SOVEREIGN METALS LIMITED
ABN 71 120 833 427

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

CORPORATE DIRECTORY

Directors
Mr Benjamin Stoikovich — Chairman
Dr Julian Stephens — Managing Director
Mr Ian Middlemas — Non-Executive Director
Mr Mark Pearce — Non-Executive Director
Mr Nigel Jones — Non-Executive Director

Company Secretary
Mr Dylan Browne

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Malawi

Stock Exchange Listings
Australia

Australian Securities Exchange
ASX Code**: SVM – Ordinary Shares**

United Kingdom

London Stock Exchange (AIM)

AIM Code: **SVML – Depository Interests**

Nominated Advisor

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Solicitors
Thomson Geer

Auditor
Deloitte Touche Tohmatsu

Bankers
Australia and New Zealand Banking Group Limited

National Australia Bank

Standard Bank - Malawi

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DIRECTORS' REPORT

The Directors of Sovereign Metals Limited present their report on Sovereign Metals Limited ("Sovereign" or "the Company" or "Parent") and the entities it controlled at the end of, or during, the half year ended 31 December 2021 ("Consolidated Entity" or "Group").

DIRECTORS

The names of Directors in office at any time during the financial period or since the end of the financial period are:

Current Directors
Mr Benjamin Stoikovich (Chairman)
Dr Julian Stephens (Managing Director)
Mr Ian Middlemas (Non-Executive Director)
Mr Mark Pearce (Non-Executive Director)
Mr Nigel Jones (Non-Executive Director) – *appointed 10 February 2022.*

All Directors were in office from 1 July 2021 until the date of this report, unless otherwise noted.

REVIEW AND RESULTS OF OPERATIONS

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

Kasiya is a strategic and globally significant natural rutile deposit with substantial additional resource growth expected. Kasiya's Mineral Resource Estimate is 605Mt at 0.98% rutile (0.7% cut-off, indicated + inferred).

Sovereign is aiming to develop an environmentally and socially sustainable large-scale operation to supply highly sought-after natural rutile and graphite to global markets. Kasiya has excellent surrounding infrastructure including bitumen roads, a high-quality rail line connecting to the deep-water port of Nacala on the Indian Ocean and hydro-sourced grid power.

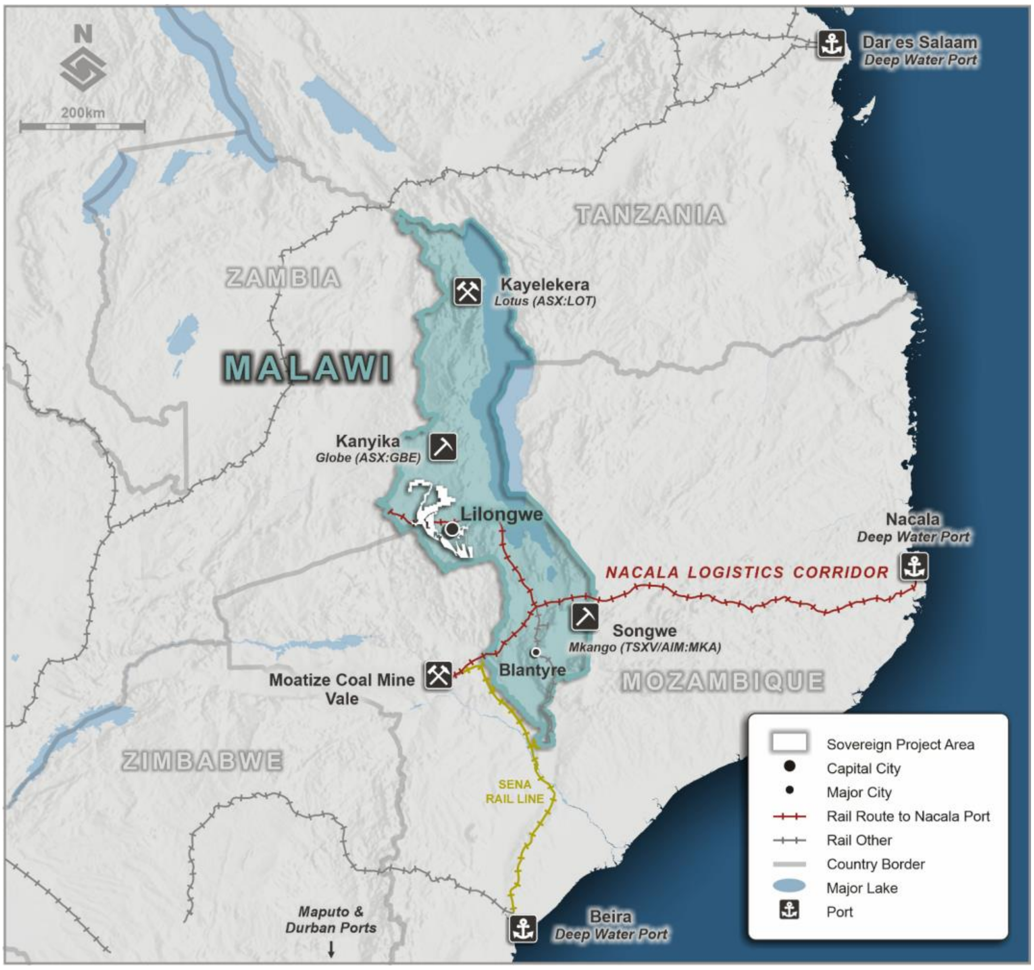


Figure 1: Sovereign's project area showing its position in South-East Africa.

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. The rutile market fundamentals are 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.

Natural rutile supply is tight with limited new projects coming online in the short to medium term. 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$2,100 per tonne (Ruidow).

Highlights

Initial Scoping Study confirms Kasiya as a globally significant natural rutile project

- The initial Scoping Study confirmed a **multi-decade operation** providing a stable supply of **highly sought-after rutile (TiO_2) and graphite** whilst contributing significantly to the economy of Malawi
- Kasiya is the **largest undeveloped rutile deposit in the world** and is highly strategic in a market characterised by **extreme supply deficit**. The Scoping Study demonstrated outstanding results including:
  - a **12Mtpa operation producing 122kt rutile** and **80kt graphite** per annum over a **25 year mine life**
  - exceptional economics including a post-tax **NPV_8 of US$861m** and post-tax **IRR of 36%**
  - a **large-scale operation with a low-cost profile** resulting from the deposit's near surface nature, grade and excellent existing infrastructure
  - a **low carbon operation** with the project to be powered by **100% renewables** (hydro and solar)
- The Project is **positioned for substantial growth** with the current life-of-mine inventory covering **only 38% of the drill-defined mineralised footprint**. Substantial additional resource growth is expected in early 2022 to enable the Study to be enhanced
- Sovereign is aiming to develop an **environmentally and socially sustainable operation** to supply natural rutile that can **displace carbon, energy & waste intensive alternatives** like synthetic rutile and titania slag

Offtake MOU For Premium Priced Rutile Sales to the Welding Sector

- Subsequent to the end of the period, the Company signed an MOU for **supply of 25,000 tonnes** of natural rutile per annum to Hascor, a market leading global processor and distributor of rutile products for the welding industry
- Pricing of rutile for welding generally attracts significant premiums to bulk rutile prices in the titanium pigment sector

Mineral Resource Estimate (MRE) upgrade to support Scoping Study

- The Company reported a MRE upgrade with **over 50% now in the higher confidence Indicated category**
- The MRE upgrade was underpinned by results from core drilling, **which confirmed the thick, continuous and high-grade nature of the deposit**
- The upgraded **MRE contains ~3.1Mt of rutile in the Indicated category** and ~2.8Mt of rutile in the Inferred category

Outstanding metallurgy

- Bulk scale metallurgy test-work demonstrated **very high recoveries of premium quality rutile products and a high-grade, coarse flake graphite by-product**
- **World-class specification rutile products ranging from 95.0% to 97.2% TiO_2** with low impurities and **stand-out recoveries ranging from 100% to 94%**

SCOPING STUDY

Sovereign reported the initial Scoping Study which confirmed Kasiya as a globally significant natural rutile project. Kasiya is the largest undeveloped rutile deposit in the world and is highly strategic in a market characterised by extreme current and forecast supply deficit.

The Study developed the concept for a multi-decade mine providing a stable supply of a highly sought-after TiO_2 and graphite whilst contributing significantly to the economy of Malawi.

Exceptional Economics

- Initial Scoping Study demonstrates globally significant & strategic project with low capital costs & high returns
- Positioned as one of the world's best undeveloped titanium minerals projects

Positioned for growth

- The life-of-mine inventory covers just 38% of the drill defined mineralised footprint
- Substantial additional resource growth expected in early 2022 to enable the Study to be enhanced

Sustainable and ESG Driven

- Significant contribution to Malawi via fiscal returns, employment, training & social development
- Low carbon footprint operation – hydro & solar power supply

Critical raw materials reducing carbon emissions

- Low carbon – natural rutile can displace carbon, energy & waste intensive alternatives
- Graphite is a major mineral required for lithium-ion batteries for electric vehicles which are key components required for the clean energy transition

Rutile market in structural supply deficit

- Current supply declining with very limited additional production in the pipeline
- The current severe structural supply deficit in natural rutile is forecast to continue to widen in the medium & long term

Strong relationships

- Significant support from the government of Malawi for the development of Kasiya
- Highly supportive community to benefit from project development
- Establishing relationships with off-takers with significant interest already received

Exceptional Economics

The Scoping Study demonstrates Kasiya as a globally significant natural rutile project with exceptional economics, including low capital and operating costs, resulting in a high margin operation.

