SOVEREIGN METALS LIMITED

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2024

ABN 71 120 833 427
ASX: SVM; AIM:SVML; OTCQX: SVMLF

CORPORATE DIRECTORY

Directors

Mr Benjamin Stoikovich	Chairman
Mr Frank Eagar	Managing Director and CEO
Mr Ian Middlemas	Non-Executive Director
Dr Julian Stephens	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Nigel Jones	Non-Executive Director

CFO and Company Secretary
Mr Dylan Browne

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Australia

Australian Securities Exchange
ASX Code: **SVM – Ordinary Shares**

United Kingdom

London Stock Exchange (AIM)
AIM Code: **SVML – Depository Interests**

Quotations
United States
OTCQX Best Market
OTCQX code: **SVMLF**

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Simmons & Simmons

Auditor
Ernst & Young - Perth

Bankers
Australia – National Australia Bank Limited
Malawi – Standard Bank

CONTENTS

The Directors of Sovereign Metals Limited present their report on Sovereign Metals Limited (**Sovereign** or the **Company** or **Parent**) and the entities it controlled at the end of, or during, the half year ended 31 December 2024 (**Consolidated Entity** or **Group**).

REVIEW AND RESULTS OF OPERATIONS

KASIYA RUTILE-GRAPHITE PROJECT

Sovereign is focused on the development of its Kasiya rutile-graphite project (**Kasiya** or **the Project**) in Malawi. The recently completed Optimised Pre-Feasibility Study (**OPFS**) confirmed Kasiya as a potentially major critical minerals project delivering industry-leading economic returns and sustainability metrics.

