

RUTILE OFFTAKE AND MARKETING ALLIANCE WITH MAJOR JAPANESE TRADING HOUSE

- MoU signed with global trading and investment firm for rutile offtake, marketing and product development for the Kasiya Rutile Project
- MoU covers offtake and marketing rights for 30,000 tonnes per annum of natural rutile from Kasiya
- Marketing alliance will focus on Asia, a key and established growth market for high-grade titanium feedstocks
- Key Asian customers have confirmed premium chemical parameters of Kasiya's natural rutile as part of product quality assessments
- Asian titanium metal producers have confirmed the suitability of the Kasiya rutile product

Sovereign Metals Limited (ASX:SVM; AIM:SVML) (the **Company** or **Sovereign**) is pleased to announce that it has entered into a non-binding Memorandum of Understanding (**MoU**) with Mitsui & Co Ltd (**Mitsui**), one of the largest global trading and investment companies in Japan. The MoU establishes a marketing alliance and offtake for 30,000 tonnes of natural rutile per annum from the Company's world-class Kasiya Rutile Project (**Kasiya**) in Malawi.

This MoU creates a marketing alliance between the two parties to jointly market Sovereign's rutile across Asia and other markets. The alliance will allow Sovereign to leverage off Mitsui's extensive network and their market-leading understanding of the titanium industry and global logistics.

Mitsui has shared samples of rutile product from Kasiya with Asian end-users that have confirmed its premium chemical specifications should be suitable for use in their titanium sponge and pigment processes, as a precursor for high-grade, high-specification titanium metal and pigment production.

Sovereign's Managing Director Dr Julian Stephens commented: *"The Asia region is a key natural rutile market with all major end-use sectors well established and further strong growth forecast. We expect expanding technology developments and increasing environmental awareness to drive greater demand for natural rutile. This marketing alliance with a very high-calibre partner in Mitsui will assist Sovereign to penetrate these ever-growing markets."*

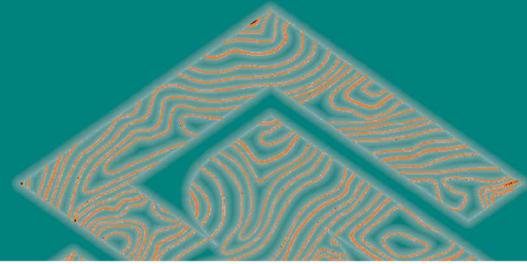
The MoU is non-exclusive and non-binding with no pricing terms which remains subject to negotiation and execution of a definitive agreement. The MoU will expire on 31 December 2023 but can be extended by agreement by both parties should a definitive agreement not have been reached by that time.

ENQUIRIES

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ASIA NATURAL RUTILE MARKET

Natural rutile is classified as a high-grade titanium feedstock. The high-grade titanium feedstock market consumes approximately 2.8Mt of contained titanium dioxide with strong demand driven from the welding, pigment and titanium metal sectors.

Asia has been identified as a key growth market for high-grade titanium feedstocks (rutile, synthetic rutile & chloride slag) with environmental pressures and technology shifts in pigment production driving the increase in demand.

