means the constitution of the Company as at the commencement of the Meeting.

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

Decision to Mine means a decision to commence mining operations.

Decision to Mine Milestone means announcement of a Decision to Mine for the Malawi Rutile Project.

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Employee Incentives means has the meaning given in Section 7.1 of this Notice.

Equity Securities has the meaning given to that term in the Listing Rules.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice.

Feasibility Study has the meaning given in the JORC Code.

Feasibility Study Milestone means announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

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

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) of the Company.

Listing Rules means the listing rules of ASX.

Malawi Rutile Project means the Company's rutile project in Malawi.

Managing Director means the managing Director.

Meeting has the meaning given to that term in the introductory paragraph of the Notice.

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

Option means an option which entitles the holder to subscribe for a Share.

Optionholder means the holder of an Option.

Performance Right means a performance right which upon satisfaction of criteria and/or vesting conditions confers an entitlement to be provided one Share.

Placement has the meaning given in Section 9.1 of this Notice.

Placement Shares has the meaning given in Section 9.1 of this Notice.

Plan or **Employee Equity Incentive Plan** has the meaning given in Section 7.1 of this Notice.

Proportional Takeover Provisions has the meaning given in section 11.1 of this Notice.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution proposed pursuant to the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Scoping Study has the meaning given in the JORC Code.

Scoping Study Milestone means announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.

Section means a section of this Explanatory Memorandum.

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

Shareholder means a registered holder of a Share.

Strike means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weighted average price.

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

Schedule 2 – Summary of Employee Equity Incentive Plan

The terms of the Employee Equity Incentive Plan (**Plan**) are summarised below. A copy of the Plan can be obtained by contacting the Company. Terms not defined in the Notice have the meaning given in the Plan.

Eligible Employees: The eligible participants under the Plan are Directors (excluding Mr Middlemas and Mr Pearce) and Employees who are declared by the Board in its sole and absolute discretion to be eligible to receive grants of Options or Performance Rights under the Plan; or any other person who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of Options or Performance Rights under the Plan. For the purposes of the Plan, "Employee" means an employee or other consultant or contractor of the Company, or any member of the Group.

In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan and be granted Shares, Options or Performance Rights.

Limits on Entitlement: An Offer of Options or Performance Rights may only be made under the Plan if the number of Shares that may be acquired on exercise of the Options Performance Rights when aggregated with the number of Shares issuable if each outstanding Option and Performance Rights were exercised and the number of Shares issued pursuant to the Plan or any other Group employee incentive scheme during the previous 3 years does not exceed 10% of the total number of Shares on issue at the time of the proposed issue.

The maximum allocation and allocated pool may be increased by Board resolution, provided such an increase complies with the Listing Rules.

Individual Limits: The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

Offer and Conditions: An Offer must be set out in an Offer Letter delivered to an Eligible Employee. The Offer Letter may specify (as determined by the Board):

- (a) the number of Options or Performance Rights;
- (b) the conditions on the Offer (**Offer Conditions**);
- (c) the Grant Date;
- (d) the Fee (if any);
- (e) the Performance Criteria (if any);
- (f) the Vesting Conditions (if any);
- (g) the Exercise Price (if any);
- (h) the Exercise Period (if applicable);
- (i) the Performance Period (if applicable); and
- (j) the Expiry Date and Term (if applicable);

Consideration Payable: Options and Performance Rights will be issued for nil consideration.

Cashless Exercise: Under the Plan, a Participant 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.

Lapse of Options and Performance Rights: Subject to the Board's discretion, Options and Performance Rights shall automatically be cancelled for no consideration where:

- (a) the Participant ceases to hold employment or office with the Company or Group member (except where the Participant is a Good Leaver);
- (b) the Participant is determined to have engaged in Fraudulent or Dishonest Conduct (described below);
- (c) the applicable Performance Criteria and/or Vesting Conditions are not achieved by the relevant time;
- (d) the Board determines, in its reasonable opinion, that the applicable Performance Criteria and/or Vesting Conditions have not been met or cannot be met within the relevant time;
- (e) the Expiry Date has passed;
- (f) the Board determines that the Participant has brought the Group into disrepute or acted contrary to the interest of the Company or Group;
- (g) the Participant has elected to surrender the Performance Rights or Options; and
- (h) the Offer Letter provides for the cancellation of the Performance Rights or Options in any other circumstances.

