



SOVEREIGN
METALS LIMITED

SOVEREIGN METALS LIMITED
ABN 71 120 833 427

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2020

CORPORATE DIRECTORY

Directors

Mr Ian Middlemas – Chairman
 Dr Julian Stephens – Managing Director
 Mr Benjamin Stoikovich – Non-Executive Director
 Mr Mark Pearce – Non-Executive Director

Company Secretary

Mr Lachlan Lynch

Registered and Principal Office

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Operations Office

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 Lilongwe
 Malawi

Share Register

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 Perth WA 6000

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Stock Exchange Listing

Australian Securities Exchange
 Home Branch – Perth
 Level 40, Central Park
 152-158 St Georges Terrace
 Perth WA 6000

ASX Code

SVM – Fully paid ordinary shares

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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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 2020 ("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 Ian Middlemas (Chairman)

Dr Julian Stephens (Managing Director)

Mr Benjamin Stoikovich (Non-Executive Director) – appointed 13 October 2020.

Mr Mark Pearce (Non-Executive Director)

All Directors were in office from 1 July 2020 until the date of this report, unless otherwise noted.

REVIEW AND RESULTS OF OPERATIONS

The Company's focus continues to be on the exploration and development of the globally significant, large, and high-grade rutile deposit, Kasiya in Malawi. Kasiya has an extensive mineralised footprint totalling over 66km² with mineralisation remaining open in multiple directions. Sovereign is working towards a substantial maiden rutile Mineral Resource Estimate (**MRE**) at Kasiya which is expected in the March quarter.

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

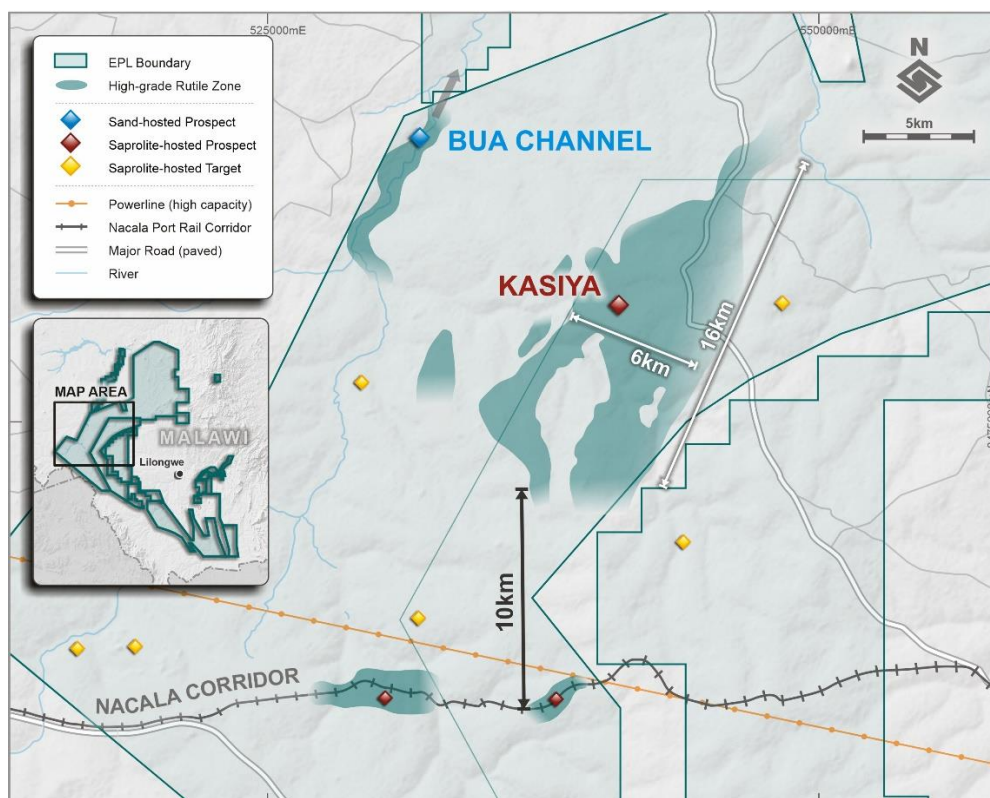


Figure 1. Project map showing Kasiya and the Company's other prospects and targets.

