



SOVEREIGN METALS LIMITED

ACN 120 833 427

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Sovereign Metals Limited will be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on Wednesday 24 November 2021 commencing at 10:00am (WST).

This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their stock broker, investment advisor, accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on + 61 8 9322 6322.

Shareholders are urged to attend or vote by lodging the Proxy Form enclosed with the Notice.

SOVEREIGN METALS LIMITED

ACN 120 833 427

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Sovereign Metals Limited (**Company**) will be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on Wednesday 24 November 2021 commencing at 10:00am (WST) (**Meeting**).

The Board is closely monitoring the rapidly changing coronavirus (COVID-19) pandemic. The health of the Company's Shareholders, employees and other stakeholders is of paramount importance.

While the Board would like to host all Shareholders in person, in order to minimise the risk to Shareholders and to the Company and its ongoing operations, the Company suggests that Shareholders do not attend the Meeting in person.

Accordingly, the Directors strongly encourage all Shareholders to lodge Proxy Forms prior to the Meeting. The Company advises that a poll will be conducted for each of the Resolutions.

The Board will continue to monitor Australian Government restrictions on public gatherings. If it becomes necessary or appropriate to make alternative arrangements to those set out in this Notice, the Company will notify Shareholders accordingly via the Company's website at www.sovereignmetals.com.au and the ASX announcements platform.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday 22 November 2021 at 4:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2021, which includes the Financial Report, the Directors' Report and the Auditor's Report.

1. Resolution 1 – Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution, the following:

“That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (a) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution; or
 - (b) the person is the Chairperson voting an undirected proxy which expressly authorises the Chairperson to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.
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2. Resolution 2 – Re-election of Director – Mr Mark Pearce

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution, the following:

“That, pursuant to and in accordance with article 6.3(c) of the Constitution and for all other purposes, Mr Mark Pearce, a Director, retires and being eligible pursuant to article 6.3(f) of the Constitution, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum.”

3. Resolution 3 – Issue of Performance Rights to a Director – Mr Mark Pearce

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution, the following:

“That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 750,000 Performance Rights to Mr Mark Pearce (and/or his nominees) on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Mark Pearce (and/or his nominees) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

4. Resolution 4 – Amendment to terms of existing Incentive Options

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution, the following:

“That for the purposes of Listing Rule 6.23.4 and for all other purposes, Shareholders approve an amendment to the terms of all outstanding Incentive Options issued to Directors, employees, consultants, and advisors, to allow the cashless exercise of such Incentive Options on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who holds an Incentive Option that is the subject of the approval being sought under this resolution or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution; and

- (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

5. Resolution 5 – Ratify issue of Placement Securities issued pursuant to Listing Rule 7.1

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution, the following:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 20,000,000 Shares (**Placement Shares**) at an issue price of A\$0.40 each and 10,000,000 attaching \$0.50 Options (**Placement Options**) issued under Listing Rule 7.1, on the terms and conditions in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who participated in the Placement or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairperson to vote on the resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
- (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

6. Resolution 6 – Approval for 10% Placement Capacity

To consider and, if thought fit, to pass with or without amendment, as a special resolution, the following:

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person (and/or their nominee(s)) who is expected to participate in the proposed issue or who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of Shares), or any associates of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- For personal use only
- (i) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associated of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on this Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

Note: As at the date of this Notice, it is not known who may participate in any Equity Securities issued under Resolution 6 and the Company has not approached any Shareholder or identified a class of existing Shareholders to participate in any issue of Equity Securities under the 10% Placement Capacity. Accordingly, no Shareholders are excluded from voting on Resolution 6.

BY ORDER OF THE BOARD

[signed electronically without signature]

Dylan Browne
Company Secretary

Dated: 15 October 2021

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on Wednesday 24 November 2021 commencing at 10:00am (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 – Remuneration Report
Section 5:	Resolution 2 – Re-election of Director - Mr Mark Pearce
Section 6:	Resolution 3 – Issue of Performance Rights to a Director - Mr Mark Pearce
Section 7:	Resolution 4 – Amendment to terms of existing Incentive Options
Section 8:	Resolution 5 – Ratify issue of Placement Securities issued pursuant to Listing Rule 7.1
Section 9:	Resolution 6 – Approval of Additional 10% Placement Capacity
Schedule 1:	Definitions
Schedule 2:	Terms and Conditions of Performance Rights
Schedule 3:	Terms and Conditions of Placement Options

A Proxy Form is enclosed with the Notice.

2. Action to be taken by Shareholders

Shareholders should read the Notice (including this Explanatory Memorandum) carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions set out in the Proxy Form. Returning the Proxy Form to the Company will not preclude a Shareholder from attending or (subject to the voting exclusions set out in the Notice) voting at the Meeting in person.

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 10:00am (WST) on Monday 22 November 2021, being at least 48 hours before the Meeting

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

A vote on Resolution 1 must not be cast:

- For personal use only
- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
 - (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on Resolution 1; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on Resolution 1, but expressly authorises the Chairperson to exercise the proxy even if Resolution 1 is connected with the remuneration of a member of the Key Management Personnel.

