

2025 ANNUAL REPORT

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

CORPORATE DIRECTORY

DIRECTORS

Mr Benjamin Stoikovich — Chair
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 & COMPANY SECRETARY

Mr Dylan Browne

OFFICES

London Office

Unit 3C, 38 Jermyn Street,
London SW1Y 6DN, United Kingdom
Tel: +44 20 7478 3900

Cape Town Office

Ground Floor, Block C, The Terraces,
Steenberg Office Park, Cape Town, South Africa
Tel: +27 21 065 1890

Operations Office

Area 4, Lilongwe, Malawi

Registered and Principal Office

Level 9, 28 The Esplanade,
Perth WA 6000 Australia
Tel: +61 8 9322 6322
Fax: +61 8 9322 6558

NOMINATED ADVISOR & BROKER

SP Angel Corporate Finance LLP
Prince Frederick House, 35-39 Maddox Street,
London, W1S 2PP, United Kingdom
Tel: +44 20 3470 0470

JOINT BROKER

Stifel Nicolaus Europe Limited
150 Cheapside, London EC2V 6ET, United Kingdom
Tel: +44 20 7710 7600

SHARE REGISTER

Australia

Computershare Investor Services Pty Ltd
Level 17, 221 St Georges Terrace, Perth WA 6000
Tel: 1300 850 505
Int:+61 8 9323 2000
Fax:+61 8 9323 2033

United Kingdom

Computershare Investor Services PLC
The Pavilions, Bridgewater Road,
Bristol BS99 6ZZ, United Kingdom
Tel: +44 370 702 0000

WEBSITE & EMAIL

www.sovereignmetals.com.au
info@sovereignmetals.com.au

STOCK EXCHANGE LISTINGS

Australia

Australian Securities Exchange (ASX)
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**

SOLICITORS

Thomson Geer
Simmons & Simmons

AUDITOR

Ernst and Young

BANKERS

Australia – National Australia Bank Limited
Malawi – Standard Bank

CONTENTS

Directors' Report	1
Auditor's Independence Declaration	31
Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Consolidated Statement of Financial Position	33
Consolidated Statement of Cash Flows	34
Consolidated Statement of Changes in Equity	35
Notes to the Financial Statements	36
Consolidated Entity Disclosure Statement	63
Directors' Declaration	64
Independent Audit Report	65
Corporate Governance	70
Mineral Resources and Ore Reserve Statement	71
ASX Additional Information	73

PAGE

The Directors of Sovereign Metals Limited present their report on the Group consisting of Sovereign Metals Limited (the **Company** or **Sovereign** or **Parent**) and the entities it controlled at the end of, or during, the year ended 30 June 2025 (**Group**).

OPERATING AND FINANCIAL REVIEW

KASIYA RUTILE-GRAPHITE PROJECT

Sovereign is focused on the development of its Kasiya rutile-graphite project (**Kasiya** or **the Project**) in Malawi to become a leading global supplier to the titanium and graphite industries. Kasiya is the world's largest natural rutile deposit – the purest, highest-grade naturally occurring titanium feedstock – and the world's second-largest flake graphite deposit – a battery mineral essential for the Energy Transition.

