

SEPTEMBER 2020 QUARTERLY REPORT

Sovereign Metals Limited (Company or Sovereign) is pleased to provide its quarterly report for the period ended 30 September 2020. The Company's focus continues to be on the Kasiya Rutile Deposit ("Kasiya"), the Company's flagship large scale high-grade rutile deposit in Malawi.

HIGHLIGHTS

Kasiya Emerging as a Globally Significant Rutile Discovery

- ❖ Drilling during the Quarter tripled the rutile mineralisation footprint to over 66km²
- ❖ Exceptional high-grade rutile results from both extensional and infill drilling were reported throughout the period
- ❖ Bulk scale (1 tonne) metallurgical test-work produced high-grade, premium quality rutile with a high recovery, via simple, conventional processing methods
- ❖ Successful completion of core (push-tube) drilling across the central areas of Kasiya in order to upgrade potential future JORC resource categories to underpin the upcoming Scoping Study
- ❖ Continued resource definition and regional exploration drilling ongoing with multiple drill teams active across Kasiya and other regional prospects
- ❖ Further imminent drill results, along with additional further wide-spaced drilling yet to be reported, will be incorporated into the maiden MRE for Kasiya which is expected in the next few months

Sovereign's Managing Director Dr Julian Stephens commented:

"It was a significant quarter for Sovereign with the three-fold increase in size and the exceptional outcomes of the bulk scale metallurgy program at Kasiya. This consolidates our view that it is quickly becoming a globally significant rutile deposit. The Company is looking forward to continuing this momentum and is extremely active with a number of work programs underway."

ENQUIRIES

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

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

Sapan Ghai (London)
+44 207 478 3900

KASIYA RUTILE DEPOSIT

During the quarter, the Company continued its exploration and resource definition drilling programs across the large mineralised footprint at Kasiya.

To date, 233 hand-auger holes for 2,298m has been reported from Kasiya. Results show the strike length of high-grade mineralisation is over 16km with widths of the mineralised envelope ranging up to ~6km, tripling the total mineralised footprint to 66km² from the previous ~22km². Mineralisation continues to remain open along strike to the north, south-west, south-east and laterally to the east.

