



NEWS RELEASE 126 SEPTEMBER 2024

2024 ANNUAL REPORT

Sovereign Metals Limited (ASX: SVM, AIM: SVML, OTCQX: SVMLF) (**Sovereign or the Company**) advises its 2024 Annual Report has been published today at <https://sovereignmetals.com.au/company-reports/> and is attached as a PDF to this news release.

The Company has also published an Appendix 4G (Key to Disclosures: Corporate Governance Council Principles and Recommendations) and 2024 Corporate Governance Statement today which are available at <https://sovereignmetals.com.au/corporate-governance/> and are attached as a PDF to this news release.

Further, the Company advises that its Annual General Meeting (**AGM**) will be held on Friday, 22 November 2024.

An item of business at the AGM will be the re-election of Directors. In accordance with clause 6.2(f) of the Company's Constitution, the closing date for receipt of nominations from persons wishing to be considered for election as a Director is Friday, 4 October 2024. Any nominations must be received at the Company's registered office no later than 5.00pm (Perth time) on Friday, 4 October 2024.

Further information about the AGM, including the Notice of AGM, will be provided to shareholders in October 2024.

2024 OPERATING AND FINANCIAL REVIEW

KASIYA RUTILE-GRAPHITE PROJECT

Sovereign is focused on the development of its Kasiya rutile-graphite project (**Kasiya or the Project**) in Malawi where a Pilot Mining and Land Rehabilitation Program (**Pilot Phase**) is in progress as part of an ongoing PFS Optimisation Study.

The Company's objective is to develop a large-scale, long life rutile-graphite operation, focusing on developing an environmentally and socially responsible, sustainable operation.



Figure 1: Sovereign's Kasiya project displaying location in South-East Africa

Kasiya is the largest rutile deposit in the world with more than double the contained rutile as its nearest rutile peer, Sierra Rutile. The Kasiya Mineral Resource Estimate (MRE) is 1.8 Billion tonnes (Bt) at 1.0% rutile resulting in 17.9 Million tonnes (Mt) tonnes of contained natural rutile and 24.4Mt of contained graphite. The MRE has broad zones of very high-grade rutile which occurs contiguously across a very large area of over 200km². Rutile mineralisation lies in laterally extensive, near surface, flat "blanket" style bodies in areas where the weathering profile is preserved and not significantly eroded.

HIGHLIGHTS

Highlights during and subsequent to the end of the financial year were as follows:

Rio Tinto investment to become a 19.9% Strategic Investor

- Rio Tinto has invested ~60 million since July 2023 to become a 19.9% strategic investor in Sovereign
- Investment proceeds used to continue advancing the Kasiya Project in Malawi
- Pilot Mining and Land Rehabilitation Program (**Pilot Phase**) and infill drilling program at Kasiya has been overseen by the Rio Tinto-Sovereign Technical Committee
- Rio Tinto's investment represents a significant step towards unlocking a major new supply of low-CO₂ natural rutile and flake graphite
- The Government of Malawi applauded the timely investment by Rio Tinto and marked it as a milestone towards realising the country's aspirations of growing the mining sector as a priority industry

Kasiya Optimisation Advances to Pilot Phase

- Sovereign commenced the Pilot Phase at Kasiya as part of the ongoing PFS Optimisation Study
- In July 2024, the dry mining component of the Pilot Phase was successfully completed, confirming Kasiya can be efficiently mined using standard mobile excavators and trucks, demonstrating operational alternatives as part of ongoing PFS Optimisation Study
- Hydraulic mining trial has since commenced at the Kasiya Pilot Site which is expected to take approximately three months to complete and includes backfilling of the main trial pit, deposition and rehabilitation testwork
- Results from the Pilot Phase, in particular the analysis of dry-mining versus hydraulic mining, will be fundamental for the ongoing Optimisation Study
- Significant field activities and a number of test work programs are ongoing in order to provide data for the PFS Optimisation Study
- Government of Malawi demonstrated strong support for with all required approvals and community permissions for the Pilot Phase obtained within three months



Figure 2: Kasiya Pilot Phase Test Pit mined to 20 metres depth

Key Management Appointments to Drive Project Optimisation and Development at Kasiya

- Appointment of experienced African based mining executive, Mr Frank Eagar, as the new Managing Director and CEO
- Previous Managing Director Dr Julian Stephens transitioned to Non-Executive Director
- Key technical appointments of experienced African engineering, social, environmental and legal teams to work on project optimisation and advancing the development of the Kasiya Project

Infill Drilling Program To Upgrade Kasiya Resource

- Infill drilling has commenced with focus on the southern part of the MRE, which intends to provide ore feed for the first eight years of production
- Program aims to upgrade the MRE in this area from Indicated to Measured category, allowing conversion of Ore Reserves from Probable to Proven category
- Resource upgrade expected in early 2025

Pre-Feasibility Study Confirms Kasiya as a Major Critical Minerals Project

- "Market Leader" Position in Two Critical Minerals:
 - Positioned to become the world's largest rutile producer and potentially one of the world's largest natural graphite producers outside of China
 - Extremely low CO₂-footprint operation incorporating climate-smart attributes with renewables power solutions
 - Initial Probable Ore Reserves declared of 538Mt, representing only 30% of the total Mineral Resource
 - Substantial production rate and mine life upside exists as the PFS modelling was limited to only 25 years

Outstanding Battery Anode Material Produced from Kasiya Graphite

- Kasiya graphite concentrate confirmed to be an excellent feedstock for natural graphite anode materials suitable for lithium-ion battery production
- Kasiya natural graphite presents a unique, low-cost opportunity to develop lithium-ion battery supply chains outside of China