2.3 Voting Prohibition by Proxy Holders (other)

In accordance with section 250BD of the Corporations Act, a vote on Resolutions 3 to 4 (inclusive) must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

2.4 Attendance at Meeting

The Company advises Shareholders that the Meeting will be held in compliance with any government restriction on gatherings in Australia (and/or Western Australia). Due to the evolving COVID-19 situation, the Company strongly encourages all Shareholders to vote by directed proxy rather than attend the meeting in person.

If it becomes necessary or appropriate to make alternative arrangements to those detailed in this Notice, Shareholders will be updated via the ASX announcements platform and on the Company's website at www.sovereignmetals.com.au.

3. Annual Report

In accordance with section 317 of the Corporations Act, the Annual Report for the financial year ended 30 June 2021 must be laid before the Meeting. There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at www.sovereignmetals.com.au;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Auditor about:

- (a) the preparation and contents of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 – Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out:

- (a) the Company's remuneration policy; and
- (b) the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with section 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Pursuant to the Corporations Act, Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive AGMs.

If a resolution on the Remuneration Report receives a Strike at two consecutive AGMs, the Company will be required to put to Shareholders at the second AGM, a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the Company's 2020 AGM. If the Remuneration Report receives a Strike at the Meeting, Shareholders should be aware that if a second Strike is received at the Company's 2022 AGM, this may result in the re-election of the Board.

The Chairperson will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary Resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. Resolution 2 – Re-election of Director - Mr Mark Pearce

5.1 General

Article 6.3(c) of the Constitution requires that one third of the Directors must retire at each AGM (rounded down to the nearest whole number), excluding:

- (a) the Managing Director; and
- (b) any Director that was appointed by the Directors under Article 6.2(b) of the Constitution and is required to retire under Article 6.3(j) of the Constitution,

Article 6.3(e) of the Constitution requires that the Directors to retire under article 6.3(c) of the Constitution shall be those who have held their office as Director the longest period of time since their last appointment at that office and if two or more Directors have held office for the same period of time since their last appointment, those Directors determined by the drawing of lots, unless those Directors agree otherwise.

Article 6.3(f) of the Constitution provides that a Director who retires under Article 6.3(c) of the Constitution is eligible for re-election.

Resolution 2 provides that Mr Pearce retires by rotation and seeks re-election as a Director.

Details of Mr Pearce's qualifications and experience are set out in the Annual Report.

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

5.2 Board Recommendation

The Board (excluding Mr Pearce) supports the re-election of Mr Pearce as a Director and recommends that Shareholders vote in favour of Resolution 2.

6. Resolution 3 – Issue of Performance Rights to a Director – Mr Mark Pearce

6.1 General

Resolution 3 seeks Shareholder approval, pursuant to Listing Rule 10.11, for the issue of up to 750,000 Performance Rights to Mr Mark Pearce (and/or his nominees) as part of the long-term incentive component of his remuneration as a Non-Executive Director of the Company.

In the Company's present circumstances, the Board considers that the grant of these Performance Rights is a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr Pearce and is consistent with the strategic goals and targets of the Company.

Mr Pearce was appointed a Director of the Company on 20 July 2006. Details of the Directors' qualifications and experience are set out in the Annual Report.

The Company has set performance criteria for these Performance Rights to ensure that they only vest in accordance with short term serviced based conditions or upon achievement of fundamental milestones that will drive the long-term value of the Company's securities. The Performance Rights will be granted to Mr Pearce (and/or his nominees) with the following performance criteria and expiry dates:

Tranche	Performance Criteria	Expiry Date	Number of Performance Rights
1.	Scoping Study Milestone means announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.	31 Dec 2021	225,000
2.	Feasibility Study Milestone means announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.	31 Dec 2023	225,000
3.	Decision to Mine Milestone means announcement of a Decision to Mine for the Malawi Rutile Project.	31 Oct 2025	300,000

The principal terms of the Performance Rights to be granted to Mr Pearce (and/or his nominees) are summarised in Schedule 2.

Resolution 3 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

6.2 Corporations Act

In accordance with section 208 of the Corporations Act, the Company must obtain Shareholder approval to give a financial benefit to a related party unless an exception applies. A "related party" includes a Director of the Company and "giving a financial benefit" is interpreted broadly.

Section 211 of the Corporations Act provides an exception to the requirement to obtain Shareholder approval for giving a financial benefit if:

- the benefit is remuneration of a related party as an officer (including a Director) of the company; and
- to give the remuneration would be reasonable given the circumstances.

The Board (excluding Mr Pearce) considers that the proposed issue of Performance Rights to Mr Pearce (and/or his nominees) is reasonable in all the circumstances and that the exception in section 211 of the Corporations Act applies. Accordingly, the Board (excluding Mr Pearce) considers that Shareholder approval under section 208 of the Corporations Act is not required for the issue of Performance Rights to Mr Pearce (and/or his nominees).