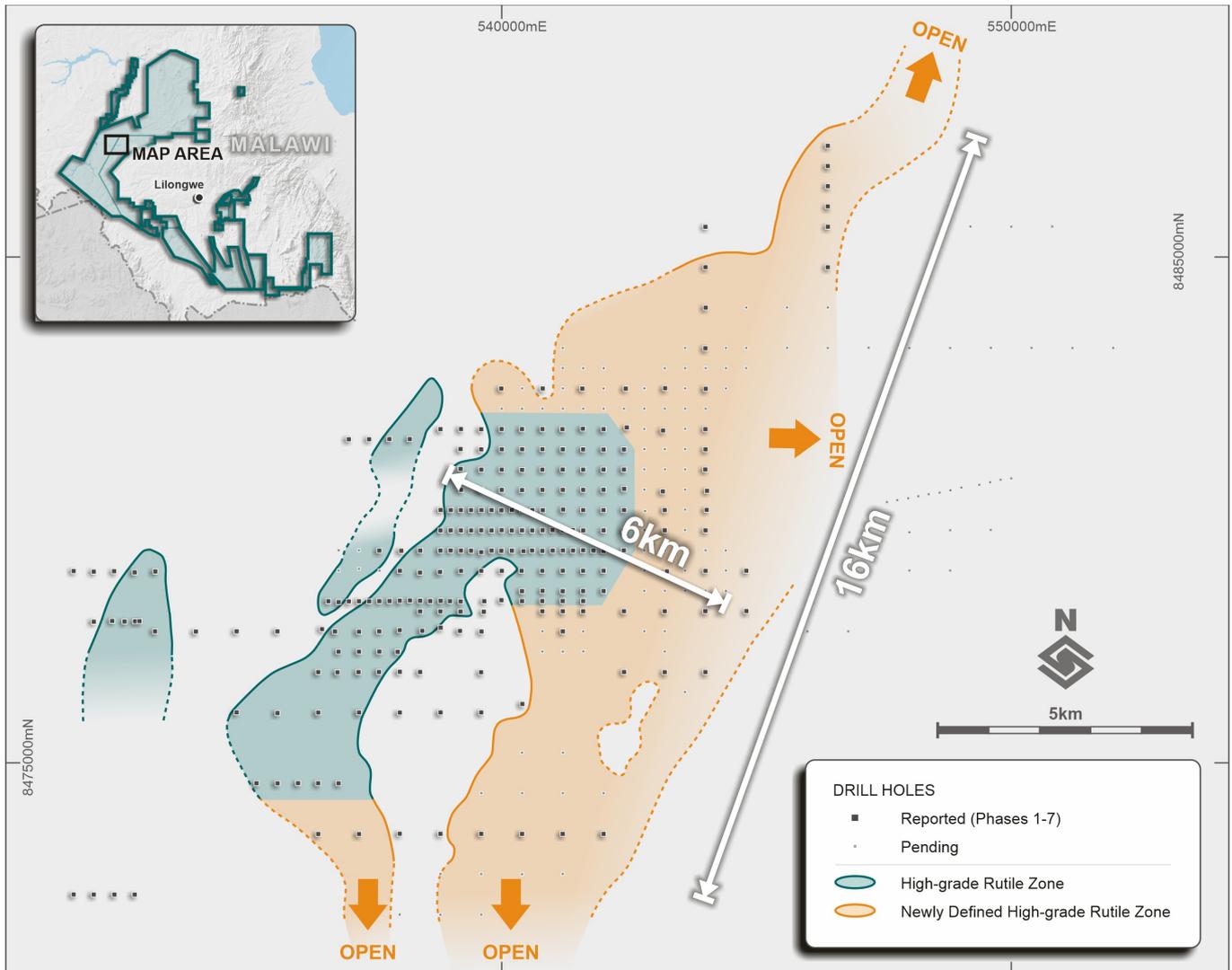


Figure 1. Drill plan showing extent of rutile mineralisation drilled to date at Kasiya.

A number of the extensional holes were drilled to the east, north and south-east of the core mineralised zone at a nominal 400m x 400m drill spacing and fall within a central targeted area. These extensional holes have provided a significant expansion to the widest, central core zone of high-grade rutile mineralisation. A significant number of high-grade rutile drill intercepts from surface were encountered in these holes.