NPV_8 (after-tax)	IRR (after-tax)	EBITDA (Annual average LoM)
US$861m	36%	US$161m

CAPITAL COST	ANNUAL THROUGHPUT	OPERATING COST (per tonne mined)
US$332m	12Mt	US$5.96/t

MINE LIFE	NPV_8/CAPEX	OPERATING COST (per tonne mined)
25 years	2.6	US$352/t

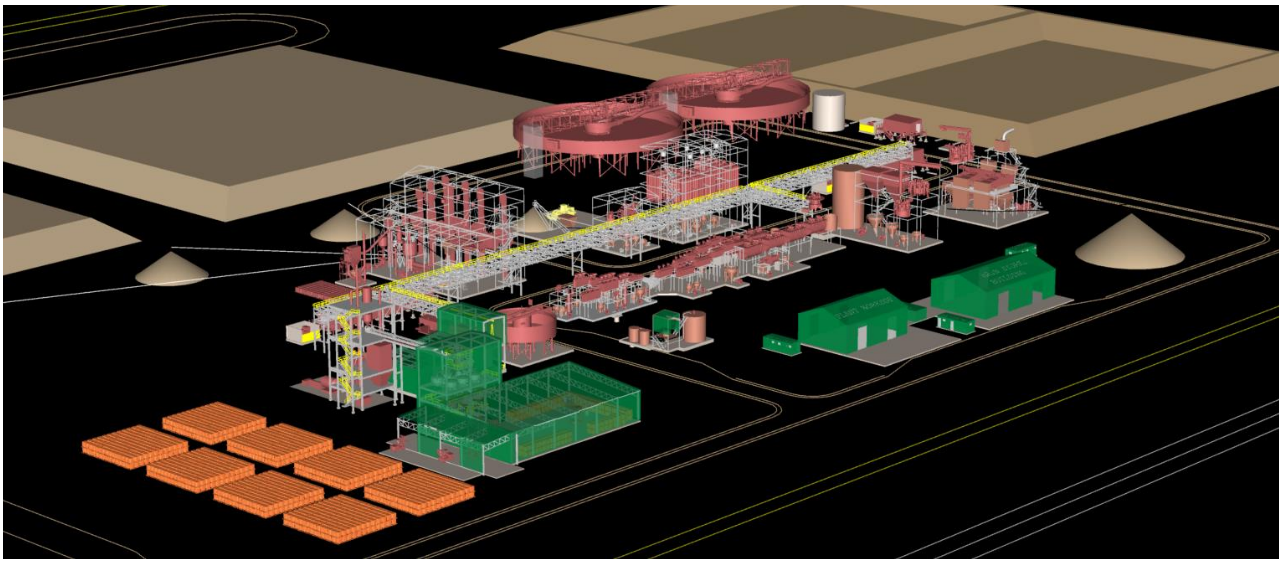


Figure 2: 3D schematic of the proposed Kasiya rutile and graphite processing plant.

Overview

Sovereign is aiming to develop an environmentally and socially sustainable operation to supply highly sought-after natural rutile and graphite to global markets.

The proposed large-scale operation will process soft, friable mineralisation mined from surface. The Project has excellent surrounding infrastructure including bitumen roads, a high-quality rail line connecting to the deep-water of Nacala on the Indian Ocean and hydro-sourced grid power.

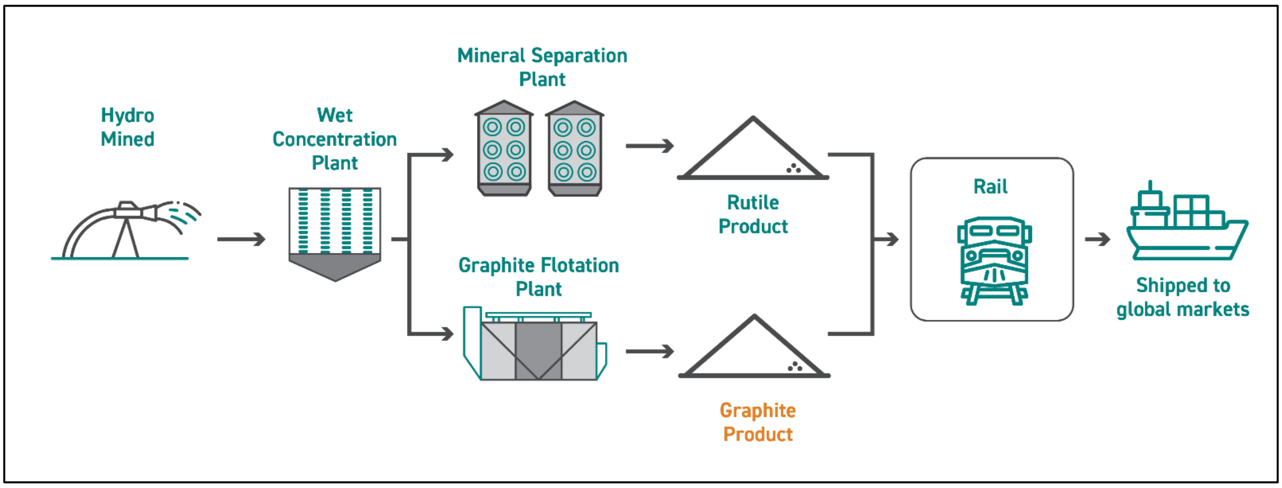


Figure 3: High-level schematic of the proposed Kasiya Rutile Project.

The operation will primarily employ conventional hydro-mining to produce a slurry that is pumped to a Wet Concentration Plant (**WCP**) where the material is sized. A Heavy Mineral Concentrate (**HMC**) is produced via processing the sand fraction through a series of gravity spirals. The HMC is transferred to the dry Mineral Separation Plant (**MSP**) where premium quality rutile is produced via electrostatic and magnetic separation.

Graphite rich concentrate is collected from the gravity spirals and processed in a separate graphite flotation plant, producing a coarse-flake graphite product.

The rutile and graphite products will be trucked a short distance via existing bitumen roads to the Kanengo rail terminal from where they will be railed via the Nacala Logistics Corridor (**NLC**) to the deep-water port of Nacala on the eastern seaboard of Mozambique.

Low-Cost Operation

Kasiya's low costs are achieved through deposit size and grade, location and infrastructure. Central Malawi boasts excellent existing infrastructure including hydropower and an extensive sealed road network. The Kasiya Rutile Project is strategically located in close proximity to the capital city of Lilongwe, providing access to a skilled workforce and industrial services.

The existing quality logistics route to the Indian Ocean deep-water port of Nacala, via the NLC, for the export of products to global markets provides significant capital cost savings compared to many other undeveloped projects.

The soft, friable and high-grade mineralisation occurring from surface results in no waste stripping requirement and the amenability to hydro-mining means the mining cost component is kept relatively low.

Capital Costs

Capital estimates for the Project have been prepared by DRA Global Ltd, together with input from the Company, using a combination of cost estimates from suppliers, historical data, benchmarks and other independent sources. The intended accuracy of the capital cost estimate for the Project is ±30%. A summary of the capital cost breakdown is presented in Table 1 below.

Table 1: Capital Cost Estimate

Description	US$m
Direct	
Mining	$2.4
Plant – Rutile	$93.5
Plant – Graphite	$34.1
Infrastructure	$88.5
Total Directs	**$218.4**
Indirects	
EPCM	$26.7
Owners Cost	$16.1
Miscellaneous	$12.9
Contingency	$57.6
Total Indirects	**$113.3**
Total Start-up Capital	**$331.7**

Operating Costs

The operating costs for the production of rutile and graphite at Kasiya over the life-of-mine is presented in Table 2 below.

Table 2: Operating Estimate

Description	US$ Mined Tonne	US$ Product
Mining	$1.77	$104
Processing – Rutile	$2.00	$119
Processing – Graphite	$0.69	$40
General & Administration	$0.64	$38
Total Mine Gate	**$5.10**	**$301**
Logistics	$0.86	$51
Total Operating Costs	**$5.96**	**$352**

The revenue-to-cash cost ratio of 2.8x and the average annual revenue to capital cost ratio positions Kasiya in the first quartile compared to other undeveloped mineral sands operations.