Good Leaver: A Good Leaver is a Participant who ceases employment or office with the Company or a Group Member and is determined by the Board to be a Good Leaver. Where a Participant who holds Employee Incentives becomes a Good Leaver:

- (a) all vested Options which have not been exercised will continue in force and remain exercisable for 90 days after the date the Participant becomes a Good Leaver, unless the Board determines otherwise in its sole and absolute discretion, after which the Employee Incentives will lapse; and
- (b) the Board may in its discretion permit unvested Employee Incentive held by the Good Leaver to vest, amend the vesting criteria applicable to the Employee Incentives (including Performance Criteria and/or Vesting Conditions or determine that the unvested Employee Incentives lapse.

Bad Leaver: Where a Participant who holds Employee Incentives becomes a Bad Leaver all vested and unvested Employee Incentives will lapse. Where a Participant who holds Employee Incentives becomes a Bad Leaver the Board may determine to exercise the right to buy back any Shares issued upon exercise of an Option or conversion of a Performance Rights.

A Bad Leaver is a Participant who, unless the Board determines otherwise, ceases employment or office with the Company or a Group member (which includes for any of the circumstances amount to Fraudulent or Dishonest Conduct (described below).

Fraudulent or Dishonest Conduct: Where, in the opinion of the Board, a Participant or former Participant (which may include a Good Leaver) has engaged in Fraudulent or Dishonest Conduct the Board may deem all Employee Incentives held by the Participant or former Participant to automatically be forfeited or subject to escrow. Fraudulent or Dishonest Conduct means a Participant or former Participant:

- (a) acts fraudulently or dishonestly;
- (b) wilfully breaches his or her duties to the Company or any member of the Group; or
- (c) has, by any act or omission, in the opinion of the Board (determined in its absolute discretion):
 - (i) brought the Company, the Group, its business or reputation into disrepute; or
 - (ii) is contrary to the interest of the Company or the Group.
- (d) commits any material breach of the provisions of any employment contract entered into by the Participant with any member of the Group;
- (e) commits any material breach of any of the policies of the Group or procedures or any laws, rules or regulations applicable to the Company or Group;
- (f) is subject to allegations, has been accused of, charged with or convicted of fraudulent or dishonest conduct in the performance of the Participant's (or former Participant's) duties, which in the reasonable opinion of the relevant directors of the Group effects the Participant's suitability for employment with that member of the Group, or brings the Participant or the relevant member of the Group into disrepute or is contrary to the interests of the Company or the Group;
- (g) is subject to allegations, has been accused of, charged with or convicted of any criminal offence which involves fraud or dishonesty or any other criminal offence which Board determines (in its absolute discretion) is of a serious nature;
- (h) has committed any wrongful or negligent act or omission which has caused any member of the Group substantial liability;
- (i) has become disqualified from managing corporations in accordance with Part 2D.6 of the Corporations Act or has committed any act that, pursuant to the Corporations Act, may result in the Participant being banned from managing a corporation; or
- (j) has committed serious or gross misconduct, wilful disobedience or any other conduct justifying termination of employment without notice.
- (k) has wilfully or negligently failed to perform their duties under any employment contract entered into by the Participant with any member of the Group;
- (l) has engaged in a transaction which involves a conflict of interest to their employment with the Company resulting in the Participant or former Participant obtaining a personal benefit;
- (m) accepts a position to work with a competitor of the Company or Group;
- (n) acting in such a manner that could be seen as being inconsistent with the culture and values of the Company or the Group; or
- (o) any other act that the Board determines in its absolute discretion to constitute fraudulent or dishonest by the Participant or former Participant.

Change of Control: All granted Performance Rights which have not yet vested or lapsed shall automatically and immediately vest (regardless of whether any Performance Criteria or Vesting Conditions have been satisfied) and a Participant may exercise any or all of their Options (regardless of whether the Vesting Conditions have been satisfied) provided that no Option will be capable of exercise later than the Expiry Date, if any of the following change of control events occur:

- (a) the Company 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 the Company) and the Court, by order, approves the scheme of arrangement;
- (b) a Takeover Bid:
 - (i) is announced;

- (ii) has become unconditional; and
- (iii) the person making the Takeover Bid has a Relevant Interest in 50% or more of the issued Shares;
- (c) any person acquires a Relevant Interest in 50.1% or more of the issued Shares by any other means; or
- (d) the Company announces that a sale or transfer (in one transaction or a series of transaction) of the whole (or substantially the whole) of the undertaking and business of the Company has been completed.