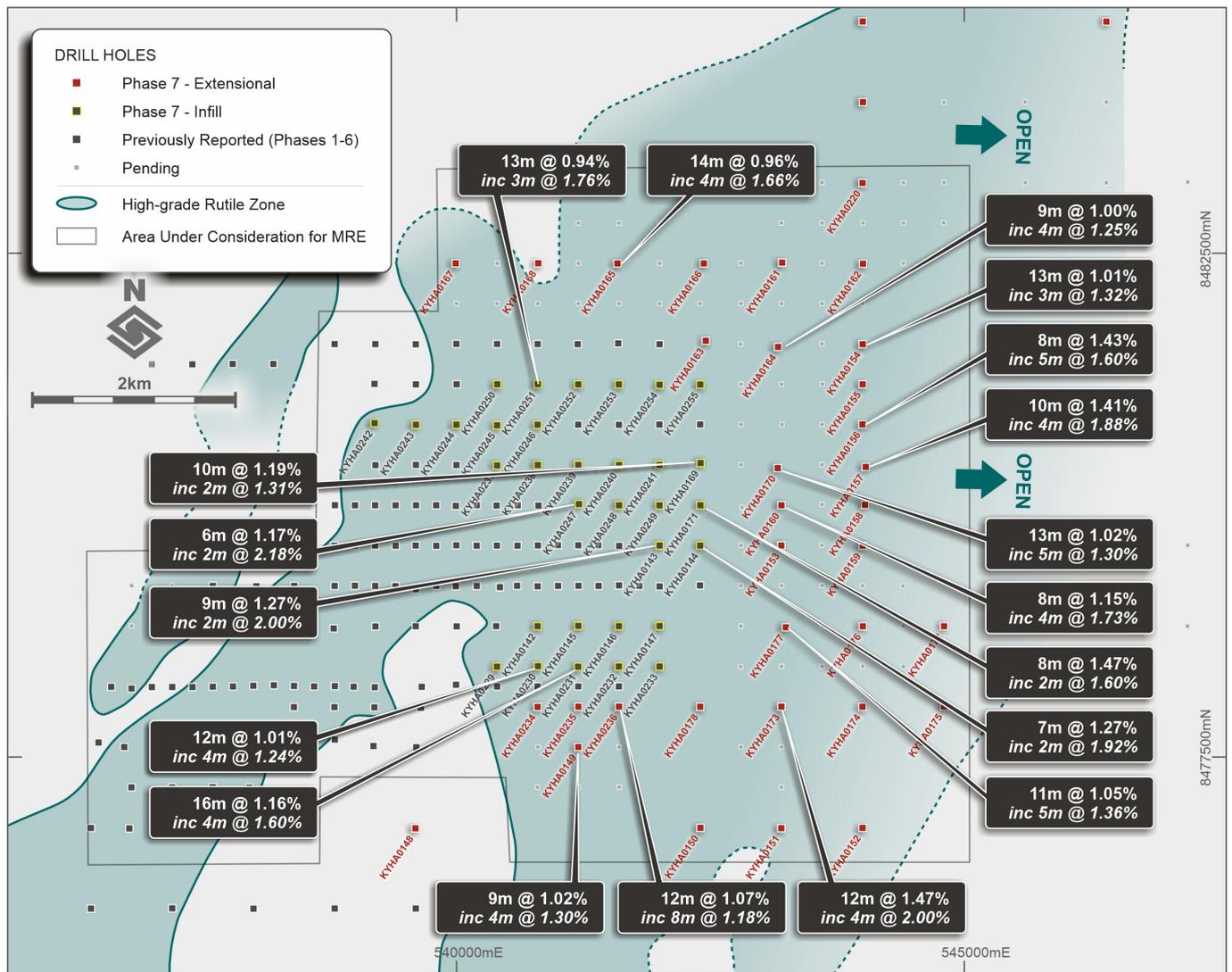


Figure 2. Close-up of the central zone of Kasiya showing significant intercepts from surface.

The infill drilling results continue to show high rutile grades from surface, as expected, with the infill drill holes limited to the central portion of the main resource target area.

The drill results reported during the quarter, continue to show high-grade rutile from surface to as deep as 16m. Significant rutile enrichment is generally present in the top 8m from surface. In most cases, drill depth is restricted by the hand-auger drilling equipment capacity and it is assumed that free-dig rutile mineralisation should continue vertically to the base of saprolite estimated at approximately 25m depth from surface.

These results continue to validate the Company's geological exploration model and provided a step-change in the potential size of Kasiya. It is clear that Sovereign's geological team has the ability to predict, with some accuracy, new areas of rutile mineralisation prior to any on-ground soil sampling or drilling. If the Company's geological exploration model continues to hold true regionally, the rutile potential across Sovereign's exploration licences in Malawi is immense.

CORE DRILLING

The Company has also now successfully completed a core (push-tube) drilling program across the central areas of the Kasiya mineralised footprint. The objective of the core drilling program was to twin a number of hand-auger holes to gather geological, geotechnical, density and other data to underpin potential future Indicated and Measured resources.

The core drilling program included 36 holes for a total of 437m. The samples are currently being logged and prepared for in Malawi prior to despatch to Perth for final analyses.



Figure 3. Push-tube core drilling at Kasiya.

BULK SAMPLE METALLURGICAL TEST-WORK PROGRAM

During the quarter, the Company successfully completed a bulk scale (1,000kg) metallurgy test-work program at globally recognised laboratory, Allied Mineral Laboratories (AML) in Perth, Australia.

A mineralised sample of approximately 1,000kg was composited from a number of drill holes across the Kasiya deposit. The sample had a head grade of 0.96% recoverable rutile. The test-work focussed on producing a single rutile product, however visual observations and analysis of data indicate that graphite could be a potential by-product. Work is ongoing to establish whether a coarse-flake graphite product can be recovered.

The material was processed through a traditional mineral sands flowsheet, consisting of:

- Screening and sizing;
- Desliming;
- UCC (up-current classifier) and wet concentration via gravity spirals;
- Attritioning; and
- Mineral separation including electrostatic and magnetic methods.

