



## SEPTEMBER 2021 QUARTERLY REPORT

Sovereign Metals Limited (**Company** or **Sovereign**) is pleased to provide its quarterly report for the period ended 30 September 2021. The Company is focused on the exploration and development of its globally significant rutile province in Malawi.

### HIGHLIGHTS

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#### **Significant progress with Scoping Study**

- ❖ The Company is well-advanced with the Kasiya Scoping Study (**Study**) targeting a large-scale natural rutile operation.
- ❖ All major technical disciplines have been completed with capital and operating cost estimations being finalised.
- ❖ Logistics study announced on 8 September 2021, confirmed a reliable, efficient, and high-standard rail and port solution using the high quality existing infrastructure.
- ❖ Study on track for completion in the December quarter.
- ❖ An updated Mineral Resource Estimate (**MRE**) targeting conversion of existing Inferred resources to the higher-confidence Indicated category is expected in the coming weeks.

#### **Malawi rutile province expanded with further drilling results at Nsaru**

- ❖ Significant rutile drilling results were reported from the recently discovered Nsaru rutile deposit located adjacent to, and within the same geological domain as Kasiya.
- ❖ Step-out drilling has increased the Nsaru rutile-mineralised footprint to 40km<sup>2</sup>, offering significant potential resource increases planned for early 2022.

#### **Rutile market continues to remain strong**

- ❖ Demand for high-grade titanium dioxide feedstocks continued to remain strong, and along with supply shortages has led to continued rutile price appreciation, with some sales in the spot market exceeding US\$2,000 per tonne<sup>1</sup>.
- ❖ The Company's product development and marketing activities has ramped up with the Phase 2 bulk program metallurgy program near completion with further product samples available to potential future offtakers for assessment.

#### **Core drilling program completed**

- ❖ Completion of a multi rig core drilling program targeting high-grade rutile zones at Kasiya for conversion to the Indicated resource category to support the Study.
- ❖ A total of 244 holes were completed for 2,484m over an area of 37km<sup>2</sup> at Kasiya and Nsaru. First results from this program are expected to be reported shortly.

## **Government delegation visit to site**

- ❖ In August, the Company's Managing Director, Dr Julian Stephens led a site visit with Malawian Government officials at the Company's operations in Malawi.
- ❖ The Government delegation was headed by Malawi's Honourable Minister of Mining, Mr Rashid Gaffar.

## **Corporate**

- ❖ The Company is currently working towards a listing on the AIM Market of the London Stock Exchange and will provide further details shortly.

## **Sovereign's Managing Director Dr Julian Stephens commented:**

*"Sovereign is strongly positioned moving into the final quarter of 2021, with the fast-approaching completion of the Scoping Study to reveal the potential economics of this globally significant rutile discovery. Continued success in our exploration campaigns at Nsaru and Kasiya suggests strong potential for near future, substantial resource growth. Further, a very strong natural rutile market continues driven by both strong demand and shortages in supply."*

*"The Company is looking forward to presenting the Kasiya Scoping Study during the December quarter as well as updating the market on its exploration activities and introducing new capital markets to its global-scale rutile province through its planned AIM listing."*

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### **ENQUIRIES**

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1. Source: Ruidow – Natural Rutile 95% Titanium Dioxide

**MALAWI RUTILE PROVINCE**

Sovereign is focused on the development of its newly identified, globally significant rutile province in Malawi. In the June quarter, the Company achieved a major technical milestone with the announcement of the maiden MRE for Kasiya, the Company’s flagship, large, high-grade rutile deposit.

Kasiya is a strategic and globally significant natural rutile discovery with substantial additional resource growth expected. Kasiya’s MRE is 644Mt at 1.01% rutile (0.7% cut-off) including a high-grade component of 137Mt at 1.41% rutile (1.2% cut-off) covering 49km<sup>2</sup> or just 38% of the total 129km<sup>2</sup> (Kasiya 89km<sup>2</sup> + Nsaru 40km<sup>2</sup>) drill-defined rutile-mineralised footprint.