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

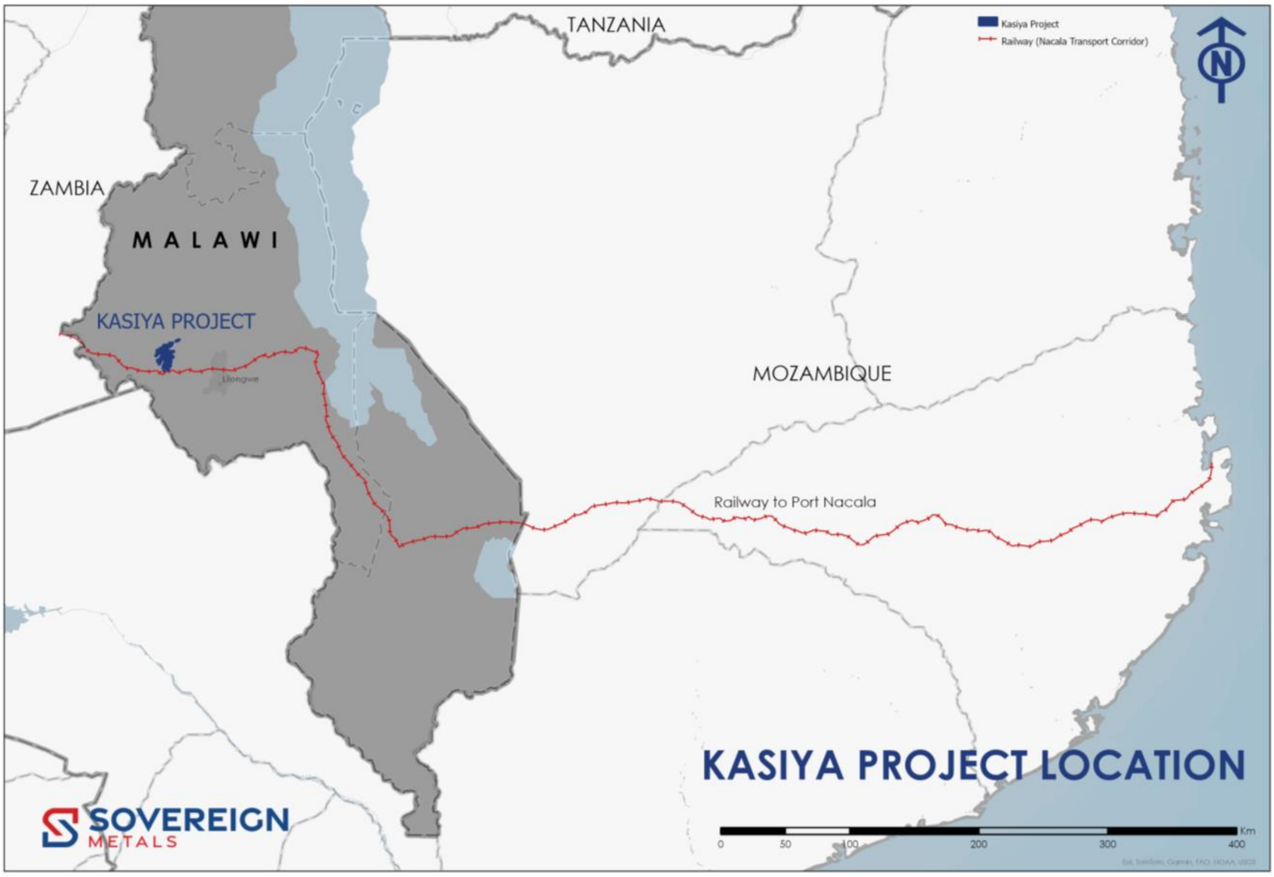

Figure 1: Kasiya Regional Project Location

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

HIGHLIGHTS DURING AND SUBSEQUENT TO PERIOD END

Optimised PFS Results Reaffirm Kasiya's Globally Strategic Significance

- In January 2025, the OPFS was completed with oversight from Sovereign-Rio Tinto Technical Committee
- Results of the OPFS reaffirm Kasiya's potential to become the largest and lowest-cost producer of natural rutile and natural flake graphite while generating exceptional economics
- Various optimisations have led to superior project delivery, operational flexibility, environmental and social outcomes compared to the 2023 Prefeasibility Study (**PFS**)

Pilot Phase Advanced to Rehabilitation Stage following Mining Trials and Backfilling

- In December 2024, material mined and stockpiled during the Pilot Mining and Land Rehabilitation (**Pilot Phase**) was placed back in the test pit, filling it to its original ground level
- On-site soil remediation and land rehabilitation activities are underway, testing Sovereign's proposed rehabilitation approach and demonstrating how mined land can support sustainable farming post-closure

Rio Tinto Invests Additional A$19m Increasing Shareholding to 19.9%

- In July 2024, Rio Tinto invested a further A$18.5 million via the exercise of options to increase its shareholding in Sovereign. To date Rio Tinto has invested A$60 million for 19.9% of Sovereign

Positive Test Results for Use of Kasiya Graphite

- Very high quality Coated Spherical Purified Graphite (**CSPG**) anode material produced from Kasiya graphite concentrate with performance characteristics comparable to highest quality natural graphite battery material produced by dominant Chinese anode manufacturers
- In November 2024, Sovereign announced that preliminary tests confirmed that graphite concentrate produced from Kasiya exhibits prerequisite characteristics for selling graphite to the refractory materials sector
- In February 2025, further test work confirmed Kasiya's graphite also has the key characteristics required for use in expandable (fire retardant) and expanded (gaskets, seals, and brake lining) applications

Infill Drilling Program Complete

- In October 2024, Sovereign announced the completion of an infill drilling program designed to upgrade Kasiya's Mineral Resource Estimate (**MRE**) and to facilitate conversion of Ore Reserves from Probable to Proven category, with the upgrade due in the coming months

Next Steps

- Sovereign will continue to advance the Definitive Feasibility Study (**DFS**), provide updates on the rehabilitation component of the Pilot Phase, publish an upgrade to the MRE, continue with further graphite testwork to support potential offtake discussions and further its community and social development programs in Malawi

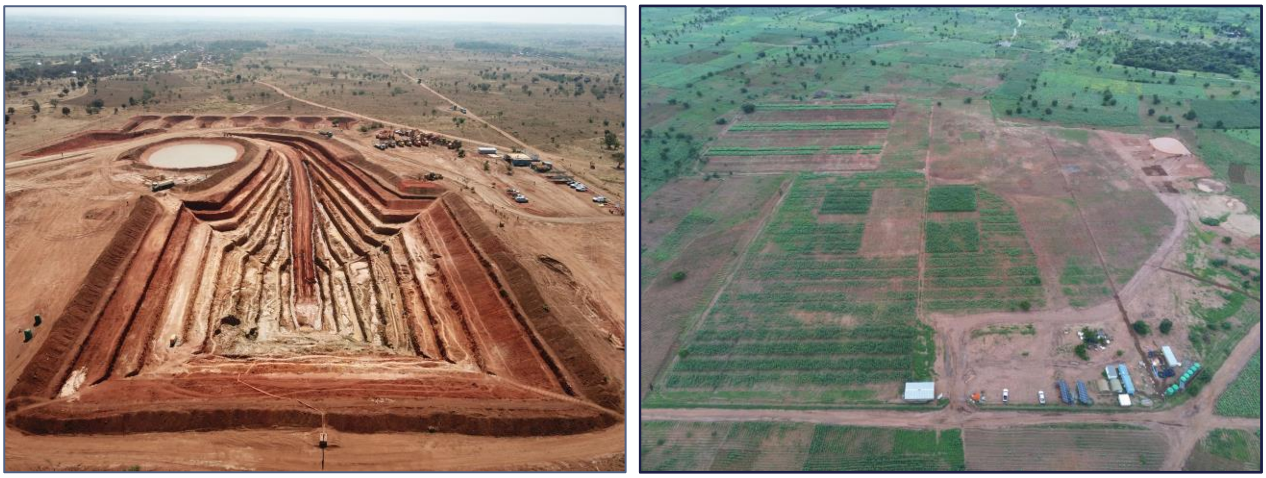

Figure 2: Pilot Phase test pit during mining trials (left) and subsequently backfilled and rehabilitated (right)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Optimised PFS Results Reaffirm Kasiya's Globally Strategic Significance

Subsequent to the half year, the Company announced the results of an OPFS for Kasiya which was undertaken following a strategic investment by Rio Tinto Mining and Exploration Limited (**Rio Tinto**) in 2023. Under the Investment Agreement, a joint Technical Committee was established to oversee the development of Kasiya; the OPFS was conducted with oversight from the Sovereign-Rio Tinto Technical Committee.