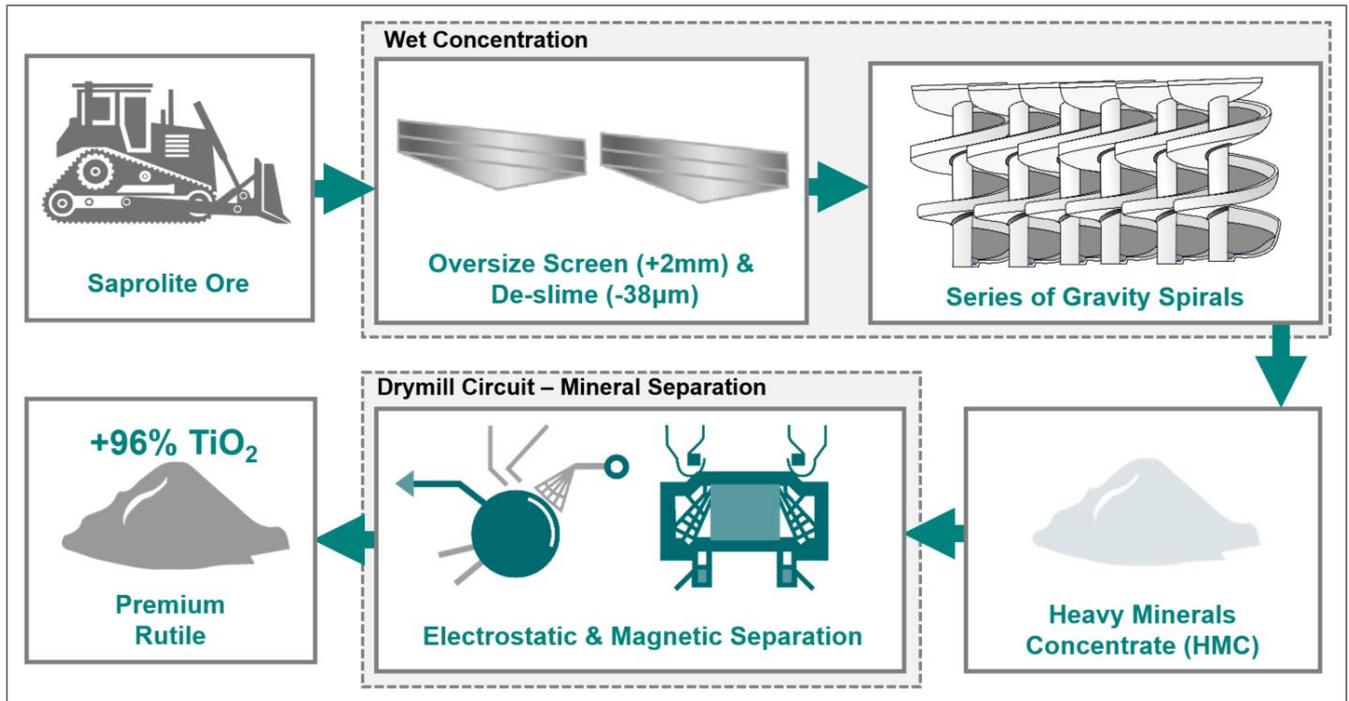


Figure 4. Simplified flowsheet developed for the Kasiya bulk metallurgy program.

The exceptional outcomes of the bulk metallurgy program demonstrated the Company’s ability to produce rutile with premium chemical and sizing parameters at over 98% recovery (bulk feed to product), via simple, conventional “off the shelf” processing methods.

The rutile product has premium chemical parameters at a grade of 96.3% TiO₂ with low impurities. On this basis, rutile produced from Kasiya should be suitable for all major natural end-use markets including TiO₂ pigment feedstock, titanium metal and welding flux markets.

Table 1: Comparison of Sovereign’s rutile specifications to leading global producers

Constituent		Malawi Rutile (Sovereign)	Sierra Rutile (Iluka)	RBM (Rio Tinto)	Kwale (Base Resources)	Namakwa Sands (Tronox)
TiO ₂	%	96.27	96.29	93.30	96.18	94.50
ZrO ₂ +HfO ₂	%	0.52	0.78	1.30	0.72	1.10
SiO ₂	%	1.18	0.62	2.00	0.94	2.00
Fe ₂ O ₃	%	0.59	0.38	0.70	1.25	0.8
Al ₂ O ₃	%	0.41	0.31	0.90	0.23	0.6
Cr ₂ O ₃	%	0.12	0.19	0.11	0.17	0.14
V ₂ O ₅	%	0.66	0.58	0.40	0.52	0.33
Nb ₂ O ₅	%	0.39	0.15	0.30	-	0.04
P ₂ O ₅	%	0.01	0.01	0.03	0	0.02
MnO	%	0.01	0.01	-	0.03	0.4
MgO	%	0.02	0.01	-	0.1	0.01
CaO	%	0.01	0.01	-	0.04	0.04
S	%	0.01	<0.01	<0.05	-	0.01
U+Th	ppm	39	26	100	-	-
d ₅₀ sizing	µm	145	-	124	-	124

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

The full rutile particle size distribution from the Kasiya bulk metallurgy test-work based on QEMSCAN is shown in Figure 5 below. A d_{50} sizing of 145 μ m is recognised as world-class and suggests the product should be suitable for all major end use markets.