All mineralisation within the MRE occurs in a single, large, and coherent deposit with much of the high-grade material occurring within the top ~5 metres from surface.

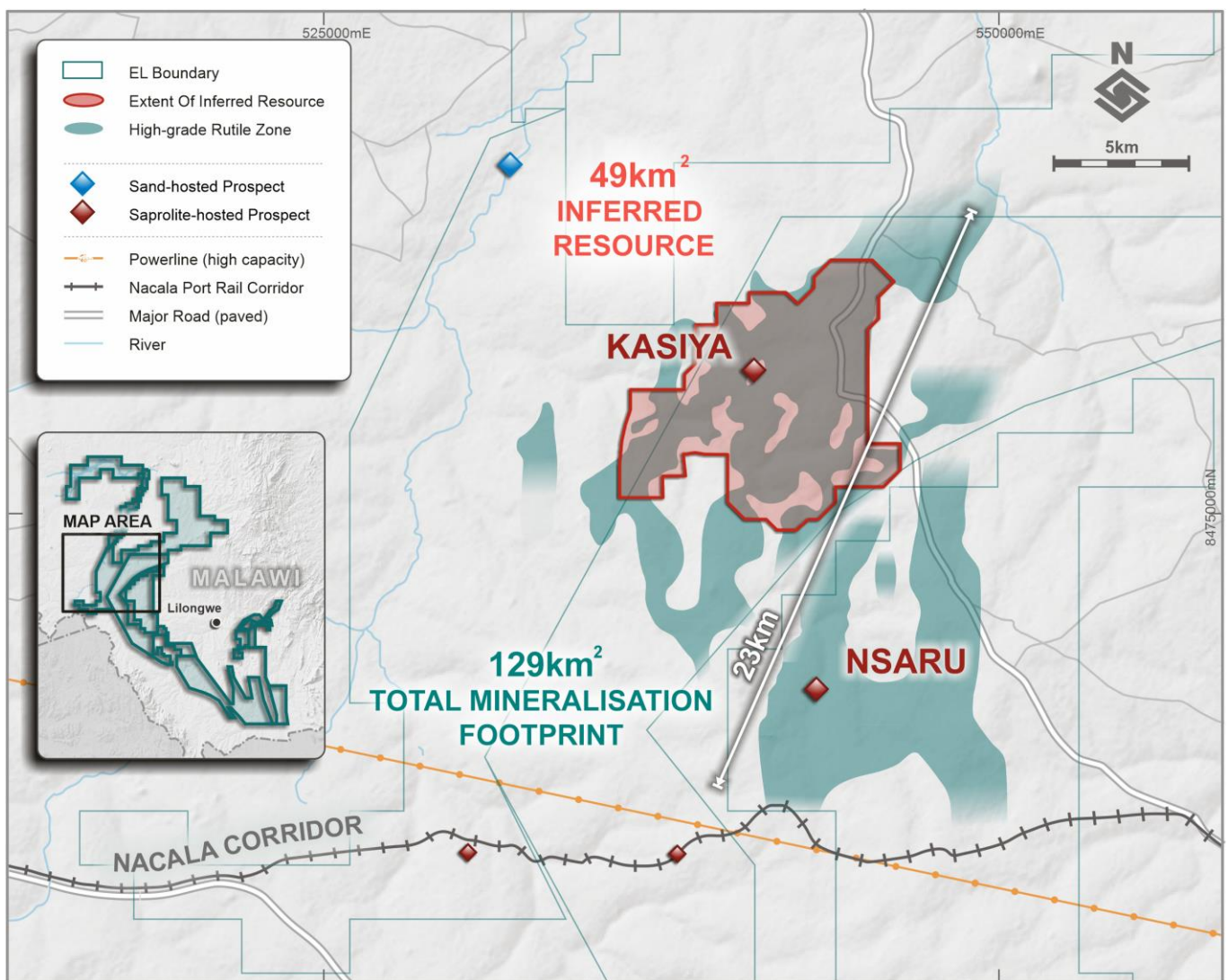


Figure 1. Map of the extensive, drill-defined mineralised footprint at Kasiya and Nsaru with the MRE area shown in addition to the substantial growth potential

Sovereign’s discovery of its large high-grade rutile province represents a potentially major new source of global supply of high-grade primary natural rutile to a market in significant supply deficit and an opportunity to displace significant CO<sub>2</sub> emissions created by upgraded alternatives.