6.3 ASX Listing Rules

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval. The issue of Performance Rights to Mr Pearce (and/or his nominees) falls within Listing Rule 10.11.1, as Mr Pearce is a Director and therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolution 3 seeks the required Shareholder approval, pursuant to Listing Rule 10.11, for the proposed issue of Performance Rights to Mr Pearce (and/or his nominees) as he is a Director.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required. Accordingly, the grant of Performance Rights to Mr Pearce (and/or his nominees) pursuant to Resolution 3 will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

If Resolution 3 is passed, the Company will be able to proceed with the issue of the Performance Rights to Mr Pearce (and/or his nominees). If Resolution 3 is not passed, the Company will not be able to proceed with the issue of the Performance Rights to Mr Pearce (and/or his nominees) and may consider alternative forms of remuneration for Mr Pearce in lieu of such issue.

6.4 Specific Information required by Listing Rule 10.13

Listing Rule 10.13 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant of the Performance Rights to Mr Pearce (and/or his nominees):

- (a) 750,000 Performance Rights will be granted to Mr Mark Pearce, Non-Executive Director of the Company (and/or his nominees);
- (b) Mr Pearce is a Director and a related party under Listing Rule 10.11.1;
- (c) the maximum number of Performance Rights to be granted to Mr Pearce (and/or his nominees) is 750,000, noting that the actual number of Performance Rights that vest is dependent on the achievement of the Performance Criteria as described in Section 6.1 above;
- (d) the material terms of the Performance Rights are as follows:
 - (i) 225,000 Performance Rights that vest upon satisfaction of the Scoping Study Milestone which means announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code, expiring 31 December 2021;
 - (ii) 225,000 Performance Rights that vest upon satisfaction of the Feasibility Study Milestone which means announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code, expiring 31 December 2023; and
 - (iii) 300,000 Performance Rights that vest upon satisfaction the Decision to Mine Milestone which means announcement of a Decision to Mine for the Malawi Rutile Project, expiring 31 October 2025.

Refer to Schedule 2 for a summary of the terms of the Performance Rights.

- (e) the Company will grant the Performance Rights no later than 1 month after the date of the Meeting;
- (f) the Performance Rights will be granted for nil consideration;
- (g) the Performance Rights are being issued as a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr Pearce and is considered by the Board to be consistent with the strategic goals and targets of the Company;
- (h) the current remuneration package of Mr Pearce consists of Director fees of \$20,000 per annum plus statutory superannuation contributions;
- (i) there is no agreement associated with the grant of the Performance Rights; and
- (j) a voting exclusion statement is included in the Notice for the purposes of Resolution 3.

6.5 Board Recommendation

The Board (excluding Mr Pearce) recommends that Shareholders vote in favour of Resolution 3.

7. Resolution 4 – Amendment to terms of existing Incentive Options

7.1 General

Resolution 4 seeks Shareholder approval, pursuant to Listing Rule 6.23, to amend the terms of all existing Incentive Options currently on issue to provide an alternative to Optionholders and allow the exercise of Incentive Options by nominating to use a cashless exercise mechanism where no cash is payable (**Cashless Exercise Facility**).

Resolution 4 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 4.

7.2 Background and Explanation

The Incentive Options currently on issue only permit Optionholders to either exercise their Incentive Options by paying the full exercise price in cash upon exercise of their Incentive Options and receiving one (1) Share per Option exercised.

The Company would like to provide an alternative to Optionholders and allow the exercise of Incentive Options by nominating to the Cashless Exercise Facility.

In this scenario, if an Optionholder elects to use the Cashless Exercise Facility, the Company will only issue that number of Shares (rounded down to the nearest whole number) as are equal to the difference between the

exercise price otherwise payable for the Incentive Options and the market value of the Shares at the time of exercise as determined by the weighted average closing price of Shares on the ASX over the 5 trading days prior to exercise.

The Cashless Exercise Facility allows the Optionholder to set-off the exercise price and receive Shares to the value of the surplus. By way of example:

If a participant holds 1,000 Incentive Options (which have vested and are therefore capable of exercise), each with an Option Exercise Price of A\$1.00, and they elect to exercise all of their Incentive Options by paying cash upon exercise of their Incentive Options, they would pay the Company A\$1,000 and receive 1,000 Shares. If however the participant elects to use the Cashless Exercise Facility and the Share price (as determined by the weighted average closing price of Shares on the ASX over the 5 trading days prior to exercise) is A\$1.50, the participant will pay no cash and receive 333 Shares (being $(1,000 \times (A\$1.50 - A\$1.00)) / A\$1.50 = 333.33$, rounded down to 333 Shares).

The Company sees a number of benefits in offering a Cashless Exercise Facility, including limiting dilution to existing Shareholders as the cashless alternative will require less Shares to be issued and limiting downward share price pressure from Optionholders who may need to immediately dispose of their Shares acquired upon exercise of their Incentive Options to fund the exercise price.

In accordance with ASX Listing Rule 6.23.4, a change of terms of existing Incentive Options can only be made if Shareholders have first approved the change. The purpose of this Resolution 4 is to seek Shareholder approval to amend the terms of existing Incentive Options to include a Cashless Exercise Facility.