Following input from various organisations, including internationally recognised, independent consultancies, the Company's owner's team, and subject matter experts from Rio Tinto, the OPFS has reconfirmed Kasiya as a leading global future supplier of strategic critical minerals outside of China.

The OPFS proposes a large-scale, long-life operation to deliver substantial volumes of natural rutile and graphite while generating significant returns. Table 1 below summarises the key findings from the OPFS and includes a comparison to the PFS results released 16 months ago, in September 2023. **It is important to note that the results for the 2023 PFS in Table 1 have not been updated or adjusted for inflation since their release.**

TABLE 1: KEY OPFS METRICS

	Units	**OPFS Results Jan 25**	*2023 PFS Sep 23*
Production			
Initial Mine Life	*Years*	**25**	*25*
Plant Throughput (Stage 1: Years 1-4)	*Mtpa*	**12**	*12*
Plant Throughput (Stage 2: Years 5-25)	*Mtpa*	**24**	*24*
Average Annual Rutile Produced (95%+TiO_2)	*ktpa*	**222**	*222*
Annual Average Graphite Produced (96% TGC)*	*ktpa*	**233**	*244*
Operating and Capital Expenditure			
Capex to First Production (Stage 1)	*US$M*	**665**	*597*
Total LOM Development Capex	*US$M*	**1,127**	*1,250*
Total LOM Sustaining Capex	*US$M*	**397**	*470*
Operating Costs (FOB Nacala)	*US$/t product*	**423**	*404*
Financial Performance			
Total Revenue*	*US$M*	**16,367**	*16,121*
Annual Revenue (Average LOM)	*US$M*	**640**	*645*
Annual EBITDA (Average LOM)	*US$M*	**409**	*415*
NPV_8 (real, pre-tax)	*US$M*	**2,322**	*2,419*
IRR (pre-tax)	*%*	**27%**	*32%*
Revenue to Cost Ratio	*x*	**2.8**	*2.8*

*Annual average graphite produced includes 292kt of graphite processed and sold in two years post cessation of active ore mining. Average graphite produced during the 25-year initial mine life only is 240ktpa; total revenue during the same period is US$15,990 million. All rutile is produced and sold during the 25-year initial mine life. Note: All cashflows and costs are presented in US$ real January 2025 terms unless otherwise stated. Operating costs exclude mineral royalties and community development support costs.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Summary of Optimisations

The OPFS optimises seven key areas compared to the 2023 PFS, as summarised below.

Mining Method

The PFS proposed a 25-year initial LOM based on a hydraulic mining process where slurry material would be screened and pumped overland to the processing plants.

Based on findings from the mining trials undertaken as part of the Pilot Phase, the OPFS proposes a large-scale open-pit dry mining operation using draglines and trucking of material to the processing plants. The change in mining method has not changed the initial mine life of 25 years.

Operating Model

The 2023 PFS envisaged mining would take place on a contractor basis.

During the OPFS, Sovereign undertook a trade-off analysis between the following operating options:

- Fully owner-operated mine with draglines and trucks purchased by the owner
- Owner-operated mine with draglines and trucks leased by the owner
- Mining contractor operation using excavators and trucks

Due to the preference for draglines and benefit of flexibility, an owner-operated mine with leased equipment is selected as the preferred operating model.

Plant Configuration

Dry mining Kasiya means the material received at the plant is not pre-wet and pre-scrubbed. Therefore, the OPFS proposes a process plant front end consisting of two scrubbers and two oversize screens per 12Mt plant. No further changes are proposed to the processing plant flowsheet.

Plant Location

Per the 2023 PFS, mining would commence in the southern area of the Kasiya deposit, ramping up to 12Mt per annum (**Mtpa**) and then scaling up to 24Mtpa in Year 5 by constructing a second plant module in the same area, reaching nameplate capacity by the end of that year.

In Year 10 of production, another new 12Mtpa plant module would be built and commissioned in the northern area of Kasiya, supported by the relocation to the north of one of the southern plants to maintain a steady state of 24Mtpa.

However, the OPFS has determined the most efficient plant locations to be an initial 12Mtpa South Kasiya plant followed by the construction of another 12Mtpa North Kasiya plant in year 5 of production, negating any relocation requirements in later years.

The OPFS maintains the ROM schedule with operations commencing with 12Mtpa of throughput during the first four years of production (**Stage 1**) and expanding to 24Mtpa in year 5, with full capacity reached by end of year 5 (**Stage 2**).

Tailings Management

Per the PFS, a conventional process would be used to produce rutile and graphite concentrate with tailings in separate sand and fines streams being pumped to a conventional TSF. Mined out pit areas would be backfilled as part of a rehabilitation process.