## SCOPING STUDY

The Company is well advanced with its Scoping Study (**Study**) at Kasiya, which is targeting a large-scale natural rutile operation that could fill some of the existing supply deficit with the purest and most environmentally sustainable titanium feedstock. The objective is to develop a large-scale, long life, environmentally sustainable and socially responsible natural rutile operation. The majority of technical disciplines for the Study have now been completed with and capital and operating cost estimation is being finalised.

Sovereign is looking forward to presenting the results of its currently well-advanced Study which is on track for completion during the December quarter.

### Logistics Study

During the quarter, the Company reported the outcomes of a logistics study by an independent expert on the logistics and infrastructure solutions for Kasiya as part of the Study. The logistics study confirmed a reliable, efficient, and high-standard rail and port logistics solution using excellent existing infrastructure. The logistics study confirmed the preferred route to the Nacala deep-water port via the Nacala Corridor for the export of mineral products to global markets.

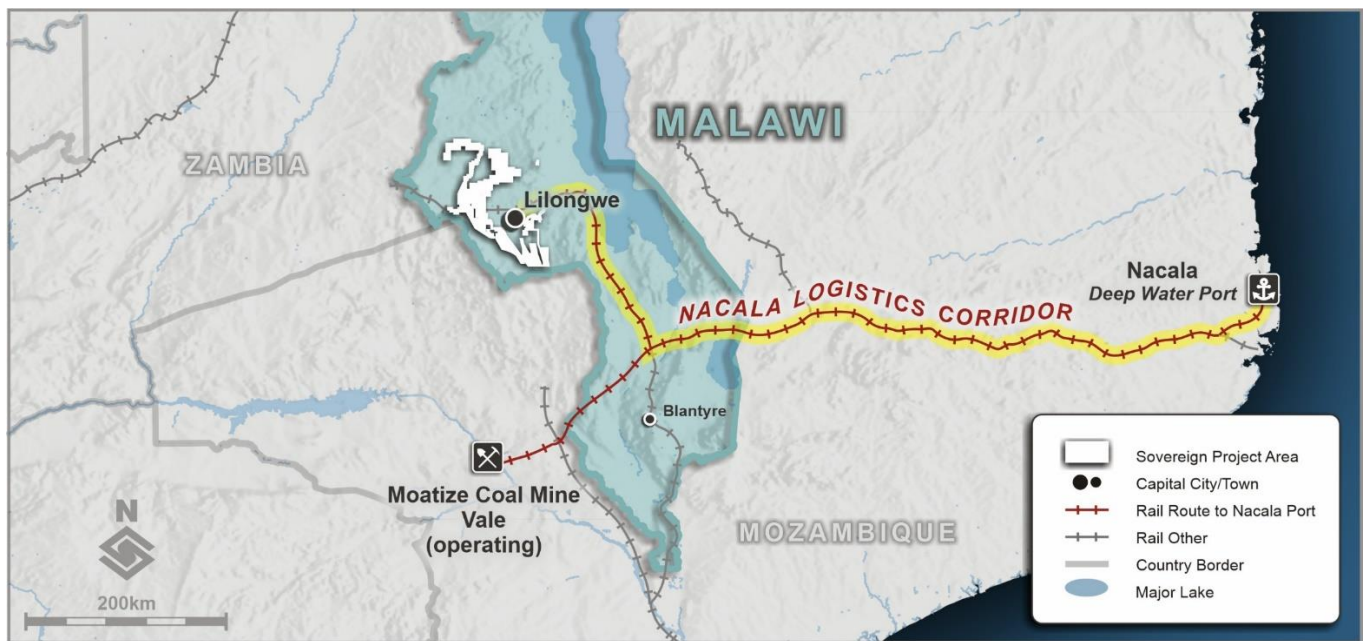


Figure 2: The Nacala Logistics Corridor connecting Sovereign's projects to global markets

Sovereign has an existing MoU with Nacala Logistics (*previously CEAR*) for rail freight, port access and port handling services for graphite concentrates from the Malingunde Project, with discussions continuing for increased volumes based on the outcomes of the Company's forthcoming Study for Kasiya.

