

MARCH 2020 QUARTERLY REPORT

Sovereign Metals Limited (**Company** or **Sovereign**) is pleased to provide its quarterly report for the period ended 31 March 2020.

HIGHLIGHTS

Major High-Grade Rutile Discovery at Kasiya

- ◆ Results received for two phases of drilling show the Kasiya Prospect (**Kasiya**) to be an extensive, high-grade zone of rutile from surface in soft, free-dig saprolite.
- ◆ High-grade rutile mineralisation identified over **+3.4km strike length and +1.8km surface width** to date
- ◆ Mineralised zone is **open along strike in both directions** and open laterally to the south-east
- ◆ Results demonstrate the **very large-scale potential of the Kasiya rutile discovery**
- ◆ Significant drilling results (all from surface) received to date include:
 - **5m @ 1.43% rutile inc. 2m @ 2.04% rutile**
 - **7m @ 1.27% rutile inc. 3m @ 1.80% rutile**
 - **15m @ 1.12% rutile inc. 3m @ 1.46% rutile**
 - **11m @ 1.02% rutile inc. 3m @ 1.23% rutile**
 - **7m @ 1.13% rutile inc. 3m @ 1.55% rutile**
 - **10m @ 1.06% rutile inc. 4m @ 1.46% rutile**
 - **14m @ 0.92% rutile inc. 3m @ 1.38% rutile**
 - **8m @ 0.95% rutile inc. 4m @ 1.36% rutile**
- ◆ Extensional and in-fill drilling at Kasiya continues with several additional sample batches already despatched to Australia for laboratory analysis

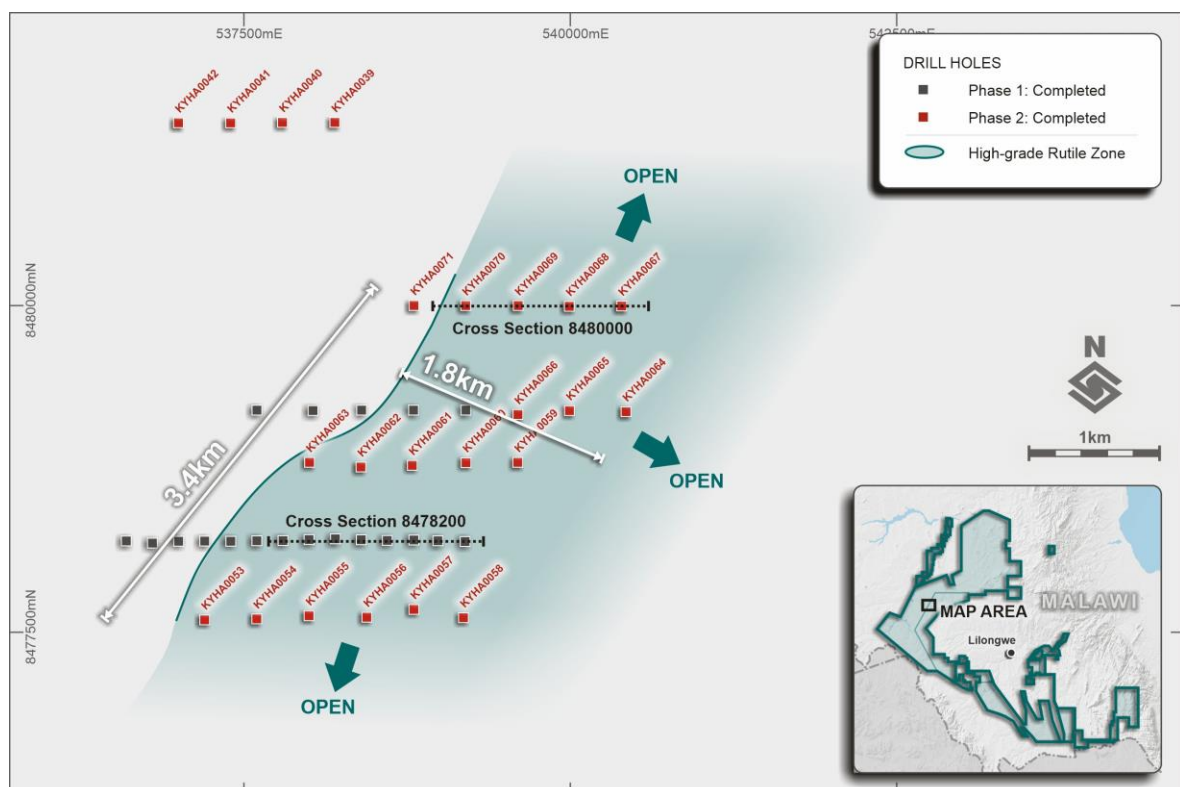


Figure 1. Drill plan showing extents of rutile mineralisation drilled to date at Kasiya

Significant placer rutile deposit discovered at Bua Channel

- ◆ High-grade, rutile dominant, sand-hosted placer deposit identified over **8km length to date** at Bua Channel
- ◆ Bua Channel is geologically well defined over a **total length of ~50km**. Planning for a drilling program to test the remaining ~42km length of the channel is advancing
- ◆ Initial air-core and hand-auger drilling at the Bua Channel show **excellent rutile grades** with accessory ilmenite. Key results include:
 - **6m @ 1.09% rutile**, 1.6% ilmenite & 0.13% zircon (from surface)
inc. **4m @ 1.28% rutile**, 1.9% ilmenite & 0.15% zircon (from 2m)
 - **7m @ 0.81% rutile**, 1.0% ilmenite & 0.11% zircon (from surface)
inc. **3m @ 1.03% rutile**, 1.2% ilmenite & 0.13% zircon (from 4m) remains open at depth
 - **8m @ 0.88 % rutile**, 1.5% ilmenite & 0.08% zircon (from surface)
inc. **5m @ 1.02% rutile**, 1.7% ilmenite & 0.09% zircon (from 3m)
 - **7m @ 0.85% rutile**, 1.4% ilmenite & 0.08% zircon (from surface)
inc. **3m @ 0.96% rutile**, 1.6% ilmenite & 0.08% zircon (from 4m)
- ◆ QEMSCAN mineralogy has characterised the ilmenite as high quality with TiO₂ content of ~60% indicating it may be suitable as a chloride feedstock.