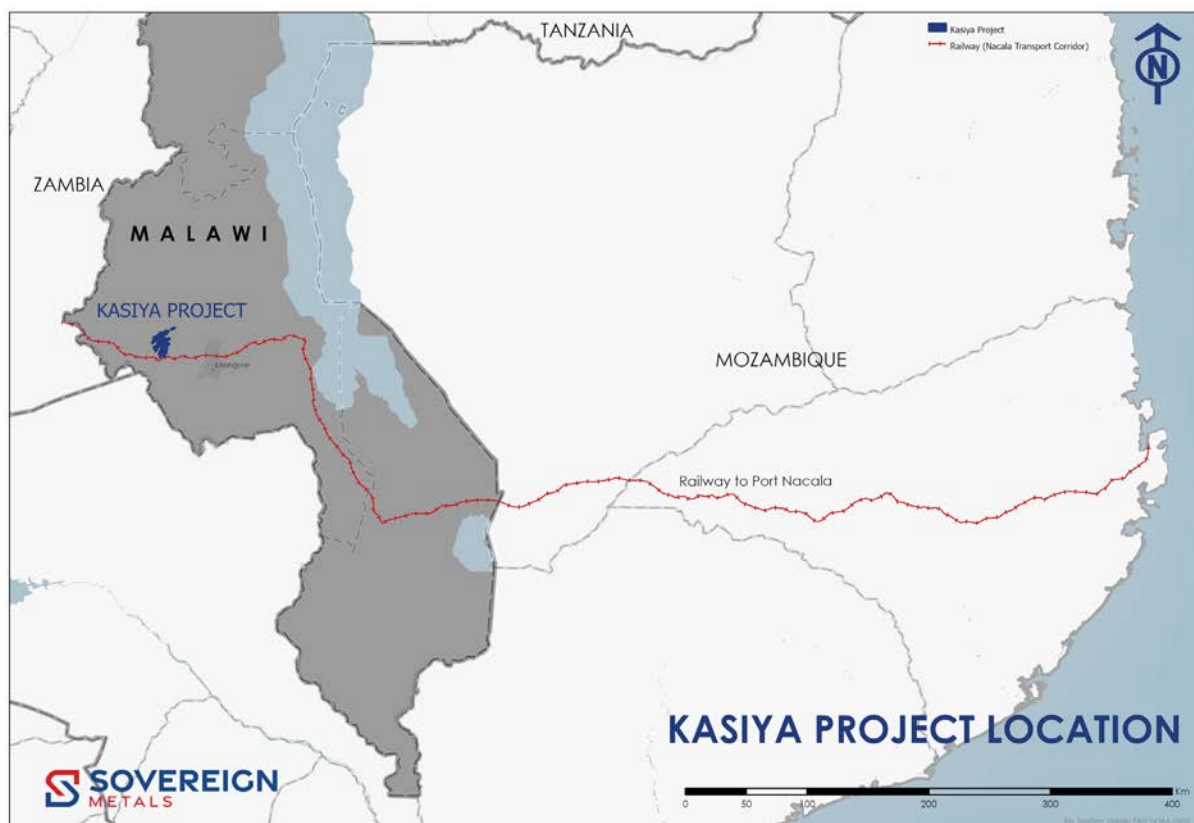


Figure 1: Kasiya Regional Project Location

Sovereign discovered Kasiya in 2019 after identifying the potential of a new rutile province in Malawi. Today, Kasiya stands out as the world's largest known natural rutile deposit and second largest known flake graphite deposit and holds the accolade of one of only 11 Tier 1 mining projects discovered in the last decade (source MinEx Consulting, "Exploration: Australia vs The World, October 2023).

The Optimised Pre-Feasibility Study (**OPFS**), completed during the year with oversight from the Sovereign–Rio Tinto Technical Committee, reaffirmed Kasiya's potential to become a large, low-cost producer of strategic minerals. Sovereign is now advancing the Definitive Feasibility Study (**DFS**).

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

HIGHLIGHTS DURING AND SUBSEQUENT TO YEAR END

Mining Method and Fleet Design Finalised for DFS

- Mining Fleet specifically engineered for large-scale dry mining operations following the results of the successful Pilot Mining and Land Rehabilitation (**Pilot Phase**).
- No drilling, blasting, crushing or milling required at Kasiya resulting in low capital outlays and operating costs.
- Equipment selection and supplier identification completed for all operational requirements across the proposed initial 25-year mine life.

DFS Progresses with Completion of Geotechnical Program and Power Supply MOU Signed

- In April 2025, the Company announced that several geotechnical drilling programs were underway at all critical project infrastructure locations across Kasiya.
- Geotechnical investigations were successfully completed subsequent to the year end, with preliminary findings confirming favourable subsurface conditions for infrastructure construction.
- In May 2025, Sovereign and Electricity Supply Corporation of Malawi (**ESCOM**) entered into a non-binding Memorandum of Understanding (**MOU**) to ensure the long-term supply of electricity to Kasiya, establishing a framework for negotiating future definitive agreements.
- In May 2025, the World Bank approved a US\$350m grant to support Malawi's Mpatamanga Hydropower Storage Project to significantly increase Malawi's installed capacity by 2030.