Based on recent discussions with rail providers and active freight forwarders in the region, the rail freight costs may be reduced with increased production levels and tonnage. Access to the existing Nacala Logistics Corridor (**NLC**) has the significant advantage for Sovereign by potentially reducing upfront capital cost for any future project development.

## DRILL RESULTS EXPAND NSARU

Further drilling results from the recently discovered Nsaru rutile deposit within the Malawi rutile province have significantly expanded the mineralised footprint. Nsaru is located adjacent to, and within the same geological domain as Kasiya.

A total of 137 hand-auger holes were drilled for a total of 1,213m at Nsaru. The drilling is made up of reconnaissance and extensional drilling which continues to intersect high-grade rutile mineralisation generally from surface to up to 14m depth. In some zones, high-grade rutile remains open at depth with these zones also developing good coherency along strike.

The Company is continuing a systematic drill program at Nsaru aimed at bringing the drill spacing down to 400m by 400m to incorporate the results into a future MRE. A 59 hole core drilling program for 605 metres was also completed at Nsaru in order to bring higher-grade areas to the JORC Indicated category in early 2022.

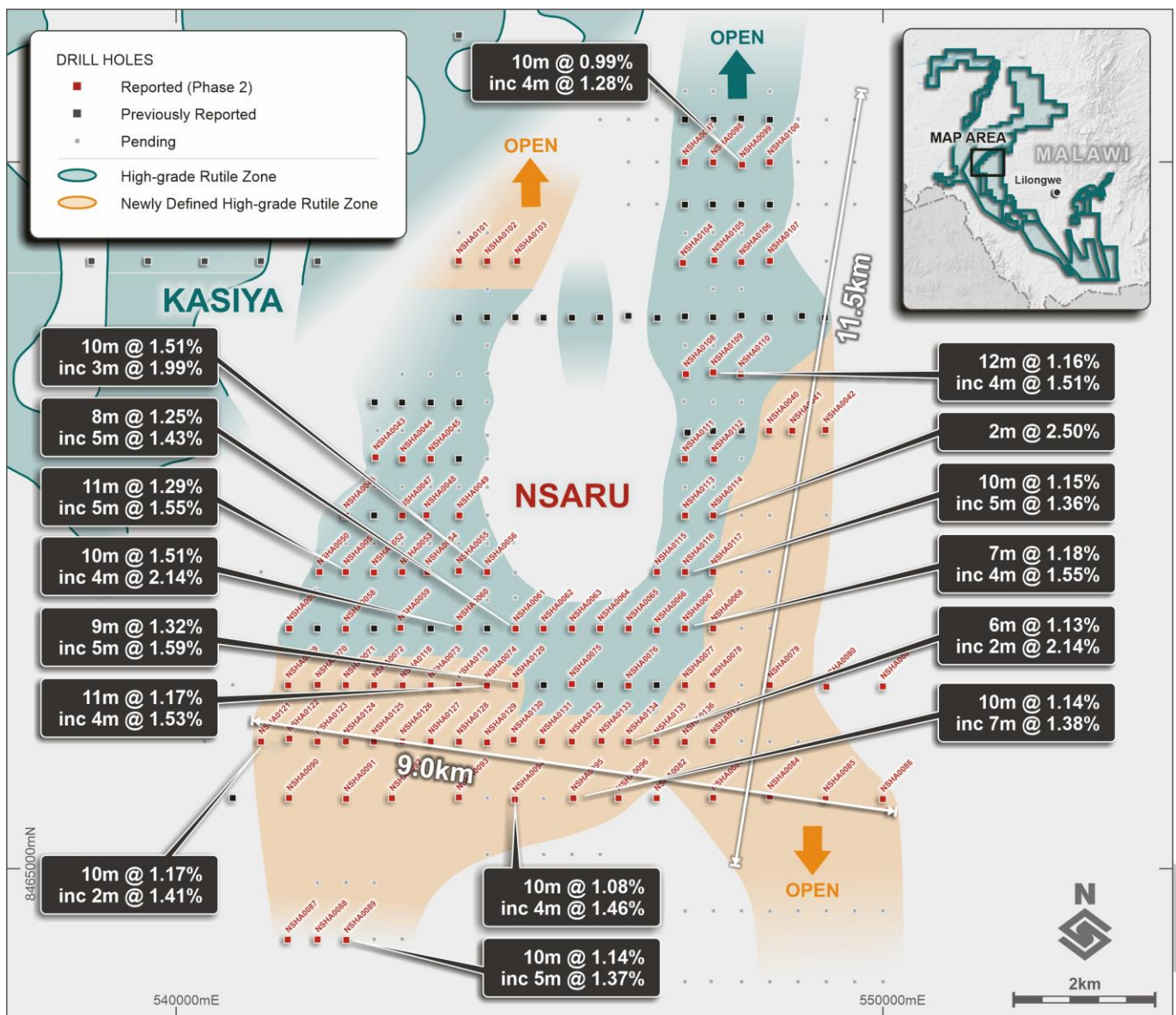


Figure 3. Drill-hole location map showing the extensive and consistent high-grade rutile mineralisation at Nsaru



## CORE DRILLING

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During the quarter, the Company completed a multi core rig drilling program rigs at Kasiya. A total of 244 core holes for 2,484 metres were drilled. This core program is designed to bring the central, high-grade areas of rutile mineralisation at Kasiya into the JORC Indicated category to underpin the Study. The results of this program will be reported shortly.

