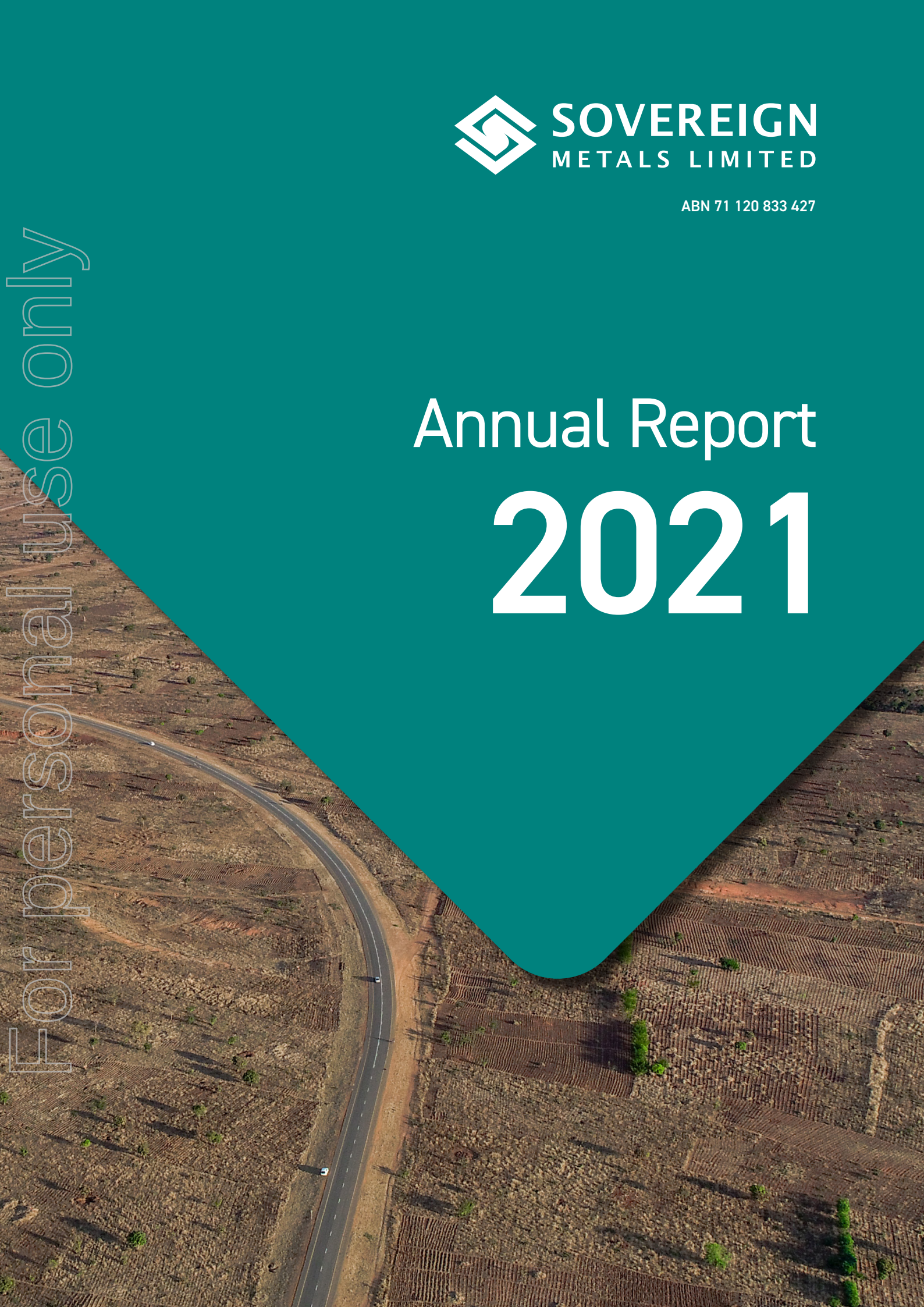
SOVEREIGN METALS LIMITED

ABN 71 120 833 427

Annual Report 2021



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CORPORATE DIRECTORY

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

COMPANY SECRETARY
Mr Dylan Browne

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ASX CODE
SVM – Fully paid ordinary shares

SOLICITORS
Thomson Geer

AUDITOR
Deloitte Touche Tohmatsu

BANKERS
Australia - National Australia Bank Limited,
Australia and New Zealand Banking Group Limited
Malawi - Standard Bank

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DIRECTORS' REPORT
30 June 2021

The Directors of Sovereign Metals Limited present their report on the Group consisting of Sovereign Metals Limited ("the Company" or "Sovereign" or "Parent") and the entities it controlled at the end of, or during, the year ended 30 June 2021 ("Group").

OPERATING AND FINANCIAL REVIEW

Sovereign is focused on the exploration and development of its newly identified, world-class rutile province in Malawi. The Company recently achieved a major technical milestone with the announcement of the maiden Mineral Resource Estimate ("MRE") for Kasiya, the Company's flagship, large, high-grade rutile deposit.

Kasiya is a strategic and globally significant natural rutile discovery with substantial additional resource growth expected. The maiden MRE covers 49km^2 or just 38% of the total 129km^2 (Kasiya 89km^2 + Nsaru 40km^2) drill-defined rutile-mineralised footprint.

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

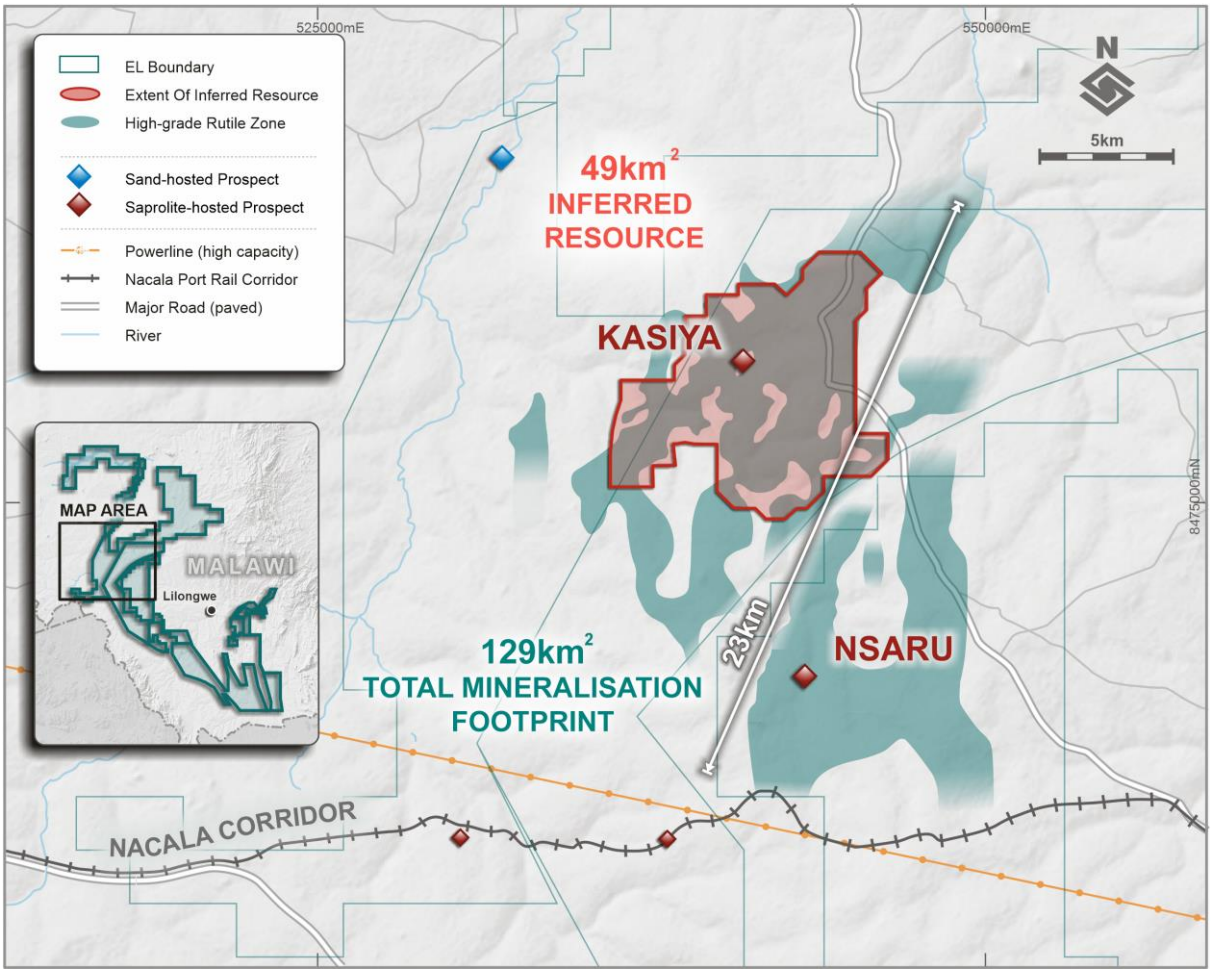

Figure 1. Map of the extensive, drill-defined mineralised footprint at Kasiya and Nsaru with the MRE area shown in addition to the substantial growth potential.

Sovereign's discovery of its large high-grade rutile province represents a potentially major new source of global supply of high-grade primary natural rutile to a market in significant supply deficit and an opportunity to displace significant CO_2 emissions created by upgraded alternatives.

The Company is completing a Scoping Study ("Study") which is targeting a large-scale natural rutile operation that could fill some of the existing supply deficit with the purest and most environmentally sustainable titanium feedstock. The objective is to develop a large-scale, long life, environmentally sustainable and socially responsible natural rutile operation.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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

- Exploration activities culminated in the Company's maiden rutile MRE establishing Kasiya as one of the largest natural rutile deposits in the world.
- Kasiya's MRE is 644Mt at 1.01% rutile (0.7% cut-off) including a high-grade component of 137Mt at 1.41% rutile (1.2% cut-off).
- All mineralisation within the MRE occurs in a single and coherent deposit with much of the high-grade material occurring within the top ~5 metres from surface.
- Drilling during the period resulted in;
  - Increasing the size of the high-grade mineralised envelope at Kasiya to over 89km^2; and
  - The discovery of a significant new area of high-grade rutile mineralisation at Nsaru of ~40km^2, located within the same geological domain as Kasiya.
- Bulk scale (1 tonne) metallurgical test-work produced high-grade, premium quality rutile with a high recovery, via simple, conventional processing methods.
- Appointment of Mr Ben Stoikovich an experienced London mining executive with strong Environmental, Social and Governance ("ESG") creditentials to strengthen the Board as a Non-Executive Director.
- Life Cycle Assessments confirmed Sovereign's natural rutile could potentially eliminate significant global titanium industry CO_2 emissions.
- Sovereign has established an ESG Advisory Committee to ensure and integrate sustainability best practices and support the Board in unlocking a major new source of natural rutile.
- Key management appointments with the recruitment of mineral sands veteran, Mr Paul Marcos as Head of Development and highly experienced Study Manager, Mr Russell Bradford.
- Scoping Study well underway with the engagement of internationally recognised consultants to lead the study with completion targeted for late 2021.
- Site visit with Government delegation led by Malawi's Honourable Minister of Mining, Mr Rashid Gaffer.
- The rutile market is in supply deficit with prices rising steadily over the last 12 months.
- Successful completion of an A$8m placement to Northern Hemisphere-based Institutional investors.

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Kasiya JORC Mineral Resource Estimate

In June 2021, the Company achieved a major technical milestone with release of the maiden MRE for Kasiya, the Company's flagship, large high-grade rutile deposit in Malawi.

Kasiya is a strategic and globally significant natural rutile discovery with substantial additional resource growth expected. All mineralisation within the MRE occurs in a single, large, and coherent deposit with much of the high-grade material occurring within the top ~5 metres from surface.