Work Programs Ongoing

- ◆ The Company is targeting large mineral resources that could support long-life, large-scale rutile production. Exploration and drilling programs working towards significant maiden rutile Mineral Resources in late Q3 2020
- ◆ Extensional and in-fill drilling at Kasiya continues with additional sample batches already in Australia (Phase 3) for laboratory analysis and in transit (Phase 4)
- ◆ Bulk-scale metallurgical test-work to commence for Kasiya – sample in transit

Covid-19 Impact and Response

- ◆ The Malawian Government has announced possible lock-down measures at this stage effective 25 April 2020 for a period of 21 days. The Company is continuously reviewing the situation and will de-mobilise drill teams and re-mobilise when it is considered safe to do so and permissible under Government regulations.
- ◆ Resource modelling and laboratory activities in Australia are continuing and remain unaffected with multiple sample batches in progress.

ENQUIRIES

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MULTIPLE DISCOVERIES IN A NEW RUTILE PROVINCE

During the March quarter, the Company continued to advance exploration on its strategic rutile project in Malawi. A significant number of shallow hand-auger and deeper air-core drill holes were completed in late 2019 and early 2020. These programs culminated in the discovery of two major rutile prospects; the saprolite-hosted Kasiya Prospect and the sand-hosted Bua Channel Prospect.

Kasiya is the Company’s highest-grade, and potentially largest, rutile prospect discovered to date. The Company also identified high-grade, fluvial placer-style, sand-hosted rutile mineralisation at the Bua Channel where ~50km length has been identified as prospective.

Sovereign is targeting definition of substantial rutile mineral resource in Q3 2020 that can support a long-life, large scale mining operation.

Hand-auger drilling is continuing across Kasiya and other saprolite-hosted prospects. Planning is advanced for air-core and sonic drill programs later in the year though timing will be controlled by safety considerations and any Government-mandated restrictions.

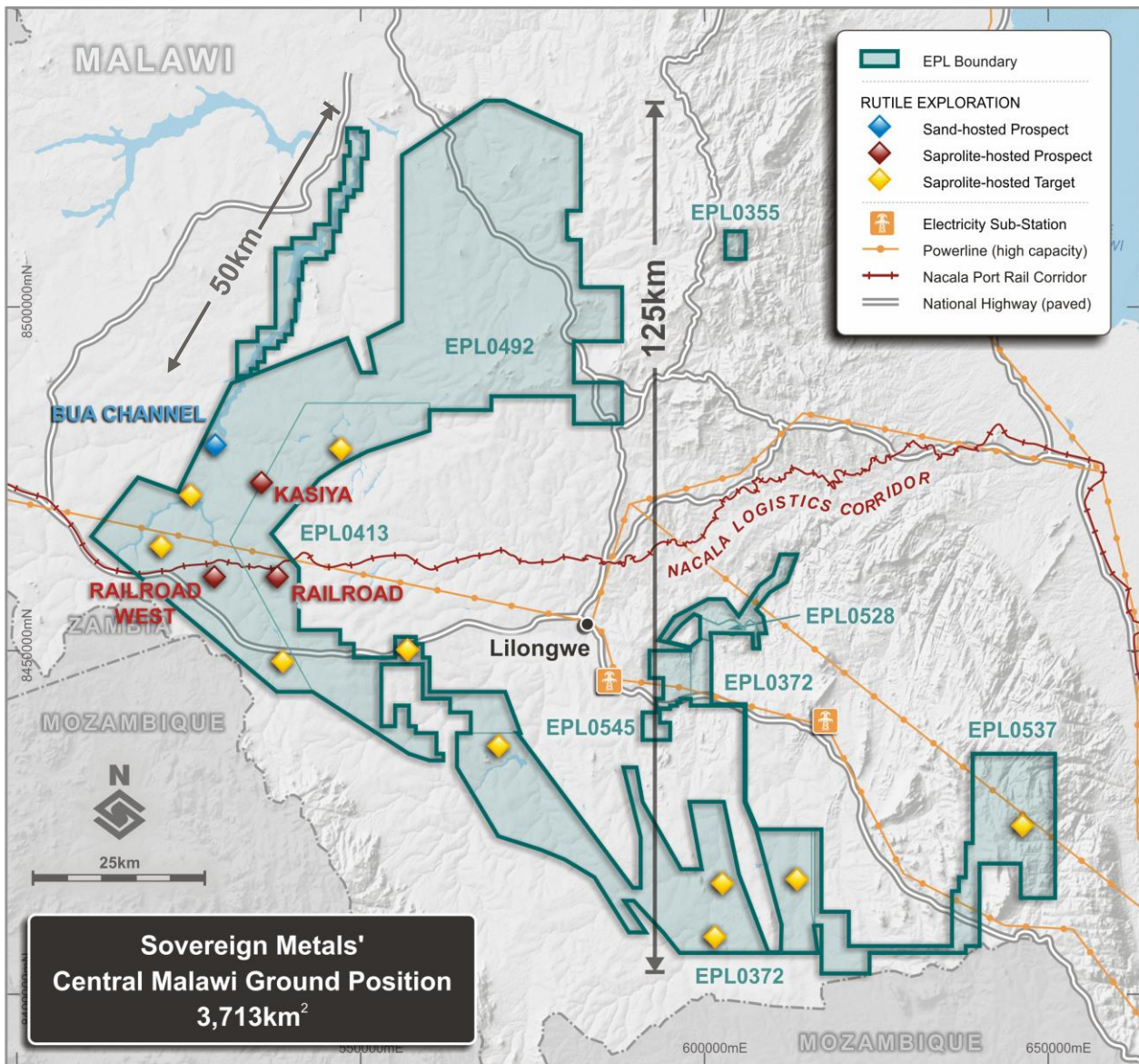


Figure 2. Project map showing key rutile prospects and the Company’s large ground holding in central Malawi.