Drilling was completed by Malawi drill contractors Geoconsult with additional support from Bamboo Rock Drilling.



Figure 4: Core rig in action at Kasiya

## GOVERNMENT DELEGATION VISIT TO SITE

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In August 2021, Sovereign had the opportunity to host senior Malawi Government officials at the Company's operations in Malawi. The discussions and site visit were led by the Company's Managing Director, Dr Julian Stephens.

The Government delegation was headed by Malawi's Honourable Minister of Mining, Mr Rashid Gaffar. Mr Rashid Gaffar, visited Kasiya with a Government delegation that also included the Principal Secretary and Commissioner of Mines.

The visit included viewing of the core drilling program and a tour of the Company's laboratory, logging and sampling facilities demonstrating Sovereign's sample processing flowsheet for drill samples.





Figure 5: Delegation members at core drilling rig on the Kasiya project (L to R: Commissioner of Mines, Mr Burnett Msika, The Honourable Minister of Mining, Mr Rashid Gaffar, Sovereign Metals' Managing Director, Dr Julian Stephens, Ministry of Mines Principal Secretary, Dr Joseph Mkandawire, Sovereign Metals' Senior Geologist, Mr Reidwel Nyirenda)



Figure 6: Dr Julian Stephens explaining geological logging and sampling protocols on Kasiya core samples to the Malawi Government delegation



## RUTILE MARKET

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

The global titanium feedstock market is over 7.4Mt of titanium dioxide with the majority of this been consumed by the pigment industry. Natural rutile's high purity classifies it as a high-grade titanium feedstock. The high-grade titanium feedstock market consumes approximately 2.5Mt of contained titanium dioxide with strong demand driven from the pigment, welding and metal industries.