Japan's Toho Titanium Confirms Kasiya Rutile's Suitability for Producing High-Performance Products

- During the year, one of Japan's premier titanium metal producers, Toho Titanium Company Limited (**Toho Titanium**), confirmed that natural rutile from Kasiya is suitable for manufacturing its high-specification titanium products critical to aerospace and industrial applications.
- Toho Titanium is a cornerstone supplier in the global titanium value chain, serving the world's most demanding aerospace and industrial manufacturers.

Japan Government launches new Nacala Logistics Corridor development initiative

- Japan commits US\$7 billion in development funding - \$5.5 billion through joint program with African Development Bank, plus \$1.5 billion in public-private impact investment through Japan's development agency.
- Initiative focuses on capacity expansion, refurbishment, and resilience upgrades to increase throughput, enhance reliability, and reduce bottlenecks directly benefiting projects such as Kasiya positioning the Project as a key beneficiary of Japan's mineral security strategy.
- Nacala Corridor is Kasiya's preferred transport route - providing lowest-cost pathway from Kasiya to international markets via a deep-water port.

New Graphite Tariff Environment Underscores Kasiya's Global Significance

- In July 2025, the U.S. Commerce Department announced 93.5% preliminary anti-dumping duties on Chinese graphite imports, fundamentally altering the economics for battery manufacturers seeking secure, cost-competitive supply chains.
- The new tariff environment highlights Kasiya's potential as the world's largest and lowest-cost non-Chinese graphite producer with an industry-leading US\$241/t incremental cost of production.
- Latest coating optimisation testwork achieved successful coated spherical purified graphite (**CSPG**) production characteristics with superior performance metrics to support advancing offtake discussions.

Successful Rehabilitation Results Further De-Risk DFS

- Rehabilitation of the land at the test pit site mined during the Pilot Phase was completed during the year.
- Exceptional first-year results from its rehabilitation trials at the Kasiya, delivering critical data that will inform the progressive rehabilitation strategy for the ongoing DFS.
- Rehabilitation trials achieved 5x crop yield improvement – demonstrating superior post-mining land productivity versus traditional farming.

Optimised PFS Results Reaffirm Kasiya's Globally Strategic Significance

- OPFS was completed during the year with oversight from the Sovereign-Rio Tinto Technical Committee. Results of the OPFS reaffirmed Kasiya's potential to become one of the largest and lowest-cost producers 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 (**2023 PFS**).

Kasiya Graphite Suitable for >94% of End-Use Markets

- Test work completed during the quarter has demonstrated that Kasiya graphite is suitable for use in the three key segments that account for over 94% of the ~1.6Mtpa global demand for natural flake graphite-battery anodes, refractories and expanded/expandables.
- Sovereign intends to produce a 96% graphite concentrate at an incremental cost of US\$241/t (FOB).

OPERATIONS

MINING METHOD AND FLEET DESIGN FINALISED FOR DFS

Subsequent to the end of the year, The Company has finalised the selection of mining equipment specifically designed for large-scale dry mining operations at Kasiya. Following the successful 2024 Pilot Phase that confirmed Kasiya ore can be efficiently mined using conventional dry mining techniques, the comprehensive fleet design encompasses both primary mining operations and support activities across the Project's proposed initial 25-year life of mine.

The dry mining approach, detailed in the OPFS, will deliver superior project delivery, operational flexibility, and environmental outcomes. The fleet deployment follows a strategic phased approach, with a total of ~200+ equipment units to be purchased over the mine life, including replacements.

The Company has conducted a comprehensive market analysis and identified leading global equipment manufacturers as potential suppliers, including Caterpillar Inc. (**CAT**), Komatsu Ltd. (**Komatsu**), Liebherr Group (**Liebherr**), Hitachi, Ltd. (**Hitachi**), and Volvo Group (**Volvo**).

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

OPERATIONS (Continued)



Figure 2: Example of a dragline excavator in action (Source: Liebherr)

DFS GEOTECHNICAL PROGRAMS COMPLETE

In April 2025, the Company announced that several geotechnical drilling programs were underway at Kasiya as part of the DFS. Subsequent to the year end, the programs were successfully completed.