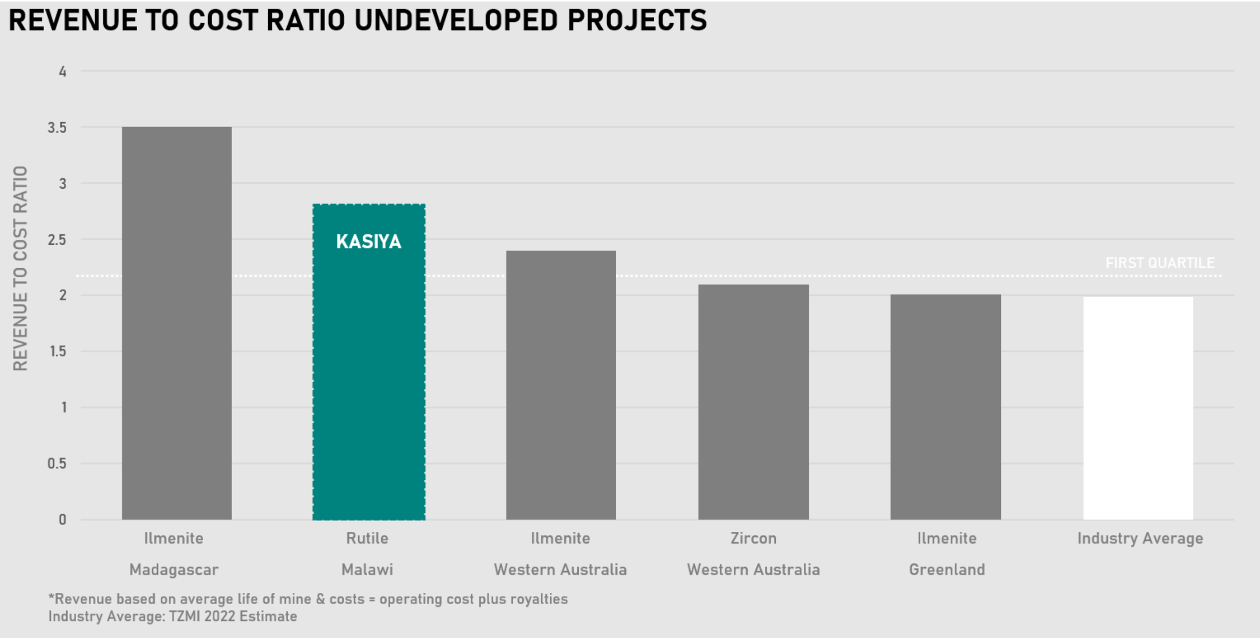


Figure 4: Revenue to cost ratio (source: Company Reports).

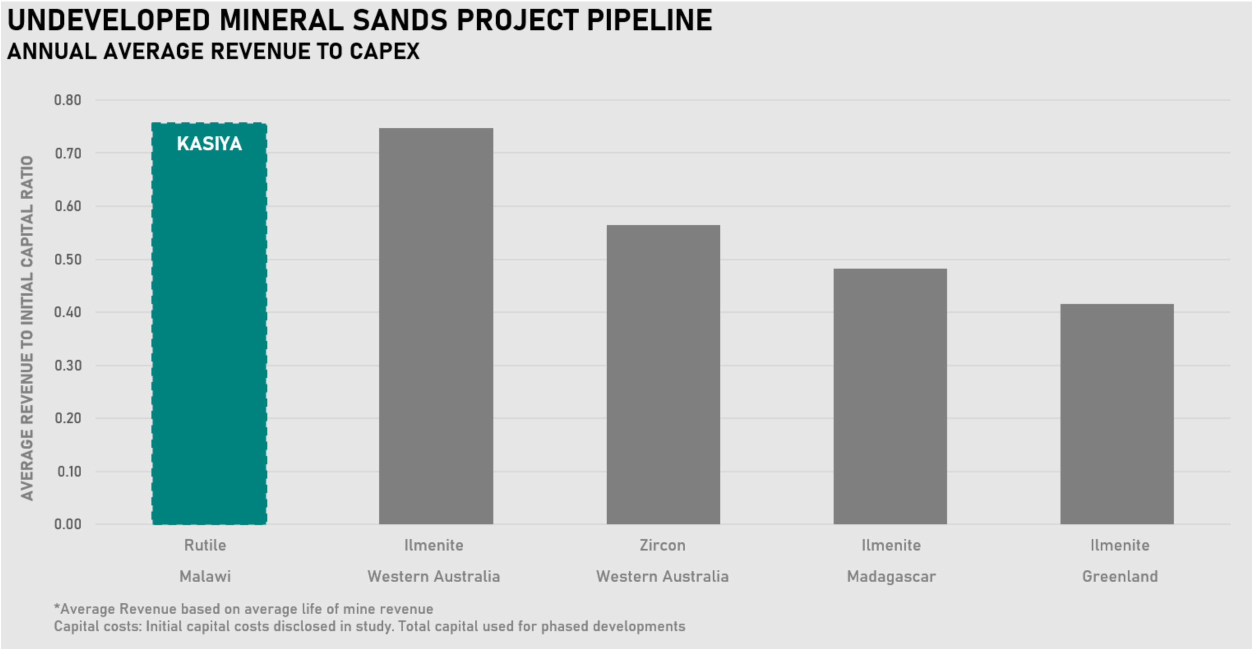


Figure 5: Annual average revenue to capital cost ratio (source: Company Reports).

Positioned For Growth

The current mineral resource for the Scoping Study covers only 49km^2 or 38% of the total drill-defined area of high-grade rutile mineralisation of 129km^2. The Company expects to be able to materially increase the overall MRE tonnage in early 2022 which will enable the Study options to be reviewed in terms of potential for scale ups or mine life extensions beyond the current 25 years.

The objective of this Study was to provide an initial technically validated concept that will be scalable in future. Through the Study process, a number of opportunities and options were identified to enable potential increases in production rates via additional mining units, plant modifications or modular additions.

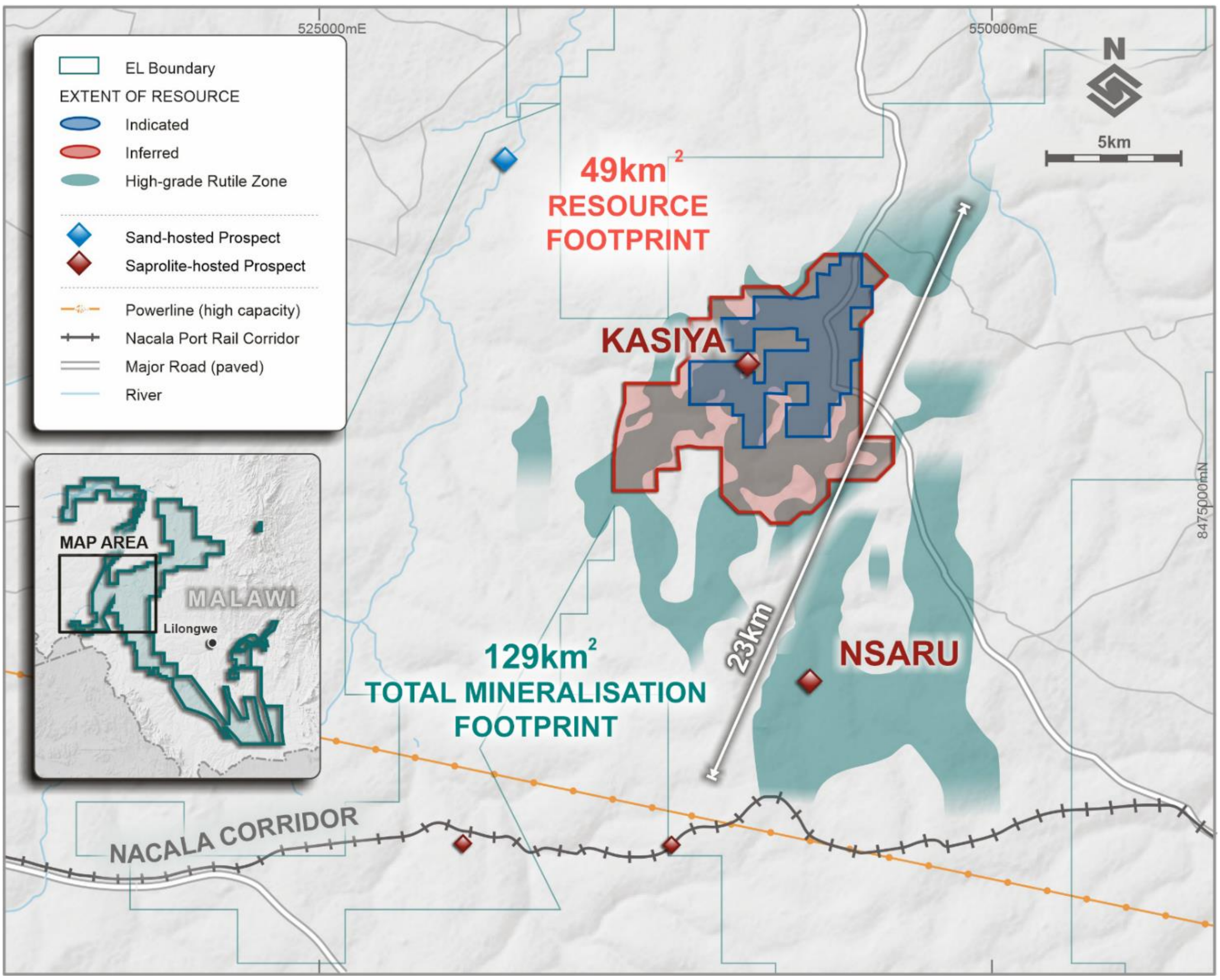


Figure 6: Kasiya MRE area of 49km^2 in relation to the 129km^2 total drilled, mineralised footprint.