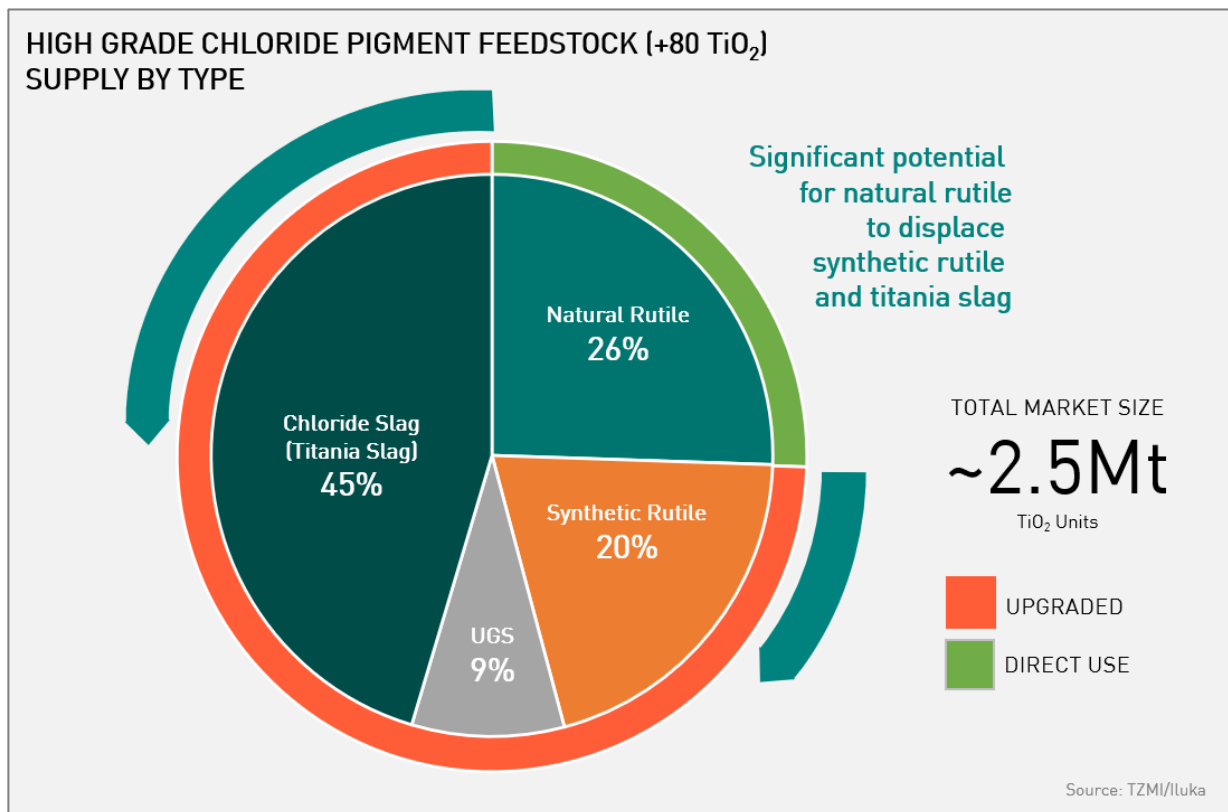


Figure 7: High-grade titanium feedstocks (+80%  $TiO_2$ ) by supply type  
(Source: TZMI/Iluka, based on 2018 data)

The rutile market fundamentals continue to be robust with current and forecast pricing remaining very strong. In 2021, the market has rebounded strongly with pigment plant utilisation rates returning to pre-pandemic levels. Major producers have noted that very strong demand in the welding market is outstripping supply.

High-grade titanium feedstock supply is tight with limited new projects coming online in the short to medium term. Extreme supply-side tightness is expected and will be exacerbated by production suspensions recently by major high-grade producers. These include Iluka who recently announced the potential suspension of its Sierra Rutile operations and Rio Tinto's temporary shut-down at its RBM operations.

Sierra Rutile is the largest global producer of natural rutile, currently contributing over 20% of the total natural rutile market with production of about 150ktpa and RBM producing over 400ktpa of high-grade chloride slag and natural rutile.



A resurgence in demand for titanium pigment and from the welding sector combined with concurrent supply shortages has led the CIF China spot prices for natural rutile sharply upwards to over US\$2,000 per tonne (Figure 8).