A full assessment for a range of end-use markets is planned as part of Sovereign’s upcoming Scoping Study. The premium specifications of the product should allow Sovereign the flexibility to work with major customers and adapt to their different needs and requirements. The Company is in the process of despatching product samples for initial assessment by market participants.

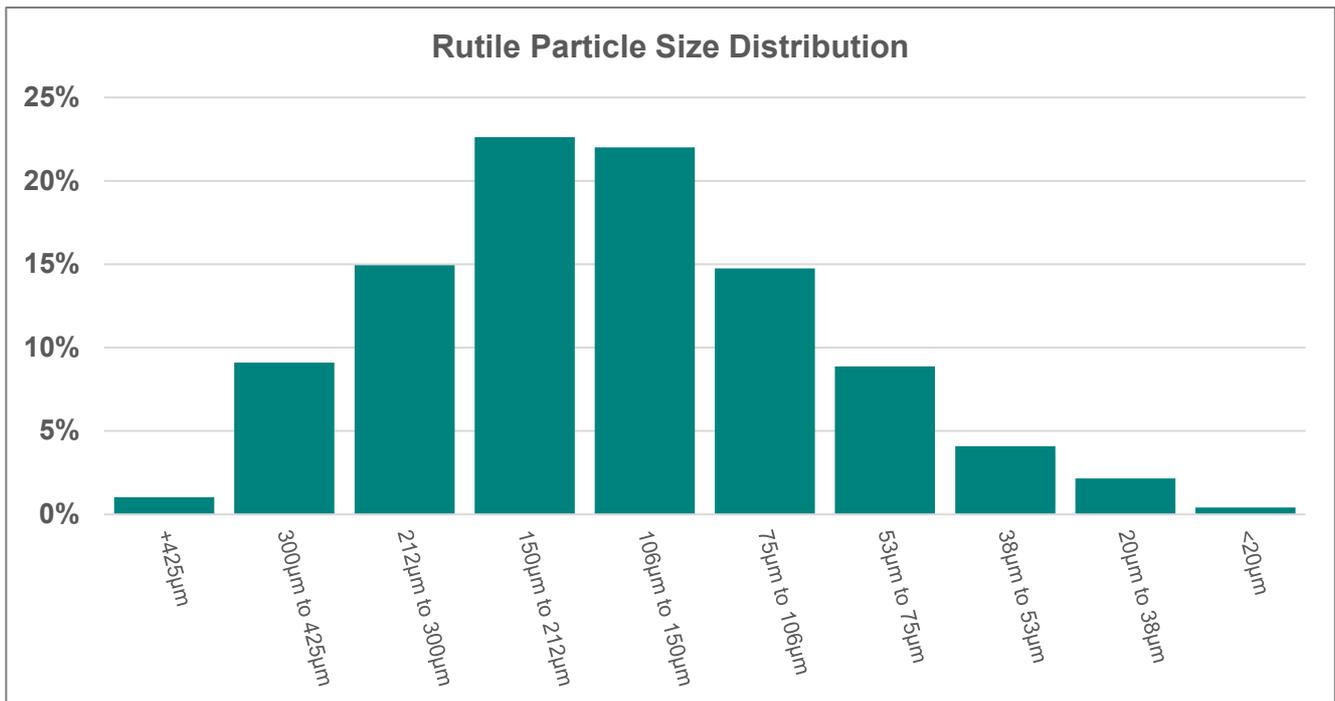
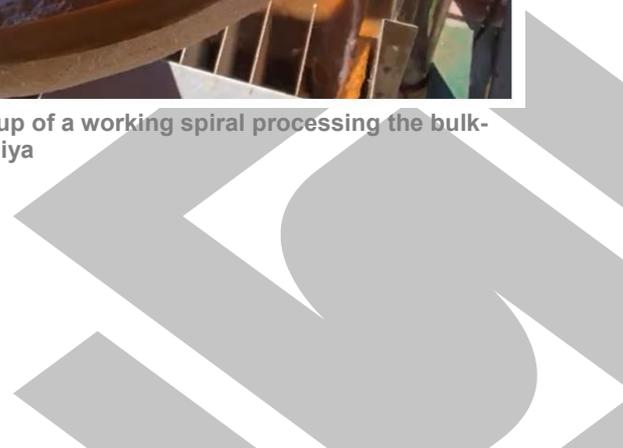


