1 May 2023

Sovereign Metals Ltd

Aiming to be a dominant producer of critical minerals

Sovereign Metals Ltd (ASX:SVM) is an ASX-listed company focused on developing the world's largest known natural rutile deposit and second largest flake graphite deposit in Malawi in south-east Africa. The company is well advanced with its pre-feasibility study and mineral resource update for the Kasiya rutile project and expects to complete this in coming months. In March 2023, Sovereign Metals demerged its other graphite projects into a new unlisted public vehicle, NGX Ltd, via an in-specie distribution to shareholders, in order to concentrate on developing Kasiya. The company is of the view that Kasiya is poised to be the next material source of two critical minerals; natural rutile and graphite. Natural rutile is the preferred feedstock for the titanium dioxide industry currently constrained by lack of supply and facing the closure of two major western mines in the near term. Kasiya's graphite, a low-cost co-product is highly crystalline and high purity, which are both critical features for use in lithium-ion battery anodes.

Project description

Sovereign Metals is developing the Kasiya rutile project in Malawi in south-east Africa. The Indicated Resource stands at 1.2bn tonnes grading 1.0% rutile and 1.5% graphite following a recently updated Mineral Resource Estimate (announced April 5) which increased the Indicated Resource by 81%. The project's MRE (1.8bn tonnes at 1.0% rutile and 1.4% graphite) now has more than 66% in the Indicated category following the recently completed infill drilling programme. The project has been confirmed as one of the world's largest and lowest cost producers of natural rutile and natural graphite by independent UK-based consultancy Minviro after comparing Kasiya's GWP of producing natural flake graphite against relevant current and future natural graphite projects. Kasiya's mineralisation presents in a laterally extensive, near surface, flat "blanket" style, with widespread, high-grade mineralisation from surface to 25m, with higher grades up to 2.0% rutile in the top three-to-five metres.

Aiming for a definitive feasibility study by end of CY2024

Sovereign Metals is currently conducting its PFS which it expects to complete in the coming months. The PFS will extend the previous expanded scoping study (ESS) which estimated that the project could deliver an after-tax net present value (NPV) of US$1.54bn with average annual EBITDA running at US$323mn. The ESS looked at a two-staged development with stage one contemplating 12Mtpa ore processed in the first five years and stage two increasing annual production to 24Mt from years five to 25, delivering 265Kt rutile and 170Kt graphite a year. Sovereign Metals has already secured offtake agreements with Japan's Mitsui & Co, US-based Chemours Company, and US-headquartered Hascor International Group respectively, for 30,000 tonnes, 20,000 tonnes, and 25,000 tonnes of rutile a year. The company expects to make additional announcements over the next 12 months and anticipates completing the environmental and project permitting by the end of CY2024, in tandem with the Definitive Feasibility Study which will commence in H2 CY2023.

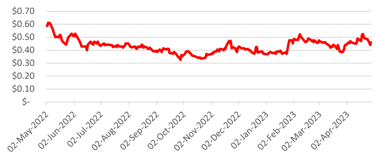
Well positioned to deliver critical minerals at a critical time

Sourcing critical minerals has become a priority for governments in the current uncertain geo-political environment. Natural rutile, the purest natural form of titanium, is in particular demand for producing titanium metal for the aerospace and defence sectors, and with its substantially lower carbon footprint than other manufactured sources of TiO_2 meets the decarbonisation requirements for corporates and governments. Kasiya's graphite co-product which offers significant cost and environmental advantages to the project.

Share Details

ASX code	SVM
Share price (28-Apr)	$0.46
Market capitalisation	$217M
Number of shares	470.9M
Options on issue	11.1M
Performance rights	14.4M
Net cash at 31-Dec-2022	$11.1M

Share Price Performance (12 months)



Upside Case

- Potential to move lower on the industry cost curve delivering stronger margins and NPV
- Stronger demand and competition for product given the material (up to 60% lower in 'global warming impacts') associated environmental benefits.
- Secures higher margins than currently anticipated from rising prices for rutile and graphite

Downside Case

- Fails to secure funding to proceed with the project
- Company becomes target for majors before shareholders realise a sufficient return
- Pricing pressure emerges from other projects coming on line

Catalysts

- Release of Pre-Feasibility Study
- Progression to environmental impact studies and feasibility study
- Further product development and offtakes

Comparative Companies (Australia & NZ)

SRX, BSE, BKT, IG6, TLG

Company Contact

Dr Julian Stephens (MD) +61 8 9322 6322
julian.stephens@sovereignmetals.com.au

RaaS Contacts

Andrew Williams +61 417 880 680
andrew.williams@raasgroup.com

Finola Burke +61 414 354 712
finola.burke@raasgroup.com

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below.
BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)
In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than $50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.