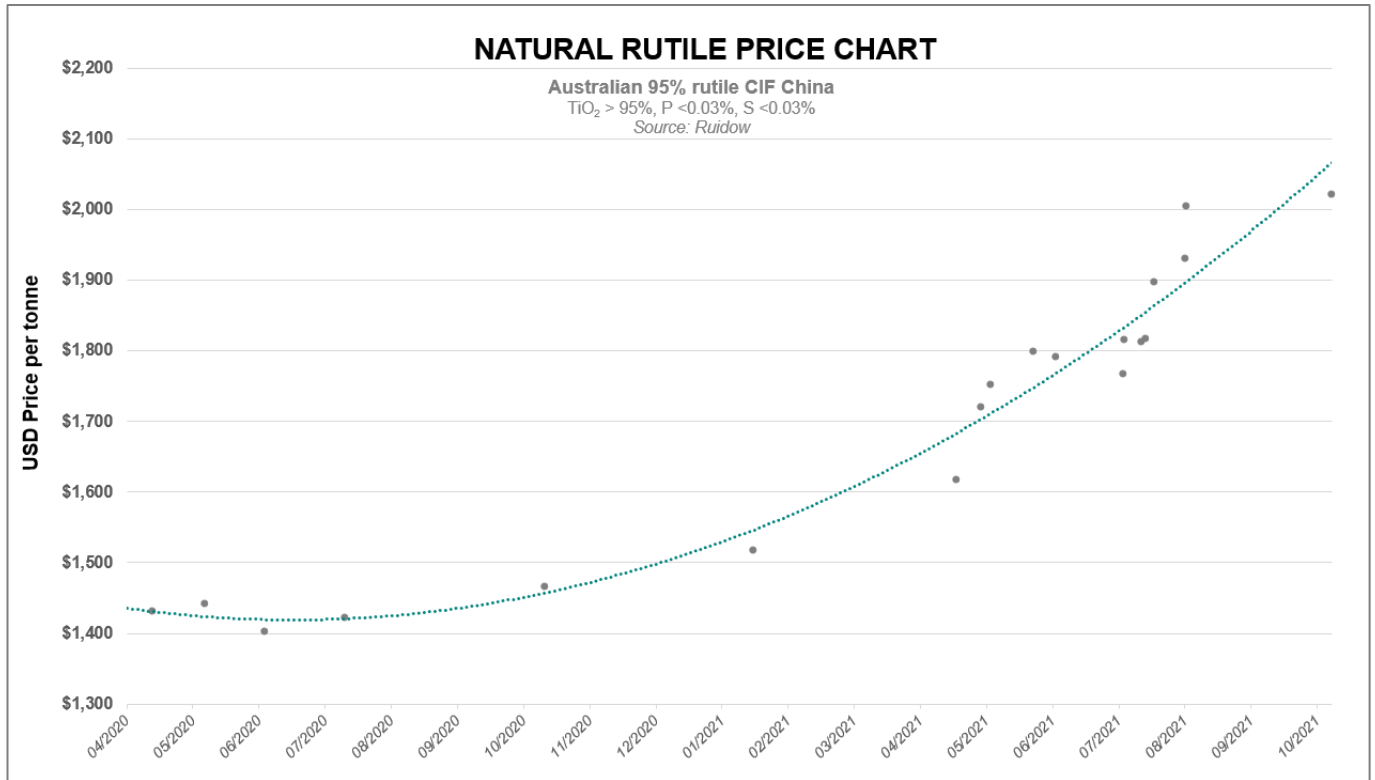


Figure 8: Rutile benchmark price over the last 18 months  
(Source: Ruidow)

Sovereign is continuing product marketing and development with the near completion of the Phase 2 bulk metallurgy program and the production of further product samples to be available for assessment by potential offtake partners.

**COVID-19 IMPACT AND RESPONSE**

The Company continues to proactively manage the potential impact of Covid-19 with the health and safety of our employees, contractors, local communities and other stakeholders being the highest priority.

Sovereign is continuously reviewing the situation and actively amending operations to comply with Government guidelines and restrictions ensuring the health and safety of all members. Currently, there is no material impact on our Malawi operations with minor delays only continued to be experienced in the international transportation of samples.

**CORPORATE**

Sovereign is well positioned with approximately A\$5.86m of cash at bank at the end of the quarter. The strong cash position allows the Company to continue exploration and development activities on its rutile projects.