Holding Lock: The Board may at any time request that the Company's share registry to impose a holding lock on any Employee Incentives issued pursuant to the Plan where the Board determines or reasonably believes (in its absolute discretion) that a Participant (or a Former Participant) has or may breach these Rules.

Contravention of Rules: The Board may at any time, in its sole and absolute discretion, take any action it deems reasonably necessary in relation to any Employee Incentives if it determines or reasonably believes a Participant has breached the Plan or the terms of issue of any Employee Incentives, including but not limited to, signing transfer forms in relation to Employee Incentives, placing a holding lock on Employee Incentives, signing any and all documents and doing all acts necessary to effect a Buy-Back, accounting for the proceeds of the sale of forfeited Employee Incentives, refusing to transfer any Employee Incentives and/or refusing to issue any Shares.

Schedule 3 – Terms and Conditions of Performance Rights

Offer of Performance Rights

- 1.1 The Board may offer Performance Rights to any Participant in its sole discretion. Each Performance Right confers an entitlement to be provided with one Share, credited as fully paid, at no cost, upon the full satisfaction of the Performance Criteria and/or Vesting Conditions specified by the Board in relation to that Performance Right.

Performance Criteria/Vesting Conditions and Variation to Performance Criteria/Vesting Conditions

The Performance Criteria and Expiry Dates of each Performance Right is referred to in the table below.

Tranche	Performance Criteria	Expiry Date	Number of Performance Rights	
			Dr Julian Stephens	Mr Benjamin Stoikovich
1.	Scoping Study Milestone means announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.	31 Dec 2021	900,000	360,000
2.	Feasibility Study Milestone means announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.	31 Dec 2023	900,000	360,000
3.	Decision to Mine Milestone means announcement of a Decision to Mine for the Malawi Rutile Project.	31 Oct 2025	1,200,000	480,000

- 1.2 Performance Rights will only vest and entitle the Participant to be issued Shares if the applicable Performance Criteria/Vesting Conditions have been satisfied prior to the end of the Expiry Date (**Performance Period**), waived by the Board, or are deemed to have been satisfied under these Rules.

Satisfaction of Performance Criteria

- 1.3 The Board will determine in its sole discretion whether (and, where applicable, to what extent) the Participant has satisfied the Performance Criteria and/or Vesting Conditions (if any) applicable to the Performance Rights at the end of the Performance Period. As soon as practicable after making that determination the Board must allot and issue, or transfer, the number of Shares which the Participant is entitled to acquire upon satisfaction of the Performance Criteria and/or Vesting Conditions for the relevant number of Performance Rights held in accordance with clause 1.5.

Lapse of Performance Rights

- 1.4 Where Performance Rights have not satisfied the Performance Criteria within the Performance Period or Expiry Date (whichever occurs earlier) those Performance Rights will automatically lapse.

Timing of the Issue of Shares and Quotation

- 1.5 The Company must within twenty (20) business days after the later of the following:

- 1.5.1 the satisfaction of the Performance Criteria and/or Vesting Conditions (if any) applicable to the Performance Rights; and
- 1.5.2 when excluded information in respect of the Company (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 the relevant Performance Criteria and/or Vesting Conditions are satisfied pursuant to clause 1.3,

the Company will:

- 1.5.3 allot and issue the Shares pursuant to the vesting of the Performance Rights;
- 1.5.4 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 the Company 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

1.5.5 apply for official quotation on ASX of Shares issued pursuant to the vesting of the Performance Rights.

1.6 Notwithstanding clause 1.5 above the Company's obligation to issue such Shares shall be postponed if such Participant at any time after the relevant Performance Criteria and/or Vesting Conditions are satisfied pursuant to clause 1.3 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:

1.6.1 the Shares to be issued or transferred will be held by such Participant on the Company's issuer sponsored sub-register (and not in a CHESS sponsored holding);

1.6.2 the Company will apply a holding lock on the Shares to be issued or transferred and such Participant is taken to have agreed to that application of that holding lock;

1.6.3 the Company shall release the holding lock on the Shares on the earlier to occur of:

1.6.3.1 the date that is twelve (12) months from the date of issue of the Share; or

1.6.3.2 the date the Company issues a disclosure document that qualifies the Shares for trading in accordance with section 708A(11) of the Corporations Act; or

1.6.3.3 the date a transfer of the Shares occurs pursuant to clause 1.6.4 of these terms and conditions; and

1.6.4 Shares shall be transferable by such Participant 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 the Company, the transferee of the Shares agrees by way of a deed poll in favour of the Company to the holding lock applying to the Shares following its transfer for the balance of the period in clause 1.6.3.1.