There are currently 10,875,000 Incentive Options on issue, representing 2.6% of the issued, undiluted share capital of the Company. If Shareholders approve this Resolution 4, it is proposed that the below existing holders of Incentive Options be given the alternative of traditional exercise for cash and the cashless exercise method.

Below are the Incentive Options currently on issue to which the new terms would apply:

- 6,375,000 Incentive Options exercisable at A\$0.14 each, expiring on 30 June 2022 (2,000,000 Incentive Options held by One Way A/C, a nominee of Dr Stephens, and 1,500,000 Incentive Options held by Selwyn Capital Limited, a nominee of Mr Stoikovich);
- 2,000,000 Incentive Options exercisable at A\$0.18 each, expiring on 30 June 2022; and
- 2,500,000 Incentive Options exercisable at A\$0.18 each, expiring on 31 July 2022.

The proposed Cashless Exercise Facility will only affect the manner in which Incentive Options are exercised. It will not change the entitlements of Optionholders or affect the performance hurdles and/or vesting condition attached to the Incentive Options.

7.3

ASX Listing Rules

Listing Rule 6.23.4 provides that a change to the terms of Incentive Options which is not prohibited under Listing Rule 6.23.3 (reducing the exercise price, increasing the exercise period or increasing the number securities received on exercise) can only be made with Shareholder approval.

The Company is seeking Shareholder approval to change the terms of all existing Incentive Options to offer the choice to use the Cashless Exercise Facility to all existing Optionholders.

If Resolution 4 is passed, the Company will be able allow Optionholders to utilise the Cashless Exercise Facility.

If Resolution 4 is not passed, the Company will not be able to provide the Cashless Exercise Facility to Optionholders and Optionholders will need to pay cash to the Company to exercise their Options.

7.4

Board Recommendation

The Board (excluding Dr Stephens and Mr Stoikovich) recommends that Shareholders vote in favour of Resolution 4.

8.

Resolution 5 – Ratify issue of Placement Securities issued pursuant to Listing Rule 7.1

8.1

General

In April 2021, the Company completed a placement to raise gross proceeds of A\$8 million through the issue of 20,000,000 Shares (**Placement Shares**) and 10,000,000 attaching A\$0.50 unlisted Options expiring 9 April 2022 (**Placement Options**) to northern hemisphere based institutional investors who are not related parties or associates of related parties of the Company (**Placement**).

Sprott Capital Partners LP acted as exclusive financial adviser to the Placement, with affiliates of the Sprott Group participating in the Placement.

The Placement will be used to fund the exploration and development activities on the Company's strategic rutile province in Malawi.

Refer to the Company's announcement released on ASX on 30 March 2021 for further details regarding the Placement.

The Placement Shares and Placement Options were issued using the Company's placement capacity under Listing Rule 7.1. Accordingly, Resolution 5 seeks Shareholder approval to ratify the issue of 20,000,000 Placement Shares and 10,000,000 Placement Options pursuant to Listing Rule 7.4.

Resolution 5 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 5.

8.2

ASX Listing Rules

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period (**15% Placement Capacity**).

The issue of the Placement Shares and the Placement Options do not fit within any of these exceptions and, as it has not been approved by Shareholders, it effectively used up the Company's 15% Placement Capacity, reducing the Company's capacity to issue further Equity Securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the issue date.

Listing Rule 7.4 provides that if the Company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 or Listing Rule 7.1A (and provided that the previous issue did not breach Listing Rule 7.1 or Listing Rule 7.1A) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1 or Listing Rule 7.1A. The Company confirms that the issue of Placement Shares and Placement Options sought to be ratified did not breach Listing Rule 7.1 or Listing Rule 7.1A.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. To this end, Resolution 5 seeks Shareholder approval for the issue of the Placement Shares and the Placement Options under and for the purposes of Listing Rule 7.4.

The effect of passing Resolution 5 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% Placement Capacity set out in Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

If Resolution 5 is not passed, the effect will be that the Placement Shares and Placement Options issued will be included in calculating the Company's 15% limit under Listing Rule 7.1, effectively decreasing the number of Equity Securities the Company can issue without Shareholder approval over the 12 month period following the issue dates.

8.3

Specific information required by Listing Rule 7.5

In accordance with Listing Rule 7.5, information is provided in relation to the Placement Shares as follows:

- (a) on 9 and 13 April 2021, the Company issued 20,000,000 Placement Shares and 10,000,000 attaching Placement Options to northern hemisphere based institutional investors pursuant to Listing Rule 7.1;
- (b) no related parties, members of the Company's key management personnel, advisers to the Company, or any associates of such persons, participated in the Placement. The Company issued 5,460,860 Placement Shares and 2,370,430 Placement Options to Sprott Inc. (and each of its controlled bodies), a substantial holder of the Company who, as far as the Company is aware currently holds 43,138,641 Shares and 10.20% of voting rights in the Company following the issue of the Placement Shares;
- (c) the Placement Shares issued were all fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue;
- (d) the Placement Options were issued in accordance with the terms and conditions in Schedule 3;
- (e) the 20,000,000 Placement Shares were issued for A\$0.40 per share with the 10,000,000 Placement Options being a 1 for 2 free attaching and therefore issued for nil consideration;
- (f) the purpose of the Placement was to raise A\$8 million with the proceeds raised from the Placement Shares to be used to fund exploration and development activities on the Company's Malawi Rutile Project, for general corporate purposes and working capital; and
- (g) voting exclusion statements are included in the Notice for Resolution 5.