KASIYA PROSPECT

Initial shallow drilling results at Kasiya have confirmed high-grade rutile mineralisation over a significant area that remains generally unconstrained by drilling to date. The Company has completed additional phases of drilling with a view to targeting a JORC Mineral Resource Estimate in Q3 2020.

The total number of holes reported to date is 38 (Phases 1 & 2 combined), over five east-west drill lines. The Phase 2 results significantly expand the high-grade rutile zone that occurs from surface and is hosted in soft, friable saprolite.

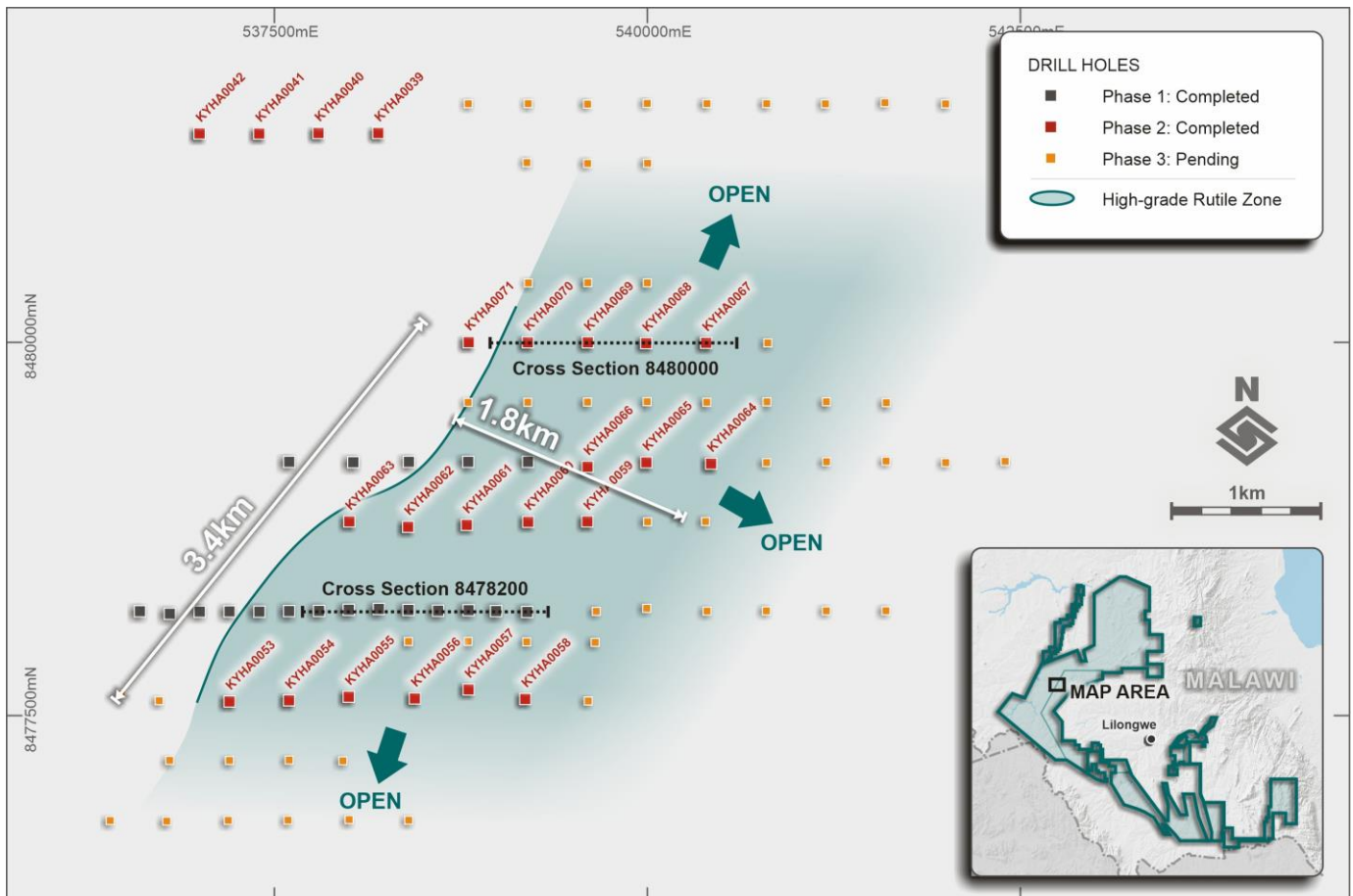


Figure 3. Drill plan showing Phases 1, 2 and 3 of reported and pending shallow hand-auger holes at Kasiya

Kasiya is now shown to be +3.4km in strike length and +1.8km in surface width. The mineralised zone is open along strike in both directions and open laterally to the south-east with a hard boundary identified only along the north-west margin at this stage.

High-grade rutile was encountered as deep as 15m below surface in some holes and has an average thickness of approximately 7m to 8m.

Extensional and in-fill drilling at Kasiya continues with additional sample batches already in Perth (Phase 3) for laboratory analysis and in transit (Phase 4). These results will be incorporated into the geological model and future drill programs as we work toward the maiden rutile Mineral Resource Estimate in Q3 2020.

Additionally, Kasiya is within regional proximity to the previously reported Railroad saprolite-hosted prospects which suggests the potential for cumulatively large to very large tonnages of rutile mineralisation within a small radius across a number of prospects.