The Company is currently working towards a dual listing on the AIM Market of the London Stock Exchange and will provide further details shortly.

## RELATED PARTY PAYMENTS

During the quarter ended 30 September 2021, the Company made payments of \$183,000 to related parties and their associates. These payments relate to existing remuneration arrangements (executive salaries, director fees and superannuation of \$90,000), business development services (\$23,000) and provision of serviced office facilities, company secretarial services and administration services (\$70,000).

## MINING EXPLORATION EXPENDITURES

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

Activity	A\$000
Drilling	(355)
Assaying and Metallurgical Test-work	(237)
Resource Estimation and Studies	(170)
Field Supplies, Equipment, Vehicles	(66)
Tenement Rents and Rates	(54)
Malawi Operations - Site Office, Personnel and Travel	(547)
<b>Total as reported in Appendix 5B</b>	<b>(1,429)</b>

There were no mining or production activities and expenses incurred during the quarter ended 30 September 2021.





## Competent Person Statements

*The information in the announcement that refers to the Kasiya MRE is extracted from an announcement dated 9 June 2021. This announcement is available to view on the Company's website at [www.sovereignmetals.com.au](http://www.sovereignmetals.com.au). The information in the original announcement that related to Mineral Resources were based on, and fairly represents, information compiled by Mr Richard Stockwell, a Competent Person, who is a fellow of the Australian Institute of Geoscientists (AIG). Mr Stockwell is a principal of Placer Consulting Pty Ltd, an independent consulting company. Mr Stockwell has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, 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 announcement. 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 announcement.*

*The information in this announcement that relates to rutile Exploration Results are extracted from announcements dated 11 May 2021, 9 June 2021 and 18 August 2021. These announcements are available to view on [www.sovereignmetals.com.au](http://www.sovereignmetals.com.au). The information in the original 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, options and performance rights in Sovereign. 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 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 announcements.*

## 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 approved and authorised for release by the Company's Managing Director, Julian Stephens.*



## APPENDIX 1: SUMMARY OF MINING TENEMENTS

As at 30 September 2021, the Company had an interest in the following tenements:

Location/ Tenement	Permit Number	Percentage Interest	Status	Expiry
<b><u>Malawi</u></b>				
	EL 0372	100%	Granted	13/03/2022
	EL 0492	100%	Granted	29/01/2023
	EL 0528	100%	Granted	27/11/2021
	EL 0545	100%	Granted	12/05/2022
	EL 0561	100%	Granted	15/09/2023
	EL 0574	100%	Granted	15/09/2023
	EL 0582	100%	Granted	15/09/2023
	EL 0609	100%	Granted <sup>1</sup>	25/09/2024
	RT 0012	100%	Granted <sup>1</sup>	26/07/2026

**Notes:**

1. Granted during the quarter.





## 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 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,429)	(1,429)
(b) development	-	-
(c) production	-	-
(d) staff costs	(304)	(304)
(e) administration and corporate costs	(336)	(336)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8.1 Other – R&D Tax Refund	-	-
1.8.2 Other – Business Development	(143)	(143)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,206)</b>	<b>(2,206)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(145)	(145)
(d) exploration & evaluation	-	-
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(145)</b>	<b>(145)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
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	260	260
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(5)	(5)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>255</b>	<b>255</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	7,959	7,959
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,206)	(2,206)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(145)	(145)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	255	255



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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,863</b>	<b>5,863</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	114	352
5.2	Call deposits	5,749	7,607
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,863</b>	<b>7,959</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	183
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	-	-
<b>7.5 Unused financing facilities available at quarter end</b>		-
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.		
-		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,206)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,206)
8.4 Cash and cash equivalents at quarter end (item 4.6)	<b>5,863</b>
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	<b>5,863</b>
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>2.7</b>
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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.	
8.8.2 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.	
8.8.3 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.	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

**Compliance statement**

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

Date: 20 October 2021

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

**Notes**

1. 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.
2. 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.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. 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".
5. 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.