The OPFS proposes maximising backfilling of pits as undertaken during the Pilot Phase and the introduction of mud farming on the TSF to accelerate dewatering. This approach has reduced tailings volumes in the TSF by 44% from 187 Mm^3 to 105 Mm^3.

Mud farming is a technique used by Rio Tinto at operations such as its 100%-owned Weipa bauxite operations in Queensland, Australia, which has been in production since 1963 and produced 35.1Mt of bauxite in 2023.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Summary of Optimisations (Continued)

Water Management

The PFS proposed that the primary water supply for the Kasiya mining complex would be created by building a water storage dam and collecting run-off water from the greater catchment area. Following the introduction of dry mining and mud farming, the size of the water storage dam proposed in the PFS has been significantly reduced, with less process water required and more process water recovered.

The OPFS mining trials and material deposition tests indicated a water demand of 10.2 Mm^3 per annum, almost a 40% decrease in water requirement from the PFS (16.7 Mm^3). The effect on the water storage dam wall could be a reduction in volume from 0.79 Mm^3 to 0.57 Mm^3 and a reduction in dam wall height from 20 metres to 17 metres.

Power

The 2023 PFS envisaged a hybrid hydro-generated grid power plus solar power system solution.

The Malawi grid reliability has improved since completion of the PFS and is expected to further improve considerably with the commissioning of the country's first HV transmission interconnector to Mozambique in Q2 2025.

This will provide the Project with sufficient power and therefore the OPFS proposes to connect the Project's power system to the hydro-sourced grid network only. This mitigates any risks associated with commissioning a new solar power project and reducing the overall power tariff by eliminating the need for an Independent Power Producer as per the 2023 PFS.

Pilot Phase Advanced to Rehabilitation Stage Following Mining Trials and Backfilling

In December 2024, the Company announced that the test pit mined during the Pilot Phase at the Kasiya Project had been successfully backfilled. This allowed Sovereign to commence on-site soil remediation and land rehabilitation activities, testing our proposed rehabilitation approach and demonstrating that the mined land can support sustainable farming post-closure.

During the Pilot Phase mining trials, 170,000m^3 was mined using a conventional excavator fleet. The fleet was used to place mined material back into the pit, filling the pit to the original ground level in less than two months and ahead of schedule.

In March 2025, the Company announced the success of the rehabilitation program with landowners given immediate access to land to start maize crop farming without missing a planting season.

Positive Test Results for Use of Kasiya Graphite in Refractory and Expandable Markets

The Company has announced that downstream testwork targeting the traditional graphite market, conducted at leading independent consultancies ProGraphite GmbH (**ProGraphite**) and Dorfner Anzaplan (**DorfnerA**) in Germany, have delivered very positive test results, which will be used for customer engagement and potential offtake discussions.

Preliminary tests confirmed that graphite concentrate produced from Kasiya in Malawi exhibits prerequisite characteristics required for graphite sales into the refractory materials sector and for use in expandable (fire retardant) and expanded (gaskets, seals, and brake lining) applications.

Traditional demand for natural graphite is primarily tied to the steel industry where it is used as a component in bricks that line both blast and electric arc furnaces ("refractories") and as a liner for ladles and crucibles. It is used in brake linings, gaskets and clutch materials in the automotive industry. Graphite has many other industrial uses in lubricants, carbon brushes for electric motors, fire retardants, and insulation and reinforcement products.

Graphite's key properties for use in refractory applications are its resistance to oxidation, chemical inertness and good thermal conductivity.

A key use for expandable graphite is as a flame retardant. Growth for expandable graphite flame retardants, is driven by concerns over halogen-based flame retardants, which include brominated and chlorinated flame retardants. Many of these chemicals are now recognised as global contaminants and are associated with adverse health effects in animals and humans, including endocrine and thyroid disruption, immunotoxicity, reproductive toxicity, and cancer (National Institute of Health).

Expanded graphite is used in gaskets, seals, brake linings, bi-polar plates for fuel cells, and thermal management in electronic devices, where the inherent properties of graphite are combined with the flexibility of expanded graphite.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Positive Test Results for Use of Kasiya Graphite in Refractory and Expandable Markets (Continued)