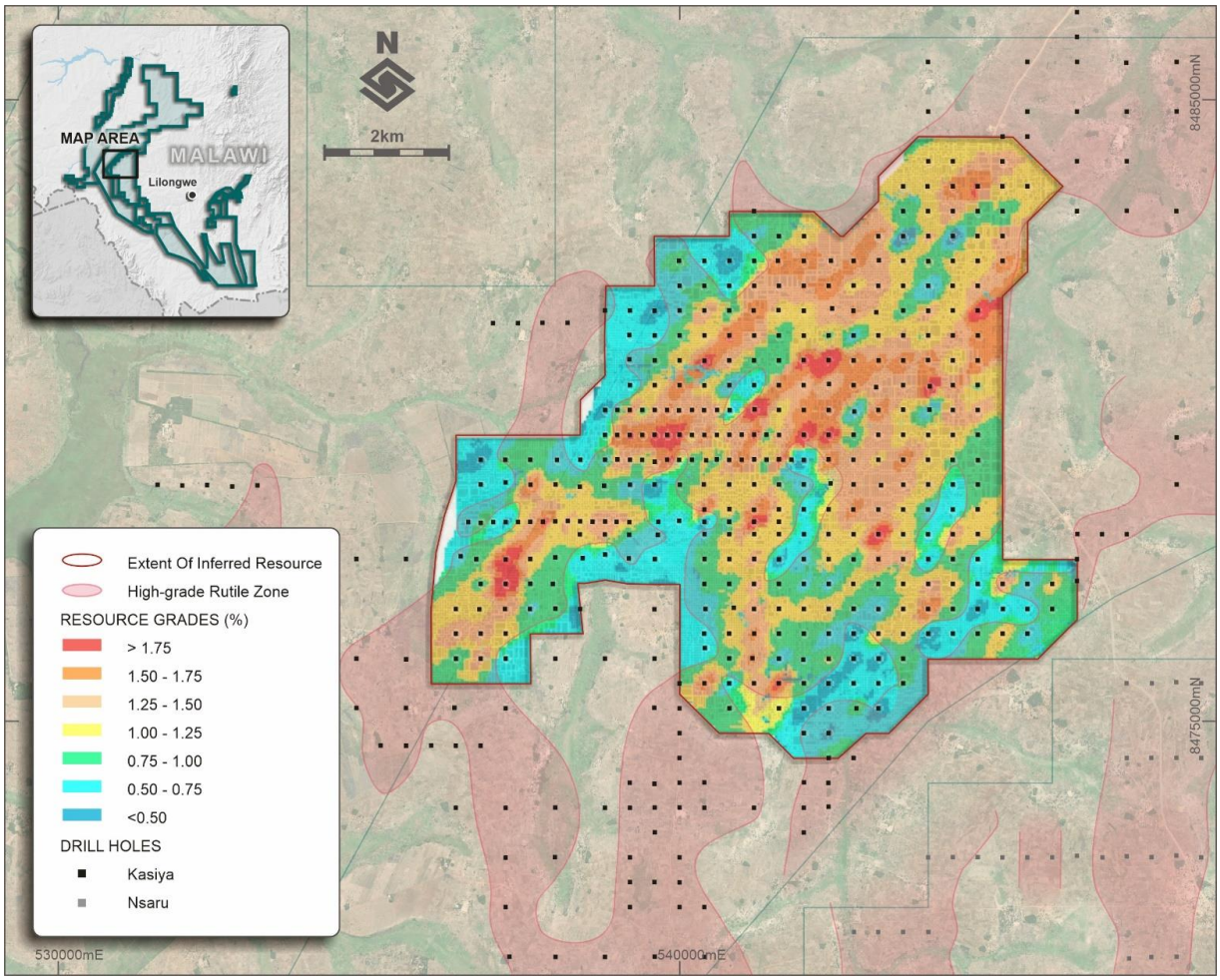


Figure 2: Kasiya MRE block model showing rutile grades in the uppermost blocks

The Kasiya MRE is presented at various cut-off grades below. As indicated in Table 1 below and Figure 2 above, the MRE has broad zones of very high-grade rutile which occur contiguously across large areas. The highlighted cut-off of 0.70% presents a rutile grade of 1.01% which places Kasiya as one of the largest known rutile deposits in the world and shows it to be directly comparable to its closest peer, Sierra Rutile.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

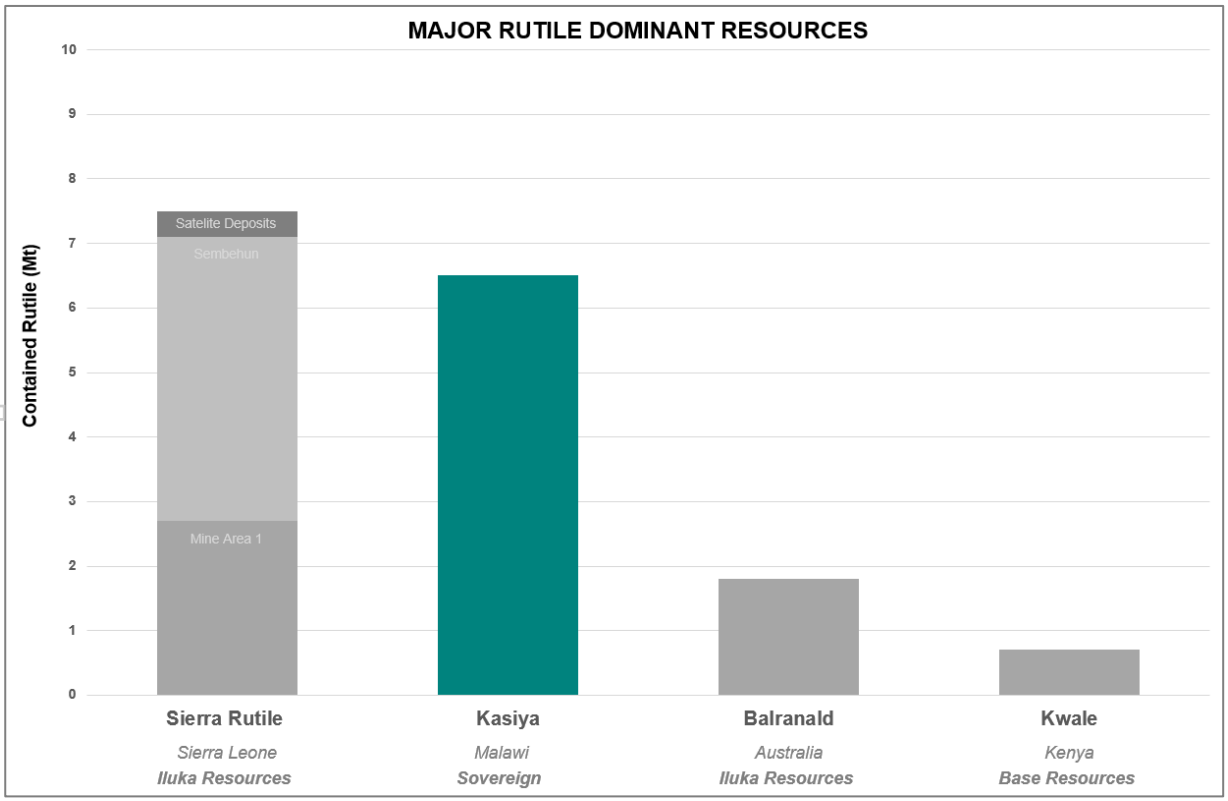
Resource (Mt)	Rutile Grade	Contained Rutile (Mt)	Cut-off
1,109	0.82%	9.1	0.40%
974	0.87%	8.5	0.50%
811	0.93%	7.6	0.60%
644	**1.01%**	**6.5**	0.70%
491	1.09%	5.3	0.80%
362	1.17%	4.2	0.90%
265	1.26%	3.3	1.00%
195	1.33%	2.6	1.10%
137	**1.41%**	**1.9**	1.20%
93	1.49%	1.4	1.30%
59	1.57%	0.9	1.40%
35	1.65%	0.6	1.50%

Table 1: Kasiya Maiden MRE. All mineralisation is classified as Inferred.

Globally Significant

Natural rutile is traditionally a by-product or co-product from mineral sands mining where ilmenite is commonly the dominant mineral in the assemblage, alongside lesser natural rutile and zircon. Natural rutile is considered to be a genuinely scarce commodity, with no other known large rutile dominant deposits being discovered in the last half century.

When compared to the other major rutile-dominant resources, Kasiya sits alongside Sierra Rutile as one of the top two deposits globally. Future resource growth could see Kasiya potentially become the world's largest and pre-eminent rutile deposit, with central Malawi potentially set to become the largest rutile province in the world.



Sources: Refer to Table 2

Figure 3: Major rutile dominant resources.

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Current sources of natural rutile are in decline as several operations' reserves are depleting concurrently with declining ore grades. These include Iluka Resources' ("Iluka") Sierra Rutile and Base Resources' Kwale operations in Kenya. Recent announcements by Iluka and Rio Tinto advising of the potential suspension of operations at Sierra Rutile and disruptions at Richards Bay Minerals ("RBM") may cause significant product volumes to be removed from the market in the near to medium term. Additionally, there are limited new deposits forecast to come online, and hence supplies of natural rutile are likely to remain in structural deficit.

Company[1]	Project	Resource (Mt)	In-situ Grade			Contained Rutile (Mt)
			Rutile (%)	Ilmenite (%)	Zircon (%)	
Iluka Resources	Sierra Rutile	715	1.10%	0.90%	0.10%	7.5
Sovereign Metals	**Kasiya**	**644**	**1.01%**	**-**	**-**	**6.5**
Iluka Resources	Balranald [2]	46	3.90%	19.9%	3.60%	1.8
Base Resources	Kwale	194	0.37%	1.31%	0.17%	0.7

Table 2: Summary of major rutile dominant resources.

Notes:
1. Projects selected with rutile contributing over 30% of the in-situ value
2. The Balranald Project is being investigated for underground mining by Iluka

Sources:
Base Resources – Kwale: Updated Kwale North Dune and maiden Bumamani Mineral Resource Estimate (released on ASX 19/02/2021)
Iluka Resources – Sierra Rutile: Iluka Resources Limited's 2020 Annual Report (released on ASX 25/02/2021)
Iluka Resources – Balranald: Iluka Resources Demerger Briefing Presentation (released on ASX 10/09/2020)

Scoping Study Underway

The Company has commenced a Study which is targeting a large-scale natural rutile operation that aims to fill some of the existing supply deficit with the purest and most environmentally sustainable titanium feedstock. Sovereign has established a high-quality study team led and supported by internationally recognised consultants with a strong owner's team. Two core drilling rigs have been in operation at Kasiya with the program designed to bring the central, high grade areas of rutile mineralisation at Kasiya into the JORC Indicated category to underpin the Study.

The Study is the next major milestone for the Company to move the Kasiya Rutile Project closer towards potential production. The Company is looking forward to presenting a robust Study in late 2021.



Figure 4: Core rig across the Kasiya deposit.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Carpentaria Joint Venture

In December 2020, Sovereign agreed terms with Renegade Exploration Limited ("RNX") to divest its Joint Venture Interest in the Carpentaria Joint Venture Agreement (Carpentaria JVA) with Mount Isa Mines Limited ("MIM"), a subsidiary of Glencore plc ("Transaction").

Sovereign has divested its interest of ~23% in the Carpentaria JVA on the following terms:

- Immediate payment of $100,000 or the issue of 15m Renegade shares;
- On the twelve-month anniversary the payment of $100,000 or the issue of 10m Renegade shares; and
- On the twenty-four-month anniversary the payment of $150,000 or the issue of 10m Renegade shares.

Sovereign can elect to receive cash, shares or a combination of both. Any shares issued will be subject to a three month escrow period.

On 3 May 2021, the Transaction completed with Sovereign electing to receive 15 million shares in RNX.

COVID-19

The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the Australian, Malawian and other governments, and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. As at 30 June 2021, these impacts have not had a significant effect on the Group's financial results or operations. However, as the impact of COVID-19 continues to evolve, including changes in government policy and business reactions thereto, if our staff are unable to work or travel due to illness or government restrictions, we may be forced to reduce or suspend our exploration and development activities. In addition, as the COVID-19 pandemic and mitigation measures have also negatively impacted global economic conditions, this, in turn, could adversely affect our business in the future. Due to the continually evolving nature of COVID-19 the Directors cannot reasonably estimate the effects that the COVID-19 pandemic could have on future periods. There is uncertainty about the length and potential impact of any resultant disturbance and therefore, the Directors are unable to estimate the potential impact on the Group's future operations as at the date of these Financial Statements.

Corporate

Sovereign successfully completed an A$8.0 million (gross proceeds) placement from Northern Hemisphere based institutional investors via the issue of 20,000,000 new ordinary shares of the Company at an issue price of A$0.40 plus a one-for-two unlisted option with an exercise price of A$0.50 and 12 month expiry (Placement).

Sprott Capital Partners LP acted as exclusive financial advisor with affiliates of the Sprott Group (Sprott) participating in the Placement. Sprott is a leading North American-based asset management firm with an enviable track record of identifying and funding successful early stage resource projects.

During and since the end of the financial year, the Company raised a further $2.6 million through the exercise of 18,269,766 options.

Results of Operations

The net loss of the Group for the year ended 30 June 2021 was $5,067,300 (2020: $3,050,844). This loss is predominately 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. During the year, exploration expenditure totalled $2,884,311 (2020: $2,330,875) in relation to the Group's projects in Malawi. In the current financial year, the net loss also includes share-based payments expenses totalling $1,263,007 (2020: gain $126,626) relating to performance rights and incentive options. The fair value of performance rights and incentive options are recognised over the vesting period of the incentive security.