Figure 5. Size distribution (by QEMSCAN) of Sovereign’s premium rutile product from Kasiya.



Figure 6 & 7. Left: Spiral processing of the sand fraction Right: Close-up of a working spiral processing the bulk-sample sand fraction from Kasiya



A NEW RUTILE PROVINCE

The Central Malawi Rutile Project (**Project**) features two confirmed, discrete rutile mineralisation styles hosted saprolite (soft, friable weathered material) and sand. Both styles are amenable to conventional processing.

In addition to the flagship Kasiya, the Company has identified numerous other saprolite-hosted rutile prospects and targets. The Bua Channel is the Company’s high-grade, rutile dominant, sand-hosted placer prospect along a 50km length of a fluvial channel system. Drilling in the southern part of the Bua Channel over ~8km confirmed excellent rutile grades with accessory ilmenite.

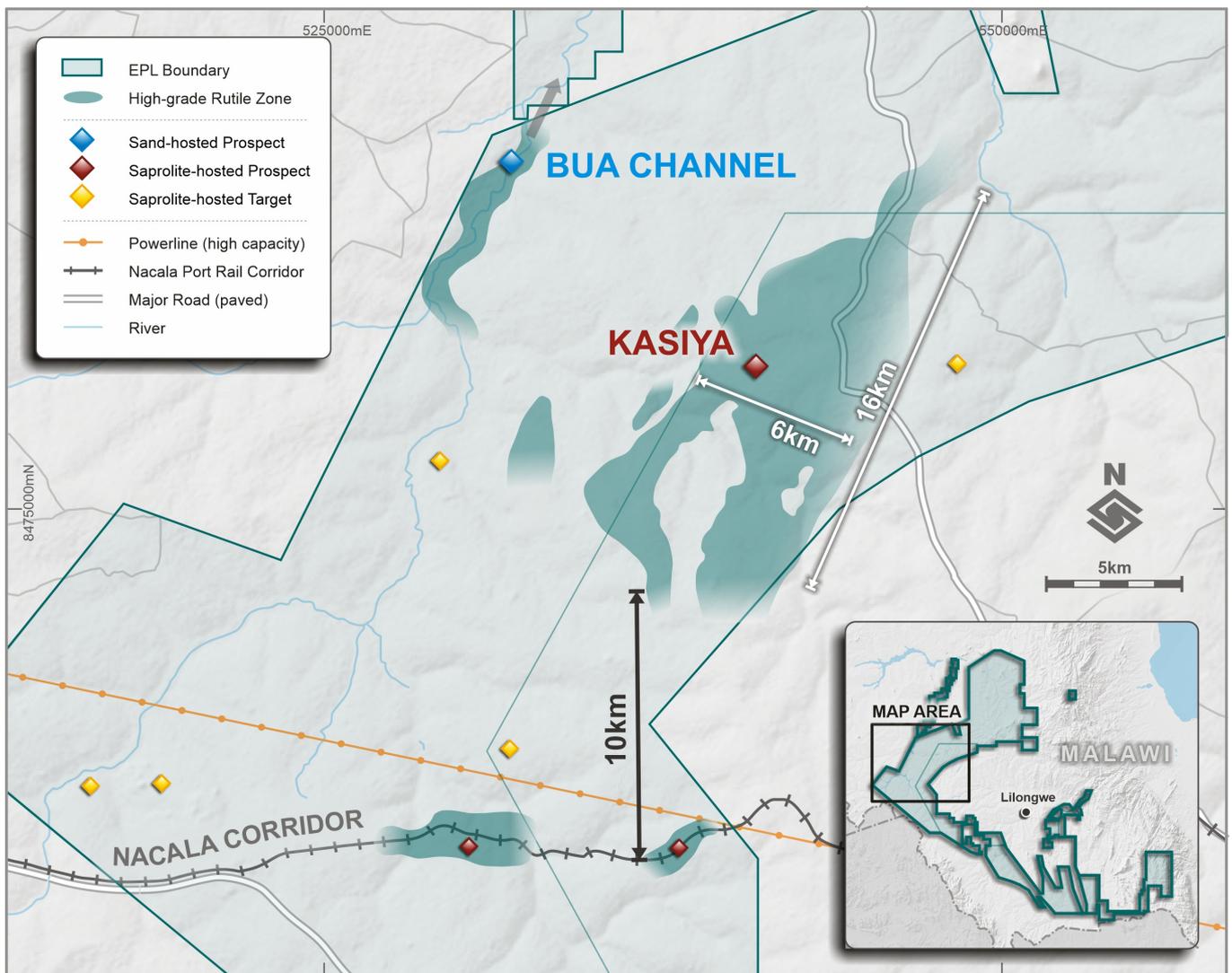


Figure 8. Map of the broader Kasiya and Bua Channel area showing the multiple rutile deposits, prospects and targets and proximity to the Nacala Rail Corridor.

This potentially globally significant rutile province is located in Malawi, a stable, transparent jurisdiction. Malawi is increasingly attracting international investment with substantial potential for mining to contribute to the country’s economic growth and development. Central Malawi boasts excellent existing infrastructure including grid power and an excellent sealed road network. The Project is strategically located in close-proximity to the capital city of Lilongwe, providing access to a skilled workforce and mining and industrial services. The location provides access to the operating Nacala Rail Corridor linking to the Indian Ocean port of Nacala in Mozambique, providing a low-cost transport solution and access to major international markets.

FORWARD PLAN

The latest drill results in conjunction with the exceptional outcomes from its bulk scale metallurgy program, has consolidated Sovereign's view that it has discovered a potentially globally significant rutile deposit at Kasiya in Malawi.

Ongoing work programs for Kasiya and the other prospects within the Company's large ground package include;

- ❖ A maiden Mineral Resource Estimate for Kasiya, with the inclusion of additional drill results from its extensive 66km² mineralised footprint;
- ❖ Continued step-out and extensional drilling at Kasiya and the broader surrounding area to identify extensions and discover new regional mineralised zones;