Key Scoping Study Outcomes

The Scoping Study demonstrates an economically robust natural rutile project with the following key metrics:

Table 3: Key Scoping Study Outcomes

Outcome	Unit	Kasiya Rutile Project
NPV_8 (real post-tax)	US$	**$861m**
NPV_{10} (real post-tax)	US$	$684m
IRR (post-tax)	%	**36%**
Capital Costs	US$	**$332m**
Operating Costs	US$ per tonne mined	$5.96
Operating Costs	US$ per product	$352
Revenue to Cost Ratio		2.8
NPV_8 / Capital Costs		2.6
Annual Throughput	Tonnes	12,000,000
Life of Mine		**25 years**
Annual Production – rutile	Tonnes	122,000
Annual Production – graphite	Tonnes	80,000
Total Revenue (LoM)	US$	$6,266m
Revenue – annual (average LoM)	US$	$251m
EBITDA – annual	US$	$161m
EBITDA – annual (first 5 years)	US$	$192m
Payback		2.5 years
Government Royalties (LoM)	US$	$313m
Corporate Taxes (LoM)	US$	$1,074m

MRE UPGRADE

The Company reported an upgrade of over 50% of the MRE into the higher confidence Indicated category (Table 4.). The MRE upgrade was underpinned by the results from core drilling, with the results from the program confirming the thick, continuous and high-grade nature of the deposit.

The MRE has broad zones of very high-grade rutile which occur contiguously across large areas. Rutile mineralisation lies in laterally extensive, near surface, flat "blanket" style bodies in areas where the weathering profile is preserved and not significantly eroded. At Kasiya, high-grade mineralisation commonly grading 1.2% to 2.0% rutile occurs in the top 3-5m from surface. Moderate grade mineralisation generally grading 0.5% to 1.2% rutile commonly extends from 5m to end of hole where it remains open at depths >10m in numerous drill-defined, NE-striking zones.

Table 4: Kasiya Mineral Resource Estimate at 0.7% Rutile Cut-off

Mineral Resource Category	Material Tonnes (millions)	Rutile (%)	Rutile Tonnes (millions)	TGC (%)	TGC Tonnes (millions)
Indicated	304	1.02	3.1	1.31	4.0
Inferred	301	0.93	2.8	1.16	3.5
Total	**605**	**0.98**	**5.9**	**1.24**	**7.5**

Cut-off: 0.7% rutile, TGC = total graphitic carbon

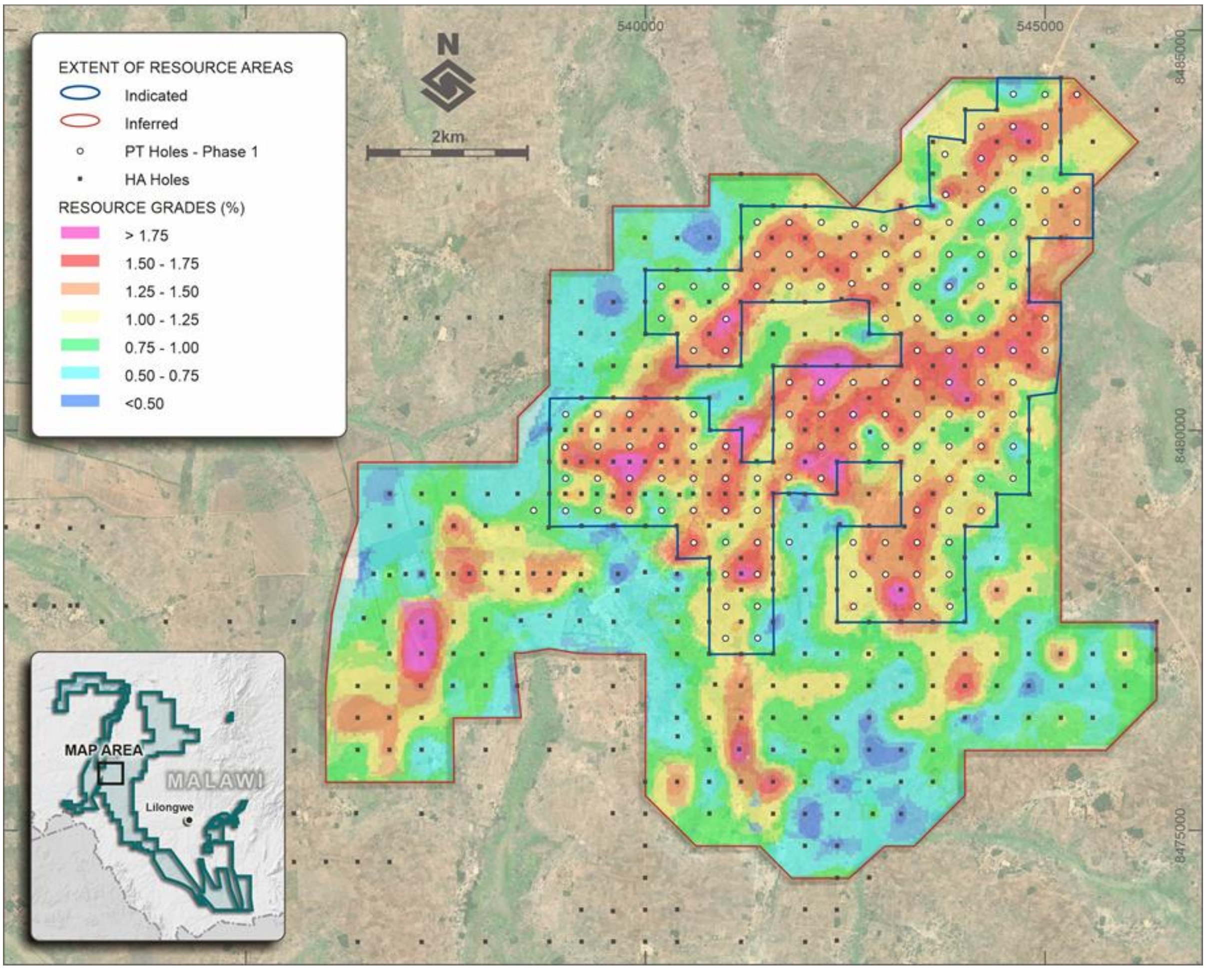


Figure 7: Kasiya MRE showing rutile grades in the uppermost part of the block model.

BULK METALLURGY

The Company completed further bulk scale metallurgy testwork. The testwork confirmed the previous outstanding metallurgical results with minor modifications to the process flowsheet resulting in very high recoveries of premium quality rutile products and a high-grade, coarse flake graphite by-product.

Premium grade rutile can be produced via a simple and conventional process flow sheet. World-class product chemical specifications are reported at 95.0% to 97.2% TiO_2 with low impurities and stand-out metallurgical recoveries ranging from 94% to 100%.

The testwork program was conducted at globally recognised Allied Mineral Laboratories (**AML**) in Perth, Australia. A 1.6 tonne mineralised sample was produced from a composite of multiple drill holes across the core areas of the Kasiya Rutile Deposit. The sample was selected to be representative of run-of-mine material and had a head grade of 1.19% rutile and 1.07% graphite.