Key shallow hand-auger results from the Phase 1 and Phase 2 drilling include:

- **5m @ 1.43% rutile inc. 2m @ 2.04% rutile from surface**
- **7m @ 1.27% rutile inc. 3m @ 1.80% rutile from surface**
- **7m @ 1.13% rutile inc. 3m @ 1.55% rutile from surface**
- **15m @ 1.12% rutile inc. 3m @ 1.46% rutile from surface**
- **10m @ 1.06% rutile inc. 4m @ 1.46% rutile from 6m**
- **14m @ 0.92% rutile inc. 3m @ 1.38% rutile from surface**
- **8m @ 0.95% rutile inc. 4m @ 1.36% rutile from surface**
- **8m @ 1.17% rutile inc. 5m @ 1.30% rutile from surface**
- **13m @ 1.09% rutile inc. 3m @ 1.27% rutile from surface**
- **11m @ 1.02% rutile inc. 3m @ 1.23% rutile from surface**

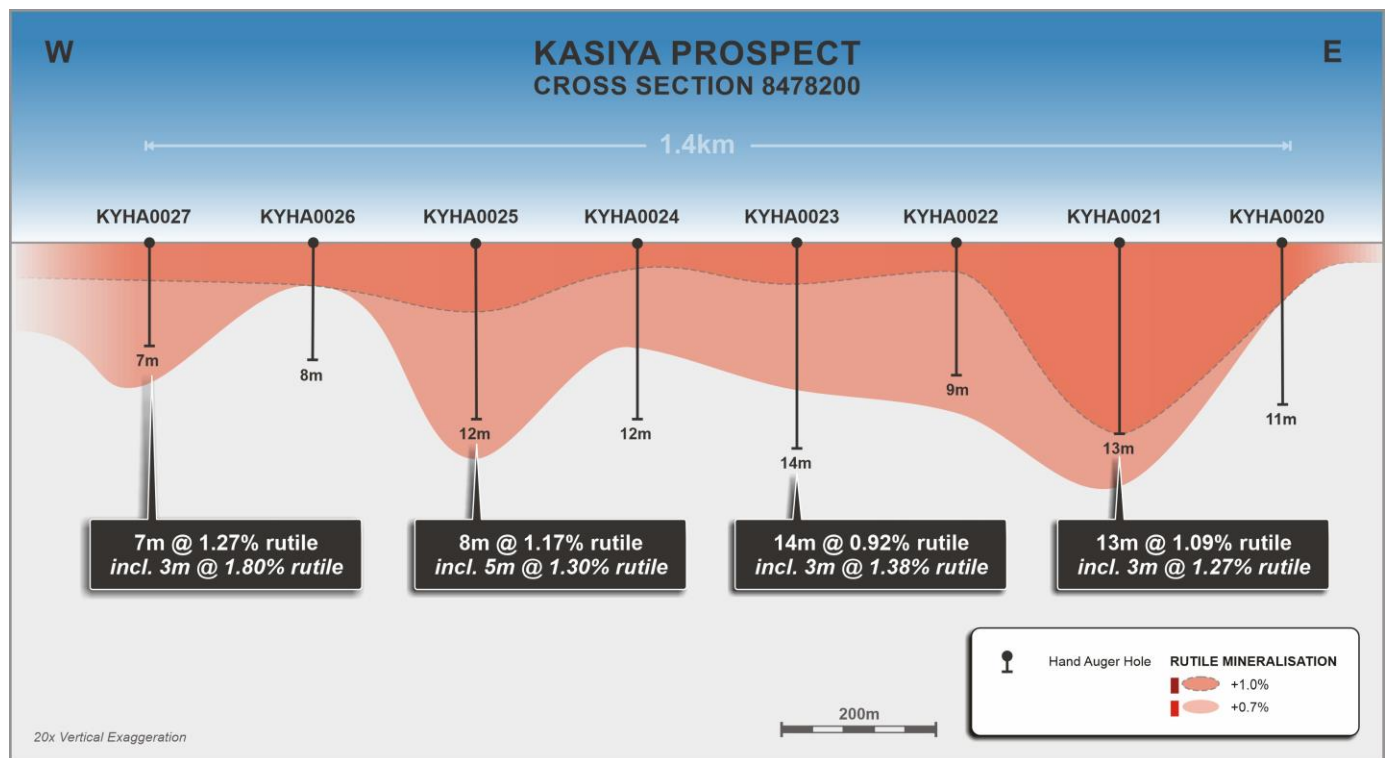


Figure 4. Cross section 8478200 at Kasiya showing some of the high-grade rutile intercepts from Phase 1 drilling