8.4

Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 5.

9. Resolution 6 – Approval for 10% Placement Capacity

9.1 General

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12-month period after the annual general meeting (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the Company's 15% Placement Capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Capacity. The number of Equity Securities to be issued under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.

If Resolution 6 is passed, the effect will be that the Company will be able to issue Equity Securities under the 10% Placement Capacity in addition to the Company's 15% Placement Capacity under Listing Rule 7.1.

If Resolution 6 is not passed, the effect will be that the Company will not be able to issue any Equity Securities under the 10% Placement Capacity and will have to rely upon its 15% Placement Capacity under Listing Rule 7.1 for the issue of Equity Securities.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 6.

9.2 Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Capacity is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue one quoted class of Equity Securities, being Shares.

(c) Formula for calculating 10% Placement Capacity

Listing Rule 7.1A.2 provides that eligible entities that have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2 (other than exception 9, 16 or 17);
- (ii) plus the number of fully paid ordinary securities issued in the 12 months on the conversion of convertible securities within rule 7.2 (exception 9) where:
 - (A) the convertible securities were issued or agreed to be issued before the commencement of the 12 months; or
 - (B) the issue of, or agreement to issue, the convertible securities was approved, or taken under these Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- (iii) plus the number of fully paid ordinary securities in the 12 months under an agreement to issue securities within Listing Rule 7.2 (exception 16) where:
 - (A) the agreement was entered into before the commencement of the relevant period; or

(B) the agreement or issue was approved or taken under these rules to have been approved under Listing Rule 7.1 or Listing Rule 7.4;

- (iv) plus the number of any other fully paid ordinary securities issued in the 12 months with approval under Listing Rule 7.1 or Listing Rule 7.4 (noting that this may include fully paid ordinary securities issued in the 12 months under an agreement to issue securities within Listing Rule 7.2 (exception 17) where the issue is subsequently approved under Listing Rule 7.1);
- (v) plus the number of partly paid ordinary securities that became fully paid in the 12 months; and
- (vi) less the number of fully paid ordinary securities cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% Placement Capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months where the issue or agreement to issue has not been approved by Shareholders under Listing Rule 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% Placement Capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 423,357,327 Shares and therefore has a capacity to issue:

- (i) 63,503,599 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 6, 42,335,732 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 9.2(c)).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days on which trades were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Capacity under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the first to occur of the following:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained;
- (ii) the time and date of the entity's next annual general meeting; and
- (iii) the time and date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the 10% Placement Period).

9.3 Effect of Resolution

The effect of Resolution 6 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% Placement Capacity under Listing Rule 7.1.

9.4 Specific information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) Shareholder approval will be valid during the 10% Placement Period as detailed in Section 9.2(f).

- (b) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days on which trades in that class were recorded immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 10 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (c) If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,
- which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (d) The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.
- (e) The table also shows:
- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
 - (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.25 50% decrease in Issue Price	\$0.50 Issue Price	\$1.00 100% increase in Issue Price
Current Variable 'A' 423,357,327 Shares	10% voting dilution	42,335,733 Shares	42,335,733 Shares	42,335,733 Shares
	Funds raised	\$10,583,933	\$21,167,867	\$42,335,733
50% increase in current Variable 'A' 635,035,991 Shares	10% voting dilution	63,503,599 Shares	63,503,599 Shares	63,503,599 Shares
	Funds raised	\$15,875,900	\$31,751,800	\$63,503,599
100% increase in current Variable 'A' 846,714,654 Shares	10% voting dilution	84,671,465 Shares	84,671,465 Shares	84,671,465 Shares
	Funds raised	\$21,167,867	\$42,335,733	\$84,671,466

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Capacity.
- (ii) No Performance Rights or Options are exercised or converted into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% Placement Capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed

Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

- (vii) The issue price is \$0.50, being the closing price of the Shares on ASX on 28 September 2021. The Company will only issue the Equity Securities during the 10% Placement Period.
- (f) The Company may seek to issue the Equity Securities for cash consideration for continued exploration and development of the Malawi Rutile Project and for general working capital.
- (g) The Company will only issue the Listing Rule 7.1A Shares during the 10% Placement Period. The approval under Resolution 6 will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature of scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (h) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.3 upon issue of any Equity Securities.
- (i) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
 - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).
- (j) The subscribers under the 10% Placement Capacity have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company and are likely to be sophisticated and professional investors.
- (k) In the 12 months preceding the date of the Meeting, the Company has not issued any Equity Securities pursuant to Listing Rule 7.1A.2.
- (l) A voting exclusion statement is included in the Notice for Resolution 6. However as at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on this Resolution.

9.5

Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 6.

Schedule 1 - Definitions

In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Capacity has the meaning given to that term in Section 9.1.

10% Placement Period has the meaning given to that term in Section 9.2(f).

15% Placement Capacity has the meaning given to that term in Section 8.2.