Financial Position

As at 30 June 2021, the Group had a net current asset surplus of $7,440,390 (2020: 2,005,243). The Group had cash and cash equivalents of $7,957,660 as at 30 June 2021 (2020: $2,364,525) and borrowings of nil (2020: $nil). The Group had net assets of $15,076,255 at 30 June 2021 (2020: $9,298,138), an increase of $5,778,117 or approximately 62% compared with the previous year. The increase is largely driven by the loss incurred for the financial year offset by the amounts raised through the placements and exercise of options.

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Business Strategies and Prospects for Future Financial Years

The objective of the Group is to create long-term shareholder value through the discovery, development and acquisition of technically and economically viable mineral deposits.

To date, the Group has not commenced production of any minerals. To achieve its objective, the Company currently has the following business strategies and prospects over the medium to long term:

- Complete a Scoping Study to establish a cost profile and determine the potential economics of the Kasiya rutile project;
- Conduct further exploration programs across rutile targets identified on the Company's tenements; and
- Continue to examine other new business development opportunities in the resources sector, both locally and overseas.

All of these activities are inherently risky and the Board is unable to provide certainty that any or all of these developments will be able to be achieved. The material business risks faced by the Company that are likely to have an effect on the Group's future prospects, and how the Group manages these risks, include:

- **The Company's exploration properties may never be brought into production** – The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. To mitigate this risk, the Company will undertake systematic and staged exploration and testing programs on its mineral properties and, subject to the results of these exploration programs, the Company will then progressively undertake a number of technical and economic studies with respect to its projects prior to making a decision to mine. However there can be no guarantee that the studies will confirm the technical and economic viability of the Company's mineral properties or that the properties will be successfully brought into production;
- **The Company's activities will require further capital** – The exploration and any development of the Company's exploration properties will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- **The Company is subject to sovereign risk of the Republic of Malawi –** The Company's operations in the Republic of Malawi are exposed to various levels of political, economic and other risks and uncertainties. The Republic of Malawi is a developing country and there can be no assurances that the risks of operating in the Republic of Malawi will not directly impact the Company's operations;
- **The Company may be adversely affected by fluctuations in commodity prices and/or foreign exchange –** The price of rutile, graphite and other commodities fluctuates widely and is affected by numerous factors beyond the control of the Company. Future production, if any, from the Company's mineral properties will be dependent upon the price of graphite and other commodities being adequate to make these properties economic. Current and planned development activities are predominantly denominated in US dollars and the Company's ability to fund these activities may be adversely affected if the Australian dollar continues to fall against the US Dollar. The Company currently does not engage in any hedging or derivative transactions to manage commodity price or foreign exchange risk. As the Company's operations change, this policy will be reviewed periodically going forward; and
- **Global financial conditions may adversely affect the Company's growth and profitability** – Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. Due to the current nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth and ability to finance its activities.

DIRECTORS

The names of Directors in office at any time during or since the end of the financial year 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

Unless otherwise disclosed, Directors held their office from 1 July 2020 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Ian Middlemas

Chairman
Qualifications – B.Com, CA

Mr Middlemas is a Chartered Accountant and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director of a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director and Chairman of Sovereign Metals Limited on 20 July 2006. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Constellation Resources Limited (November 2017 – present), Apollo Minerals Limited (July 2016 – present), Peregrine Gold Limited (September 2020 – present), Paringa Resources Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), Prairie Mining Limited (August 2011 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), Odyssey Gold Limited (September 2005 – present), Piedmont Lithium Limited (September 2009 – December 2020) and Cradle Resources Limited (May 2016 – July 2019).

Julian Stephens

Managing Director
Qualifications – B.Sc (Hons), PhD, MAIG

Dr Stephens originally identified and secured the Malawi properties acquired by Sovereign in 2012. He has since been closely involved with the subsequent exploration and development of these projects, including the discovery of the Kasiya rutile deposit.

Dr Stephens has extensive experience in the resources sector having spent in excess of 25 years in board, executive management, senior operational and economic geology research roles for a number of companies. He has spent over a decade working on African projects, particularly projects in Malawi. Dr Stephens holds a PhD from James Cook University, Queensland and is a member of the Australian Institute of Geoscientists. Dr Stephens was appointed a Director of Sovereign Metals Limited on 22 January 2016 and subsequently appointed Managing Director on 27 June 2016. During the three year period to the end of the financial year, Dr Stephens did not hold any other directorships in publicly listed companies.

Benjamin Stoikovich

Non-Executive Director
Qualifications – B.Eng, M.Eng, M.Sc, CEng, CEnv

Mr Stoikovich is a mining engineer and professional corporate finance executive. He has extensive experience in the resources sector gained initially as an underground Longwall Coal Mining Engineer with BHP Billiton where he was responsible for underground longwall mine operations and permitting, and more recently as a senior executive within the investment banking sector in London where he gained experience in mergers and acquisitions, debt and off take financing.

He has a Bachelor of Mining Engineering degree from the University of NSW; a Master of Environmental Engineering from the University of Wollongong; and a M.Sc in Mineral Economics from Curtin University. Mr Stoikovich also holds a 1st Class Coal Mine Managers Ticket from the Coal Mine Qualifications Board (NSW, Australia) and is a registered Chartered Engineer (CEng) and Chartered Environmentalist (CEnv) in the United Kingdom. Mr Stoikovich was appointed a Director of the Company on 13 October 2020. During the three year period to the end of the financial year, Mr Stoikovich has held directorships in Prairie Mining Limited (June 2013 – present).

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Mark Pearce
Non-Executive Director
Qualifications – B.Bus, CA, FCIS, FFin

Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and a member of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director of Sovereign Metals Limited on 20 July 2006. During the three year period to the end of the financial year, Mr Pearce has held directorships in Constellation Resources Limited (July 2016 – present), Prairie Mining Limited (August 2011 – present), Equatorial Resources Limited (November 2009 – present), Peregrine Gold Limited (September 2020 – present), Odyssey Gold Limited (September 2005 – August 2020), Apollo Minerals Limited (July 2016 – February 2021), Salt Lake Potash Limited (August 2014 – October 2020) and Piedmont Lithium Limited (September 2009 – August 2018).

Mr Dylan Browne
Company Secretary
Qualifications – B.Com, CA, AGIA ACG

Mr Browne is a Chartered Accountant and Associate Member of the Governance Institute of Australia (Chartered Secretary) who is currently Company Secretary for a number of ASX and European listed companies that operate in the resources sector. He commenced his career at a large international accounting firm and has since been involved with a number of exploration and development companies operating in the resources sector, based in London and Perth, including Berkeley Energia Limited, Apollo Minerals Limited, Prairie Mining Limited and Papillon Resources Limited. Mr Browne successfully listed Prairie on the Main Board of the London Stock Exchange and the Warsaw Stock Exchange in 2015 and oversaw Berkeley's listings on the Main Board LSE and the Madrid, Barcelona, Bilboa and Valencia Stock Exchanges. Mr Browne was appointed Company Secretary of the Company on 29 April 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year consisted of mineral exploration, identification and appraisal of resource projects. No significant change in the nature of these activities occurred during the year.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2021.

LOSS PER SHARE

	2021 Cents	2020 Cents
Basic and diluted loss per share	(1.27)	(0.83)

CORPORATE STRUCTURE

Sovereign Metals Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report including the entities it incorporated and controlled during the financial year.

CONSOLIDATED RESULTS

	2021 $	2020 $
Loss of the Group before income tax expense	(5,067,300)	(3,050,844)
Income tax expense	-	-
Net loss	**(5,067,300)**	**(3,050,844)**

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year not otherwise disclosed in this report.

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SIGNIFICANT POST BALANCE DATE EVENTS

Subsequent to 30 June 2021, the Company issued 2,160,500 ordinary shares upon the conversion of options, raising $380,250.

There are no other matters or circumstances which have arisen since 30 June 2021 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2021 of the Group;
- the results of those operations, in financial years subsequent to 30 June 2021 of the Group; or
- the state of affairs, in financial years subsequent to 30 June 2021 of the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Group during the financial year.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has entered into Deeds of Indemnity with the Directors indemnifying them against certain liabilities and costs to the extent permitted by law.

The Group has paid, or agreed to pay, a premium in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies for the 12 months ended 30 June 2021 and 2020, which cover all Directors and officers of the Group against liabilities to the extent permitted by the Corporations Act 2001. The policy conditions preclude the Group from any detailed disclosures including the premium amount paid.

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF SOVEREIGN

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in Securities at the Date of this Report				
Current Directors	Ordinary Shares[(i)]	$0.14 Incentive Options[(ii)]	Performance Rights - Scoping Study Milestone[(iii)]	Performance Rights – Feasibility Study Milestone[(iv)]	Performance Rights – Decision to Mine Milestone[(v)]
Ian Middlemas	16,100,000	-	-	-	-
Julian Stephens	13,317,518	2,000,000	900,000	900,000	1,200,000
Benjamin Stoikovich	2,150,000	1,500,000	360,000	360,000	480,000
Mark Pearce[(vi)]	4,070,842	-	-	-	-

Notes:

(i) "Ordinary Shares" means fully paid ordinary shares in the capital of the Company;
(ii) "$0.14 Incentive Options" means an option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $0.14 on or before 30 June 2022;
(iii) "Performance Rights – Scoping Study Milestone" means an unlisted performance right that converts to one Share in the capital of the Company upon satisfaction of the relevant milestone;
(iv) "Performance Rights – Feasibility Study Milestone" means an unlisted performance right that converts to one Share in the capital of the Company upon satisfaction of the relevant milestone;
(v) "Performance Rights – Decision to Mine Milestone" means an unlisted performance right that converts to one Share in the capital of the Company upon satisfaction of the relevant milestone.; and
(vi) Subject to shareholder approval, the Company has agreed to issue Mr Pearce, 225,000, 225,000 and 300,000 Performance Rights subject to the Scoping Study, Feasibility Study and Decision to Mine Milestones respectively.

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SHARE OPTIONS AND PERFORMANCE RIGHTS

At the date of this report the following options and rights have been issued by the Company over unissued capital:

- 2,500,000 $0.18 Incentive Options that expire on 31 July 2022;
- 7,375,000 $0.14 Incentive Options that expire on 30 June 2022;
- 2,000,000 $0.18 Incentive Options that expire on 30 June 2022;
- 9,839,500 $0.50 Incentive Options that expire on 9 April 2022;
- 4,360,000 Performance Rights subject to the Scoping Study Milestone that expire on 31 December 2021;
- 5,070,000 Performance Rights subject to the Feasibility Study Milestone that expire on 31 December 2023; and
- 7,370,000 Performance Rights subject to the Decision to Mine Milestone that expire on 31 October 2025.

During the year ended 30 June 2021 and up to the date of this report, 18,269,766 ordinary shares have been issued as a result of the exercise of options.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2021, and the number of meetings attended by each Director.

Current Directors	Board Meetings Eligible to Attend	Board Meetings Attended
Ian Middlemas	2	2
Julian Stephens	2	2
Benjamin Stoikovich	1	1
Mark Pearce	2	2

There were no Board committees during the financial year. The Board as a whole currently performs the functions of an Audit Committee, Risk Committee, Nomination Committee and Remuneration Committee. However this will be reviewed should the size and nature of the Company's activities change.

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of KMP

The KMP of the Group during or since the end of the financial year is as follows:

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

Other KMP

Mr Sam Cordin	Business Development Manager

Unless otherwise disclosed, the KMP held their position from 1 July 2020 until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- the Group is currently focused on undertaking exploration, appraisal and development activities;
- risks associated with small cap resource companies whilst exploring and developing projects; and
- other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (options, performance rights and a cash bonus, see below). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive

Some executives are entitled to an annual cash bonus upon achieving various key performance indicators ("KPI's"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as the successful completion of business development activities (e.g. project acquisition and capital raisings) and exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs). The Board assesses performance against these criteria annually.

During the 2021 financial year, a total bonus sum of $65,000 (2020: $nil) was paid to executives after achievement of KPIs set by the Board. For the 2021 year, the KPI areas of focus included: (a) completion of successful exploration activities; (b) completion of successful development activities; and (c) completion of successful corporate activities. Specific KPIs are set and weighted individually for each KMP and are designed to drive successful business outcomes.

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Performance Based Remuneration – Long Term Incentive

The Group has a long-term equity incentive plan ("Incentive Plan") comprising the grant of Performance Rights and/or Incentive Options to reward KMP and key employees and contractors for long-term performance. To achieve its corporate objectives, the Group needs to attract, incentivise, and retain its key employees and contractors. The Board believes that grants of Performance Rights and/or Incentive Options to KMP will provide a useful tool to underpin the Group's employment and engagement strategy.