The extensive programs, conducted by ARQ Geotech (Pty) Ltd and with oversight from the Sovereign-Rio Tinto Technical Committee, represent a critical milestone in the Project's ongoing DFS. The continued progress demonstrates momentum towards advancing this Tier-1 project.

The geotechnical investigations provide essential subsurface data that will inform detailed engineering design and infrastructure planning across major Project components. The comprehensive scope covered critical infrastructure areas, including mining operations, process plants, tailings storage facility (TSF), and raw water storage dam – representing the foundational elements required for the Project's development.

Understanding subsurface conditions is crucial for predicting interactions between in-situ geological strata and the overlying infrastructure. The geotechnical data will inform the design of foundations, earthworks, slope stability measures, and material suitability; ultimately contributing to safe, efficient, and cost-effective development.

The fieldwork programs employed a sophisticated combination of near-surface and deep investigation techniques across the project site, with over 400 individual tests conducted to characterise soil and rock profiles comprehensively.

Preliminary Findings

Initial results indicate highly favourable subsurface conditions that correlate well with the expected regional geology. The material profiles encountered across all infrastructure sites show generally consistent stratigraphy. Consistent stratigraphy and suitable subsurface conditions enable more standardised foundation designs and construction approaches across infrastructure areas, potentially reducing engineering complexity and construction costs. The findings will be integrated into detailed engineering design work to optimise infrastructure placement, foundation design, and construction methodologies.



Figures 3-6 Clockwise from Top Left: Geotechnical diamond drilling, auger drilling, seismic geophysics testing using multi-channel analysis of surface waves (MASW), Cone Penetration Test with pore pressure measurements (CPT) rig.

POWER SUPPLY MOU SIGNED AS WORLD BANK APPROVES MALAWI HYDROPOWER PROJECT

In May 2025, Sovereign announced that it had entered into a non-binding MOU with ESCOM (Malawi's national electricity utility) to ensure the long-term supply of electricity to the Kasiya Project. The MOU establishes the framework for negotiating the following future definitive agreements:

- Project Implementation Agreement, including construction and installation of a new 132kV overhead power line, and
- Power Supply Agreement, for the provision of bulk power supply from Malawi's national grid.

The MOU follows discussions with ESCOM regarding the provision of electricity to the Kasiya Project in preparation for construction and operation. The total installed capacity in Malawi is currently 549MW, with approximately 73% of this capacity coming from hydropower.

During Stage 1, Kasiya's power demand will amount to 30MW, increasing to 60MW at steady-state production in Year 6 of operation. To supply power from the hydro-based grid network, a 132kV overhead transmission line will be constructed to connect the Kasiya site to the Nkhoma substation, approximately 97km away. Nkhoma has been identified as the most suitable connection point based on power reliability, technical feasibility, and environmental and social considerations. This line will supply the 132/33kV Kasiya bulk intake substation.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

OPERATIONS (Continued)

The purpose of the MOU with ESCOM is to record the mutual understanding for negotiation in good faith of a Project Implementation Agreement and a Power Supply Agreement (**Definitive Agreements**). The MOU is non-exclusive and non-binding and remains subject to negotiation and execution of the Definitive Agreements. The MOU will expire upon execution of the Definitive Agreements or on 30 June 2026, whichever is the earliest, but it can be mutually extended by 12 months.



Figure 7: Nkhoma substation has capacity for connection to the Kasiya operation.
(Source: Millenium Challenge Corporation, USA)

Mpatamanga Hydropower Storage Project

On 15 May 2025, the World Bank approved a US\$350m grant to support Malawi's Mpatamanga Hydropower Storage Project (**MHSP**), a large infrastructure operation aiming to "transform the country's energy landscape and its economic development trajectory." (Source: World Bank)

In September 2022, the Malawian Government selected a consortium of strategic sponsors, which currently owns the MHSP, and consists of Electricité de France (**EDF**) and SN Malawi BV, which in turn is owned by the UK Government's development finance institution, British International Investment plc, the Norwegian Parliament's development finance institution, Norfund, and global energy company TotalEnergies SE. Once complete, the US\$1.5 billion MHSP will deliver 358MW of additional generation capacity to the Malawi electricity grid.