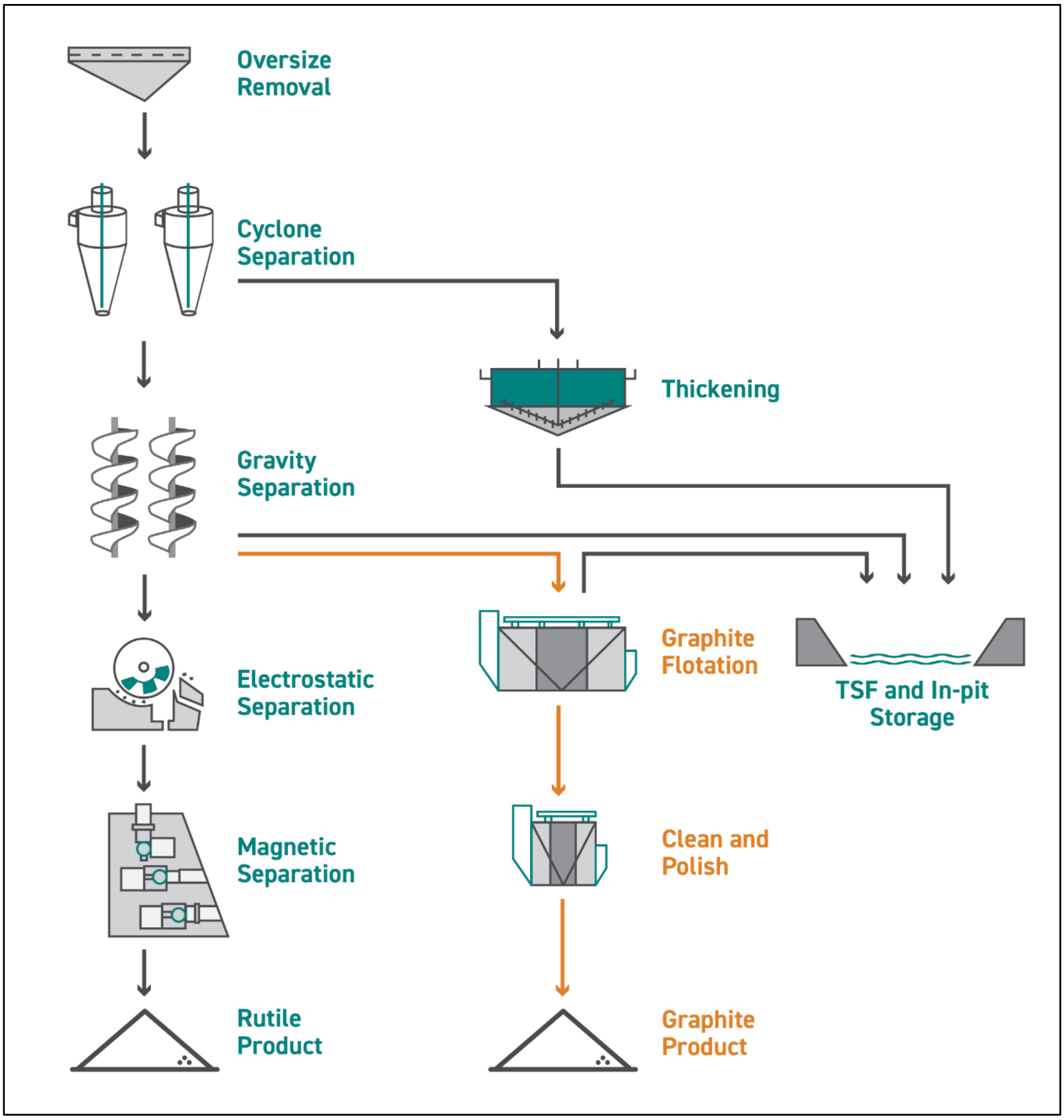


Figure 8: High-level flowsheet developed in the test-work program.

A graphite gravity pre-concentrate taken from rutile spiral tails is upgraded into a coarse flake graphite by-product via a conventional flotation flowsheet.

This was confirmed with a testwork program at SGS Lakefield in Canada, with a very coarse-flake and high-grade graphite product at 96% TGC produced. This product has over 60% in the large to super-jumbo fractions (+180μm) with overall graphite recovery from the raw sample to product of 62%.

The rutile and graphite mineralisation at Kasiya is amenable to processing via conventional metallurgical flowsheets using "off the shelf" processing equipment. Overall, the superior metallurgical performance at Kasiya is interpreted to be due to;

- Coarse, highly crystalline rutile grains that are naturally well-liberated and largely free of inclusions or attachments (Figure 7)
- Low chemical impurities in the rutile crystal lattices
- Simple HMC mineralogy with very little difficult-to-separate or near-density gangue minerals present
- Graphite is well liberated and pre-concentrates easily in the spiral gravity separation process

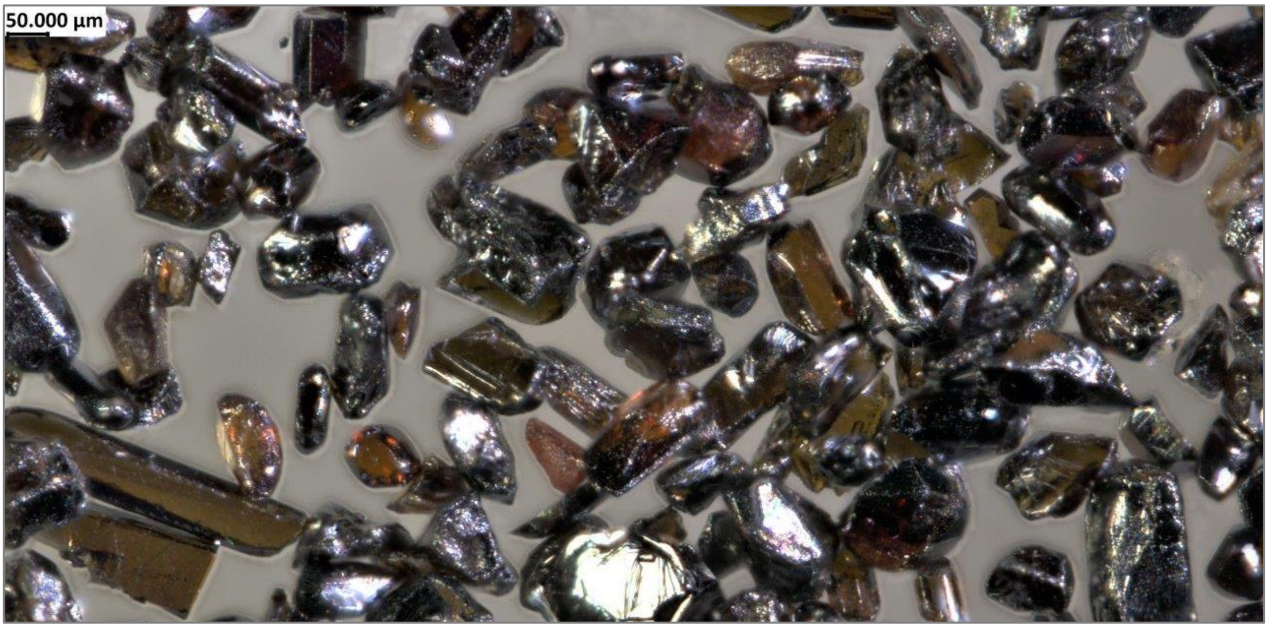


Figure 9: Photomicrograph of high purity rutile product 97.2% TiO_2.

The premium chemical parameters and particle sizing (d_{50} 118μm, 8.3% <75μm for 97.2% TiO_2 product) of the rutile produced indicates the products should be suitable for all major natural end-use markets including TiO_2 pigment feedstock, titanium metal and welding sectors.

Table 5: Rutile Specifications

Constituent		Kasiya Products		Peer Comparisons	
		100% Recovery	94% Recovery	Sierra Rutile (Iluka)	Base Resources (Kwale)
TiO_2	%	95.0	97.2	96.3	96.2
ZrO_2+HfO_2	%	0.20	0.21	0.78	0.72
SiO_2	%	0.67	0.61	0.62	0.94
Fe_2O_3	%	0.99	0.42	0.38	1.25
Al_2O_3	%	0.45	0.38	0.31	0.23
Cr_2O_3	%	0.13	0.13	0.19	0.17
V_2O_5	%	0.67	0.70	0.58	0.52
Nb_2O_5	%	0.37	0.39	0.15	-
P_2O_5	%	0.01	0.001	0.01	0.00
MnO	%	0.02	0.01	0.01	0.03
MgO	%	0.003	b/d	0.01	0.10
CaO	%	0.003	0.001	0.01	0.04
S	%	0.01	0.01	<0.01	-
U+Th	ppm	31	23	26	53

"Iluka" is Iluka Resources Limited; "Base Resources" is Base Resources Limited. ,"-" is not disclosed. Sources: BGR Assessment Manual titled "Heavy Minerals of Economic Importance" 2010.