HIGH-GRADE TITANIUM FEEDSTOCK DEMAND IN ASIA

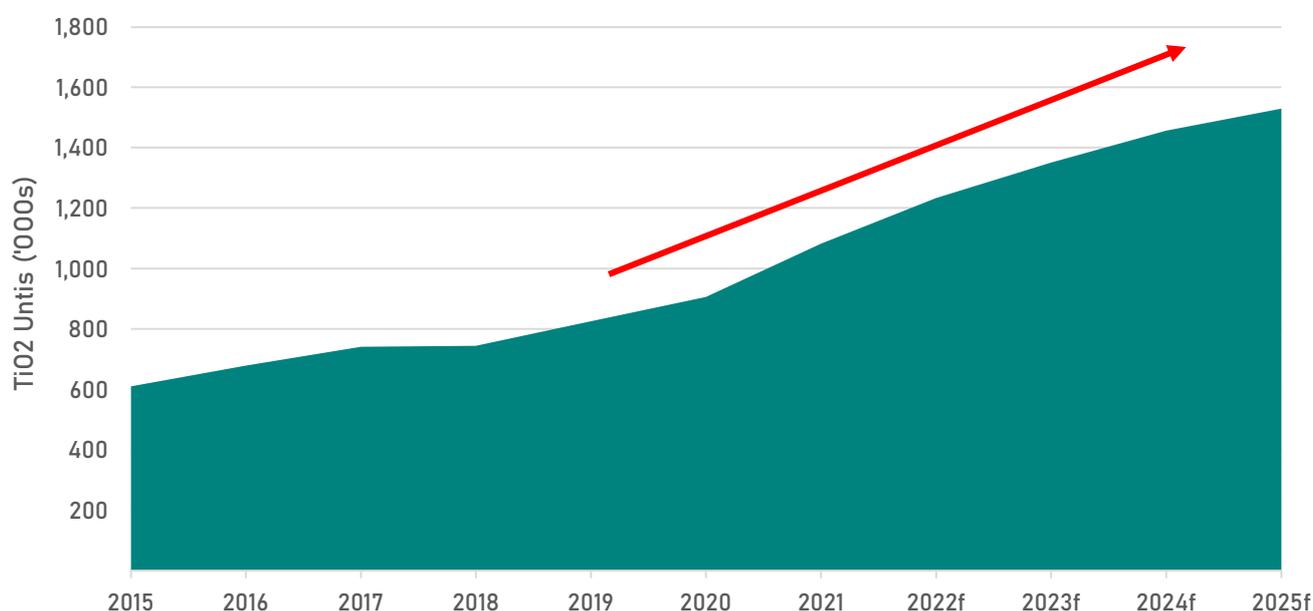


Figure 1: Historical and forecast high-grade titanium feedstock demand in Asia (source: TZMI)

Pigment

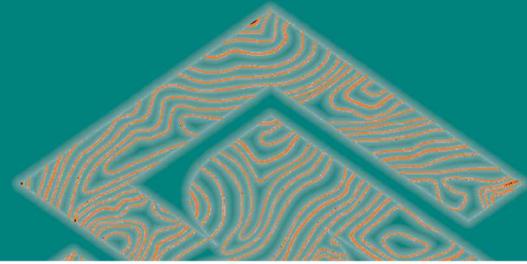
In the pigment industry, major western producers more commonly use high-grade titanium feedstocks for the chloride process, whereas Chinese producers generally rely on low-grade sulphate ilmenite as their main feedstock for the more polluting sulphate process.

To produce lower quantities of waste products, a shift from the sulphate process to the cleaner chloride process by several Chinese pigment producers including LB Group (previously named Lomon Billions), CITIC and Yibin Tianyuan has resulted in stronger demand for high-grade titanium feedstocks in China.

Global, independent titanium consultancy, TZ Minerals International (TZMI) forecasts Chinese chloride-based pigment capacity to grow around 10% CAGR to reach 1.1 million tonnes by 2030.

Titanium Metal

Titanium metal is an essential component in the aerospace, military, medical and construction sectors with strong growth coming from the high-performance, clean-tech, and technology industries. Titanium metal's combination of corrosion resistance, excellent weight-to-strength ratio, and very high melting point is not found with other metals.



Asian titanium metal producers have evaluated Kasiya's natural rutile product confirming that its premium chemical specifications should be suitable in their titanium sponge process, a precursor for high-grade, high-specification titanium metal production.

Although the titanium metal market currently only makes 10% of natural rutile demand, the segment is expected to grow at over 8% CAGR. A strong recovery is anticipated as travel restrictions due to the Covid-19 Pandemic ease and military-related and aerospace spending rises.

Global production of titanium metals is concentrated across Asia and eastern Europe (Figure 2).