MHSP is one of several large energy projects in Malawi supported by the World Bank Group, reflecting the institution's strong commitment to supporting this sector as an essential enabler of economic growth and development.

TOHO TITANIUM VALIDATES KASIYA RUTILE FOR HIGH-SPECIFICATION TITANIUM PRODUCTS

In June 2025, the Company announced that one of Japan's premier titanium metal (sponge and ingot) producers, Toho Titanium, confirmed the suitability of natural rutile from Sovereign's Kasiya Project for manufacturing high-specification titanium products critical to aerospace and industrial applications.

Toho Titanium's analysis of a sample of rutile from Kasiya concluded that "it is of a quality that can be used without any issues". Kasiya's rutile surpassed the requirements for TiO₂ grade (>95%), low or no deleterious elements, low radiation value, and suitable particle size distribution and density.

Toho Titanium represents a cornerstone supplier in the global titanium value chain, with combined decades of expertise serving the world's most demanding aerospace and industrial manufacturers. Toho Titanium, together with Japan's other major titanium metal producer, Osaka Titanium Technologies Co., Ltd., account for over 15% of global titanium production capacity and over 60% of non-sanctioned, aerospace-grade titanium metal production (i.e. excluding China, which is not qualified to produce aerospace-grade titanium, and Russia).

Toho Titanium occupies a critical position in titanium supply chains, supporting the aerospace industry across the United States, Europe, and the Indo-Pacific region. Recent geopolitical developments have intensified focus on secure titanium supply chains, creating unprecedented strategic opportunities and strengthening the strategic nature of Kasiya as a future supplier of high-grade titanium feedstock.

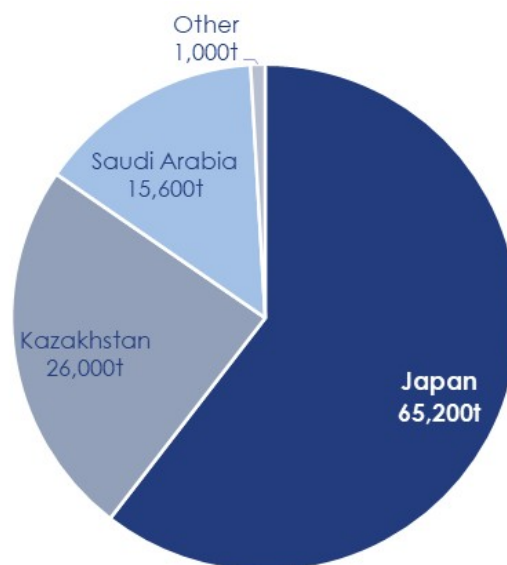


Figure 8: 2024 Global Titanium Sponge Production Capacity by Non-Sanctioned Countries Qualified to Produce Aerospace-Grade Titanium Products.

(Source: US Geological Survey; "Other" includes USA and India)

Kasiya Rutile Suitable for all Major End-Use Markets

Bulk scale metallurgical test work conducted by Allied Mineral Laboratories in Australia has previously confirmed that a premium-grade rutile product can be produced via a simple, conventional process flowsheet with no requirements for flotation or acid leaching.

World-class specification rutile products were reported ranging from 95.0% to 97.2% TiO₂ with low impurities and exceptional metallurgical recoveries of up to 100% (Refer to ASX Announcement: "Outstanding Metallurgical Results at Kasiya" dated 7 December 2021).

The premium chemical parameters and particle sizing (d₅₀ 126µm, 8.6% <75µm) of Kasiya's rutile indicate that the product is suitable for all major end-use markets. Specifically, Kasiya's rutile product specification makes it a suitable feedstock for superior, high-performance titanium metal products. Confirmation that Kasiya's rutile can be used by Toho Titanium establishes Sovereign Metals as a credible future supplier to the global titanium industry's most discerning customers. This technical endorsement, combined with Kasiya's unmatched scale and strategic location, positions Sovereign as a potential market leader in the titanium supply chain.