Highlights and advancements during and subsequent to the end of the half year include:

Drilling Triples Mineralisation Footprint

- ❖ Drilling substantially extended the strike length of the rutile-mineralised envelope to over 16km with widths of up to 6km.
- ❖ Mineralised envelope tripled in footprint size to ~66km², with numerous new areas of high-grade rutile defined across the vast area.
- ❖ High-grade rutile drilling results included:
 - **12m @ 1.47% inc. 4m @ 2.00% rutile**
 - **10m @ 1.41% inc. 4m @ 1.88% rutile**
 - **9m @ 1.27% inc. 2m @ 2.00% rutile**
 - **16m @ 1.16% inc. 4m @ 1.60% rutile**
 - **6m @ 1.17% inc. 2m @ 2.18% rutile**
- ❖ Sovereign is working towards a substantial maiden rutile Mineral Resource Estimate (**MRE**) at Kasiya which is expected in the March quarter.

Stand-out Rutile Specification from Bulk Scale Metallurgy Program

- ❖ Exceptional bulk scale metallurgy test-work results from Kasiya with results demonstrating the ability to produce a high-grade, premium quality rutile product with a high recovery, via simple, conventional processing methods.
- ❖ Premium quality rutile specification at 96.3% TiO₂ with low impurities, very favourable product sizing at d50 of 145µm, with excellent overall rutile recovery from bulk feed to product of 98.3%
- ❖ Initial product marketing commenced with samples despatched to major end users, including TiO₂ pigment producers

Drilling Increases Area of Very High Grade Rutile at Kasiya

- ❖ Drilling established further broad zones of very high-grade rutile from surface, within the existing 66km² mineralised envelope at Kasiya.
- ❖ This batch of drill results displayed numerous areas with greater than 1.5% rutile in the top 3-5m from surface. Results include:
 - **13m @ 1.47% inc. 4m @ 1.71% rutile**
 - **12m @ 1.33% inc. 5m @ 1.64% rutile**
 - **12m @ 1.24% inc. 3m @ 1.67% rutile**
 - **11m @ 1.23% inc. 5m @ 1.51% rutile**
 - **11m @ 1.20% inc. 4m @ 1.60% rutile**
- ❖ These latest drill results show well defined, very high-grade rutile zones with good continuity collectively forming a substantial central high-grade area that has now been drilled at generally 400m x 400m spacing.

Advancement of Graphite Projects to Meet Increasing EV Battery Demand

- ❖ Recent improvements in the graphite market have led the Company to re-examine its PFS-level low cost Malingunde Graphite Project.
- ❖ A focus will be on sustainability with Sovereign already demonstrating the ability to produce a range of premium-quality graphite products, providing the potential to sell into the rapidly growing lithium-ion battery markets.

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:

Location/ Tenement	Permit Number	Percentage Interest	Status	Expiry
<u>Malawi</u>	EL 0413	100%	Granted	21/09/2021
	EL 0372	100%	Granted	13/03/2022
	EL 0355	100%	Granted	14/06/2021
	EL 0492	100%	Granted	29/01/2023
	EL 0582	100%	Granted	15/09/2023
	EL 0528	100%	Granted	27/11/2021
	EL 0545	100%	Granted	12/05/2022
	EL 0561	100%	Granted	15/09/2023

Other Corporate

In July and August 2020, the Company issued 9,150,000 fully paid ordinary shares upon the exercise of options, raising \$1,596,000

On 13 October 2020, the Company announced the appointment of Mr Benjamin Stoikovich as a Non-Executive Director of the Company. Mr Stoikovich is an experienced mining executive and corporate finance professional residing in London. Mr Stoikovich and Sovereign's Managing Director, Dr Julian Stephens, were responsible for recognising the tremendous rutile potential of the Company's extensive Malawi tenements.

Operating Results

The net operating loss after tax for the half year ended 31 December 2020 was \$1,975,621 (2019: \$1,676,554). The loss for the period includes \$1,287,846 (2019: \$1,148,492) in exploration expenditure and \$279,467 (2019: \$168,968) in business development expenditure.