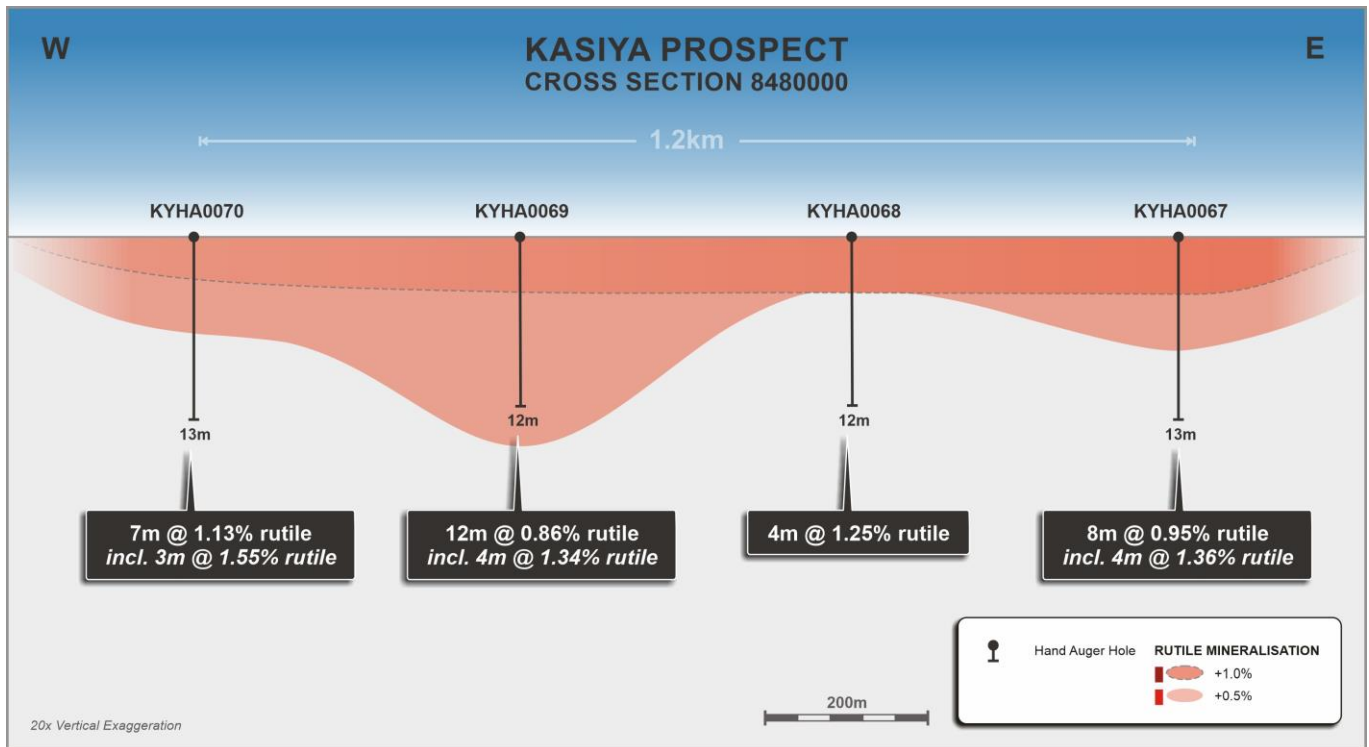
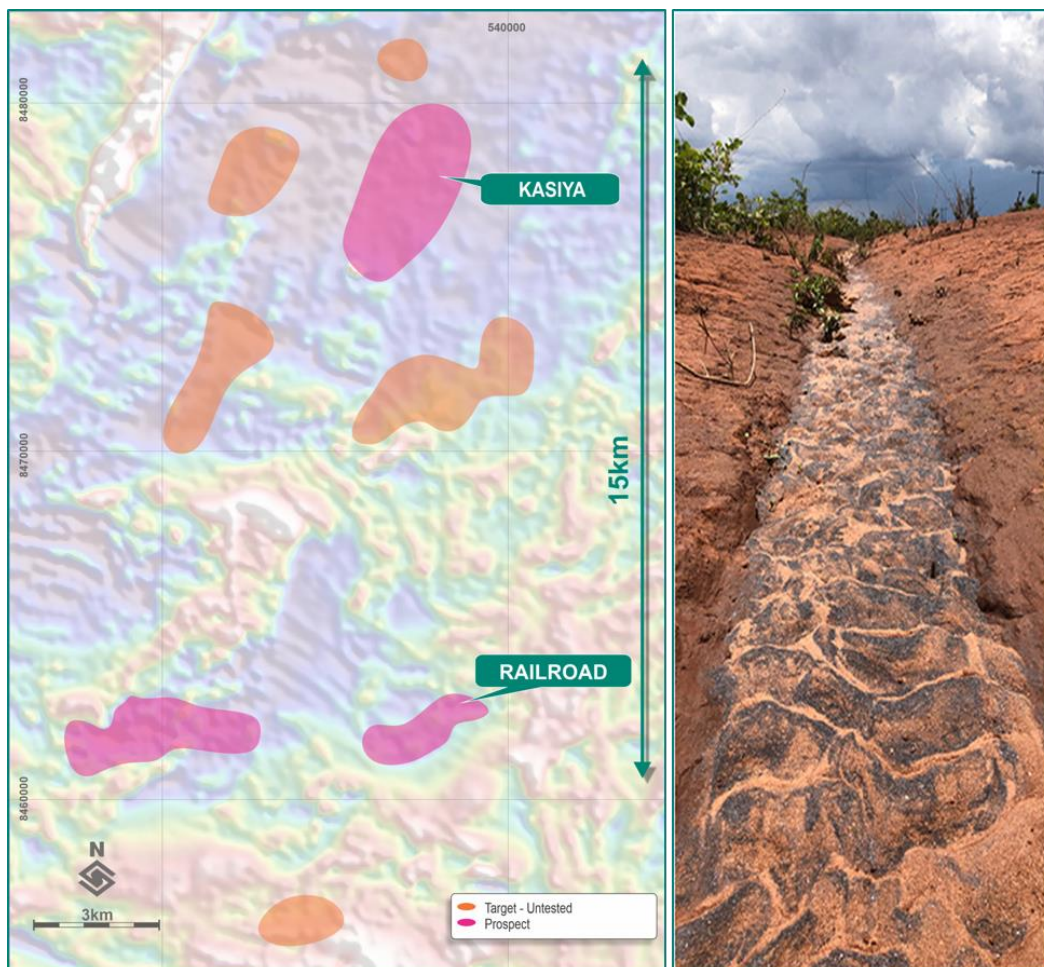


Figure 5. Cross section 8480000 at Kasiya showing some of the high-grade rutile mineralisation intersected in Phase 2 drilling



Figures 6 and 7. Map showing Kasiya and other surrounding saprolite hosted rutile prospects and targets and a surface, rutile-rich heavy mineral slick in a roadside drain near Kasiya

BUA CHANNEL PROSPECT

The Company's geological team identified potential for placer (sand-hosted) rutile mineralisation in an extensive fluvial channel system in the far west of the tenement package. Initial in-field panning of sand samples showed visually high content of rutile and ilmenite.

Initial shallow hand-auger and air-core results from Bua Channel Prospect confirmed high-grade, placer-style, sand-hosted rutile mineralisation. Some key results include:

- **6m @ 1.09% rutile**, 1.6% ilmenite & 0.13% zircon (from surface)
inc. **4m @ 1.28% rutile**, 1.9% ilmenite & 0.15% zircon (from 2m)
- **7m @ 0.81% rutile**, 1.0% ilmenite & 0.11% zircon (from surface)
inc. **3m @ 1.03% rutile**, 1.2% ilmenite & 0.13% zircon (from 4m) remains open at depth
- **8m @ 0.88 % rutile**, 1.5% ilmenite & 0.08% zircon (from surface)
inc. **5m @ 1.02% rutile**, 1.7% ilmenite & 0.09% zircon (from 3m)
- **7m @ 0.85% rutile**, 1.4% ilmenite & 0.08% zircon (from surface)
inc. **3m @ 0.96% rutile**, 1.6% ilmenite & 0.08% zircon (from 4m)

Sovereign has confirmed sand-hosted, placer rutile mineralisation via drilling in the southern Bua Channel over approximately 8km length with widths ranging from 300m to 700m and mineralised sand thicknesses ranging from about 4m to 10m.