(i) Performance Rights

The Group has an Incentive Plan that provides for the issuance of unlisted performance share rights ("Performance Rights") which, upon satisfaction of the relevant performance conditions attached to the Performance Rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

The Incentive Plan enables the Group to: (a) recruit, incentivise and retain KMP and other key employees and contractors needed to achieve the Group's business objectives; (b) link the reward of key staff with the achievement of strategic goals and the long-term performance of the Group; (c) align the financial interest of participants of the Plan with those of Shareholders; and (d) provide incentives to participants of the Incentive Plan to focus on superior performance that creates Shareholder value.

Performance Rights granted under the Incentive Plan to eligible participants will be linked to the achievement by the Group of certain performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. Upon Performance Rights vesting, Ordinary Shares are automatically issued for no consideration. If a performance condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

During the financial year, 14,100,000 Performance Rights were granted under the Plan of which 5,400,000 were to KMP with a further 750,000 subject to shareholder approval. No Performance Rights held by KMP lapsed during the financial year nor did any convert into ordinary shares.

(ii) Incentive Options

The Group has an Incentive Plan that provides for the issuance of unlisted incentive options ("Incentive Options") as part of remuneration and incentive arrangements in order to attract and retain services and to provide an incentive linked to the performance of the Group. The Board's policy is to grant Incentive Options to KMP with exercise prices at or above market share price (at the time of agreement). As such, the Incentive Options granted to KMP are generally only of benefit if the KMP performs to the level whereby the value of the Group increases sufficiently to warrant exercising the Incentive Options granted. Other than service-based vesting conditions (if any) and the exercise price required to exercise the Incentive Options, there are no additional performance criteria on the Incentive Options granted to KMP, as given the speculative nature of the Group's activities and the small management team responsible for its running, it is considered that the performance of the KMP and the performance and value of the Group are closely related. The Group prohibits executives from entering into arrangements to limit their exposure to Incentive Options granted as part of their remuneration package.

During the financial year, no Incentive Options were granted to KMP. 7,375,000 Incentive Options were exercised by executives during the financial year. No Incentive Options held by executives lapsed during the financial year.

Remuneration Policy for Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, incentive options and performance rights have been used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors have received incentive options and performance rights in order to secure their services and as a key component of their remuneration.

Fees for the Chairman are presently $36,000 per annum (2020: $36,000) and fees for Non-Executive Directors' are $20,000 per annum (2020: $20,000). The Directors accepted a 25% reduction in their fees, effective 1 May 2020 to 30 September 2020. These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees. There were no other committees during the year.

REMUNERATION REPORT (AUDITED) - CONTINUED

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. However, as noted above, a number of KMP have received incentive options which generally will only be of value should the value of the Company's shares increase sufficiently to warrant exercising the Incentive Options, and performance rights which are linked to the achievement of certain performance conditions.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

General

In addition to a focus on operating activities, the Board is also focused on finding and completing new business and other corporate opportunities. The Board considers that the prospects of the Company and resulting impact on shareholder wealth will be enhanced by this approach. Accordingly, the Board may pay a bonus or issue securities to KMP (executive or non-executive) based on their success in generating suitable new business or other corporate opportunities. A bonus may be paid or an issue of securities may also be made upon the successful completion of a new business or corporate transaction.

Where required, KMP receive superannuation contributions, equal to 9.5% of their salary, and do not receive any other retirement benefit. From time to time, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation. Effective 1 July 2021, the superannuation contribution rate is 10%.

All remuneration paid to KMP is valued at cost to the Company and expensed. Incentive options are valued using the Black Scholes option valuation methodology. The value of these incentive options is expensed over the vesting period. The fair value of performance rights granted is estimated as at the date of grant using the share price at the grant date. The value of the performance right is expensed over the vesting period.

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Remuneration of KMP

Details of the nature and amount of each element of the remuneration of each KMP of the Company for the year ended 30 June 2021 and 30 June 2020 are as follows:

2021	Short-Term Benefits: Salary & Fees $	Short-Term Benefits: Cash Bonus $	Post Employment Superann-uation $	Equity Options/ Rights $	Other Non-Cash Benefits $	Total $	Percentage Performance Related %
Directors							
Ian Middlemas	33,750	-	3,206	-	-	36,956	-
Julian Stephens	265,313	50,000	25,205	289,547	-	630,065	54
Benjamin Stoikovich[(i)]	73,792	-	-	115,819	-	189,611	61
Mark Pearce	18,750	-	1,781	42,528[(iii)]	-	63,059	67
Other KMP							
Sam Cordin[(iv)]	111,938	15,000	12,059	117,806	-	256,803	52
	503,543	**65,000**	**42,251**	**565,700**	**-**	**1,176,494**[(ii)]	

2020	Short-Term Benefits: Salary & Fees $	Short-Term Benefits: Cash Bonus $	Post Employment Superann-uation $	Equity Options/ Rights $	Other Non-Cash Benefits $	Total $	Percentage Performance Related %
Directors							
Ian Middlemas	34,500	-	3,273	-	-	37,773	-
Julian Stephens	206,042	-	19,574	3,199	-	228,815	1
Mark Pearce	19,167	-	1,821	-	-	20,988	-
Other KMP							
Sam Cordin	158,125	-	15,022	38,188	-	211,335	18
	417,834	**-**	**39,690**	**41,387**	**-**	**498,911**[(ii)]	

Notes:

(i) Non-Executive Director fees of $20,000 per annum effective as of date of appointment 13 October 2020. Additionally, Selwyn Capital Limited ("Selwyn"), a company associated with Mr Stoikovich is engaged under an agreement to provide consulting services to the Group, at a daily rate of £800. These fees included in Mr Stoikovich's salary and fees above amount to AUD$59,437.

(ii) KMP accepted a 25% reduction in salaries and fees for the period 1 May 2020 to 30 September 2020; and

(iii) Subject to shareholder approval, the Company has granted Director, Mr Mark Pearce, 225,000 Scoping Study Milestone Performance Rights, 225,000 Feasibility Study Milestone Performance Rights and 300,000 Decision to Mine Milestone Performance Rights which have been provisionally expensed as at 30 June 2021 but not issued.

(iv) Mr Cordin's role was reduced to 60% during the period 1 October 2020 to 30 June 2021. Effective 1 July 2021, the role has reverted to 100%.

REMUNERATION REPORT (AUDITED) - CONTINUED

Incentive Option and Peformance Right Holdings of KMP

2021	Held at 1 July 2020 (#)	Granted as Compen-sation (#)	Options/ Rights Exercised (#)	Options/ Rights Expired (#)	Net Change Other (#)	Held at 30 June 2021 (#)	Vested and Exercisable at 30 June 2021 (#)
Directors							
Ian Middlemas	-	-	-	-	-	-	-
Julian Stephens	6,500,000	3,000,000	(4,500,000)	-	-	5,000,000	2,000,000
Benjamin Stoikovich	3,000,000[(i)]	1,200,000	(1,500,000)	-	-	2,700,000	1,500,000
Mark Pearce[(ii)]	-	-	-	-	-	-	-
Other KMP							
Sam Cordin	4,250,000	1,200,000	(1,375,000)	-	-	4,075,000	2,875,000

Notes:

(i) As at date of appointment.
(ii) Subject to shareholder approval, the Company has granted Director, Mr Mark Pearce, 750,000 Performance Rights which have been provisionally expensed as at 30 June 2021 but not issued.

Incentive Securities Granted to KMP

Details of unlisted incentive securities granted by the Company to KMP of the Group during the past two financial years are as follows:

	Options/ Rights	Grant Date	Expiry Date	Exercise Price $	Grant Date Fair Value[(i)] $	No. Granted[(ii)]	Total Value of Options/ Rights Granted $	No. Vested at 30 June 2021[(iii)]
Director								
Julian Stephens	Rights	25-Nov-20	31 Dec 21	-	0.36	900,000	324,000	-
	Rights	25-Nov-20	31 Dec 23	-	0.36	900,000	324,000	-
	Rights	25-Nov-20	31 Oct 25	-	0.36	1,200,000	432,000	-
Benjamin Stoikovich	Rights	25-Nov-20	31 Dec 21	-	0.36	360,000	129,600	-
	Rights	25-Nov-20	31 Dec 23	-	0.36	360,000	129,600	-
	Rights	25-Nov-20	31 Oct 25	-	0.36	480,000	172,800	-
Other KMP								
Sam Cordin	Rights	25-Nov-20	31 Dec 21	-	0.36	360,000	129,600	-
	Rights	25-Nov-20	31 Dec 23	-	0.36	360,000	129,600	-
	Rights	25-Nov-20	31 Oct 25	-	0.36	480,000	172,800	-

Notes:

(i) The fair value of the unlisted performance rights as at grant date is consistent with the closing share price of the Company as at that date.
(ii) Each unlisted performance right converts into one ordinary share of Sovereign Metals Limited subject to the performance conditions being met; and
(iii) The vesting conditions are performance conditions as follows:
  a. **Scoping Study Milestone** means announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.
  b. **Feasibility Study Milestone** means announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.
  c. **Decision to Mine Milestone** means announcement of a Decision to Mine for the Malawi Rutile Project.

The performance rights will also immediately vest if a change of control event or financing event occurs in respect of the shares and/or assets of the Company.

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Details of the value of options and rights granted, lapsed or converted for each Key Management Person of the Company or Group during the financial year are as follows:

2021	Value of Options and Rights Granted During the Year $	Value of Options and Rights Exercised During the Year[(i)] $	Value of Options and Rights Lapsed During the Year $	Value Options and Rights included in Remuneration for the Period $	Percentage of Remuneration for the Period that Consists of Options and Rights %
Directors					
Julian Stephens	1,080,000	1,180,000	-	289,547	54
Benjamin Stoikovich	432,000	915,000	-	115,819	61
Mark Pearce[(ii)]	487,500	-	-	42,528	67
Other KMP					
Sam Cordin	432,000	418,750	-	117,806	52

Notes:

(i) Determined at the time of exercise or conversion at the intrinsic value.
(ii) Subject to shareholder approval, the Company has granted Director, Mr Mark Pearce, 225,000 Scoping Study Milestone Performance Rights, 225,000 Feasibility Study Milestone Performance Rights and 300,000 Decision to Mine Milestone Performance Rights which have been provisionally expensed as at 30 June 2021 but not issued.

Loans to/from KMP

No loans were provided to or received from KMP during the year ended 30 June 2021 (2020: Nil).

Shareholdings of KMP

2021	Held at 1 July 2020 (#)	Granted as compensation (#)	On Exercise of Options/ Rights (#)	Purchases/Sell (#)	Net Other Change (#)	Held at 30 June 2021 (#)
Directors						
Ian Middlemas	16,100,000	-	-	-		16,100,000
Julian Stephens	10,067,518	-	4,500,000	(1,250,000)	-	13,317,518
Benjamin Stoikovich	650,000[(i)]	-	1,500,000	-	-	2,150,000
Mark Pearce	4,070,842	-	-	-	-	4,070,842
Other KMP						
Sam Cordin	1,020,000	-	1,375,000	(625,587)	-	1,769,413

Notes:

(i) As at date of appointment.

Other Transactions with KMP

Selwyn Capital Limited ("Selwyn"), a company associated with Mr Stoikovich is engaged under an agreement to provide consulting services to the Company, on a rolling 12-month term that either party may terminate with one month written notice. Selwyn receives a daily rate of £800 under the consulting agreement. This item has been recognised as an expense in the Statement of Comprehensive Income. These services provided during the period in which Mr Stoikovich was a KMP amounted to AUD$59,437.

Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid, or is payable, $210,000 (2020: $225,000) for the provision of serviced office facilities, administration 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. Effective 1 July 2021, the monthly fee has been increased to $25,000. This item has been recognised as an expense in the Statement of Comprehensive Income. The monthly fee of $20,000 was reduced to $15,000 for the 6 months to 31 December 2020.

REMUNERATION REPORT (AUDITED) - CONTINUED

Employment Contracts with KMP

Dr Julian Stephens, Managing Director, has a letter of appointment confirming the terms and conditions of his appointment as Managing Director of the Company dated 27 June 2016. The contract specifies the duties and obligations to be fulfilled by the Managing Director. The contract has a rolling annual term and may be terminated by the Company by giving 3 months' notice. No amount is payable in the event of termination for neglect or incompetence in regards to the performance of duties. As agreed by the Board, Dr Julian Stephens' annual salary was increased to $300,000 plus superannuation with an annual bonus of up to $100,000 payable in two equal instalments upon successful completion of KPIs as determined by the Board effective 1 October 2020.