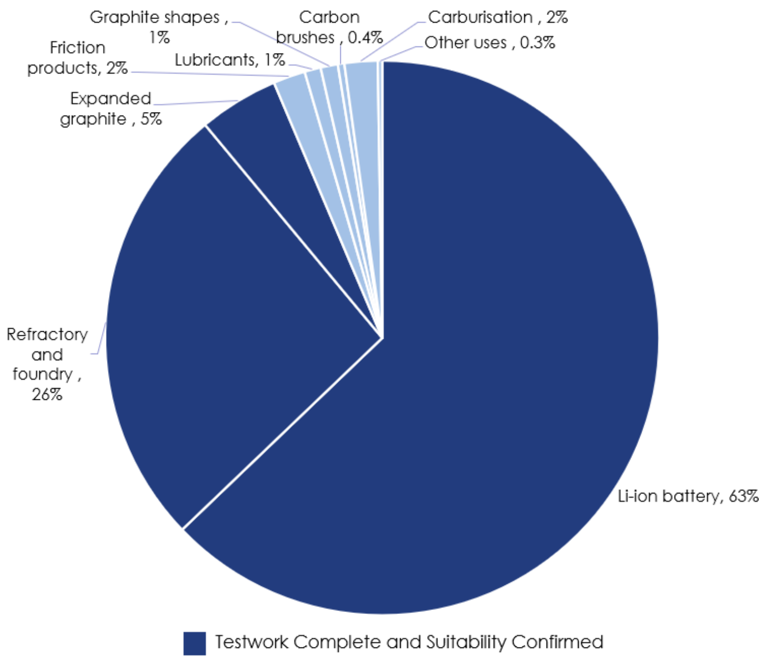

Figure 3: Natural graphite market per application (Benchmark Minerals Intelligence, 2025)

Infill Drilling Program Complete

In October 2024, the Company announced the completion of an infill drilling program at Kasiya to support an upgrade of the MRE.

Aircore drilling, supported by hand auger, push tube and diamond core drilling, was completed in the southern part of Kasiya. The drilling was focused on the designated pits proposed to provide ore feed in the first eight years of the Project's production schedule. Ore Reserves in these areas are expected to convert from the Probable to Proven category with an upgrade of the current MRE from Indicated to the Measured category under the JORC (2012) Code.

Offsite laboratories in South Africa and Australia will assay all samples for rutile and graphite. The drilling program's results and subsequent Resource upgrade are expected in early 2025.

Kasiya is already the world's largest rutile deposit and second-largest flake graphite deposit, with over 66% of the current MRE in the Indicated category.

Corporate Update

Sovereign remains in a strong financial position with cash at bank of approximately A$34 million and no debt.

Next Steps

The Company plans to update the market on the following progress in the coming months:

- Planned MRE upgrade
- Further graphite test work results as the Company continues to advance the qualification of its graphite product for the lithium-ion battery and traditional graphite sectors
- Progress in discussions with future potential end-users of rutile and graphite
- Updates on community and social development programs
- Further rehabilitation aspects of the Pilot Phase
- Progress of the DFS, which is targeted for completion in Q4, 2025

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

DIRECTORS

The names of Directors in office at any time during the financial period or since the end of the financial period are:

Mr Benjamin Stoikovich	Chairman
Mr Frank Eagar	Managing Director and CEO
Mr Ian Middlemas	Non-Executive Director
Dr Julian Stephens	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Nigel Jones	Non-Executive Director

All Directors were in office from 1 July 2024 until the date of this report, unless otherwise noted.

OPERATING RESULTS

The net operating loss after tax for the half year ended 31 December 2024 was $19,546,116 (2023: $6,976,503) which is attributable to:

(i) Interest income of $1,025,751 (2023: $938,402) earned on cash term deposits held by the Group;

(ii) exploration and evaluation expenditure of $16,495,513 (2023: $5,027,397) in relation to the Kasiya Project. This is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore and up to the completion of feasibility studies; and

(iii) non-cash share based payment expenses of $1,904,852 (2023: $1,089,974) relating to performance rights. The fair value of incentive options and rights is measured at grant date and recognised over the period during which the performance rights holders become unconditionally entitled to the incentive securities.

FINANCIAL POSITION

At 31 December 2024, the Company had cash and cash equivalents of $33,531,689 (30 June 2024: $31,564,130) and no debt (30 June 2024: nil). The Company had net assets of $35,927,994 (30 June 2024: $34,358,774), an increase of $1,569,220 or approximately 4% compared with the prior period. This is largely attributable to the increase in cash reserves following the investment made by Rio Tinto in the period offset by exploration and evaluation spend on the project to complete the Pilot Phase and OPFS.

SIGNIFICANT POST BALANCE DATE EVENTS

On 22 January 2025, the Company announced the results of an OPFS for Kasiya which reaffirm Kasiya's potential to become the largest and lowest-cost producer of natural rutile and natural flake graphite while generating exceptional economics.

Other than the above, there are no matters or circumstances which have arisen since 31 December 2024 that have significantly affected or may significantly affect:

- the operations, in periods subsequent to 31 December 2024, of the Group;
- the results of those operations, in periods subsequent to 31 December 2024, of the Group; or
- the state of affairs, in periods subsequent to 31 December 2024, of the Group.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Sovereign Metals Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is on page 17 and forms part of this Directors' Report.

This report is made in accordance with a resolution of the directors made pursuant to section 306(3) of the Corporations Act 2001.