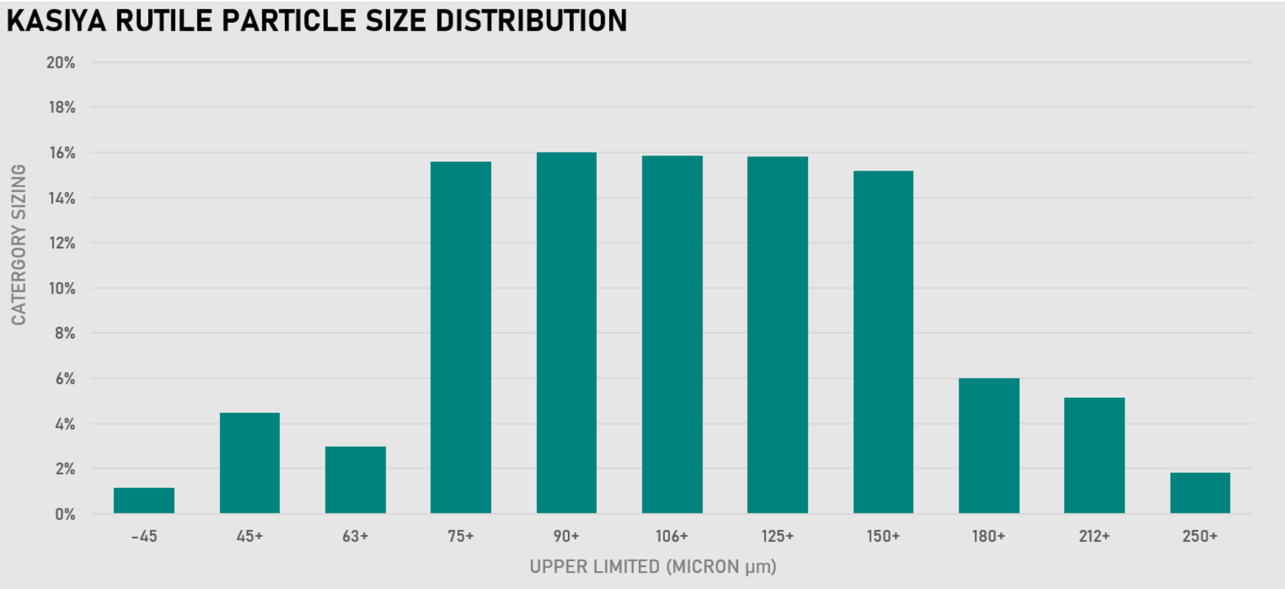
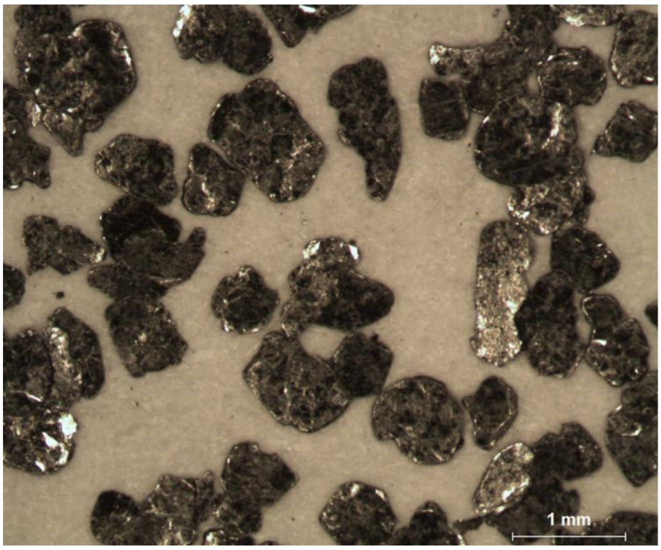


Figure 10: Particle size distribution of Kasiya ultra-premium rutile product 97.2% TiO_2.

The specifications for the graphite product produced during the test-work are also considered to be premium with the product naturally grading over 96% TGC and with over 60% in the large to super-jumbo fractions (+180µm). The TGC and sizing distribution are shown in Table 6 below.

Table 6: Graphite Specifications

Particle Size		Carbon	Weight Distribution	Flake Category
Tyler Mesh	Micron (µ)	(%)	(% w/w)	
+32	+500	96.0	5.4	Super Jumbo
-32 +48	-500 +300	96.6	25.1	Jumbo
-48 +80	-300 +180	96.7	30.9	Large
-80 +100	-180 +150	96.8	10.9	Medium
-100 +150	-150 +106	96.11	14.4	Small/Medium
-150 +200	-106 +75	95.8	7.5	Small
-200	-75	93.8	5.8	Amorphous
Total		96.3	100	



Figures 11 & 12: Very coarse-flake graphite in +600µm sample fraction (L), graphite floating on soaking drill sample (R).

PRODUCT MARKETING & OFF-TAKE

The premium chemical parameters of the rutile produced indicate the product should be suitable for all major natural end-use markets including TiO_2 pigment feedstock, titanium metal and welding sectors. Demand and pricing for natural rutile are both very strong as the global structural deficit in supply continues to widen.

The Company is ramping up product marketing with significant interest received from tier 1 off-takers across all three market sectors.

NEXT STEPS

The Company is targeting a number of significant milestones which include;

- Updated MRE with substantial growth of the Indicated and Inferred JORC MRE base expected including addition of the Nsaru deposit
- Revised Life Cycle Assessment (**LCA**) based on the Scoping Study results to quantify the environmental impacts with a specific focus on the low carbon footprint
- Scoping Study update based on the expected new resource base planned for mid-2022
- Continued product marketing and discussions with potential off-take partners
- Commencement of ESIA field data collection and commencement of community engagement activities

In parallel to the technical study developments on the Company's projects, significant exploration will continue, with programs including;

- Infill drilling at Kasiya-Nsaru to increase MRE confidence and upgrade MRE categories
- Deeper air-core drilling at Kasiya-Nsaru targeting the NE-striking, higher-grade zones to depths of ~25m below surface
- Regional reconnaissance drilling targeting additional Kasiya-like saprolite-hosted rutile mineralisation.

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.

SUMMARY OF MINING TENEMENTS

As at the date of this report, the Company via its wholly-owned Malawian subsidiary, had an interest in the following tenements:

Licence	Interest	Status	Licence Area (km^2)
EL0372	100%	Exploration[1]	729.2
EL0492	100%	Exploration	935.4
EL0528	100%	Exploration	16.2
EL0545	100%	Exploration	53.2
EL0561	100%	Exploration	124.0
EL0574	100%	Exploration	292.0
EL0582	100%	Exploration	285.0
EL0609	100%	Exploration	440.5
RL0012	100%	Exploration	6.0

[1] Mining Licence application submitted subsequent to the end of the half year.

CORPORATE

On 10 February 2022, the Company announced the appointment of highly experienced mining industry executive, Mr Nigel Jones as a Non-Executive Director of the Company. Mr Jones was previously Managing Director of Rio Tinto Group's (Rio Tinto) very large Simandou iron ore project in Guinea, west Africa. In this role, he was accountable for all aspects of the project's development, including its complex environmental, social and governance (**ESG**) strategy. Such aspects included impacts on natural ecosystems, biodiversity, and community and government relations. Mr Jones was also a member of the senior leadership team of the Energy and Minerals product group, which incorporated Rio Tinto's titanium dioxide feedstock businesses in Canada and southern Africa. Prior roles in Rio Tinto included Head of Business Development, Head of Business Evaluation and Managing Director of the group's Marine operations.

In December 2021, the Company was successfully admitted to the AIM market of the London Stock Exchange which further raises the Company's profile in the north hemisphere and facilitates the participation of UK and other European investors. In conjunction with the listing, the Company completed, subsequent to half year end, a placement of £1,000,000 (before costs) to UK based investors via the issue of 3,571,428 new fully paid ordinary shares.

The Company issued a further 3,080,500 fully paid ordinary shares upon the exercise of options, raising $840,250.

OPERATING RESULTS

The net operating loss after tax for the half year ended 31 December 2021 was $7,716,384 (2020: $1,975,621) which is attributable to:

(i) exploration and evaluation expenditure of $4,188,770 (2020: $1,287,846), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure (other than expenditures incurred in the acquisition of the rights to explore) incurred by the Group in the period subsequent to the acquisition of the rights to explore up to the successful completion of definitive feasibility studies for each separate area of interest. The exploration and evaluation expenditure in the current period predominately relates to the Group's completion of a Scoping Study at its Kasiya Rutile Project in Malawi and the delineation and update of the mineral resource at the Project;

(ii) business development expenses of $894,214 (2020: $279,467) which are attributable to the Group's costs in relation to its initial dual listing on the AIM Market of the London Stock Exchange, investor and shareholder relations including public relations, marketing and digital marketing, conference fees and travel costs; and

(iii) non-cash share based payments expenses of $2,210,324 (2020: $184,090) which is attributable to the Group's accounting policy of expensing the value of shares and incentive options and rights (estimated using an appropriate pricing model) granted to key employees, consultants and advisors. The value of incentive options and rights is measured at grant date and recognised over the period during which the option and rights holders become unconditionally entitled to the incentive securities.

SIGNIFICANT POST BALANCE DATE EVENTS

(i) In January 2022, the Group completed its previously announced placement of £1,000,000 to UK based investors as part of the Group's recent listing on the AIM market of the London Stock Exchange via the issue of 3,571,428 new fully paid ordinary shares; and

(ii) On 10 February 2022, the Group announced the appointment of highly experienced mining industry executive Mr Nigel Jones as a Non-Executive Director. As part of his appointment, Mr Jones has been issued the following securities under the Company's shareholder approved long-term equity incentive plan:

- 225,000 performance rights subject to the "Feasibility Study Milestone" expiring on or before 31 December 2023; and
- 300,000 performance rights subject to the "Decision to Mine Milestone" expiring on or before 31 October 2025.

Other than the above, there are no matters or circumstances which have arisen since 31 December 2021 that have significantly affected or may significantly affect:

- the operations, in periods subsequent to 31 December 2021, of the Group;
- the results of those operations, in periods subsequent to 31 December 2021, of the Group; or
- the state of affairs, in periods subsequent to 31 December 2021, of the Group.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of Sovereign Metals Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is on page 30 and forms part of this Directors' Report.

This report is made in accordance with a resolution of the directors made pursuant to section 306(3) of the Corporations Act 2001.