Mr Sam Cordin, Business Development Manager, has a letter of employment confirming the terms and conditions of his appointment dated 9 August 2018. The contract specifies the duties and obligations to be fulfilled by the Business Development Manager. The letter of employment has no fixed term and can be terminated by either party by giving 2 months' notice. No amount is payable in the event of termination for neglect or incompetence in regards to the performance of duties. As agreed by the Board, Mr Sam Cordin's annual salary was increased to $180,000 plus superannuation with an annual bonus of up to $40,000 payable in two equal instalments upon successful completion of KPIs as determined by the Board effective 1 October 2020.

All Directors have a letter of appointment confirming the terms and conditions of their appointment as a Director.

End of Remuneration Report

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a part for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 19 of the Directors' Report.

This report is made in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Directors



JULIAN STEPHENS
Managing Director

24 September 2021

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AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

24 September 2021

Dear Board Members

Auditor's Independence Declaration to 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 audit of the financial report of Sovereign Metals Limited for the financial year ended 30 June 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 audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pieter Janse van Nieuwenhuizen
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $	2020 $
Continuing Operations			
Interest Income		17,463	28,906
Other income	2(a)	484,834	62,500
Exploration and evaluation expenses		(2,884,311)	(2,330,875)
Corporate and administrative expenses		(548,528)	(340,794)
Share-based payment (expenses)/reversal	18	(1,263,007)	126,626
Business development expenses		(873,751)	(597,207)
Loss before income tax		**(5,067,300)**	**(3,050,844)**
Income tax expense	3	**-**	**-**
Loss for the year		**(5,067,300)**	**(3,050,844)**
Loss attributable to members of the parent		**(5,067,300)**	**(3,050,844)**
Other Comprehensive Income, net of income tax:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on foreign entities		(73,520)	9,104
Other comprehensive income/(loss) for the year, net of income tax		**(73,520)**	**9,104**
Total comprehensive loss for the year		**(5,140,820)**	**(3,041,740)**
Total comprehensive loss attributable to members of Sovereign Metals Limited		**(5,140,820)**	**(3,041,740)**
Basic and diluted loss per share from continuing operations (cents per share)	13	**(1.27)**	**(0.83)**

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	2021 $	2020 $
Current Assets			
Cash and cash equivalents	12(b)	7,957,660	2,364,525
Other receivables	4	149,404	102,581
Other financial assets at fair value through profit or loss		90,000	-
Total Current Assets		**8,197,064**	**2,467,106**
Non-current Assets			
Other receivables	4	150,000	-
Property, plant and equipment	5	315,583	122,613
Exploration and evaluation assets	6	7,170,282	7,170,282
Total Non-current Assets		**7,635,865**	**7,292,895**
TOTAL ASSETS		**15,832,929**	**9,760,001**
Current Liabilities			
Trade and other payables	7	690,676	422,725
Provisions	8	65,998	39,138
Total Current Liabilities		**756,674**	**461,863**
TOTAL LIABILITIES		**756,674**	**461,863**
NET ASSETS		**15,076,255**	**9,298,138**
EQUITY			
Contributed equity	9	55,276,410	44,883,777
Reserves	10	1,775,934	1,323,150
Accumulated losses	11	(41,976,089)	(36,908,789)
TOTAL EQUITY		**15,076,255**	**9,298,138**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Interest received		18,335	37,919
COVID-19 cash flow boost		50,000	50,000
R&D refund received		107,334	-
Payments to suppliers and employees		(4,095,677)	(4,156,847)
Net cash used in operating activities	12(a)	**(3,920,008)**	**(4,068,928)**
Cash flows from investing activities			
Payments for purchase of plant and equipment		(260,340)	(67,345)
Net cash used in investing activities		**(260,340)**	**(67,345)**
Cash flows from financing activities			
Proceeds from issue of shares		10,218,500	2,405,000
Share issue costs		(565,017)	(82,522)
Funds received in advance for exercise of options		120,000	-
Net cash from financing activities		**9,773,483**	**2,322,478**
Net increase/(decrease) in cash and cash equivalents		**5,593,135**	**(1,813,795)**
Cash and cash equivalents at the beginning of the financial year		**2,364,525**	**4,178,320**
Cash and cash equivalents at the end of the financial year	12(b)	**7,957,660**	**2,364,525**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	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 year	-	-	-	(5,067,300)	**(5,067,300)**
Other comprehensive income/(loss)	-	-	(73,520)	-	**(73,520)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(73,520)**	**(5,067,300)**	**(5,140,820)**
Transactions with owners recorded directly in equity					
Placement of Ordinary Shares	8,000,000	-	-	-	**8,000,000**
Issue of Ordinary Shares upon exercise of options	2,218,500				**2,218,500**
Share issue costs	(562,570)	-	-	-	**(562,570)**
Transfer from SBP Reserve	736,703	(736,703)	-	-	**-**
Share-based payments expense	-	1,263,007	-	-	**1,263,007**
Balance at 30 June 2021	**55,276,410**	**1,800,267**	**(24,333)**	**(41,976,089)**	**15,076,255**
Balance at 1 July 2019	**42,365,285**	**1,846,630**	**40,083**	**(34,107,972)**	**10,144,026**
Net loss for the year	-	-	-	(3,050,844)	(3,050,844)
Other comprehensive income/(loss)	-	-	9,104	-	9,104
Total comprehensive income/(loss) for the year	**-**	**-**	**9,104**	**(3,050,844)**	**(3,041,740)**
Transactions with owners recorded directly in equity					
Placement of Ordinary Shares	2,000,000	-	-	-	**2,000,000**
Issue of Ordinary Shares upon exercise of options	405,000				**405,000**
Issue of Ordinary Shares to consultants	109,125	-	-	-	**109,125**
Share issue costs	(142,522)	-	-	-	**(142,522)**
Transfer from SBP Reserve	146,889	(146,889)			**-**
Share-based payments expense	-	(175,751)	-	-	**(175,751)**
Expired Options	-	(250,027)	-	250,027	-
Balance at 30 June 2020	**44,883,777**	**1,273,963**	**49,187**	**(36,908,789)**	**9,298,138**

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

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Sovereign Metals Limited ("Sovereign" or "Company") and its consolidated entities ("Group") for the year ended 30 June 2021 are stated to assist in a general understanding of the financial report. Sovereign is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report of the Group for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 22 September 2021.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") and interpretations adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current financial year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are mandatory for the current annual reporting period. The adoption of these new and revised Standards or Interpretations has had an immaterial impact (if any) on the Group. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(c) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

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 annual reporting period ended 30 June 2021. Those which may be relevant to the Group are set out in the following table, 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

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2021 and the results of all subsidiaries for the year then ended.

Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

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Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, is exposed or has rights to variable returns from its involvement and has the ability to use its power to affect the returns of those entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(e) Exploration and Evaluation Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 *Exploration for and Evaluation of Mineral Resources*, which is the Australian equivalent of IFRS 6. Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred in relation to the acquisition of a project by the Group is accumulated for each area of interest and recorded as an asset if:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
  - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up until the technical feasibility and commercial viability of the project has been demonstrated with a bankable feasibility study.

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Other Receivables

Receivables are recognised and carried at their original amount less an expected credit loss provision. An estimate for the expected credit loss is made based on the historical risk of default and expected loss rates at the inception of the transaction. Inputs are selected for the expected credit loss impairment calculation based on the Group's past history, existing market conditions and forward looking estimates.

(h) Property, Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

	Life
Plant and equipment	2 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

(i) Investments and Other Financial Assets

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

(i) Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss ("FVPL")
- equity instruments at fair value through other comprehensive income ("FVOCI")
- debt instruments at FVOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income or expenses respectively.

Classifications of financial assets are determined by both:

- The entities business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial assets.

(ii) Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method less impairment in accordance with *(iv) Impairment of Financial Assets* below. Interest is recognised by applying the effective interest rate.

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(iii) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iv) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Payables

Trade and other payables are recognised at amortised cost and represent liabilities for the goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days.

(k) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits.

(l) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or other securities (classified as equity) are shown in equity as a deduction, net of tax, from the proceeds.

(m) Other Income Recognition

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Government grants (including research and development refunds, COVID-19 cash flow boost items) are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Government grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Government grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(n) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in equity. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

(o) Dividends

Provision is made for the amount of any dividend declared on or before the end of the period but not distributed at balance date.

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(p) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date using an appropriate valuation model. Where ordinary shares are issued, fair value is determined using volume weighted average price for ordinary shares for an appropriate period prior to the issue of the shares. Further details on how the fair value of equity-settled share-based payments has been determined can be found in Note 18. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period (if applicable), based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

(t) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Use and Revision of Accounting Estimates, Judgements and Assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 6 – Exploration and Evaluation Assets

Impairment of exploration and evaluation assets

The group's accounting policy for exploration and evaluation assets is set out at Note 1(e). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income. Subsequent to the acquisition costs capitalised, no exploration expenditure is currently being capitalised.

- Note 18 – Share-Based Payments

The Group measures the cost of share-based payments issued by reference to the fair value of the equity instruments at the date at which they are granted. Estimation is required at the date of issue to determine the fair value. The fair value is determined using an appropriate valuation model. The accounting estimates and assumptions relating to the equity settled transactions would have no impact on the carrying value of assets and liabilities within the next annual reporting period but may impact expenses and equity.

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	2021 $	2020 $
2. LOSS FROM OPERATIONS		
(a) Other Income		
COVID-19 cash flow boost	37,500	62,500
Gain on sale of interest in Carpentaria joint venture	350,000	-
Research and development rebate	107,334	-
Fair value movements in other financial assets	(10,000)	-
	484,834	**62,500**
(b) Depreciation		
Depreciation of plant and equipment	41,138	62,734
(c) Employee Benefits Expense		
Salaries and wages	976,157	807,944
Defined contribution plan	76,565	66,169
Annual leave provision	30,188	6,455
Non-cash benefits	3,371	5,001
Share-based payments expense	901,714	79,077
	1,987,995	**964,646**

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	2021 $	2020 $
3. INCOME TAX		
(a) Recognised in the Statement of Comprehensive Income		
Current income tax benefit	-	-
Adjustments in respect of current income tax of previous years	1,575	-
Origination and reversal of temporary differences	(526,248)	(451,127)
Deferred tax assets not brought to account	524,673	451,127
Income tax expense reported in the Statement of Comprehensive Income	**-**	**-**
(b) Reconciliation Between Tax Expense and Accounting Loss Before Income Tax		
Accounting loss before income tax	(5,067,300)	(3,050,844)
At the income rate of 30%	(1,520,190)	(915,253)
Expenditure not allowable for income tax purposes	1,038,946	487,828
Capital allowances	(33,754)	(4,952)
Income not assessable for income tax purposes	(11,250)	(18,750)
Adjustments in respect of current income tax of previous years	1,575	-
Deferred tax assets not brought to account	524,673	451,127
Income tax expense reported in the Statement of Comprehensive Income	**-**	**-**
(c) Deferred Income Tax		
Deferred Tax Liabilities		
Accrued interest	-	261
Deferred tax assets used to offset deferred tax liabilities	-	(261)
	-	**-**
Deferred Tax Assets		
Other financial assets	1,711	1,711
Accruals	15,160	13,652
Provisions	19,799	11,741
Capital allowances	37,949	22,213
Tax losses available to offset against future taxable income	5,209,445	4,710,595
Deferred tax assets used to offset deferred tax liabilities	-	(261)
Deferred tax assets not brought to account	(5,284,064)	(4,759,651)
	-	**-**

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(d) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group from 11 January 2007 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Sovereign Metals Limited. The members of the tax consolidated group are identified at Note 15.