- ❖ Mining and tailings studies continue and will feed into a future Scoping Study targeted for H1 2021;
- ❖ Feedback from rutile product sample assessment by major industry end-users to be incorporated into marketing studies in support of the upcoming Scoping Study; and
- ❖ Investigation of the potential for a coarse-flake graphite by-product from Kasiya.



Figure 9: Drone photograph of the push-tube core rig in action at Kasiya.

RUTILE MARKET

Rutile is the purest, highest-grade natural form of titanium dioxide (TiO₂) and is the preferred feedstock in manufacturing titanium pigment and producing titanium metal. Titanium pigments are used in paints, coatings and plastics. Titanium also has specialty uses including in welding, aerospace and military applications.

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

Natural rutile has a far lower carbon footprint in comparison to its alternatives. Pigment producers favour natural rutile over higher energy and carbon intensive 'upgraded' titanium feedstocks such as synthetic rutile or titanium slag.

The rutile market fundamentals continue to be robust with current and forecast pricing remaining very strong. The world's largest rutile producer, Iluka Resources Limited achieved US\$1,195 per tonne for the third quarter of 2020¹.

Reference: 1. Iluka Resources Limited (ASX:ILU) – Quarterly Review to 30 September 2020

CORPORATE

Sovereign is well positioned with A\$3.2m of cash at bank at the end of the period. The strong cash position allows the Company to continue exploration and development activities on its rutile projects.

Subsequent to the end of the quarter, the Company appointed London-based mining executive, Mr Ben Stoikovich as a Non-Executive Director. The appointment of Mr Stoikovich brings experience in financing African mining projects and strong ESG credentials to the Company's Board.

CARPENTARIA JOINT VENTURE

Mount Isa Mines Limited (MIM), a Glencore plc Company, continues to manage and sole fund exploration on all tenements comprising the Carpentaria Joint Venture (**CJV**). Sovereign currently holds a 23.03% diluting interest in the tenements.

RELATED PARTY PAYMENTS

During the quarter ended 30 September 2020, the Company made payments of \$92,000 to related parties and their associates. These payments relate to existing remuneration arrangements (executive salaries, director fees and superannuation of \$47,000) and provision of serviced office facilities, company secretarial services and administration services (\$45,000).