SIGNIFICANT POST BALANCE DATE EVENTS

As at the date of this report, other than stated in this Directors' Report, there are no other matters or circumstances which have arisen since 31 December 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2020, of the Group;
- the results of those operations, in financial years subsequent to 31 December 2020, of the Company; or
- the state of affairs, in financial years subsequent to 31 December 2020, of the Company.

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 16 and forms part of this Directors' Report.

DIRECTORS' REPORT (Continued)



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

A handwritten signature in black ink, appearing to read "J. Stephens", written over a faint circular stamp.

Julian Stephens
Managing Director

12 March 2021

**CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**



	Note	Half Year Ended 31 December 2020 \$	Half Year Ended 31 December 2019 \$
Income			
Interest income		9,471	20,808
Other income		37,500	-
R&D rebate		107,334	-
Total income		154,305	20,808
Expenses			
Exploration and evaluation expenses		(1,287,846)	(1,148,492)
Corporate and administrative expenses		(378,523)	(307,940)
Business development and investor relations expenses		(279,467)	(168,968)
Share based payments expense		(184,090)	(71,962)
Loss before income tax		(1,975,621)	(1,676,554)
Income tax expense		-	-
Loss for the period		(1,975,621)	(1,676,554)
Other comprehensive income, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on foreign entities		(24,031)	9,383
Other comprehensive income for the period, net of income tax		(24,031)	9,383
Total comprehensive loss for the period		(1,999,652)	(1,667,171)
Loss attributable to members of Sovereign Metals Limited		(1,999,652)	(1,667,171)
Total comprehensive loss attributable to members of Sovereign Metals Limited		(1,999,652)	(1,667,171)
Loss per share			
Basic and Diluted loss per share (cents per share)		(0.5)	(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 2020



		31 December 2020	30 June 2020
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		2,301,305	2,364,525
Trade and other receivables		14,687	102,581
Total Current Assets		2,315,992	2,467,106
Non-current Assets			
Property, plant and equipment		102,581	122,613
Exploration and evaluation assets	3(a)	7,170,282	7,170,282
Total Non-current Assets		7,272,863	7,292,895
TOTAL ASSETS		9,588,855	9,760,001
LIABILITIES			
Current Liabilities			
Trade and other payables		444,449	422,725
Provisions		65,830	39,138
Total Current Liabilities		510,279	461,863
TOTAL LIABILITIES		510,279	461,863
NET ASSETS		9,078,576	9,298,138
EQUITY			
Issued capital	4(a)	46,933,034	44,883,777
Reserves	4(b)	1,029,952	1,323,150
Accumulated losses		(38,884,410)	(36,908,789)
TOTAL EQUITY		9,078,576	9,298,138

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 2020



	Issued Capital \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
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
Balance at 1 July 2019	42,365,285	1,846,630	40,083	(34,107,972)	10,144,026
Net loss for the period	-	-	-	(1,676,554)	(1,676,554)
Other comprehensive income	-	-	9,383	-	9,383
Total comprehensive income/(loss) for the period	-	-	9,383	(1,676,554)	(1,667,171)
Transactions with owners, recorded directly in equity					
Issue of Ordinary Shares to a consultant	13,125	-	-	-	13,125
Share issue costs	(2,114)	-	-	-	(2,114)
Expiration of unlisted options	-	(250,029)	-	250,029	-
Share based payments expense	-	58,837	-	-	58,837
Total transactions with owners recorded directly in equity	11,011	(191,192)	-	250,029	69,848
Balance at 31 December 2019	42,376,296	1,655,438	49,466	(35,534,497)	8,546,703

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 2020



	Half Year Ended 31 December 2020 \$	Half Year Ended 31 December 2019 \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,802,084)	(2,434,816)
Other income	50,000	-
R&D rebate received	107,334	-
Interest received	10,290	29,128
Net cash used in operating activities	(1,634,460)	(2,405,688)
Cash flows from investing activities		
Payments for purchase of plant and equipment	(17,686)	(15,163)
Net cash used in investing activities	(17,686)	(15,163)
Cash flows from financing activities		
Proceeds from issue of shares upon exercise of options	1,596,000	-
Payments for share issue costs	(7,074)	(2,114)
Net cash (used in)/from financing activities	1,588,926	(2,114)
Net (decrease)/increase in cash and cash equivalents	(63,220)	(2,422,965)
Cash and cash equivalents at the beginning of the period	2,364,525	4,178,320
Cash and cash equivalents at the end of the period	2,301,305	1,755,355

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 2020 to 31 December 2020 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 for the half year ended 31 December 2020 were authorised for issue in accordance with the resolution of the directors on 8 March 2021.