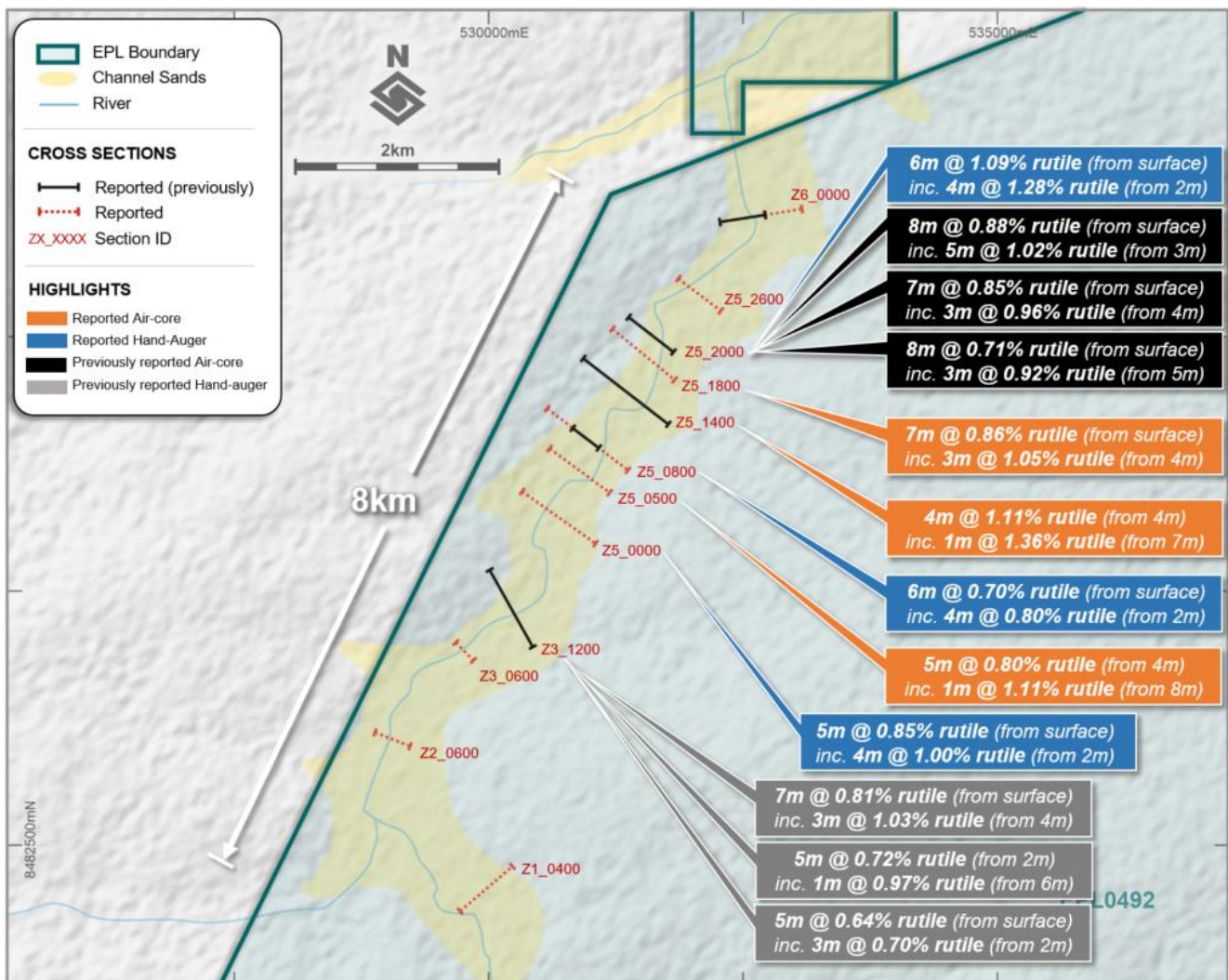


Figure 8. Drill Program across the Bua Channel (southern 8km).

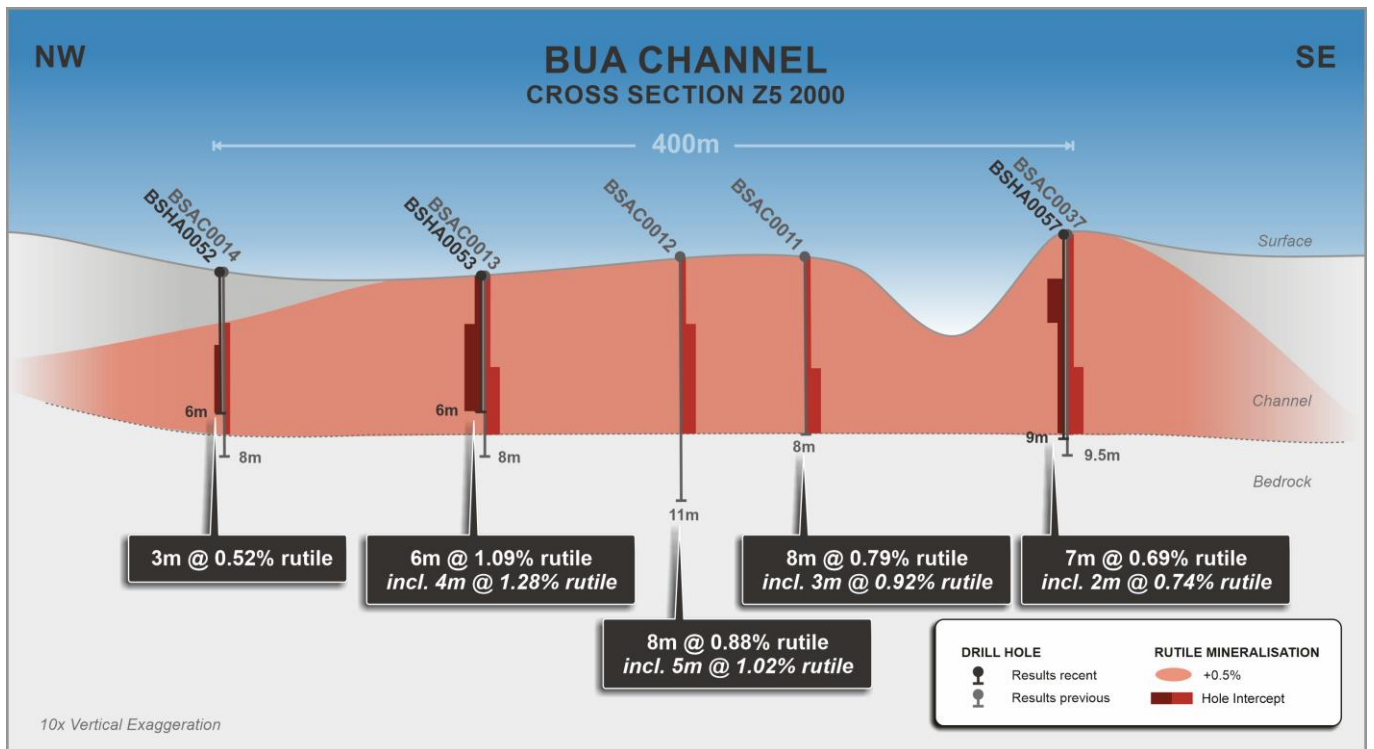
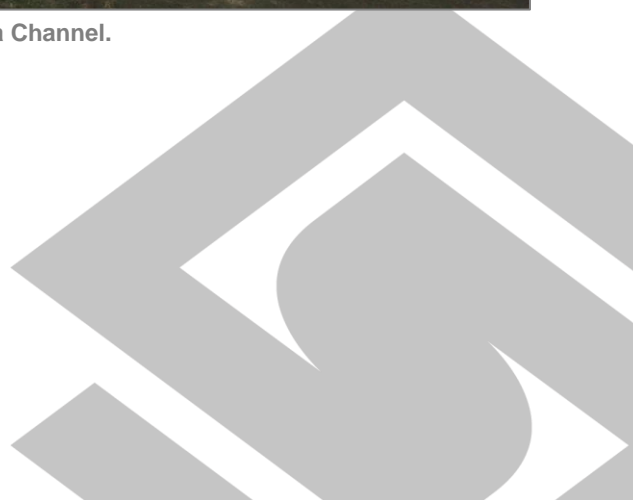