MINING EXPLORATION EXPENDITURES

During the quarter, the Company made the following payments in relation to mining exploration activities:

Activity	A\$000
Drilling	(31)
Assaying and Metallurgical Testwork	(155)
Studies	(56)
Consultants	(16)
Field Supplies, Equipment, Vehicles	(28)
Malawi Operations - Site Office and Personnel	(246)
Total as reported in Appendix 5B	(532)



Competent Person Statements

The information in this Announcement that relates to rutile Exploration Results are extracted from announcements dated 4 August 2020 and 21 September 2020. These announcements are available to view on www.sovereignmetals.com.au. The information in the original ASX Announcements that related to Exploration Results was based on, and fairly represents, information compiled by Dr Julian Stephens, a Competent Person who is a member of the Australasian Institute of Geoscientists (AIG). Dr Stephens is the Managing Director of Sovereign Metals Limited and a holder of shares and options in Sovereign Metals Limited. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

The information in this report that relates to Metallurgical Results (rutile) is extracted from an announcement on 9 September 2020. This announcement is available to view on www.sovereignmetals.com.au. The information in the original announcement that related to Metallurgical Results was based on, and fairly represents, information compiled by Mr Gavin Diener, a Competent Person who is a member of the AusIMM. Mr Diener is the Chief Operating Officer of TZMI, an independent mineral sands consulting company and is not a holder of any equity type in Sovereign Metals Limited. Mr Diener has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward Looking Statement

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

Authorisation Statement

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



APPENDIX 1: SUMMARY OF MINING TENEMENTS

As at 30 September 2020, the Company had an interest in the following tenements:

Project Name	Permit Number	Percentage Interest	Area (km ²)	Status
<u>Malawi</u>				
Central Malawi Ground Holdings	EPL 0372	100%	732	Granted
	EPL 0355	100%	12	Granted
	EL 0413	100%	535	Granted
	EPL 0492	100%	1,895	Granted
	EPL 0528	100%	21	Granted
	EPL 0537	100%	339	Granted
	EPL 0545	100%	54	Granted
	EL 0561	100%	125	Granted
		Total	3,713	

No changes in the Company's interests occurred during the quarter.

Project Name	Permit Number	Percentage Interest	Joint Venture Partner	Status
<u>Queensland, Australia</u>				
Mt Marathon	EPM 8586	23.03%	Mount Isa Mines	Granted
Mt Avarice	EPM 8588	23.03%	Mount Isa Mines	Granted
Fountain Range	EPM 12561	23.03%	Mount Isa Mines	Granted
Corella River	EPM 12597	23.03%	Mount Isa Mines	Granted
Saint Andrews Extended	EPM 12180	23.03%	Mount Isa Mines	Granted

Beneficial percentage interests in Farm-out agreements disposed during the quarter ending 30 September 2020:

Project Name	Permit Number	Type of change	Interest at beginning of quarter	Interest disposed of during quarter	Interest at end of quarter
<u>Carpentaria JV:</u>					
Mt Marathon	EPM 8586	Farm out	23.37%	0.34%	23.03%
Mt Avarice	EPM 8588	Farm out	23.37%	0.34%	23.03%
Fountain Range	EPM 12561	Farm out	23.37%	0.34%	23.03%
Corella River	EPM 12597	Farm out	23.37%	0.34%	23.03%
Saint Andrews Ext.	EPM 12180	Farm out	23.37%	0.34%	23.03%

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

SOVEREIGN METALS LIMITED

ABN

71 120 833 427

Quarter ended ("current quarter")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(532)	(532)
(b) development	-	-
(c) production	-	-
(d) staff costs	(116)	(116)
(e) administration and corporate costs	(101)	(101)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	37	37
1.8 Other – Business Development	(50)	(50)
1.9 Net cash from / (used in) operating activities	(755)	(755)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(14)	(14)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(14)	(14)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1,596	1,596
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(21)	(21)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,575	1,575
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,360	2,360
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(755)	(755)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(14)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,575	1,575
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,166	3,166

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	112	233
5.2 Call deposits	3,054	2,127
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,166	2,360

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	92
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end	-
----------------------------------------------------------	---

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(755)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(755)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,166
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	3,166
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	4

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: Company Secretary
(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.