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 annual report of Sovereign for the year ended 30 June 2020 and any public announcements made by Sovereign and its controlled entities 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 non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

(b) Statement of Compliance

The consolidated 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 2020, except for new standards, amendments to standards and interpretations effective 1 January 2020. 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 \$1,975,621 (2019: \$1,676,554) and had net cash outflows from operations and investing of \$1,652,146 (2019: \$2,420,851). The Group has no source of operating cash inflows other than interest income and funds sourced through capital raising activities. At 31 December 2020, the Group has cash and cash equivalents totalling \$2,301,305 (30 June 2020: \$2,364,525) and net working capital (current assets less current liabilities) of \$1,805,713 (30 June 2020: \$2,005,243).

The Group continued to actively manage its operating and overhead expenditure by successfully completing a capital raising of \$2,000,000 (before costs) via a placement to institutional and sophisticated investors in February 2020 and \$1,596,000 from the exercise of unlisted options in June to August 2020.

The Group’s cashflow forecast for the period ending 31 March 2022 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
(Continued)



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 financial statements.

The consolidated financial statements do 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.

(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 2020. 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
<i>AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022	1 July 2022
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	1 January 2023	1 July 2023
<i>AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i>	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 2020 \$	30 June 2020 \$
(a) Movement in Exploration and Evaluation Assets		
Carrying amount as at 1 July	7,170,282	7,170,282
- Additions	-	-
	7,170,282	7,170,282

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
(Continued)



4. EQUITY SECURITIES ISSUED

	31 December 2020 \$	30 June 2020 \$
(a) Issued Capital		
394,237,561 (30 June 2020: 385,087,561) fully paid ordinary shares	46,933,034	44,883,777
(b) Reserves		
<i>Share Based Payment Reserve</i>		
Nil (30 June 2020: 14,300,000) unlisted \$0.18 options	-	429,940
Nil (30 June 2020: 850,000) unlisted \$0.12 options	-	23,320
2,150,000 (30 June 2020: 2,150,000) unlisted \$0.15 options	83,640	83,640
2,500,000 (30 June 2020: 2,500,000) unlisted \$0.18 options	110,845	105,862
6,000,000 (30 June 2020: 6,000,000) unlisted \$0.10 options	237,967	237,967
7,375,000 (30 June 2020: 7,375,000) unlisted \$0.14 options	322,339	308,428
2,000,000 (30 June 2020: 2,000,000) unlisted \$0.18 options	93,383	84,806
2,930,000 (30 June 2020: nil) unlisted performance rights	94,695	-
2,930,000 (30 June 2020: nil) unlisted performance rights	33,575	-
3,940,000 (30 June 2020: nil) unlisted performance rights	28,352	-
Total Share Based Payments Reserve	1,004,796	1,273,963
<i>Foreign Currency Translation Reserve (FCTR)</i>		
Exchange differences	25,156	49,187
Total Foreign Currency Translation Reserve (FCTR)	25,156	49,187
Total Reserves	1,029,952	1,323,150

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

Date	Details	Number of Shares	Issue Price \$	\$
1 Jul 2020	Opening balance	385,087,561	-	44,883,777
Various	Issue of shares upon exercise of options	8,300,000	\$0.18	1,494,000
4-Aug-2020	Issue of shares upon exercise of options	850,000	\$0.12	102,000
31 Dec 2020	Transfer from SBP reserve upon exercise of options	-	-	453,257
31 Dec 2020	Closing balance	394,237,561		46,933,034

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
(Continued)



(d) Movements in Options were as follows:

Date	Details	Notes	Number of Incentive Options	Fair Value \$	\$
1 Jul 2020	Opening balance		35,175,000	-	1,273,963
Various	Exercise of \$0.18 and \$0.12 options		(9,150,000)	-	(453,257)
31 July 2020	Expiration of \$0.18 options		(6,000,000)	-	-
31 Dec 2020	Share based payment expense		-	-	27,468
31 Dec 2020	Closing balance		20,025,000		848,174
1 Jul 2019	Opening balance		45,550,000		1,846,630
31 Jul 2019	Expiration of \$0.15 options		(4,025,000)	-	(202,245)
30 Sep 2019	Expiration of \$0.15 options		(6,000,000)	-	(132,355)
8 Nov 2019	Issue of \$0.14 options	(i)	1,000,000	0.0554	8,336
	Issue of \$0.18 options		1,000,000	0.0497	3,709
31 Dec 2019	Share based payment expense	(i)	-	-	131,363
31 Dec 2019	Closing balance		37,525,000		1,655,438

Notes

(i) The value of options granted during the period is recognised over the vesting period (if applicable) of the grant in accordance with Australian Accounting Standards.

(e) Movements in Performance Rights were as follows:

Date	Details	Notes	Number of Performance Rights	Fair Value \$	\$
1 Jul 2020	Opening balance		-	-	-
23 Dec 2020	Issue of Performance Rights		9,800,000	\$0.36	156,622
31 Dec 2020	Closing balance		9,800,000		156,622

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.

On 23 December 2020, the Company issued 9,800,000 Performance Rights to Key Management Personnel (5,400,000 Performance Rights) and Employees/Consultants (4,400,000 Performance Rights). The Performance Rights were granted with the following performance criteria and expiry dates:

- Scoping Study Milestone - announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code on or before 31 December 2021;
- Feasibility Study Milestone - announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code on or before 31 December 2023; and
- Decision to Mine Milestone - announcement of a Decision to Mine for the Malawi Rutile Project on or before 31 October 2025.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020
(Continued)



5. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	31 December 2020 \$	30 June 2020 \$
<i>Exploration Commitments - Central Malawi Graphite Project:</i>		
Within one year	392,930	237,507
After one year but not more than five years	294,318	151,519
	687,248	389,026

(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.

6. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (2019: nil).

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables, and trade and other payables. The carrying amount of these financial assets and liabilities approximate their fair value.

8. SUBSEQUENT EVENTS AFTER BALANCE DATE

As at the date of this report, other than the above, there are no matters or circumstances which have arisen since 31 December 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2020, of the Group;
- the results of those operations, in financial years subsequent to 31 December 2020, of the Company; or
- the state of affairs, in financial years subsequent to 31 December 2020, of the Company.

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 2020 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

A handwritten signature in black ink, appearing to read "J. Stephens", written over a light blue horizontal line.

Julian Stephens
Managing Director

12 March 2021

COMPETENT PERSON STATEMENT



Competent Person Statement

The information in this report that relates to rutile Exploration Results are extracted from announcements dated 4 August 2020, 21 September 2020 and 4 February 2021. These announcements are available to view on www.sovereignmetals.com.au. The information in the original ASX Announcements that related to Exploration Results was based on, and fairly represents, information compiled by Dr Julian Stephens, a Competent Person who is a member of the Australasian Institute of Geoscientists (AIG). Dr Stephens is the Managing Director of Sovereign Metals Limited and a holder of shares and options in Sovereign Metals Limited. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

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

Forward Looking Statement

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

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

12 March 2021

Dear Board Members

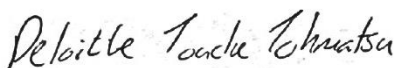
Sovereign Metals Limited

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 2020, 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



PG Janse van Nieuwenhuizen
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited



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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 2020, 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 as set out on pages 5 to 14.

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 2020 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 \$1,975,621 and experienced net cash outflows from operating activities of \$1,634,460 during the half-year ended 31 December 2020. 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.

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

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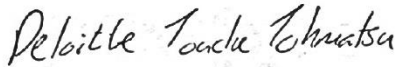
Directors' Responsibilities for the Half-year Financial Report

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 2020 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

PG Janse van Nieuwenhuizen
Partner
Chartered Accountants
Perth, 12 March 2021