JAPAN TARGETS KASIYA TRANSPORT CORRIDOR IN NEW STRATEGIC MINERALS INITIATIVE

Subsequent to the end of the year, the Government of Japan launched a dedicated investment initiative targeting the Nacala Corridor infrastructure, significantly strengthening the strategic positioning of the Kasiya Project. As discussed above Toho Titanium confirmed that natural rutile from Kasiya meets specifications for high-performance titanium metal production.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

OPERATIONS (Continued)

The initiative aims to improve transportation infrastructure and promote industrial development in the Nacala Corridor region, including Malawi, to increase its value as a transportation route for mineral resources and ultimately strengthen Japan's global supply chains related to critical minerals.

Japan's US\$7 billion commitment includes US\$5.5 billion through the Enhanced Private Sector Assistance for Africa program, which provides development funding to African countries through the African Development Bank. Additionally, US\$1.5 billion will be mobilised through Japan's development agency for direct investment in private sector projects, including mining and infrastructure developments.

The initiative creates multiple strategic advantages for Kasiya, positioning the Project as a key beneficiary of Japan's mineral security strategy.

The Nacala Corridor serves as the preferred transportation route for Sovereign's forthcoming Definitive Feasibility Study, providing a direct route to the deep-water port of Nacala and offering Kasiya a low-cost pathway to global markets with significant capital and operating savings.

Japan's initiative focuses on capacity expansion, refurbishment, and resilience upgrades to increase throughput, enhance reliability, and reduce bottlenecks, directly benefiting projects such as Kasiya.

To access the Nacala Corridor, Sovereign plans to construct a six-kilometre rail spur linking the proposed plant to the Nacala Corridor, ensuring efficient freight handling. The Company is in discussions with leading regional logistics providers on rail and port solutions to ensure reliable and cost-efficient transport of rutile and graphite to international markets.



Figure 9: Bulk cargo trains operating on Nacala Corridor



Figure 10: Nacala Port is the deepest water port in Southern Africa

NEW GRAPHITE TARIFF ENVIRONMENT UNDERSCORES KASIYA'S GLOBAL SIGNIFICANCE

Subsequent to the year end, the Company announced that the latest testwork on graphite from Kasiya has delivered highly successful results. The testwork focused on optimising the coating process for conversion of Kasiya-derived spherical purified graphite (SPG) coated spherical CSPG while maintaining premium performance.

The results will assist with ongoing offtake discussions with anode manufacturers. Sovereign is developing Kasiya to potentially become the world's largest and lowest-cost natural graphite producer outside of China with an incremental cost of graphite production of US\$241/t.

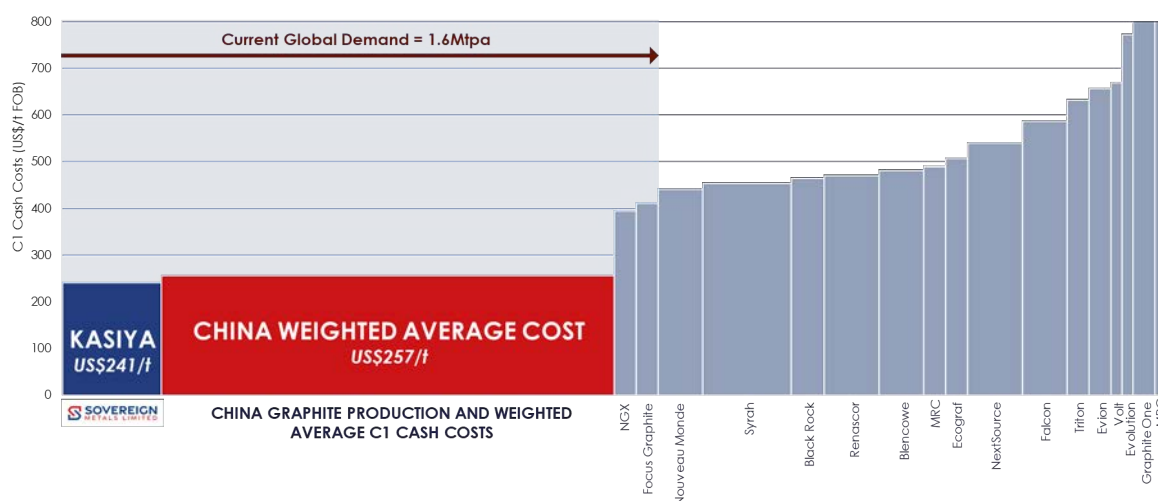


Figure 11: Natural Flake Graphite Industry Cost Curve for Projects at Prefeasibility Stage or Later.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