Figure 9. Cross-section showing initial drilling results and rutile mineralisation at the Bua Channel.



Figure 10. 2019 air-core drilling at Bua Channel.



A significant, +40km potential extension was identified to the north by the field team and this ground was secured with a new exploration licence granted in January 2020. Planning for a drilling program on the newly granted ground is progressing with timing based on the re-mobilisation of our field teams.

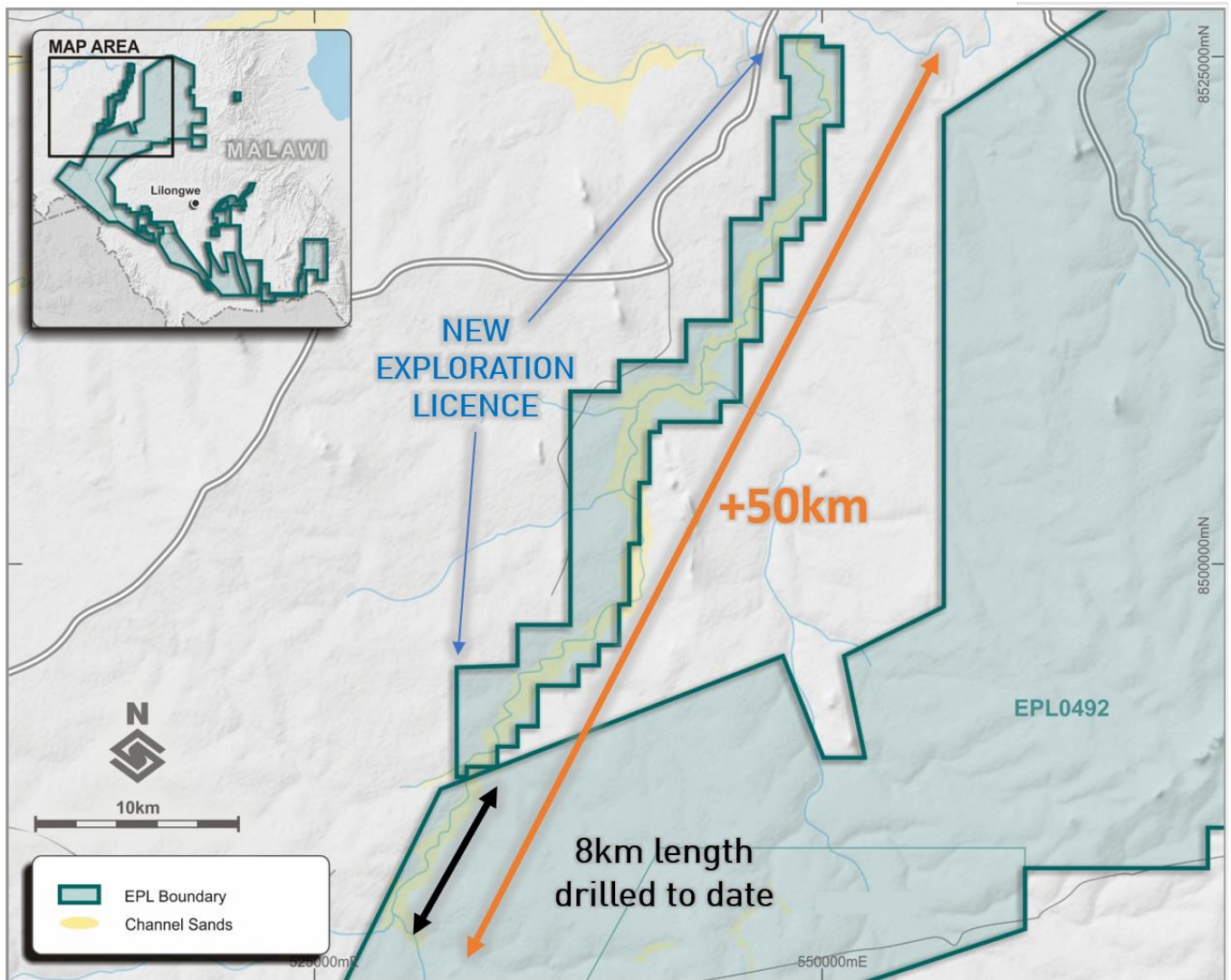


Figure 11. Map showing the Bua Channel and Sovereign's ground position in the area. Only the southern 8km been drilled to date.