- Very high quality Coated Spherical Purified Graphite (**CSPG**) anode material produced from Kasiya graphite concentrate has performance characteristics comparable to the highest quality natural graphite battery material produced by dominant Chinese anode manufacturers
 - Electrochemical testing achieved very high first cycle efficiencies of 94.2% to 95.8% supporting long battery life
 - Excellent initial discharge capacities greater than 360mAh/g as required for highest quality natural graphite anode materials
 - Very low specific surface areas (known as BET) of $\leq 2.0\text{m}^2/\text{g}$ minimising the loss of lithium in the first cycle
 - Excellent tap densities of 1.11 to 1.18g/cm³ meaning higher electrical storage
- Outstanding anode material results are attributed to the unique geological setting of the highly weathered Kasiya orebody compared to fresh rock hosted graphite deposits, including
 - high purity of the natural flake,
 - near perfect crystallinity, and
 - very low levels of sulphur and other impurities.
- Further optimisation testwork to commence using additional concentrate being generated at pilot-scale facility in South Africa
- Results will form the basis for ongoing and future discussions with potential offtakers

Commencement of Trading on OTCQX Markets

- In July 2024, Sovereign upgraded to the OTCQX Market, the top tier of the OTC Markets, providing access to a broader eligible U.S. investor base
- OTCQX quotation follows increased U.S. investor and strategic interest in Sovereign and its Kasiya Rutile-Graphite Project in Malawi

Key Appointments

- Appointment of highly experienced environmental and social specialist Mr Marco Da Cunha, as its new Lead Environmental, Social and Governance Officer. Mr Da Cunha has almost 20 years of experience in environmental and social management and more recently was part of Rio Tinto's Simandou iron ore project team in Guinea
- Highly experienced, Africa-based social specialist consultancy, SocialEssence were appointed to the Company's owners team to lead social and community development programs in Malawi. SocialEssence has a strong and successful track record of implementing social responsibility programs across southern Africa, including at First Quantum Minerals' Zambian project
- Three senior appointments and promotions across Sovereign's key legal, permitting and technical functions in Malawi, strengthening the Company's in-country capabilities
- In July 2024, appointment of consultant Dr Surinder Ghag to Sovereign's owner's team as Chief Technology Officer - Graphite. Dr Ghag will assist Sovereign's graphite strategy in product qualification for the lithium-ion battery industry

Commissioning of Sustainable Farming Initiative in Malawi

- Sovereign initiated and progressed with its Conservation Farming Program (**Farming Program**) in Malawi as part of its sustainability initiatives related to the development of Kasiya
- The Program is aimed at improving the livelihoods of local communities through the creation of successful smallholder farmers.
- During the year, the Company announced that it is estimated the Farming Program has tripled crop yields in a season that is predicted to have 20% lower yields due to El Niño weather.



Figures 3 & 4 - Left: planted field using traditional techniques & Right: Field farmed under the Program showing substantially more crop growth

Partnering with International Development Organisation in Malawi

- During the year, Sovereign entered into a Memorandum of Understanding (**MoU**) with The Palladium Group - a US-based international development entity operating in Malawi
- Palladium implements several development projects, including the Feed the Future Malawi Growth Poles Project, which invests in local rural communities to advance sustainable, climate-smart, and inclusive wealth creation

- Sovereign and Palladium will collaborate around Sovereign's Kasiya Project to provide key agricultural inputs, training technologies, and financing to develop and integrate smallholder farmers into the emerging high growth agriculture value chains



Figure 5: Kasiya Pilot Phase Test Pit mined to 20 metres depth

Results of Operations

The net loss of the Group for the year ended 30 June 2024 was 18,600,894 (2023: 5,819,873). Significant items included in the year end loss are the following:

- Interest income of 1,821,876 (2023: 268,967) earned on term deposits held by the Group.
- Exploration and evaluation expenses of 14,831,671 (2023: 10,627,458) in relation to the Group's projects in Malawi. This is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore and up to the completion of feasibility studies;
- Non-cash share-based payments expenses totalling 2,303,201 (2023: 2,083,592) relating to performance rights. The fair 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;
- Business development expenses of 2,340,819 (2023: 2,096,822) which includes the Group's investor and shareholder relations activities including but not limited to public relations costs, marketing and digital marketing, broker and advisor fees, travel costs, conference fees, business development consultant fees and costs of the Group's ASX and AIM listings; and
- A one-off gain of in 2023 of 9,480,980 (2024: nil) from the demerger of NGX Limited (NGX) and its graphite projects relating to the difference between the fair value of the in-specie distribution of NGX shares to existing Sovereign shareholders and the carrying value of the net assets demerged, less costs.

Financial Position

As at 30 June 2024, the Group had cash and cash equivalents of 31,564,130 as at 30 June 2024 (2023: 5,564,376) and no debt (2023: nil). The Group had net assets of 34,358,774 at 30 June 2024 (2023: 9,672,569), an increase of 24,686,205 or approximately 72% compared with the previous year. This is largely attributable to the increase in cash reserves following the investment made by Rio Tinto in the year.

Following the additional 19.1 million invested by Rio Tinto since 30 June 2024, Sovereign remains in strong financial position with cash at bank of approximately 43 million and no debt.

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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.

http://www.ms-pdf.londonstockexchange.com/ms/7313F_1-2024-9-26.pdf

http://www.ms-pdf.londonstockexchange.com/ms/7313F_2-2024-9-26.pdf

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