OPERATIONS (Continued)

The global graphite supply chain is experiencing fundamental realignment following the U.S. Commerce Department's 17 July 2025 announcement of 93.5% preliminary anti-dumping duties on Chinese graphite imports. Combined with existing tariffs, this creates an effective 160% barrier on Chinese graphite, fundamentally altering the economics for battery manufacturers seeking secure, cost-competitive supply chains. China currently controls approximately 75% of global graphite production and 97% of anode material processing, creating critical supply chain vulnerabilities that major battery manufacturers are now actively addressing.

Tesla, Inc. (**Tesla**) and Panasonic were among companies that opposed the new US tariffs, with Tesla's submission to the U.S. Government stating that U.S. graphite producers have yet to demonstrate the "technical ability to produce commercial quantities" of graphite at the quality and purity required by Tesla and other battery cell manufacturers.

Once developed, Kasiya has the potential to become the world's largest and lowest-cost natural flake graphite producer, offering battery manufacturers a strategic alternative to Chinese supply chains for anode material feedstock. The latest successful coating testwork is a further demonstration of Kasiya's increasing strategic importance.

Latest Testwork Validates Kasiya Graphite's World-Class Quality to Anode Manufacturers

Optimisation testwork conducted by Prographite GmbH (**Prographite**) has once again demonstrated the exceptional characteristics of Kasiya graphite for CSPG production. The optimisation process successfully achieved target coating specifications and optimised inputs into the coating process while maintaining the premium performance metrics that position Kasiya graphite among the highest-quality sources globally (refer to Announcement "Outstanding Battery Anode Material Produced From Kasiya Graphite" dated 4 September 2024 for previously announced premium performance metrics).

Pitch coating is a standard refinement process where carbon-rich pitch material is applied to spherical graphite particles to create protective layers that enhance battery performance and longevity, turning SPG into CSPG. The latest testwork systematically evaluated pitch content to achieve optimal performance parameters.

Key achievements from the process include:

- **Process Efficiency Demonstrated:** Coating requirements optimised while maintaining superior CSPG characteristics
- **Premium Performance Maintained:** All target specifications achieved for discharge capacity (>360mAh/g) and first cycle efficiency (>94%)
- **Physical Properties Achieved:** Specific surface area (<4m²/g) and tap density (>1.0 g/cm³) specifications met

The electrochemical test results demonstrate the consistently high quality of CSPG produced from Kasiya graphite:

Table 1: Electrochemical Half-Cell Testing Results			
Pitch Coating Level	Initial Charge (mAh/g)	Initial Discharge (mAh/g)	First Cycle Efficiency (%)
Baseline (100%)	390	369	94.64
Optimised (60%)	388	366	94.36

The data confirms that Kasiya graphite consistently delivers discharge capacity well above the critical 360mAh/g threshold while achieving first cycle efficiency above 94% - both key specifications for premium-quality natural graphite anode materials.

SUCCESSFUL REHABILITATION RESULTS FURTHER DE-RISK DFS

Subsequent to the end of the year, Sovereign announced exceptional first-year results from its rehabilitation trials at Kasiya, delivering empirical data that will inform the progressive rehabilitation strategy for the DFS.

The successful rehabilitation trials address a key component of Kasiya's development pathway, demonstrating that post-mining land can achieve superior agricultural productivity compared to pre-mining conditions. With maize yields of 5.2 tonnes per hectare versus the regional average of 1 tonne per hectare, the trials validate Sovereign's progressive mining, back-filling and rehabilitation approach that will be integrated into the DFS.