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	2021 $	2020 $
4. CURRENT ASSETS – OTHER RECEIVABLES		
Accrued interest	-	871
GST receivable	49,404	21,369
VAT receivable	-	67,841
Consideration – Sale of Carpentaria Joint Venture	100,000	-
Other	-	12,500
	149,404	**102,581**
NON-CURRENT ASSETS – OTHER RECEIVABLES		
Consideration – Sale of Carpentaria Joint Venture	150,000	-
	150,000	**-**

	2021 $	2020 $
5. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT		
(a) Office Furniture and Equipment		
Cost	20,084	22,150
Accumulated depreciation and impairment	(17,573)	(17,685)
	2,511	**4,465**
(b) Computer Equipment		
Cost	130,560	122,668
Accumulated depreciation and impairment	(122,149)	(118,708)
	8,411	**3,960**
(c) Plant & Equipment		
Cost	643,248	465,720
Accumulated depreciation and impairment	(338,587)	(351,532)
	304,661	**114,188**
Net carrying amount	**315,583**	**122,613**
(d) Reconciliation		
Carrying amount at beginning of year, net of accumulated depreciation and impairment	**122,613**	**118,002**
Additions	260,340	64,454
Depreciation charge	(41,138)	(62,734)
Foreign exchange differences	(26,232)	2,891
Carrying amount at end of year, net of accumulated depreciation and impairment	**315,583**	**122,613**

	2021 $	20120 $
6. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS		
Movement in Exploration and Evaluation Assets		
Malawi Project		
Carrying amount at beginning of year	7,170,282	7,170,282
Carrying amount at end of year[(i)]	**7,170,282**	**7,170,282**

Note:

(i) The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

	2021 $	2020 $
7. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade creditors	640,143	377,217
Accrued expenses	50,533	45,508
	690,676	**422,725**

	2021 $	2020 $
8. CURRENT LIABILITIES – PROVISIONS		
Annual leave provisions	65,998	39,138
	65,998	**39,138**

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	2021 $	2020 $
9. CONTRIBUTED EQUITY		
(a) Issued and Paid Up Capital		
421,196,827 fully paid ordinary shares (2020: 385,087,561)	55,276,410	44,883,777
	55,276,410	**44,883,777**

(b) Movements in Ordinary Share Capital During the Current and Prior Financial Periods Were as Follows:

Date	Details	Number of Shares	Issue Price $	$
1 Jul 20	**Opening Balance**	**385,087,561**		**44,883,777**
Various	Exercise of $0.18 incentive options	8,300,000	0.18	1,494,000
Various	Exercise of $0.12 incentive options	850,000	0.12	102,000
9-13 Apr 21	Share placement	20,000,000	0.40	8,000,000
Various	Exercise of $0.10 incentive options	6,000,000	0.10	600,000
18 Jun 21	Exercise of $0.14 incentive options (cashless)	809,266	-	-
30 Jun 21	Exercise of $0.15 incentive options	150,000	0.15	22,500
30 Jun 21	Transfer from SBP reserve upon exercise of options	-	-	736,703
30 Jun 21	Share issue costs	-	-	(562,570)
30 Jun 21	**Closing Balance**	**421,196,827**		**55,276,410**
1 Jul 19	**Opening Balance**	**359,273,673**		**42,365,285**
8 Nov 19	Issue of shares to a consultant	125,000	0.105	13,125
11 Feb 20	Share placement	22,222,222	0.09	2,000,000
11 Feb 20	Issue of shares to a consultant	666,666	0.09	60,000
24 Apr 20	Issue of shares to a consultant	300,000	0.12	36,000
22 Jun 20	Exercise of $0.12 incentive options	750,000	0.12	90,000
26-30 Jun 20	Exercise of $0.18 incentive options	1,750,000	0.18	315,000
30 Jun 20	Transfer from SBP reserve upon conversion of options	-	-	146,889
30 Jun 20	Share issue costs	-	-	(142,522)
30 Jun 20	**Closing Balance**	**385,087,561**		**44,883,777**

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

9. CONTRIBUTED EQUITY (Continued)

(c) Terms and Conditions of Ordinary Shares

(i) General

The ordinary shares ("Shares") are ordinary shares and rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office.

(ii) Reports and Notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(iii) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the Chairperson of the meeting, any five Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(iv) Variation of Shares and Rights Attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(v) Unmarketable Parcels

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than $500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(vi) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

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	2021 $	2020 $
10. RESERVES		
Share-based Payments Reserve		
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
2,000,000 (30 June 2020: 2,150,000) unlisted $0.15 options	78,763	83,640
2,500,000 (30 June 2020: 2,500,000) unlisted $0.18 options	110,845	105,862
Nil (30 June 2020: 6,000,000) unlisted $0.10 options	-	237,967
6,375,000 (30 June 2020: 7,375,000) unlisted $0.14 options	281,737	308,428
2,000,000 (30 June 2020: 2,000,000) unlisted $0.18 options	101,818	84,806
3,910,000 (30 June 2020: nil) tranche 1 performance rights	749,423	-
4,220,000 (30 June 2020: nil) tranche 2 performance rights	257,360	-
5,970,000 (30 June 2020: nil) tranche 3 performance rights	220,321	-
Sub-total options and rights (note 10(b))	*1,800,267*	*1,273,963*
Total Share-based Payments Reserve	**1,800,267**	**1,273,963**
Foreign Currency Translation Reserve - exchange differences	(24,333)	49,187
Total Foreign Currency Translation Reserve	**(24,333)**	**49,187**
Total Reserves	**1,775,934**	**1,323,150**

Share-based Payments Reserve - The share-based payments reserve is used to record the fair value of share-based payments made by the Company.

Foreign Currency Translation Reserve - The Foreign Currency Translation Reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(a) Terms and Conditions of unlisted Incentive Options

The unlisted Incentive Options are granted based upon the following terms and conditions:

- each Incentive Option entitles the holder to subscribe for one Share upon exercise of each Incentive Option;
- the 12,875,000 Unlisted Incentive Options on issue as at 30 June 2021 have exercise prices and expiry dates as follows:
  - $0.15 Incentive Options expire 31 July 2021, 2,000,000 vested on 31 January 2020;
  - $0.18 Incentive Options expire 31 July 2022, 2,500,000 vested on 31 July 2020;
  - $0.14 Incentive Options expire on 30 June 2022, 6,375,000 vested on issue; and
  - $0.18 Incentive Options expire on 30 June 2022, 1,000,000 vested on issue and 1,000,000 vest 31 October 2021.
- the Incentive Options are exercisable at any time after the Vesting Date and on or prior to the Expiry Date;
- Shares issued on exercise of the Incentive Options rank equally with the then shares of the Company;
- application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Incentive Options;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Option holders will be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- no application for quotation of the Incentive Options will be made by the Company; and
- the Incentive Options are transferable provided that the transfer of Incentive Options complies with section 707(3) of the Corporations Act.

The Company has on issue a further 10,000,000 unlisted options exercisable at $0.50 on or before 9 April 2022 that are not classified as share-based payments.

10. RESERVES (Continued)

(b) Movements in Options and Performance Rights During the Current and Prior Financial Periods Were as Follows:

Date	Details	Number of Unlisted Incentive Options	Number of Unlisted Performance Rights	$[(i)]
1 Jul 20	**Opening Balance**	**35,175,000**	**-**	**1,273,963**
Various	Issue of performance rights	-	14,100,000	1,184,573
Various	Exercise of $0.18 incentive options	(8,300,000)	-	(430,026)
Various	Exercise of $0.12 incentive options	(850,000)	-	(23,231)
Various	Exercise of $0.10 incentive options	(6,000,000)	-	(237,966)
30 Sep 20	Expiry of $0.18 incentive options	(6,000,000)		-
18 Jun 21	Exercise of $0.14 incentive options	(1,000,000)	-	(40,603)
30 Jun 21	Exercise of $0.15 incentive options	(150,000)	-	(4,877)
30 Jun 21	Share-based payment expense	-	-	78,434
30 Jun 21	**Closing Balance**	**12,875,000**	**14,100,000**	**1,800,267**
1 Jul 19	**Opening Balance**	**45,550,000**	**-**	**1,846,630**
Various	Expiration of $0.15 options	(10,025,000)	-	(250,027)
5 Nov 19	Grant of $0.14 options	1,000,000	-	26,692
5 Nov 19	Grant of $0.18 options	1,000,000	-	10,998
22 Jun 20	Grant of $0.18 options	150,000	-	12,107
Various	Exercise of $0.12 and $0.18 options	(2,500,000)	-	(146,889)
30 Jun 20	Share-based payment expense	-	-	(225,548)
30 Jun 20	**Closing Balance**	**35,175,000**	**-**	**1,273,963**

Note:

(i) The value of unlisted Incentive Options and Performance Rights granted is recognised over the vesting period of the grant, in accordance with Australian Accounting Standards. Refer to Note 18.

(c) Terms and Conditions of unlisted Performance Rights

Performance Rights granted as share-based payments have the following terms and conditions:

- Each Performance Right automatically converts into one Share upon vesting of the Performance Right;
- Each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest;
- The Performance Rights outstanding at the end of the financial year have the following performance conditions and expiry dates:
  - 3,910,000 Performance Rights subject to the Scoping Study Milestone that expire on 31 December 2021;
  - 4,220,000 Performance Rights subject to the Feasibility Study Milestone that expire on 31 December 2023; and
  - 5,970,000 Performance Rights subject to the Decision to Mine Milestone that expire on 31 October 2025.
- Shares issued on conversion of the Performance Rights rank equally with the then Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Shares issued upon conversion of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Performance Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- No application for quotation of the Performance Rights will be made by the Company; and
- Without approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

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	2021 $	2020 $
11. ACCUMULATED LOSSES		
Balance at the beginning of year	**(36,908,789)**	**(34,107,972)**
Transfer to accumulated losses for expired options	-	250,027
Net loss for the year	(5,067,300)	(3,050,844)
Balance at end of year	**(41,976,089)**	**(36,908,789)**

(a) Franking Account

In respect to the payment of dividends (if any) by Sovereign in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months.

	2021 $	2020 $
12. STATEMENT OF CASH FLOWS		
(a) Reconciliation of Loss for the Year to Net Cash Flows from Operating Activities		
Loss for the year	(5,067,300)	(3,050,844)
Adjustment for non-cash income and expense items		
Depreciation	41,138	62,734
Share-based payment expense	1,263,007	(126,626)
Recoverability of VAT receivable	63,221	-
Fair value movements in other financial assets	10,000	-
Gain on sale of Carpentaria Joint Venture	(350,000)	-
Foreign currency differences	-	9,104
Changes in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables	(54,885)	26,665
(Decrease)/Increase in trade and other payables and provisions	174,811	(989,961)
Net cash outflow from operating activities	**(3,920,008)**	**(4,068,928)**
(b) Reconciliation of Cash Assets		
Cash at bank and on hand	7,957,660	2,364,525
	7,957,660	**2,364,525**

(c) Credit Standby Arrangements with Banks

At balance date, the Company had no used or unused financing facilities.

(d) Non-cash Financing and Investing Activities

During the year ended 30 June 2021, 809,266 shares were issued upon the exercise of options utilising the cashless exercise facility. During the year ended 30 June 2020, 1,091,666 shares were issued to consultants in lieu of payment.

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	2021 Cents per Share	2020 Cents per Share
13. LOSS PER SHARE		
Basic and diluted loss per share		
From continuing operations	(1.27)	(0.83)
Total basic and diluted loss per share	**(1.27)**	**(0.83)**

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

	2021 $	2020 $
Net loss used in calculating basic and diluted earnings per share	**(5,067,300)**	(3,050,844)

	2021 Number of Shares	2020 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	398,217,193	368,210,438
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	**398,217,193**	**368,210,438**

Non-dilutive securities

As at 30 June 2021, 22,875,000 unlisted Options and 14,100,000 unlisted Performance Rights (which represent 36,975,000 potential Ordinary Shares) were non-dilutive as they would decrease the loss per share. As at 30 June 2020, 35,175,000 unlisted Incentive Options (which represent 35,175,000 potential Ordinary Shares) were non-dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 30 June 2021

Since 30 June 2021, 2,160,500 Ordinary Shares were issued upon the exercise of unlisted incentive options. 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.

	2021 $	2020 $
14. COMMITMENTS AND CONTINGENCIES		
(a) Commitments		
Exploration Commitments - Malawi		
Within one year	555,909	237,507
After one year but not more than five years	316,439	151,519
	872,348	**389,026**

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

No material contingent assets or liabilities have been identified as at 30 June 2021 (2020: nil).

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15. RELATED PARTIES

(a) Ultimate Parent

Sovereign Metals Limited is the ultimate parent of the Group.

(b) Subsidiaries

All controlled entities are included in the consolidated financial statements. The parent entity does not guarantee to pay the deficiency of its controlled entities in the event of a winding up of any controlled entity. The financial year-end of the controlled entities is the same as that of the parent entity.

Name	Country of Incorporation	Equity Interest 2021 %	Equity Interest 2020 %
McCourt Mining Pty Ltd (i)	Australia	100	100
Sovereign Cloncurry Pty Ltd (i)	Australia	100	100
Sovereign Mozambique Pty Ltd (i)	Australia	100	100
Sovereign Moçambique Limitada	Mozambique	100	100
Sovereign Zambia Pty Ltd (i)	Australia	100	100
Sovereign Metals (Zambia) Ltd	Zambia	100	100
Sovereign Coal Pty Ltd (i)	Australia	100	100
NGX Limited	Australia	100	-
NGX Graphite Pty Ltd	Australia	100	-
McCourt Mining Limited	Malawi	100	100
Sovereign Services Limited	Malawi	100	100
NGX Mining Limited	Malawi	100	-
NGX Exploration Limited	Malawi	100	-
McCourt Mining (UK) Limited	United Kingdom	100	100
McCourt Holdings (UK) Limited	United Kingdom	100	100
NGX Holdings UK Limited	United Kingdom	100	-
NGX Exploration UK Limited	United Kingdom	100	-
NGX Mining UK Limited	United Kingdom	100	-

Note:

(i) Member of the tax consolidated group.