For and on behalf of the Directors

Julian Stephens
Managing Director

15 March 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	Half Year Ended 31 December 2021 $	Half Year Ended 31 December 2020 $
Income			
Interest income		10,187	9,471
Other income		30,000	144,834
Total income		**40,187**	**154,305**
Expenses			
Exploration and evaluation expenses		(4,188,770)	(1,287,846)
Corporate and administrative expenses		(463,263)	(378,523)
Business development and investor relations expenses		(894,214)	(279,467)
Share based payments expense	4	(2,210,324)	(184,090)
Loss before income tax		**(7,716,384)**	**(1,975,621)**
Income tax expense		-	-
Loss for the period		**(7,716,384)**	**(1,975,621)**
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on foreign entities		(7,096)	(24,031)
Other comprehensive income for the period, net of income tax		**(7,096)**	**(24,031)**
Total comprehensive loss for the period		**(7,723,480)**	**(1,999,652)**
Loss attributable to members of Sovereign Metals Limited		**(7,723,480)**	**(1,999,652)**
Total comprehensive loss attributable to members of Sovereign Metals Limited		**(7,723,480)**	**(1,999,652)**
Loss per share			
Basic and Diluted loss per share (cents per share)	5	**(1.8)**	**(0.5)**

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021 $	30 June 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents		3,746,567	7,957,660
Other receivables		203,827	149,404
Other financial assets at fair value through profit or loss		120,000	90,000
Total Current Assets		**4,070,394**	**8,197,064**
Non-current Assets			
Other receivables		150,000	150,000
Property, plant and equipment		483,684	315,583
Exploration and evaluation assets	3	7,170,282	7,170,282
Total Non-current Assets		**7,803,966**	**7,635,865**
TOTAL ASSETS		**11,874,360**	**15,832,929**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,380,780	690,676
Provisions		90,231	65,998
Total Current Liabilities		**1,471,011**	**756,674**
TOTAL LIABILITIES		**1,471,011**	**756,674**
NET ASSETS		**10,403,349**	**15,076,255**
EQUITY			
Issued capital	4	58,286,423	55,276,410
Reserves	4	1,809,399	1,775,934
Accumulated losses		(49,692,473)	(41,976,089)
TOTAL EQUITY		**10,403,349**	**15,076,255**

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

SOVEREIGN METALS LIMITED

	Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2021	**55,276,410**	**1,800,267**	**(24,333)**	**(41,976,089)**	**15,076,255**
Net loss for the period	-	-	-	(7,716,384)	**(7,716,384)**
Other comprehensive income	-	-	(7,096)	-	**(7,096)**
Total comprehensive income/(loss) for the period	**-**	**-**	**(7,096)**	**(7,716,384)**	**(7,723,480)**
Transactions with owners, recorded directly in equity					
Issue of shares upon exercise of options	840,250	-	-	-	**840,250**
Transfer from SBP reserve upon exercise of options	2,169,763	(2,169,763)	-	-	**-**
Share based payments expense	-	2,210,324	-	-	**2,210,324**
Total transactions with owners recorded directly in equity	**3,010,013**	**40,561**	**-**	**-**	**3,050,574**
Balance at 31 December 2021	**58,286,423**	**1,840,828**	**(31,429)**	**(49,692,473)**	**10,403,349**
Balance at 1 July 2020	**44,883,777**	**1,273,963**	**49,187**	**(36,908,789)**	**9,298,138**
Net loss for the period	-	-	-	(1,975,621)	**(1,975,621)**
Other comprehensive income	-	-	(24,031)	-	**(24,031)**
Total comprehensive income/(loss) for the period	**-**	**-**	**(24,031)**	**(1,975,621)**	**(1,999,652)**
Transactions with owners, recorded directly in equity					
Issue of shares upon exercise of options	1,596,000	-	-	-	**1,596,000**
Transfer from SBP reserve upon exercise of options	453,257	(453,257)	-	-	**-**
Share based payments expense	-	184,090	-	-	**184,090**
Total transactions with owners recorded directly in equity	**2,049,257**	**(269,167)**	-	-	**1,780,090**
Balance at 31 December 2020	**46,933,034**	**1,004,796**	**25,156**	**(38,884,410)**	**9,078,576**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Half Year Ended 31 December 2021 $	Half Year Ended 31 December 2020 $
Cash flows from operating activities		
Payments to suppliers and employees	(4,849,726)	(1,802,084)
Other income	-	50,000
R&D rebate received	-	107,334
Interest received	10,187	10,290
Net cash used in operating activities	**(4,839,539)**	**(1,634,460)**
Cash flows from investing activities		
Payments for purchase of plant and equipment	(211,804)	(17,686)
Net cash used in investing activities	**(211,804)**	**(17,686)**
Cash flows from financing activities		
Proceeds from issue of shares upon exercise of options	840,250	1,596,000
Payments for share issue costs	-	(7,074)
Net cash from financing activities	**840,250**	**1,588,926**
Net decrease in cash and cash equivalents	(4,211,093)	(63,220)
Cash and cash equivalents at the beginning of the period	7,957,660	2,364,525
Cash and cash equivalents at the end of the period	**3,746,567**	**2,301,305**

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sovereign Metals Limited (the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The consolidated interim financial statements of the Company as at and for the period from 1 July 2021 to 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are as described in the Directors' Report. The interim consolidated financial statements of the Group were authorised for issue in accordance with the resolution of the directors on 9 March 2022.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the audited annual report of Sovereign for the year ended 30 June 2021 (where comparative amounts have been extracted from) and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of Preparation of Half Year Financial Report

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars. There have been no changes in the critical accounting judgements or key sources of estimation since 30 June 2021.

(b) Statement of Compliance

The consolidated interim financial report complies with Australian Accounting Standards, including AASB 134 which ensures compliance with International Financial Reporting Standard ("IFRS") IAS 34 "*Interim Financial Reporting*" as issued by the International Accounting Standards Board. The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2021, except for new standards, amendments to standards and interpretations effective 1 January 2021. In the current half year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

(c) Going Concern

This consolidated interim financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group has incurred a loss after tax of $7,716,384 (2020: $1,975,621) of which $2,210,324 (2020: $184,090) related to non-cash share based payments expense and had net cash outflows from operations of $4,839,539 and investing of $211,804 (2020: $1,634,460 and $17,686 respectively). The Group has no source of operating cash inflows other than interest income and funds sourced through capital raising activities. At 31 December 2021, the Group has cash and cash equivalents totalling $3,746,567 (30 June 2021: $7,957,660) and net working capital (current assets less current liabilities) of $2,599,383 (30 June 2021: $7,440,390). The Group continued to actively manage its operating and overhead expenditure by successfully completing a capital raising of £1,000,000 (before costs) via a placement to United Kingdom based investors subsequent to half year end and $840,250 from the exercise of unlisted options in the 6 months to 31 December 2021.

The Group's cashflow forecast for the period ending 31 March 2023 reflects that the Group will be required to raise additional working capital during the 15-month period. The Directors consider the Group a going concern and acknowledge that discretionary expenditure will be monitored and managed in line with available funds until such time as additional capital raising activities are completed. The Directors believe that such additional funding, as the Group has successfully accessed previously, can be derived from raising additional capital to fund the Group's ongoing operational and working capital requirements, as and when required. Accordingly, the Directors believe that the Group will be able to obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis in the preparation of the financial report.

In the longer term, the development of economically recoverable mineral deposits found on the Group's existing exploration properties or future exploration properties depends on the ability of the Group to obtain financing through equity financing, debt financing or other means. If the Group's exploration programs are ultimately successful, additional funds will be required to develop the Group's properties and place them into commercial production. The main source of future funds presently available to the Group is the raising of equity capital by the Group. The ability to arrange such funding in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Group and its exploration results. The global economic outlook is facing uncertainty due to COVID-19 pandemic, which has created volatility in capital markets and share prices. This may adversely affect the Group's ability to arrange additional funding in the future. Should the Group be unable to obtain sufficient funding as outlined above, there is a material uncertainty that may cast significant doubt whether it will be able to continue as going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the consolidated interim financial report.

The consolidated interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Issued standards and interpretations not early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ended 31 December 2021. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements:

Standard/Interpretation	Application Date of Standard	Application Date for Group
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	1 July 2022
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	1 January 2023	1 July 2023
AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date	1 January 2023	1 July 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2023

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity has one operating segment, being exploration in Malawi.