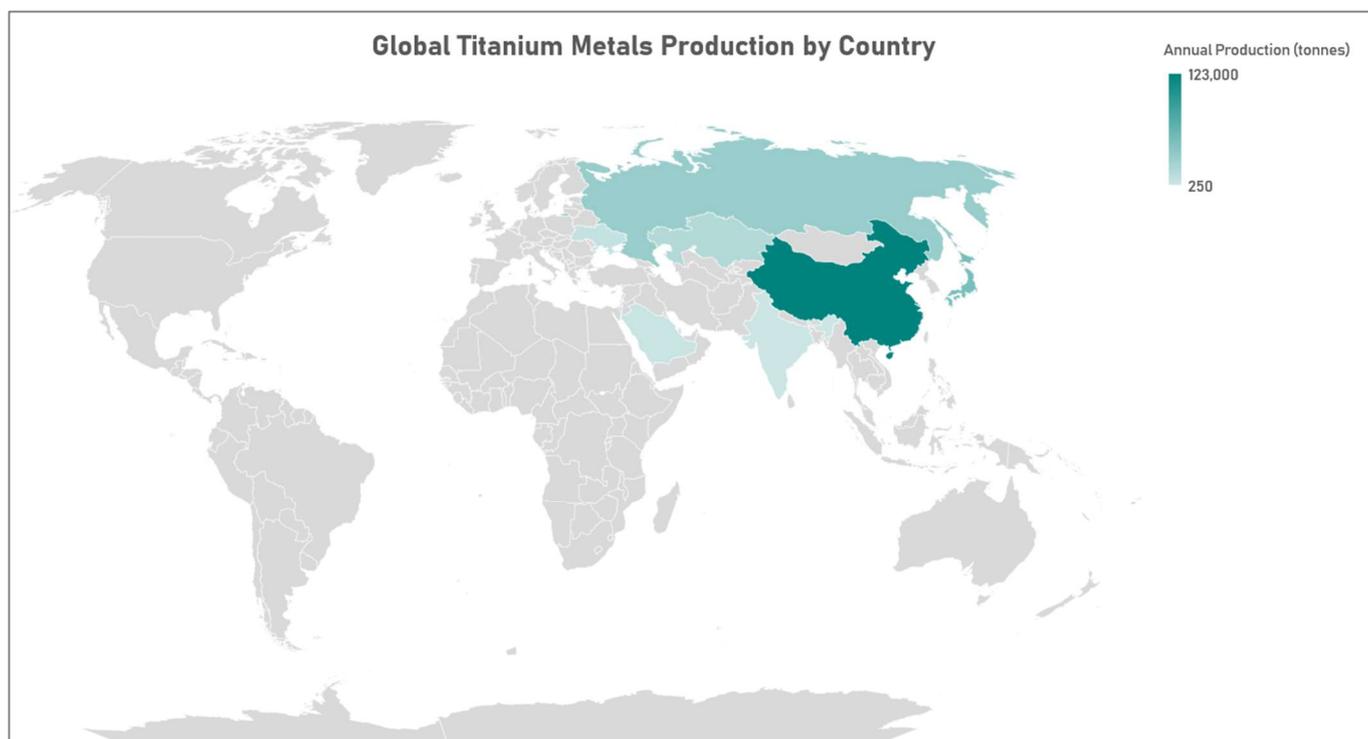


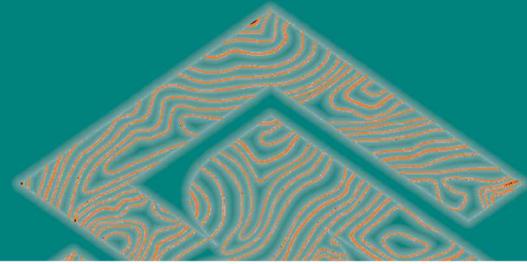
Figure 2: Titanium Metal Production 2020 by country (source: USGS)

Welding

Natural rutile is one of the most important constituents of welding flux, responsible primarily for slag forming properties. There are very limited alternative raw materials to replace rutile in welding applications.

Bagged rutile sales into the welding and other non-pigment sectors achieve significantly better pricing, often with **25%+ premiums to bulk rutile pricing**.

Consequently, TZMI, expects bagged rutile sales to fetch US\$500-600 per tonne price premiums over the bulk market in 2022. TZMI reported bagged rutile sales for Q1 of 2022 were above **US\$2,000 per tonne CIF** for a number of shipments. TZMI also expects bagged rutile sales to lead pricing growth as the welding sector has limited alternatives to natural rutile feedstock input.



About Mitsui & Co.

Mitsui & Co., Ltd (8031: JP) is a global trading and investment company with a diversified business portfolio that spans approximately 64 countries in Asia, Europe, North, Central & South America, The Middle East, Africa and Oceania.

Mitsui has over 5,600 employees and deploys talent around the globe to identify, develop, and grow businesses in collaboration with a global network of trusted partners. Mitsui has built a strong and diverse core business portfolio covering the Mineral and Metal Resources, Energy, Machinery and Infrastructure, and Chemicals industries.

About Sovereign Metals

Sovereign Metals Limited (ASX:SVM & AIM:SVML) is an ASX and AIM-listed company focused on the exploration and development of its Kasiya rutile project in Malawi.

The Company recently completed an Expanded Scoping Study which confirmed Kasiya as a large-scale, long-life operation with a low-cost profile as a significant source of critical raw materials. Kasiya has the potential to become a major producer of both the natural rutile and graphite markets whilst contributing significantly to the economy of Malawi.

Natural 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.

The natural rutile market is in structural deficit with current supply estimated to decline rapidly by 45% in the next three years, following the scheduled closures by two major high-grade producers¹. A resurgence in demand for titanium pigment and from the welding sector combined with concurrent supply shortages has led the CIF China spot prices sharply upwards to over US\$2,200 per tonne².

Sources

1. TZMI
2. Ruidow.com based on Australian Rutile (TiO₂>95%, P<0.03%, S<0.03) CIF Tianjin Port

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.

This ASX Announcement has been approved and authorised for release by the Company's Managing Director, Dr Julian Stephens.