(c) Transactions with Related Parties in the Consolidated Group

There were no transactions with related parties during the 2021 financial year (2020: Nil) other than as noted below.

(d) KMP

Details relating to KMP, including remuneration paid, are included at Note 17.

(e) Other Transactions

Selwyn Capital Limited ("Selwyn"), a company associated with Mr Stoikovich is engaged under an agreement to provide consulting services to the Company, on a rolling 12-month term that either party may terminate with one month written notice. Selwyn receives a daily rate of £800 under the consulting agreement. This item has been recognised as an expense in the Statement of Comprehensive Income. These services provided during the period in which Mr Stoikovich was a KMP amounted to AUD$59,437.

Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid, or is payable, $210,000 (2020: $225,000) for the provision of serviced office facilities, administration 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. Effective 1 July 2021, the monthly fee has been increased to $25,000. This item has been recognised as an expense in the Statement of Comprehensive Income. The monthly fee of $20,000 was reduced to $15,000 for the 6 months to 31 December 2020.

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	2021 $	2020 $
16. PARENT ENTITY DISCLOSURES		
(a) Financial Position		
Assets		
Current Assets	8,151,745	2,384,724
Non-Current Assets	7,069,860	6,919,860
Total Assets	**15,221,605**	**9,304,584**
Liabilities		
Current Liabilities	395,752	138,295
Total Liabilities	**395,752**	**138,295**
Equity		
Issued capital	55,276,410	44,883,777
Accumulated losses	(42,250,824)	(36,991,451)
Share-based payments reserve	1,800,267	1,273,963
Total Equity	**14,825,853**	**9,166,289**
(b) Financial Performance		
Loss for the year	(5,259,373)	(3,174,382)
Other comprehensive income	-	-
Total comprehensive income	**(5,259,373)**	**(3,174,382)**

17. KEY MANAGEMENT PERSONNEL

(a) Details of KMP

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

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

Other KMP

Mr Sam Cordin	Business Development Manager

Unless otherwise disclosed, the KMP held their position from 1 July 2020 until the date of this report.

(b) KMP Compensation

	2021 $	2020 $
Short-term benefits	568,543	417,834
Post-employment benefits	42,251	39,690
Share-based payments	565,700	41,387
	1,176,494	**498,911**

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18. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payment Expense

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

From time to time, the Group provides incentive options, performance rights and ordinary shares to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options, rights and shares granted/issued, and the terms of the options and rights granted are determined by the Board. Shareholder approval is sought where required.

	2021 $	2020 $
Expense arising from equity-settled share-based payment transactions (option and performance rights)	1,263,007	231,299
Expense arising from equity-settled share-based payment transactions (share issues)	-	49,125
Reversal of incentive options expense due to the probability of meeting non-market vesting conditions reducing to nil	-	(407,050)
	1,263,007	**(126,626)**

(b) Summary of Options and Rights Granted

The following share-based payment arrangements were granted during the last two years:

	Security Type	Number	Grant Date	Expiry Date	Exercise Price $	Fair Value $
Series						
Series 1	Option	1,000,000	8 Nov 19	30 Jun 22	0.14	0.0406
Series 2	Option	1,000,000	8 Nov 19	30 Jun 22	0.18	0.0337
Series 3	Option	150,000	18 Jun 20	30 Jun 22	0.18	0.0807
Scoping Study	Right	2,930,000	25 Nov 20	31 Dec 21	-	0.360
		360,000	31 Mar 21	31 Dec 23	-	0.525
		620,000	18 May 21	31 Oct 25	-	0.735
Feasibiltiy Study	Right	2,930,000	25 Nov 20	31 Dec 21	-	0.360
		360,000	31 Mar 21	31 Dec 23	-	0.525
		930,000	18 May 21	31 Oct 25	-	0.735
Decision to Mine	Right	3,940,000	25 Nov 20	31 Dec 21	-	0.360
		480,000	31 Mar 21	31 Dec 23	-	0.525
		1,550,000	18 May 21	31 Oct 25	-	0.735

Subject to shareholder approval, the Company has granted Director, Mr Mark Pearce, 225,000 Scoping Study Milestone Performance Rights, 225,000 Feasibility Study Milestone Performance Rights and 300,000 Decision to Mine Milestone Performance Rights which have been provisionally expensed as at 30 June 2021 at a fair value of $0.65 per right but not issued.

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The following table illustrates the number and weighted average exercise prices (WAEP) of share options and performance rights at the beginning and end of the financial year:

	2021 Number	2021 WAEP	2020 Number	2020 WAEP
Outstanding at beginning of year	35,175,000	$0.15	45,550,000	$0.15
Rights granted during the year	14,100,000	-	2,150,000	$0.16
Options exercised during the year	(16,300,000)	$0.15	(2,500,000)	$0.16
Options expired during the year	(6,000,000)	$0.18	(10,025,000)	$0.15
Outstanding at end of year	**26,975,000**	**$0.07**	35,175,000	$0.15

The outstanding balance of options and rights granted as share-based payments on issue as at 30 June 2021 is represented by:

- 2,000,000 $0.15 Incentive Options that expire 31 July 2021;
- 2,500,000 $0.18 Incentive Options that expire on 31 July 2022;
- 6,375,000 $0.14 Incentive Options that expire on 30 June 2022;
- 2,000,000 $0.18 Incentive Options that expire on 30 June 2022;
- 3,910,000 Scoping Study Milestone Performance Rights, expiring 31 December 2021;
- 4,220,000 Feasibility Study Milestone Performance Rights, expiring 31 December 2023; and
- 5,970,000 Decision to Mine Milestone Performance Rights, expiring 31 October 2025.

(c) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life for share options and rights outstanding as at 30 June 2021 was 2.80 years (2020: 0.95 years).

(d) Range of Exercise Prices

The range of exercise prices for share options outstanding as at 30 June 2021 was $0.14 to $0.50 (2020: $0.10 to $0.18).

(e) Weighted Average Fair Value

The weighted average fair value of share options and performance rights was $0.260 (2020: $0.056).

(f) Option and Performance Right Pricing Models

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black Scholes option valuation model taking into account the terms and conditions upon which the options were granted. The fair value of the performance rights granted is estimated as at the date of grant using the share price at date of issuance. The following table lists the inputs to the valuation model used for share options granted by the Group during the years ended 30 June 2021 and 30 June 2020:

Inputs	Series 1	Series 2	Series 3
Exercise Price	0.14	0.18	0.18
Grant date share price	0.105	0.105	0.19
Volatility[(i)]	75%	75%	75%
Risk free interest rate	0.87%	0.87%	0.27%
Grant date	8-Nov-19	8-Nov-19	18-Jun-20
Expiry date	30-Jun-22	30-Jun-22	30-Jun-22
Expected life of option[(ii)]	2.6 years	2.6 years	2.0 years
Fair value at grant date	0.0406	0.0337	0.0807

Notes:

(i) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

(ii) The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

	2021 $	2020 $
19. REMUNERATION OF AUDITORS		
Amounts received or due and receivable by Deloitte Touche Tohmatsu for an audit or review of the financial report of the Company	39,690	31,209
Other services provided by Deloitte Touche Tohmatsu	-	-
Total Auditors' Remuneration	**39,690**	**31,209**

20. SEGMENT INFORMATION

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

The Group has one operating segment, being exploration in Malawi. Information regarding this segment is reported below.

(a) Reconciliation of Non-current Assets by geographical location

	2021 $	2020 $
Malawi	7,485,865	7,292,895
Unallocated	150,000	-
	7,635,865	**7,292,895**

21. FINANCIAL INSTRUMENTS

(a) Overview

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk.

This Note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

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(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from cash and cash equivalents, other receivables and other financial assets.

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	Notes	2021 $	2020 $
Cash and cash equivalents		7,957,660	2,364,525
Other receivables		250,000	13,371
		8,207,660	**2,377,896**

The Group does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts. Other receivables comprise accrued interest and other miscellaneous receivables. Where possible the Group only transacts with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There were no other receivables that were past due at 30 June 2021 (2020: nil). With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Credit risk related to balances with banks is considered low as the Group banks with a financial institution which is considered to have a high credit rating.

In the current year, the other receivables balance includes $250,000 in deferred consideration from the Group's sale of its interest in Carpentaria joint venture. As at 30 June 2021, there is no indication that this amount will not be received from Renegade Exploration Limited, an ASX listed company.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2021 and 2020, the Group has sufficient liquid assets to meet its financial obligations. The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

2021 Group	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
Financial Liabilities					
Trade and other payables	690,676	-	-	-	690,676
	690,676	**-**	**-**	**-**	**690,676**

2020 Group	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
Financial Liabilities					
Trade and other payables	422,725	-	-	-	422,725
	422,725	**-**	**-**	**-**	**422,725**

(d) Capital Management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares. The Group continues to examine new business opportunities where acquisition/working capital requirements of a new project may involve additional funding in some format (which may include debt where appropriate). There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

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(e) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables are non-interest bearing. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2021 $	2020 $
Interest-bearing financial instruments		
Cash at bank and on hand	7,957,660	2,364,525
	7,957,660	**2,364,525**

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 0.34% (2020: 0.45%). The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 20% per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 20% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2020.

	Profit or Loss		Equity	
	20% Increase	20% Decrease	20% Increase	20% Decrease
2021				
Cash and cash equivalents	5,472	(5,472)	5,472	(5,472)
2020				
Cash and cash equivalents	2,141	(2,141)	2,141	(2,141)

(f) Foreign Currency Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar (“USD”) and the Malawian Kwacha (“MWK”). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity’s functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however it monitors its foreign currency expenditure in light of exchange rate movements. The functional currency of the subsidiary companies incorporated in Malawi is USD. All parent and remaining subsidiaries balances are in Australian dollars. The Group does not have any material exposure to foreign currency risk relating to MWK.

Sensitivity Analysis for Currency Risk – United States Dollar (USD)

The year end AUD:USD exchange rate was 0.7518 (2020: 0.6863). A 10% movement in this exchange rate would have resulted in a movement in net assets of the Group of $23,080 (2020: $6,539). This analysis assumes that all other variables, in particular interest rates, remain constant. There would be no impact on profit or loss arising from changes in the currency risk variables relating to the Group's activities overseas as all changes in value are taken to a reserve.

(g) Fair Value

The net fair value of financial assets and financial liabilities approximates their carrying value. The methods for estimating fair value are outlined in the relevant notes to the financial statements.

22. SUBSEQUENT EVENTS

Subsequent to 30 June 2021, the Company issued 2,160,500 ordinary shares upon the conversion of options, raising $380,250.

There are no other matters or circumstances which have arisen since 30 June 2021 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2021 of the Group;
- the results of those operations, in financial years subsequent to 30 June 2021 of the Group; or
- the state of affairs, in financial years subsequent to 30 June 2021 of the Group.

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DIRECTORS' DECLARATION

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

(1) In the opinion of the Directors:

(a) the attached financial statements, notes and the additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001 including:

(i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and

(ii) section 297 (gives a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Group); and

(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.

(2) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

(3) The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board.



JULIAN STEPHENS
Managing Director

24 September 2021

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Independent Auditor's Report to the members of Sovereign Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sovereign Metals Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of Exploration and Evaluation Assets As at 30 June 2021 the Group has $7,170,282 of capitalised exploration and evaluation expenditure as disclosed in Note 6. In accordance with the Group's accounting policy for exploration and evaluation expenditure, $2,884,311 was expensed during the year ended 30 June 2021. Assessment of the carrying value of exploration and evaluation assets requires significant judgement, including the Group's intention and ability to proceed with a future work programme to realise value from the prospective resource, the likelihood of licence renewal or extension, and the expected or actual success of resource evaluation and analysis.	Our procedures included, but were not limited to: • Obtaining an understanding of management's process for assessing the recoverability of exploration and evaluation assets; • Obtaining a schedule of the area of interest held by the Group and assessing whether the rights to tenure of this area of interest remained current at balance sheet date; • Holding discussions with management as to the status of ongoing exploration programmes in the respective area of interest; • Evaluating whether any such area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and • Assessing whether any facts or circumstances existed to suggest impairment testing was required. We also assessed the appropriateness of the related disclosures in Note 6 of the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 18 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Sovereign Metals Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pieter Janse van Nieuwenhuizen
Partner
Chartered Accountants
Perth, 24 September 2021

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 31 August 2021.