AGM means an annual general meeting of the Shareholders.

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2021.

Article means an article in the Constitution.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Auditor means the Company's auditor from time to time (being Deloitte as at the date of the Notice).

Auditor's Report means the Auditor's report on the Financial Report.

Board means the board of Directors of the Company.

Cashless Exercise Facility has the meaning given in Section 7.1 of this Notice.

Chairperson means the person appointed to chair the Meeting convened by the Notice.

Closely Related Party means in relation to a member of a Key Management Personnel:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Sovereign Metals Limited ACN 120 833 427.

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Decision to Mine means a decision to commence mining operations.

Decision to Mine Milestone means announcement of a Decision to Mine for the Malawi Rutile Project.

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Securities has the meaning given to that term in the Listing Rules.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice.

Feasibility Study has the meaning given in the JORC Code.

Feasibility Study Milestone means announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Incentive Options means an incentive Option in the Company.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012).

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Malawi Rutile Project means the Company's rutile project in Malawi.

Managing Director means the managing Director.

Meeting has the meaning given to that term in the introductory paragraph of the Notice.

Notice means the notice of the Meeting and includes the agenda, Explanatory Memorandum and the Proxy Form.

Option means an option which entitles the holder to subscribe for a Share.

Optionholder means the holder of an Option.

Performance Right means a performance right which upon satisfaction of criteria and/or vesting conditions confers an entitlement to be provided one Share.

Placement has the meaning given in Section 8.1 of this Notice.

Placement Shares has the meaning given in Section 8.1 of this Notice.

Placement Options has the meaning given in Section 8.1 of this Notice.

Plan or **Equity Incentive Plan** means the Sovereign Metals Limited Employee Equity Incentive Plan adopted by Shareholders on 25 November 2020.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution proposed pursuant to the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Scoping Study has the meaning given in the JORC Code.

Scoping Study Milestone means announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.

Section means a section of this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Strike means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weighted average price.

WST means Australian Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 – Terms and Conditions of Performance Rights

Offer of Performance Rights

- 1.1 The Board may offer Performance Rights to any Participant in its sole discretion. Each Performance Right confers an entitlement to be provided with one Share, credited as fully paid, at no cost, upon the full satisfaction of the Performance Criteria and/or Vesting Conditions specified by the Board in relation to that Performance Right.

Performance Criteria/Vesting Conditions and Variation to Performance Criteria/Vesting Conditions

- 1.2 The Performance Criteria and Expiry Dates of each Performance Right is referred to in the table below.

Tranche	Performance Criteria	Expiry Date	Number of Performance Rights
1.	Scoping Study Milestone means announcement of a positive Scoping Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.	31 Dec 2021	225,000
2.	Feasibility Study Milestone means announcement of a positive Feasibility Study for the Malawi Rutile Project in accordance with the provisions of the JORC Code.	31 Dec 2023	225,000
3.	Decision to Mine Milestone means announcement of a Decision to Mine for the Malawi Rutile Project.	31 Oct 2025	300,000

- 1.3 Performance Rights will only vest and entitle the Participant to be issued Shares if the applicable Performance Criteria/Vesting Conditions have been satisfied prior to the end of the Expiry Date (**Performance Period**), waived by the Board, or are deemed to have been satisfied under these Rules.

Satisfaction of Performance Criteria

- 1.4 The Board will determine in its sole discretion whether (and, where applicable, to what extent) the Participant has satisfied the Performance Criteria and/or Vesting Conditions (if any) applicable to the Performance Rights at the end of the Performance Period. As soon as practicable after making that determination the Board must allot and issue, or transfer, the number of Shares which the Participant is entitled to acquire upon satisfaction of the Performance Criteria and/or Vesting Conditions for the relevant number of Performance Rights held in accordance with clause 1.6.

Lapse of Performance Rights

- 1.5 Where Performance Rights have not satisfied the Performance Criteria within the Performance Period or Expiry Date (whichever occurs earlier) those Performance Rights will automatically lapse.

Timing of the Issue of Shares and Quotation

- 1.6 The Company must within twenty (20) business days after the later of the following:

- 1.6.1 the satisfaction of the Performance Criteria and/or Vesting Conditions (if any) applicable to the Performance Rights; and
- 1.6.2 when excluded information in respect of the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information, the relevant date will be the date the relevant Performance Criteria and/or Vesting Conditions are satisfied pursuant to clause 1.4,

the Company will:

- 1.6.3 allot and issue the Shares pursuant to the vesting of the Performance Rights;
- 1.6.4 as soon as reasonably practicable and if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

1.6.5 apply for official quotation on ASX of Shares issued pursuant to the vesting of the Performance Rights.