For and on behalf of the Directors

Frank Eagar
Managing Director and CEO

7 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2024

SOVEREIGN METALS LIMITED

	Notes	Half Year Ended 31 December 2024 $	Half Year Ended 31 December 2023 $
Interest income		**1,025,751**	938,402
Exploration and evaluation expenses		**(16,495,513)**	(5,027,397)
Corporate and administrative expenses		**(779,930)**	(572,119)
Business development expenses		**(1,004,695)**	(996,548)
Share based payment expense	9(a)	**(1,904,852)**	(1,089,974)
Other expenses	3	**(386,877)**	(173,386)
Demerger expenses		**-**	(55,481)
Loss before income tax		**(19,546,116)**	(6,976,503)
Income tax expense		-	-
Loss for the period		**(19,546,116)**	(6,976,503)
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on foreign entities		**80,624**	3,530
Other comprehensive income for the period, net of income tax		**80,624**	3,530
Total comprehensive loss for the period		**(19,465,492)**	(6,972,973)
Loss attributable to members of Sovereign Metals Limited		**(19,465,492)**	(6,972,973)
Total comprehensive loss attributable to members of Sovereign Metals Limited		**(19,465,492)**	(6,972,973)
Basic and diluted loss per share from continuing operations (cents per share)		**(3.3)**	(1.1)

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

	Notes	31 December 2024 $	30 June 2024 $
ASSETS			
Current Assets			
Cash and cash equivalents		**33,531,689**	31,564,130
Other receivables	**4**	**506,258**	315,597
Other financial assets		**175,000**	560,000
Total Current Assets		**34,212,947**	32,439,727
Non-current Assets			
Property, plant and equipment	**5**	**2,009,700**	1,149,771
Exploration and evaluation assets	**6**	**5,086,129**	5,086,129
Total Non-current Assets		**7,095,829**	6,235,900
TOTAL ASSETS		**41,308,776**	38,675,627
LIABILITIES			
Current Liabilities			
Trade and other payables		**5,184,642**	4,138,353
Provisions		**86,849**	56,782
Other financial liabilities	**7(a)**	**41,378**	35,288
Total Current Liabilities		**5,312,869**	4,230,423
Non-Current Liabilities			
Other financial liabilities	**7(b)**	**67,913**	86,430
Total Non-Current Liabilities		**67,913**	86,430
TOTAL LIABILITIES		**5,380,782**	4,316,853
NET ASSETS		**35,927,994**	34,358,774
EQUITY			
Issued capital	**8**	**136,965,491**	117,835,631
Reserves	**9**	**(1,374,794)**	(3,360,270)
Accumulated losses		**(99,662,703)**	(80,116,587)
TOTAL EQUITY		**35,927,994**	34,358,774

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

	Issued Capital $	Share Based Payment Reserve $	Demerger Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2024	**117,835,631**	**3,605,751**	**(7,336,678)**	**370,657**	**(80,116,587)**	**34,358,774**
Net loss for the period	**-**	**-**	**-**	**-**	**(19,546,116)**	**(19,546,116)**
Other comprehensive income	**-**	**-**	**-**	**80,624**	**-**	**80,624**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**80,624**	**(19,546,116)**	**(19,465,492)**
Transactions with owners, recorded directly in equity						
Issue of placement shares	**19,174,395**	**-**	**-**	**-**	**-**	**19,174,395**
Cancelation of unvested performance rights	**-**	**(22,754)**	**-**	**-**	**-**	**(22,754)**
Share based payment expense	**-**	**1,927,606**	**-**	**-**	**-**	**1,927,606**
Share issue costs	**(44,535)**	**-**	**-**	**-**	**-**	**(44,535)**
Balance at 31 December 2024	**136,965,491**	**5,510,603**	**(7,336,678)**	**451,281**	**(99,662,703)**	**35,927,994**
Balance at 1 July 2023	74,508,488	4,155,950	(7,336,678)	(139,498)	(61,515,693)	9,672,569
Net loss for the period	-	-	-	-	(6,976,503)	(6,976,503)
Other comprehensive income	-	-	-	3,530	-	3,530
Total comprehensive income/(loss) for the period	-	-	-	3,530	(6,976,503)	(6,972,973)
Transactions with owners, recorded directly in equity						
Issue of placement shares	40,598,258	-	-	-	-	40,598,258
Transfer from SBP reserve upon conversion of performance rights	2,853,400	(2,853,400)	-	-	-	-
Share based payment expense	-	1,089,974	-	-	-	1,089,974
Share issue costs	(124,515)	-	-	-	-	(124,515)
Balance at 31 December 2023	117,835,631	2,392,524	(7,336,678)	(135,968)	(68,492,196)	44,263,313

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2024

SOVEREIGN METALS LIMITED

	Half Year Ended 31 December 2024 $	Half Year Ended 31 December 2023 $
Cash flows from operating activities		
Payments to suppliers and employees – exploration and evaluation	**(15,479,030)**	(5,433,663)
Payments to suppliers and employees – other	**(1,764,767)**	(1,616,960)
Interest received	**1,031,209**	744,942
Net cash used in operating activities	**(16,212,588)**	(6,305,681)
Cash flows from investing activities		
Payments for purchase of plant and equipment	**(916,061)**	(205,902)
Repayment of loan receivable from NGX Limited	**-**	34,434
Net cash used in investing activities	**(916,061)**	(171,468)
Cash flows from financing activities		
Proceeds from issue of shares	**19,174,395**	40,598,258
Payments for share issue costs	**(44,535)**	(248,778)
Payments for finance lease	**(31,777)**	-
Net cash from financing activities	**19,098,083**	40,349,480
Net increase in cash and cash equivalents	**1,969,434**	33,872,331
Net foreign exchange differences	**(1,875)**	-
Cash and cash equivalents at the beginning of the period	**31,564,130**	5,564,376
Cash and cash equivalents at the end of the period	**33,531,689**	39,436,707