1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of each class of listed securities are listed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares
BNP Paribas Nominees Pty Ltd ACF Clearstream	83,687,496	19.77
Citicorp Nominees Pty Limited	55,379,537	13.08
BNP Paribas Nominees Pty Ltd Six SIS Ltd <DRP A/C>	28,742,086	6.79
HSBC Custody Nominees (Australia) Limited	22,471,886	5.31
BNP Paribas Noms Pty Ltd <DRP>	16,644,006	3.93
Arredo Pty Ltd	16,100,000	3.80
Mr Mark Stuart Savage <Mark Savage Revocable A/C>	14,781,118	3.49
BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT DRP>	13,703,367	3.24
Mr Julian Rodney Stephens <One Way A/C>	13,317,518	3.15
Brown Bricks Pty Ltd <HM A/C>	10,571,672	2.50
Jackhamish Pty Ltd	6,500,000	1.54
Mota-Engil Minerals & Mining Investments BV	6,000,000	1.42
CPO Superannuation Fund Pty Ltd <C & P O'Connor S/F A/C>	5,728,255	1.35
Calama Holdings Pty Ltd <Mambat Super Fund A/C>	4,689,211	1.11
Hawkes Bay Nominees Limited <Williams Family No 2 A/C>	4,400,000	1.04
Mr Collin Francis Davy <The Bush Rat A/C>	3,479,166	0.82
Mr Angus William Johnson + Mrs Lindy Johnson <Dena Super Fund A/C>	3,467,992	0.82
AWJ Family Pty Ltd <Angus W Johnson Family A/C>	3,039,525	0.72
Mandel Pty Ltd <Mandel Super Fund A/C>	3,000,000	0.71
Peter Croke Holdings Pty Ltd	3,000,000	0.71
Total Top 20	**318,702,835**	**75.29**
Others	104,621,992	24.71
Total Ordinary Shares on Issue	**423,324,827**	**100.00**

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of shareholders by size of holding:

	Ordinary Shares	
Distribution	Number of Shareholders	Number of Shares
1 – 1,000	117	41,426
1,001 – 5,000	174	508,433
5,001 – 10,000	109	906,200
10,001 – 100,000	335	13,236,271
More than 100,000	194	408,632,497
Totals	**929**	**423,324,827**

There were 94 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 9(c) of the Notes to the Financial Statements.

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4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder Notices received by the Company are:

Substantial Shareholder Name	Number of Shares
Sprott Inc. (Sprott) and each of its controlled bodies coporate listed in the notice.	43,138,641

5. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of an unlisted class of security at 31 August 2021 other than those securities issued or acquired under an employee incentive scheme are listed below:

	9-Apr-22 Unlisted Options exercisable at $0.50	31-Jul-22 Unlisted Options exercisable at $0.18	30-Jun-22 Unlisted Options exercisable at $0.14	30-Jun-22 Unlisted Options exercisable at $0.18
Julian Stephens <One Way A/C>	-	-	2,000,000	-
Mr Sam Cordin	-	1,250,000	625,000	-
Mr Andries Kruger	-	1,250,000	500,000	-
Mr Sam Moyle	-	-	-	1,000,000
Suren Capital Limited	-	-	500,000	600,000
Selwyn Capital Limited	-	-	1,500,000	-
Exploration Capital Partners 2014 Limited Partnership	2,230,430	-	-	-
Others (holding less than 20%)	7,641,570	-	1,250,000	400,000
Total	**9,872,000**	**2,500,000**	**6,375,000**	**2,000,000**
Total number of holders	**149**	**2**	**11**	**4**

6. MINERAL RESOURCES AND ORE RESERVES STATEMENT

MINERAL RESOURCES - RUTILE

Sovereign's Mineral Resources relating to rutile as at 30 June 2021 and 30 June 2020 are grouped by deposit, all of which are located in Malawi. The resources are reported in accordance with the 2012 Edition of the JORC Code as follows:

Deposit Name	Resource Category	2020 Tonnes (Mt)	2020 Grade (%)	2020 Contained Rutile (MT)	2021 Tonnes (Mt)	2021 Grade (%)	2021 Contained Rutile (MT)
Kasiya	***Inferred***	-	-	-	*644*	*1.01*	*6.49*
	Total	**-**	**-**	**-**	***644***	***1.01***	***6.49***

Note: Kasiya rutile mineral resource is reported at a 0.7% rutile cut-off grade.

The Company reported its maiden rutile resource in June 2021. There has been no change to the Mineral Resources reported through to 31 August 2021.

ASX ADDITIONAL INFORMATION (Continued)

MINERAL RESOURCES - GRAPHITE

Sovereign's Mineral Resources (inclusive of Ore Reserves) relating to graphite as at 30 June 2021 and 30 June 2020 are grouped by deposit, all of which are located in Malawi. The resources are reported in accordance with the 2012 Edition of the JORC Code as follows:

Deposit Name	Resource Category	2020 Tonnes (Mt)	2020 Grade (% TGC)	2020 Contained Graphite (MT)	2021 Tonnes (Mt)	2021 Grade (% TGC)	2021 Contained Graphite (MT)
Malingunde	***Measured***	*4.8*	*8.5*	*0.41*	*4.8*	*8.5*	*0.41*
	Indicated	*32.3*	*7.2*	*2.32*	*32.3*	*7.2*	*2.32*
	Inferred	*27.9*	*7.0*	*1.95*	*27.9*	*7.0*	*1.95*
Malingunde Project	***Total***	***65.0***	***7.2***	***4.68***	***65.0***	***7.2***	***4.68***
Duwi Main	Indicated	35.2	7.2	2.52	35.2	7.2	2.52
	Inferred	34.3	7.3	2.49	34.3	7.3	2.49
	Total	***69.5***	***7.2***	***5.01***	***69.5***	***7.2***	***5.01***
Duwi Bend	***Inferred***	***7.8***	***7.2***	***0.56***	***7.8***	***7.2***	***0.56***
Nyama	***Inferred***	***8.6***	***6.5***	***0.56***	***8.6***	***6.5***	***0.56***
Duwi Project	***Indicated***	***35.2***	***7.2***	***2.52***	***35.2***	***7.2***	***2.52***
	Inferred	***50.7***	***7.1***	***3.61***	***50.7***	***7.1***	***3.61***
	Total	***85.9***	***7.1***	***6.13***	***85.9***	***7.1***	***6.13***
TOTAL	***Measured***	***4.8***	***8.5***	***0.41***	***4.8***	***8.5***	***0.41***
	Indicated	**67.5**	**7.2**	**4.84**	**67.5**	**7.2**	**4.84**
	Inferred	**78.6**	**7.1**	**5.56**	**78.6**	**7.1**	**5.56**
		150.9	**7.2**	**10.81**	**150.9**	**7.2**	**10.81**

Note: Malingunde mineral resource is reported at a 4% total graphitic carbon ('TGC') lower cut-off grade whilst Duwi is reported at a 5% TGC lower cut-off.

As a result of the annual review of the Sovereign's Mineral Resources relating to graphite, there has been no change to the Mineral Resources reported.

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ORE RESERVES - GRAPHITE

Sovereign's Ore Reserves relating to graphite as at 30 June 2021 and 30 June 2020 are grouped by deposit, all of which are located in Malawi. The reserves are reported in accordance with the 2012 Edition of the JORC Code as follows:

Deposit Name	Reserve Category	2020 Tonnes (Mt)	2020 Grade (% TGC)	2020 Contained Graphite (MT)	2021 Tonnes (Mt)	2021 Grade (% TGC)	2021 Contained Graphite (MT)
Malingunde Project	***Proved***	*3.1*	*9.5*	*0.30*	*3.1*	*9.5*	*0.30*
	Probable	*6.4*	*9.5*	*0.60*	*6.4*	*9.5*	*0.60*
		9.5	**9.5**	**0.90**	**9.5**	**9.5**	**0.90**

Note: Malingunde mineral reserve is reported at a 6.75% total graphitic carbon ('TGC') lower cut-off grade for saprolite and between 9.5% and 11.0% for saprock.

Governance

The Company engages external consultants and Competent Persons (as determined pursuant to the JORC Code 2012) to prepare and estimate the Mineral Resources and Ore Reserves. Management and the Board review these estimates and underlying assumptions for reasonableness and accuracy. The results of the Mineral Resources and Ore Reserves estimates are then reported in accordance with the requirements of the JORC Code 2012 and other applicable rules (including ASX Listing Rules). Where material changes occur during the year to the project, including the project's size, title, exploration results or other technical information, previous reserve and resource estimates and market disclosures are reviewed for completeness.

The Company reviews its Mineral Resources and Ore Resources as at 30 June each year. Where a material change has occurred in the assumptions or data used in previously reported Mineral Resources and Ore Reserves, then where possible a revised Mineral Resources and Ore Reserves estimate will be prepared as part of the annual review process. However, there are circumstances where this may not be possible (e.g. an ongoing drilling programme), in which case a revised Mineral Resources and Ore Reserves estimate will be prepared and reported as soon as practicable.

Competent Person Statement

The information in this Mineral Resources and Ore Reserves Statement that relates to Mineral Resources (Rutile) is based on, and fairly represents, information compiled by Mr Richard Stockwell, a Competent Person, who is a Fellow of The Australian Institute of Geoscientists. Mr Stockwell is a principal of Placer Consulting Pty Ltd, an independent consulting company. Mr Stockwell has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stockwell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this Mineral Resources and Ore Reserves Statement that relates to Mineral Resources (Graphite) is based on, and fairly represents, information compiled by Mr David Williams, a Competent Person, who is a Member of The Australian Institute of Geoscientists. Mr Williams is employed by CSA Global Pty Ltd, an independent consulting company. Mr Williams has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Williams consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this Mineral Resources and Ore Reserves Statement that relates to Ore Reserves (Graphite) is based on, and fairly represents, information compiled by Mr Ryan Locke, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Locke is employed by Orelogy Group Pty Ltd, an independent consulting company. Mr Locke has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Locke consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr Stockwell, Mr Williams and Mr Locke have approved the Mineral Resources and Ore Reserves Statement as a whole and consents to its inclusion in the form and context in which it appears.

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ASX ADDITIONAL INFORMATION (Continued)

7. EXPLORATION INTERESTS

The Company has an interest in the following projects:

Location/ Tenement	Permit Number	Percentage Interest	Status
Malawi			
	RTL 0012	100%	Granted
	EL 0372	100%	Granted
	EL 0413	100%	Granted[1]
	EL 0492	100%	Granted
	EL 0528	100%	Granted
	EL 0545	100%	Granted
	EL 0561	100%	Granted
	EL 0574	100%	Granted
	EL 0582	100%	Granted

Notes:

1. Subsequent to the financial year end, the Company's tenure over EL 0413 has been extended for a further 3 years.

8. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Sovereign Metals Limited's listed securities.

9. CORPORATE GOVERNANCE

Sovereign Metals Limited (Sovereign or Company) and the entities it controls believe corporate governance is important for the Company in conducting its business activities. The Board of Sovereign has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by the Company. These documents are available in the Corporate Governance section of the Company's website, www.sovereignmetals.com.au. These documents are reviewed at least annually to address any changes in governance practices and the law.

The Company's 2021 Corporate Governance Statement, which is current as at 30 June 2021 and has been approved by the Company's Board, explains how Sovereign complies with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 4th Edition' in relation to the year ended 30 June 2021. The Corporate Governance Statement is available in the Corporate Governance section of the Company's website, www.sovereignmetals.com.au/corporate/corporate-governance and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

In addition to the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 4th Edition' the Board has taken into account a number of important factors in determining its corporate governance policies and procedures; including the:

- relatively simple operations of the Company, which currently only undertakes mineral exploration and development activities;
- cost verses benefit of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the resources sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively small market capitalisation and economic value of the entity; and
- direct shareholder feedback.

10. FORWARD LOOKING STATEMENT

This report 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 report, to reflect the circumstances or events after the date of that report.

11. COMPETENT PERSON STATEMENTS

The information in the report that refers to the Kasiya MRE is extracted from an announcement dated 9 June 2021. This announcement is available to view on the Company's website at www.sovereignmetals.com.au. The information in the original ASX Announcement that related to Mineral Resources were based on, and fairly represents, information compiled by Mr Richard Stockwell, a Competent Person, who is a fellow of the Australian Institute of Geoscientists (AIG). Mr Stockwell is a principal of Placer Consulting Pty Ltd, an independent consulting company. Mr Stockwell has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that 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 Rutile Exploration Results are extracted from announcements dated 11 May 2021 and 9 June 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, options and performance rights in Sovereign. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original 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.

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