1.7 Notwithstanding clause 1.6 above the Company's obligation to issue such Shares shall be postponed if such Participant at any time after the relevant Performance Criteria and/or Vesting Conditions are satisfied pursuant to clause 1.4 elects for the Shares to be issued to be subject to a holding lock for a period of twelve (12) months. Following any such election:

1.7.1 the Shares to be issued or transferred will be held by such Participant on the Company's issuer sponsored sub-register (and not in a CHESS sponsored holding);

1.7.2 the Company will apply a holding lock on the Shares to be issued or transferred and such Participant is taken to have agreed to that application of that holding lock;

1.7.3 the Company shall release the holding lock on the Shares on the earlier to occur of:

1.7.3.1 the date that is twelve (12) months from the date of issue of the Share; or

1.7.3.2 the date the Company issues a disclosure document that qualifies the Shares for trading in accordance with section 708A(11) of the Corporations Act; or

1.7.3.3 the date a transfer of the Shares occurs pursuant to clause 1.7.4 of these terms and conditions; and

1.7.4 Shares shall be transferable by such Participant and the holding lock will be lifted provided that the transfer of the Share complies with section 707(3) of the Corporations Act and, if requested by the Company, the transferee of the Shares agrees by way of a deed poll in favour of the Company to the holding lock applying to the Shares following its transfer for the balance of the period in clause 1.7.3.1.

Shares Issued

1.8 Shares issued on the satisfaction of the Performance Criteria and/or Vesting Conditions attaching to the Performance Rights rank equally with all existing Shares, including those Shares issued, directly, under the Plan.

Quotation of the Shares Issued on Exercise

1.9 If admitted to the official list of ASX at the time, the Company will apply to ASX for quotation of the Shares issued upon the vesting of the Performance Rights.

Reorganisation

1.10 If there is any reorganisation of the issued share capital of the Company, the terms of Performance Rights and the rights of the Participant who holds such Performance Rights will be varied, including an adjustment to the number of Performance Rights, in accordance with the Listing Rules that apply to the reorganisation at the time of the reorganisation.

Participant Rights

1.11 A Participant who holds Performance Rights is not entitled to:

1.11.1 notice of, or to vote or attend at, a meeting of the Shareholders; or

1.11.2 receive any dividends declared by the Company,

1.11.3 participate in any new issues of securities offered to Shareholders during the term of the Performance Rights, or

1.11.4 cash for the Performance Rights or any right to participate in surplus assets of profits of the Company on winding up,

unless and until the Performance Rights are satisfied and the Participant holds Shares.

Pro Rata Issue of Securities

1.12 If during the term of any Performance Right, the Company makes a pro rata issue of securities to the Shareholders by way of a rights issue, a Participant shall not be entitled to participate in the rights issue in respect of any Performance Rights, only in respect of Shares issued in respect of vested Performance Rights.

1.13 A Participant will not be entitled to any adjustment to the number of Shares they are entitled to or adjustment to any Performance Criteria and/or Vesting Conditions which is based, in whole or in part, upon the Company's share price, as a result of the Company undertaking a rights issue.

Adjustment for Bonus Issue

1.14 If, during the term of any Performance Right, securities are issued pro rata to Shareholders generally by way of bonus issue, the number of Shares to which the Participant is then entitled, shall be increased by that number of securities which the Participant would have been issued if the Performance Rights then held by the Participant were vested immediately prior to the record date for the bonus issue.

Change of Control

1.15 For the purposes of these terms and conditions, a "**Change of Control Event**" occurs if:

1.15.1 the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, or any reconstruction, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;

1.15.2 a Takeover Bid:

1.15.2.1 is announced;

1.15.2.2 has become unconditional; and

1.15.2.3 the person making the Takeover Bid has a Relevant Interest in fifty percent (50%) or more of the issued Shares;

1.15.3 any person acquires a Relevant Interest in fifty and one-tenths percent (50.1%) or more of the issued Shares by any other means; or

1.15.4 the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of the Company has been completed.

1.16 Where a Change of Control Event has (i) occurred or (ii) been announced by the Company and, in the opinion of the Board, will or is likely to occur, all granted Performance Rights which have not yet vested or lapsed shall automatically and immediately vest, regardless of whether any Performance Criteria or Vesting Conditions have been satisfied.

Quotation

1.17 The Company will not seek official quotation of any Performance Rights.

Performance Rights Not Property

1.18 A Participant's Performance Rights are personal contractual rights granted to the Participant only and do not constitute any form of property.

No Transfer of Performance Rights

1.19 Unless otherwise determined by the Board, Performance Rights cannot be transferred to or vest in any person other than the Participant.

Rules

- 1.20 The Performance Rights are issued under and in accordance with the Plan and the terms and conditions of these Performance Rights are subject to the Rules.

For personal use only

Schedule 3 - Terms and Conditions of Placement Options

1 Entitlement

- 1.1 Each Unlisted Option (**Option**) entitles the holder of the Option (**Holder**) to subscribe for one (1) Share upon exercise.

2 Exercise Price, Expiry Date and Vesting Condition

Exercise Price per Option	Expiry Date	Vesting Condition
A\$0.50	9 April 2022	None

3 Exercise Period

- 3.1 Each Option is exercisable at any time prior to the Expiry Date. After this time, any unexercised Options will automatically lapse.

4 Notice of Exercise

- 4.1 The Options may be exercised by notice in writing (**Option Exercise Form**) to Sovereign Metals Limited (**SVM**) and payment of the applicable Exercise Price for each Option being exercised. Any Option Exercise Form for an Option received by SVM will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5 Minimum Exercise

- 5.1 Options must be exercised in multiples of one thousand (1,000) unless fewer than one thousand (1,000) Options are held by a Holder.