FORWARD PLAN

Sovereign has identified a potentially globally significant, strategic rutile province across its large Malawi ground holding. The Malawi Rutile Province features two confirmed, discrete rutile mineralisation styles hosted respectively in sand and saprolite (soft, friable weathered material). Rutile mineralisation identified to date has generally not been spatially constrained by drilling at either of the two main prospects, Kasiya and the Bua Channel.

The Company is targeting large resources that could support long-life, large-scale rutile production. Sovereign's ongoing rutile work programs to unlock the Malawi Rutile Province include:

- Extensional and in-fill drilling at Kasiya continues with additional sample batches already in Perth, Australia (Phase 3) for laboratory analysis and in transit (Phase 4)
- Sovereign is working towards a maiden rutile Mineral Resource Estimate in Q3 2020
- Mining and tailings studies already commenced to accelerate a future scoping study
- Bulk-scale metallurgical test-work with sampling at Kasiya currently underway

COVID-19 IMPACT AND RESPONSE

The Company is proactively managing the potential impact of Covid-19 with the health and safety of our employees, contractors, local communities and other stakeholders being the highest priority. Earlier in the Quarter, the Company took the precautionary step to temporarily suspend activities at its Lilongwe facilities whilst continuing with drilling activities remotely at Kasiya. Since then, the Malawian Government has announced possible lock-down measures at this stage effective 25 April 2020 for a period of 21 days. The Company is continuously reviewing the situation and will de-mobilise drill teams and re-mobilise when it is considered safe to do so and permissible under Government regulations.

Additionally, Sovereign has implemented a number of cost-saving measures across corporate, administrative and exploration overheads where possible to come into force progressively over the coming months to conserve cash whilst continuing to execute exploration programs. All senior staff company-wide (including the Board of Directors) have also agreed to a temporary 25% pay-reduction for the period of Covid-19.

RUTILE MARKET

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

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

The rutile market fundamentals continue to be robust with current and forecast pricing remaining very strong. Current rutile pricing is cUS\$1,200/t.

CARPENTARIA JOINT VENTURE

Mount Isa Mines Limited (MIM), a Glencore plc Company, continues to manage and sole fund exploration on all tenements comprising the Carpentaria Joint Venture (**CJV**). Sovereign currently holds a 23.47% diluting interest in the tenements.

RELATED PARTY PAYMENTS

During the quarter ended 31 March 2020, the Company made payments of \$124,000 to related parties and their associates. These payments relate to existing remuneration arrangements (executive salaries, director fees and superannuation of \$64,000) and provision of serviced office facilities, company secretarial services and administration services (\$60,000).

Competent Person Statements

The information in this Announcement that relates to rutile Exploration Results and QEMSCAN results are extracted from announcements dated 3 February 2020, 24 February 2020, 16 March 2020, 8 April 2020 and 22 April 2020. These announcements are available to view on www.sovereignmetals.com.au. The information in the original ASX Announcements that related to Exploration Results was based on, and fairly represents, information compiled by Dr Julian Stephens, a Competent Person who is a member of the Australasian Institute of Geoscientists (AIG). Dr Stephens is the Managing Director of Sovereign Metals Limited and a holder of shares and options in Sovereign Metals Limited. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Forward Looking Statement

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

Authorisation Statement

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

APPENDIX 1: SUMMARY OF MINING TENEMENTS

As at 31 March 2020, the Company had an interest in the following tenements:

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

* The Company acquired a 100% interest in EL0561 during the quarter. No interests in relation to the above tenements were disposed of during the quarter.

Project Name	Permit Number	Percentage Interest	Joint Venture Partner	Status
<u>Queensland, Australia</u>				
Mt Marathon	EPM 8586	23.47%	Mount Isa Mines	Granted
Mt Avarice	EPM 8588	23.47%	Mount Isa Mines	Granted
Fountain Range	EPM 12561	23.47%	Mount Isa Mines	Granted
Corella River	EPM 12597	23.47%	Mount Isa Mines	Granted
Saint Andrews Extended	EPM 12180	23.47%	Mount Isa Mines	Granted

Beneficial percentage interests in Farm-out agreements disposed during the quarter ending 31 March 2020:

Project Name	Permit Number	Type of change	Interest at beginning of quarter	Interest disposed of during quarter	Interest at end of quarter
<u>Carpentaria JV:</u>					
Mt Marathon	EPM 8586	Farm out	23.73%	0.26%	23.47%
Mt Avarice	EPM 8588	Farm out	23.73%	0.26%	23.47%
Fountain Range	EPM 12561	Farm out	23.73%	0.26%	23.47%
Corella River	EPM 12597	Farm out	23.73%	0.26%	23.47%
Saint Andrews Ext.	EPM 12180	Farm out	23.73%	0.26%	23.47%

Appendix 5B

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

Name of entity

SOVEREIGN METALS LIMITED

ABN

71 120 833 427

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(656)	(2,437)
(b) development	-	-
(c) production	-	-
(d) staff costs	(150)	(407)
(e) administration and corporate costs	(119)	(398)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	34
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – Business Development	(97)	(225)
1.9 Net cash from / (used in) operating activities	(1,017)	(3,433)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(8)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(8)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,000	2,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(62)	(64)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,938	1,936

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,752	4,178
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,017)	(3,433)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,938	1,936
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,673	2,673

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

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	29	38
5.2 Call deposits	2,644	1,714
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,673	1,752

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

124

-

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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

**Total facility
amount at quarter
end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

-

-

-

-

7.5 Unused financing facilities available at quarter end

-

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,017)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,017)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,673
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,673
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.67

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

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

Answer: Not applicable

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

Answer: Not applicable

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

Answer: Not applicable

Compliance statement

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

Date: 24 April 2020

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

Notes

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