Shares Issued

1.7 Shares issued on the satisfaction of the Performance Criteria and/or Vesting Conditions attaching to the Performance Rights rank equally with all existing Shares, including those Shares issued, directly, under the Plan.

Quotation of the Shares Issued on Exercise

1.8 If admitted to the official list of ASX at the time, the Company will apply to ASX for quotation of the Shares issued upon the vesting of the Performance Rights.

Reorganisation

1.9 If there is any reorganisation of the issued share capital of the Company, the terms of Performance Rights and the rights of the Participant who holds such Performance Rights will be varied, including an adjustment to the number of Performance Rights, in accordance with the Listing Rules that apply to the reorganisation at the time of the reorganisation.

Participant Rights

1.10 A Participant who holds Performance Rights is not entitled to:

1.10.1 notice of, or to vote or attend at, a meeting of the Shareholders; or

1.10.2 receive any dividends declared by the Company,

1.10.3 participate in any new issues of securities offered to Shareholders during the term of the Performance Rights, or

1.10.4 cash for the Performance Rights or any right to participate in surplus assets or profits of the Company on winding up,

unless and until the Performance Rights are satisfied and the Participant holds Shares.

Pro Rata Issue of Securities

- 1.11 If during the term of any Performance Right, the Company makes a pro rata issue of securities to the Shareholders by way of a rights issue, a Participant shall not be entitled to participate in the rights issue in respect of any Performance Rights, only in respect of Shares issued in respect of vested Performance Rights.
- 1.12 A Participant will not be entitled to any adjustment to the number of Shares they are entitled to or adjustment to any Performance Criteria and/or Vesting Conditions which is based, in whole or in part, upon the Company's share price, as a result of the Company undertaking a rights issue.

Adjustment for Bonus Issue

- 1.13 If, during the term of any Performance Right, securities are issued pro rata to Shareholders generally by way of bonus issue, the number of Shares to which the Participant is then entitled, shall be increased by that number of securities which the Participant would have been issued if the Performance Rights then held by the Participant were vested immediately prior to the record date for the bonus issue.

Change of Control

- 1.14 For the purposes of these terms and conditions, a "**Change of Control Event**" occurs if:
- 1.14.1 the Company 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 the Company) and the Court, by order, approves the scheme of arrangement;
 - 1.14.2 a Takeover Bid:
 - 1.14.2.1 is announced;
 - 1.14.2.2 has become unconditional; and
 - 1.14.2.3 the person making the Takeover Bid has a Relevant Interest in fifty percent (50%) or more of the issued Shares;
 - 1.14.3 any person acquires a Relevant Interest in fifty and one-tenths percent (50.1%) or more of the issued Shares by any other means; or
 - 1.14.4 the announcement by the Company 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 the Company has been completed.
- 1.15 Where a Change of Control Event has (i) occurred or (ii) been announced by the Company and, in the opinion of the Board, will or is likely to occur, all granted Performance Rights which have not yet vested or lapsed shall automatically and immediately vest, regardless of whether any Performance Criteria or Vesting Conditions have been satisfied.

Quotation

- 1.16 The Company will not seek official quotation of any Performance Rights.

Performance Rights Not Property

- 1.17 A Participant's Performance Rights are personal contractual rights granted to the Participant only and do not constitute any form of property.

No Transfer of Performance Rights

- 1.18 Unless otherwise determined by the Board, Performance Rights cannot be transferred to or vest in any person other than the Participant.

Rules

- 1.19 The Performance Rights are issued under and in accordance with the Plan and the terms and conditions of these Performance Rights are subject to the Rules.

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 Annual General Meeting of Sovereign Metals Limited to be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on Wednesday, 25 November 2020 commencing at 11:00am (WST) 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 Resolutions

INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Remuneration Report			
Resolution 2	Re-election of Director – Mr Ian Middlemas			
Resolution 3	Election of Director – Mr Benjamin Stoikovich			
Resolution 4	Approval of Employee Equity Incentive Plan			
Resolution 5	Issue of Performance Rights to a Director – Dr Julian Stephens			
Resolution 6	Issue of Performance Rights to a Director – Mr Benjamin Stoikovich			
Resolution 7	Ratification of Prior Placement Shares			
Resolution 8	Ratification of Prior Placement Shares to Sprott Capital Partners LP			
Resolution 9	Approval of Additional 10% Placement Capacity			
Resolution 10	Renewal of Proportional Takeover Provisions			

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll 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 Company's 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 Company's 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 (WST).