6 Shares Issued on Exercise

- 6.1 Option Shares issued on exercise of the Options rank equally with the then Ordinary Shares of SVM and are free of all encumbrances, liens and third party interests.

7 Quotation of Shares

- 7.1 SVM will apply to ASX for official quotation of the Option Shares issued upon the exercise of the Options.

8 Timing of Issue of Shares and Quotation of Shares on Exercise

- 8.1 Within 10 Business Days after the later of the following:

8.1.1 receipt of an Option Exercise Form given in accordance with these terms and conditions and payment of the applicable Exercise Price for each Option being exercised; and

8.1.2 when excluded information in respect to SVM (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information the relevant date will be the date of receipt of an Option Exercise Form as set out above,

SVM will:

8.1.3 allot and issue the number of Option Shares required under these terms and conditions in respect of the number of Options specified in the Option Exercise Form and for which cleared funds have been received by SVM;

- 8.1.4 if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if SVM is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Option Shares does not require disclosure to investors; and
- 8.1.5 if admitted to the official list of ASX at the time, apply for official quotation on ASX of Option Shares issued pursuant to the exercise of the Options.

8.2 If, for any reason, a notice delivered under paragraph 8.1.4 is not effective to ensure that an offer for sale of the Option Shares does not require disclosure to investors, SVM must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Option Shares does not require disclosure to investors.

9 Participation in New Issues

9.1 A Holder who holds Options is not entitled to:

- 9.1.1 notice of, or to vote or attend at, a meeting of the shareholders;
- 9.1.2 receive any dividends declared by SVM; or
- 9.1.3 participate in any new issues of securities offered to shareholders during the term of the Options,

unless and until the Options are exercised and the Holder holds Ordinary Shares.

10 Adjustment for Bonus Issues of Shares

10.1 If SVM makes a bonus issue of Ordinary Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- 10.1.1 the number of Option Shares which must be issued on the exercise of an Option will be increased by the number of Ordinary Shares which the Holder would have received if the Holder of an Option had exercised the Option before the record date for the bonus issue; and
- 10.1.2 no change will be made to the Exercise Price.

11 Adjustment for Rights Issue

11.1 If SVM makes an issue of Ordinary Shares pro rata to existing shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) there will be no adjustment to the Exercise Price of an Option.

12 Adjustment for Reorganisation

12.1 If there is any reconstruction of the issued share capital of SVM, the rights of the Holder will be varied to comply with the Listing Rules that apply to the reconstruction at the time of the reconstruction.

13 Quotation of Options

13.1 SVM will not seek official quotation of any Options.

14 Options Transferable

14.1 The Options are transferable provided that the transfer of the Options complies with section 707(3) of the Corporations Act.

15 Lodgement Requirements

15.1 Cheques shall be in Australian currency made payable to SVM and crossed 'Not Negotiable' for the application for Option Shares on the exercise of the Options.

SOVEREIGN METALS LIMITED

ACN 120 833 427

PROXY FORM

The Company Secretary
Sovereign Metals Limited

By delivery:

Level 9, 28 The Esplanade
PERTH WA 6000

By post:

PO Box Z5083
PERTH WA 6831

By email:

voting@sovereignmetals.com.au

By facsimile:

+61 8 9322 6558

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark to indicate your directions. Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting. Further instructions are provided overleaf.

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/we being Shareholder/s of the Company hereby appoint:

The Chairperson
(mark box)

OR if you are **NOT** appointing the Chairperson as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson, as my/our proxy to act generally on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Sovereign Metals Limited to be held at the Conference Room, Ground Floor, 28 The Esplanade, Perth, Western Australia on Wednesday, 24 November 2021 commencing at 10:00am (WST) and at any adjournment or postponement of such meeting. If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is []% of the Shareholder's votes / [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

Important – If the Chairperson is your proxy or is appointed your proxy by default

The Chairperson intends to vote all available proxies in favour of Resolution 1. If the Chairperson is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 1, you will be expressly authorising the Chairperson to vote in accordance with the Chairperson's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Step 2 – Instructions as to Voting on Resolutions

INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Remuneration Report			
Resolution 2	Re-election of Director – Mr Mark Pearce			
Resolution 3	Issue of Performance Rights to a Director – Mr Mark Pearce			
Resolution 4	Amendment to terms of existing Incentive Options			
Resolution 5	Ratify issue of Placement Securities issued pursuant to Listing Rule 7.1			
Resolution 6	Approval of Additional 10% Placement Capacity			

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

The Chairperson intends to vote all available proxies in favour of each Resolution.

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or an electronic copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received electronically by e-mail or by facsimile transmission at the Perth office of the Company (Level 9, 28 The Esplanade, Perth, WA, 6000, or by post to PO Box Z5083, Perth, WA, 6831, or by email to voting@sovereignmetals.com.au or by Facsimile (08) 9322 6558 if faxed from within Australia or +618 9322 6558 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).

For personal