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

1. MATERIAL ACCOUNTING POLICY INFORMATION

Sovereign Metals Limited (the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange, the AIM Market of the London Stock Exchange and a Quotation on OTCQX in the U.S. The consolidated interim financial statements of the Company as at and for the period from 1 July 2024 to 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are as described in the Directors' Report.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the audited annual report of Sovereign for the year ended 30 June 2024 (where comparative amounts have been extracted from) and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of Preparation of Half Year Financial Report

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated. There have been no changes in the critical accounting judgements or key sources of estimation since 30 June 2024.

(b) Statement of Compliance

The consolidated interim financial report complies with Australian Accounting Standards, including AASB 134 which ensures compliance with International Financial Reporting Standard ("IFRS") IAS 34 "*Interim Financial Reporting*" as issued by the International Accounting Standards Board. The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2024, except for new standards, amendments to standards and interpretations effective 1 July 2024. In the current half year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption resulted in no material impact.

(c) Issued standards and interpretations not early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ended 31 December 2024. Those which may be relevant to the Group are set out in the table below. The impact of these standards are still being assessed.

Standard/Interpretation	Application Date of Standard	Application Date for Group
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	1 July 2025
AASB 18 Presentation and Disclosure in Financial Statements	1 January 2027	1 July 2027

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Consolidated Entity has one operating segment, being exploration in Malawi.

3. OTHER EXPENSES

	31 December 2024 $	31 December 2023 $
Foreign exchange (loss)/gain	**(1,877)**	1,614
Fair value movements in other financial assets	**(385,000)**	(175,000)
	(386,877)	(173,386)

4. CURRENT ASSETS – OTHER RECEIVABLES

	31 December 2024 $	30 June 2024 $
Accrued interest	**140,454**	145,913
GST receivable	**95,664**	81,051
Prepayments	**203,559**	52,655
Other	**66,581**	35,978
	506,258	315,597

5. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Office Furniture and Equipment $	Computer Equipment $	Plant & Equipment $	Right of use $	Assets under construction $	Total $
Carrying amount at 1 July 2024	**152,163**	**68,566**	**496,953**	**116,447**	**315,642**	**1,149,771**
Additions	31,758	30,516	768,298	-	73,062	903,634
Depreciation charge	(15,546)	(17,761)	(64,801)	(21,663)	-	(119,771)
Foreign exchange differences	10,217	3,557	33,604	4,257	24,431	76,066
Carrying amount at 31 December 2024	**178,592**	**84,878**	**1,234,054**	**99,041**	**413,135**	**2,009,700**
At cost	227,879	153,292	1,803,664	134,091	388,704	2,707,630
Accumulated depreciation, amortisation and impairment	(49,287)	(68,414)	(569,610)	(35,050)	24,431	(697,930)

6. EXPLORATION AND EVALUATION ASSETS

	31 December 2024 $
(a) Movement in Exploration and Evaluation Assets	
Kasiya Rutile-Graphite Project:	
Carrying amount as at 1 July 2024	**5,086,129**
Carrying amount at 31 December 2024(i)	**5,086,129**

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.

7. OTHER FINANCIAL LIABILITIES

		31 December 2024 $	30 June 2024 $
(a)	**Current liabilities**		
	Lease Liability(i)	**41,378**	35,288
(b)	**Non-Current liabilities**		
	Lease Liability(i)	**67,913**	86,430

Note:

(i) The Company has a lease agreement for the rental of a property. Refer to Note 5 for the carrying amount of the right of use asset relating to the lease. The following are amounts recognised in the Statement of Profit and Loss: (i) amortisation expense of right of use asset $21,663 (30 June 2024: $17,454); (ii) interest expense on lease liabilities of $14,311 (30 June 2024: $12,961); and (iii) rent expense of $5,660 (30 June 2024: $7,922).

8. CONTRIBUTED EQUITY

		31 December 2024 $	30 June 2024 $
(a)	**Issued and Paid Up Capital**		
	599,879,879 (30 June 2024: 563,003,401) fully paid ordinary shares (Note 8(b))	**136,965,491**	117,835,631

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

Date	Details	Number of Shares	$
1 Jul 24	**Opening balance**	**563,003,401**	**117,835,631**
4 Jul 24	Issue of ordinary shares on exercise of Rio Tinto Options	34,549,598	18,484,035
13 Sep 24	Issue of ordinary shares to Rio Tinto	1,290,392	690,360
13 Sep 24	Issue of advisory fee shares	1,036,488	-
31 Dec 24	Share issue costs	-	(44,535)
31 Dec 24	**Closing balance**	**599,879,879**	**136,965,491**