3. EXPLORATION AND EVALUATION ASSETS

	31 December 2021 $	30 June 2021 $
(a) Movement in Exploration and Evaluation Assets		
Malawi Project:		
Carrying amount as at 1 July	**7,170,282**	7,170,282
- Additions	-	-
	7,170,282	**7,170,282**

4. EQUITY SECURITIES ISSUED

		31 December 2021 $	30 June 2021 $
(a)	**Issued Capital**		
	428,862,327 (30 June 2021: 421,196,827) fully paid ordinary shares	**58,286,423**	**55,276,410**
(b)	**Reserves**		
	Share Based Payment Reserve		
	Nil (30 June 2021: 2,000,000) unlisted $0.15 options	-	78,763
	2,500,000 (30 June 2021: 2,500,000) unlisted $0.18 options	110,845	110,845
	6,375,000 (30 June 2021: 6,375,000) unlisted $0.14 options	281,737	281,737
	2,000,000 (30 June 2021: 2,000,000) unlisted $0.18 options	107,550	101,818
	Nil (30 June 2021: 3,910,000) tranche 1 performance rights	-	749,423
	5,295,000 (30 June 2021: 4,220,000) tranche 2 performance rights	712,341	257,360
	7,670,000 (30 June 2021: 5,970,000) tranche 3 performance rights	628,355	220,321
	Total Share Based Payments Reserve	**1,840,828**	**1,800,267**
	Foreign Currency Translation Reserve (FCTR)		
	Exchange differences	(31,429)	(24,333)
	Total Foreign Currency Translation Reserve (FCTR)	**(31,429)**	**(24,333)**
	Total Reserves	**1,809,399**	**1,775,934**

(c) Movements in Ordinary Share Capital were as follows:

Date	Details	No. of Shares	Issue Price $	$
1 Jul 2021	**Opening balance**	**421,196,827**	**-**	**55,276,410**
30 July 2021	Issue of shares upon exercise of options	2,000,000	0.15	300,000
Various	Issue of shares upon exercise of options	1,080,500	0.50	540,250
23 Dec 2021	Issue of shares upon conversion of performance rights	4,585,000	-	-
31 Dec 2021	Transfer from SBP reserve upon exercise of options and conversion of rights	-	-	2,169,763
31 Dec 2021	**Closing balance**	**428,862,327**		**58,286,423**

(d) Movements in Options and Performance Rights were as follows:

Date	Details	Number of Incentive Options	Number of Performance Rights	$
1 Jul 2021	**Opening balance**	**12,875,000**	**14,100,000**	**1,800,267**
30 July 2021	Exercise of $0.15 options	(2,000,000)	-	(78,763)
Various	Issue of performance rights	-	3,450,000	419,199[(i)]
23 Dec 2021	Conversion of performance rights	-	(4,585,000)	(2,091,000)
31 Dec 2021	Share based payment expense	-	-	1,791,125
31 Dec 2021	**Closing balance**	**10,875,000**	**12,965,000**	**1,840,828**

Notes

(i) The value of performance rights granted during the period is estimated as at the date of grant based on the underlying share price (recognised over the vesting period (if applicable) in accordance with Australian Accounting Standards.

During the period, 675,000 “Scoping Study Milestone”, 1,075,000 “Feasibility Study Milestone” and 1,700,000 “Decision to Mine Milestone” performance rights were issued, the terms of which are consistent with what is disclosed in the Group’s Annual Report for 30 June 2021. The performance condition relating to the “Scoping Study Milestone” was met, as such 4,585,000 performance rights converted into 4,585,000 ordinary shares.

4. LOSS PER SHARE

	Half Year Ended 31 December 2021 Cents per Share	Half Year Ended 31 December 2020 Cents per Share
Basic and diluted loss per share		
From continuing operations	(1.8)	(0.5)
Total basic and diluted loss per share	**(1.8)**	**(0.5)**

The following reflects the loss and share data used in the calculations of basic and diluted loss per share:

	Half Year Ended 31 December 2021 $	Half Year Ended 31 December 2020 $
Net loss used in calculating basic and diluted earnings per share	**(7,716,384)**	(1,975,621)

	Half Year Ended 31 December 2021 No. of Shares	Half Year Ended 31 December 2020 No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	423,284,871	392,747,944
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	**423,284,871**	**392,747,944**

Non-dilutive securities

As at 31 December 2021, 10,875,000 unlisted Options and 12,965,000 unlisted Performance Rights (which represent 23,840,000 potential Ordinary Shares) were non-dilutive as they would decrease the loss per share. As at 31 December 2020, 20,025,000 unlisted Incentive Options (which represent 20,025,000 potential Ordinary Shares) were non-dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 31 December 2021

Since 31 December 2021, 3,571,428 Ordinary Shares and 525,000 Performance Rights were issued. Other than the above, there have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

5. RELATED PARTIES

(a) Details of KMP

The KMP of the Group during or as at the end of the half year is as follows:

Directors

Mr Benjamin Stoikovich	Chairman
Dr Julian Stephens	Managing Director
Mr Ian Middlemas	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Nigel Jones	Non-Executive Director (appointed 10 February 2022)

Other KMP

Mr Paul Marcos	Head of Development (KMP effective 1 July 2021)
Mr Sam Cordin	Business Development Manager

Unless otherwise disclosed, the KMP held their position from 1 July 2021 until the date of this report.

5. RELATED PARTIES (Continued)

(b) KMP Compensation

	Half Year Ended 31 December 2021 $
Short-term benefits	414,142
Post-employment benefits	37,708
Share-based payments	868,331
	1,320,182

(c) Other Transactions

Selwyn Capital Limited ("Selwyn"), a company associated with Mr Stoikovich is engaged under an agreement to provide consulting services to the Company. Selwyn receives a daily rate of £800 under the consulting agreement. These services provided during the half year amounted to AUD$47,834.

Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid, or is payable, $150,000 during the half year for the provision of serviced office facilities, administration services, company secretarial services and additional consulting services provided during the year. The amount is based on a monthly retainer due and payable in advance and able to be terminated by either party with one month's notice. The monthly fee is $25,000.

6. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	31 December 2021 $	30 June 2021 $
Exploration Commitments - Malawi Project:		
Within one year	338,359	555,909
After one year but not more than five years	82,720	316,439
	421,079	**872,348**

As a condition of retaining the current rights to tenure to exploration tenements, the Group is required to pay an annual rental charge and meet minimum expenditure requirements for each tenement. These obligations are not provided for in the financial statements and are at the sole discretion of the Group. The majority of the remaining exploration commitments relate to licences with a term greater than one year. For the purposes of disclosure, the Group has apportioned the remaining commitments on an equal monthly basis over the remaining term of the exploration licences.

(b) Contingencies

At the last annual reporting date, the Consolidated Entity did not have any material contingent liabilities. There has been no material change in contingent assets and liabilities of the Consolidated Entity during the half year.

7. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (2020: nil).

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The net fair value of financial assets and financial liabilities approximates their carrying value.

9. SUBSEQUENT EVENTS AFTER BALANCE DATE

(i) In January 2022, the Group completed its previously announced placement of £1,000,000 (before costs) to UK based investors as part of the Group's recent listing on the AIM market of the London Stock Exchange via the issue of 3,571,428 new fully paid ordinary shares;

(ii) On 10 February 2022, the Group announced the appointment of highly experienced mining industry executive Mr Nigel Jones as a Non-Executive Director. As part of his appointment, Mr Jones has been issued the following securities under the Company's shareholder approved long-term equity incentive plan:

- 225,000 performance rights subject to the "Feasibility Study Milestone" expiring on or before 31 December 2023; and
- 300,000 performance rights subject to the "Decision to Mine Milestone" expiring on or before 31 October 2025.

Other than the above, there are no matters or circumstances which have arisen since 31 December 2021 that have significantly affected or may significantly affect:

- the operations, in periods subsequent to 31 December 2021, of the Group;
- the results of those operations, in periods subsequent to 31 December 2021, of the Group; or
- the state of affairs, in periods subsequent to 31 December 2021, of the Group.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Sovereign Metals Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Board

Julian Stephens
Managing Director

15 March 2022

Competent Person Statement

The information in this announcement that relates to the Scoping Study (Production Targets, Processing, Infrastructure and Capital and Operating Costs,) is extracted from the announcement dated 16 December 2021 entitled 'Kasiya Scoping Study Confirms Globally Significant Natural Rutile Project' (Announcement). Sovereign confirms that: a) it is not aware of any new information or data that materially affects the information included in the announcement; b) all material assumptions and technical parameters underpinning the Production Target, and related forecast financial information derived from the Production Target included in the Announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the Announcement.

The information in this announcement that relates to the Mineral Resource Estimate is extracted from the announcement dated 16 December 2021. The announcement is available to view on www.sovereignmetals.com.au. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the announcement; b) all material assumptions included in the announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this report have not been materially changed from the announcement.

The information in this announcement that relates to the Metallurgy is extracted from the announcement dated 7 December 2021. The announcement is available to view on www.sovereignmetals.com.au. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the announcement; b) all material assumptions included in the announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this report have not been materially changed from the 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.

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Sovereign Metals Limited
Level 9, BGC Centre
28 The Esplanade
Perth WA 6000

15 March 2022

Dear Board Members

Sovereign Metals Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Sovereign Metals Limited.

As lead audit partner for the review of the half-year financial report of Sovereign Metals Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PG Janse van Nieuwenhuizen
Partner
Chartered Accountants

SOVEREIGN METALS LIMITED

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the members of Sovereign Metals Limited

Conclusion

We have reviewed the half-year financial report of Sovereign Metals Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss of $7,716,384 and experienced net cash outflows from operating activities of $4,839,539 during the half-year ended 31 December 2021. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect to this matter.

Deloitte.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PG Janse van Nieuwenhuizen
Partner
Chartered Accountants
Perth, 15 March 2022