9. RESERVES

	31 December 2024 $	30 June 2024 $
Share-based Payments Reserve (Note 9(a))	**5,510,603**	3,605,751
Foreign Currency Translation Reserve - exchange differences	**451,281**	370,657
Demerger Reserve	**(7,336,678)**	(7,336,678)
	(1,374,794)	(3,360,270)

(a) Movements in Options and Performance Rights were as follows:

Date	Details	Number of Unlisted Performance Rights	$(i)
1 Jul 2024	**Opening balance**	**17,860,000**	**3,605,751**
Various	Issue of performance rights	4,725,000	-
31 Dec 2024	Cancelation of unvested performance rights	(425,000)	(22,754)
31 Dec 2024	Share based payment expense	-	1,927,606
31 Dec 2024	**Closing balance**	**22,160,000**	**5,510,603**

Note

(i) The value of performance rights granted during the period is estimated as at the grant date based on the underlying share price with the expense recognised over the vesting period in accordance with Australian Accounting Standards.

10. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	31 December 2024 $	30 June 2024 $
Exploration Commitments - Kasiya Rutile-Graphite Project:		
Within one year	**201,477**	107,155
After one year but not more than five years	**82,043**	46,705
	283,520	**153,860**

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

At the last annual reporting date, the Consolidated Entity did not have any material contingent liabilities. There has been no material change in contingent assets and liabilities of the Consolidated Entity during the half year.

11. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (2023: nil).

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The net fair value of financial assets and financial liabilities approximates their carrying value.

13. SUBSEQUENT EVENTS AFTER BALANCE DATE

On 22 January 2025, the Company announced the results of an OPFS for Kasiya which reaffirm Kasiya potential to become the largest and lowest-cost producer of natural rutile and natural flake graphite while generating exceptional economics.

Other than the above, there are no matters or circumstances which have arisen since 31 December 2024 that have significantly affected or may significantly affect:

- the operations, in periods subsequent to 31 December 2024, of the Group;
- the results of those operations, in periods subsequent to 31 December 2024, of the Group; or
- the state of affairs, in periods subsequent to 31 December 2024, of the Group.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the half year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Board

Frank Eagar
Managing Director and CEO

7 March 2025

Competent Person Statement

The information in this announcement that relates to Production Targets, Ore Reserves, Processing, Infrastructure and Capital and Operating Costs is extracted from an announcement dated 22 January 2025, which is available to view at www.sovereignmetals.com.au. Sovereign confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions and technical parameters underpinning the Production Target, and related forecast financial information derived from the Production Target included in the original announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original announcement.

The information in this announcement that relates to the Exploration Results (metallurgy - rutile and graphite) is extracted from announcements dated 8 May 2024, 15 May 2024, 4 September 2024, 21 November 2024, 19 February 2025 and 26 February 2025 which are available to view at www.sovereignmetals.com.au. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions included in the original announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this report have not been materially changed from the announcement.

The information in this announcement that relates to the Mineral Resource Estimate is extracted from Sovereign's 2024 Annual Report and 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 (AIG). Mr Stockwell is a principal of Placer Consulting Pty Ltd, an independent consulting company. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions included in the 2024 Annual Report continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in 2024 Annual Report have not been materially changed from the disclosure in the 2024 Annual Report.

Ore Reserve for the Kasiya Deposit

Classification	Tonnes (Mt)	Rutile Grade (%)	Contained Rutile (Mt)	Graphite Grade (TGC) (%)	Contained Graphite (Mt)	RutEq. Grade* (%)
Proved	-	-	-	-	-	-
Probable	538	1.03%	5.5	1.66%	8.9	2.00%
Total	**538**	**1.03%**	**5.5**	**1.66%**	**8.9**	**2.00%**

* RutEq. Formula: Rutile Grade x Recovery (100%) x Rutile Price (US$1,484/t) + Graphite Grade x Recovery (67.5%) x Graphite Price (US$1,290/t) / Rutile Price (US$1,484/t). All assumptions are from the Kasiya PFS ** Any minor summation inconsistencies are due to rounding

Kasiya Total Indicated + Inferred Mineral Resource Estimate at 0.7% rutile cut-off grade (inclusive of Ore Reserves)

Classification	Resource (Mt)	Rutile Grade (%)	Contained Rutile (Mt)	Graphite Grade (TGC) (%)	Contained Graphite (Mt)
Indicated	1,200	1.0%	12.2	1.5%	18.0
Inferred	609	0.9%	5.7	1.1%	6.5
Total	**1,809**	**1.0%**	**17.9**	**1.4%**	**24.4**

Forward Looking Statement

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

Shape the future with confidence

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Auditor's independence declaration to the directors of Sovereign Metals Limited

As lead auditor for the review of the half-year financial report of Sovereign Metals Limited for the half-year ended 31 December 2024, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sovereign Metals Limited and the entities it controlled during the financial period.

Ernst & Young

Pierre Dreyer
Partner
7 March 2025

EY

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Independent auditor's review report to the members of Sovereign Metals Limited

Conclusion

We have reviewed the accompanying half-year financial report of Sovereign Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
Perth
7 March 2025