The 10-hectare pilot program achieved a 5x crop yield improvement through soil remediation, engaging 28 local farmers as partners and proving the rehabilitation process to be effective for a scaled-up implementation. Sovereign followed a systematic six-step rehabilitation process that successfully restored the disturbed land back to productive agricultural use:

1. **Land preparation** with complete backfill and grading to original contours.
2. **Soil nutrient enhancement** via application of locally sourced lime, biochar and fertilisers.
3. **Mechanical integration** using community-sourced equipment.
4. **Strategic planting** of bamboo blocks with intercropped maize and legumes.
5. **Harvest** success delivering 5.2 tonnes/hectare average yield.
6. **Year-round productivity** enabled by drip irrigation for winter farming programs.

The rehabilitation approach combines proven agronomic practices with innovative techniques, including biochar application, precision nutrient management, and intercropping with Giant Bamboo – creating a replicable model for the broader Kasiya development. These rehabilitation results will be integrated into Sovereign's progressive rehabilitation strategy within the DFS, supporting:

- **Project-specific closure provisioning** through demonstrated restoration success.
- **Enhanced community value proposition** via improved post-mining land productivity.
- **Proven environmental stewardship.**
- **Strengthened ESG positioning.**



Figure 12: Test pit site during the mining trials (September 2024)

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

OPERATIONS (Continued)



Figure 13: Rehabilitation site with mature crop (May 2025)

OPTIMISED PFS RESULTS REAFFIRM KASIYA'S GLOBALLY STRATEGIC SIGNIFICANCE

During the year, the Company announced the results of an OPFS at Kasiya.

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.

Summary of Optimisations

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

Mining Method

The 2023 PFS proposed a 25-year initial life of mine (**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 2023 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 Mm³ to 105 Mm³.

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.

Water Management

The 2023 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 2023 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 Mm³ per annum, almost a 40% decrease in water requirement from the 2023 PFS (16.7 Mm³). The effect on the water storage dam wall could be a reduction in volume from 0.79 Mm³ to 0.57 Mm³ 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 2023 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.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

OPERATIONS (Continued)

DFS PROGRESSION

The completion of mining fleet design represents a critical component of the DFS work program, building on previous milestones including geotechnical investigations, continued product testwork, and signing of the MOU regarding power supply with ESCOM.

The DFS continues to progress including:

- process plant design optimisation;
- infrastructure and logistics planning;
- environmental and social impact assessments; and
- Mineral Resource update to be announced in the coming weeks.

ESG FRAMEWORK ADVANCES SOCIAL INITIATIVES IN MALAWI

Sovereign has established an Environmental, Social and Governance (ESG) framework to advance Sovereign's Corporate Social Responsibility in Malawi which continues to undertake several initiatives to assist in the development of its project affected local communities, including:

- An ongoing successful conservation farming program that includes increased participation each year;
- Promoting education through a Schools Upgrade Program and creation of a Scholarship Program for high school learners;
- Advancing local community infrastructure commissioning of water bores across the Company's licence area to provide local communities with drinking water;
- Establishing international standard mining industry facilities with the construction of an extensive rutile sample laboratory in Lilongwe;
- Employment of a diverse workforce and developing key exploration and mining-applicable skills through training programs; and
- Continuing engagement with key stakeholders from local communities through to Government level.

RESULTS OF OPERATIONS

The net loss of the Group for the year ended 30 June 2025 was \$40,440,339 (2024: \$18,600,894). Significant items included in the year end loss are the following:

- (i) Interest income of \$2,043,809 (2024: \$1,821,876) earned on term deposits held by the Group;
- (ii) Exploration and evaluation expenses of \$33,897,375 (2024: \$14,831,671) 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;
- (iii) Non-cash share-based payments expenses totalling \$4,309,932 (2024: \$2,303,201) relating to performance rights on issue. The fair value of rights are measured at grant date and recognised over the period during which the rights holders become unconditionally entitled to the incentive securities; and
- (iv) Business development expenses of \$2,247,815 (2024: \$2,340,819) which includes the Group's investor and shareholder relations activities including but not limited to public relations costs, marketing and digital marketing, broker and advisor fees, business development consultant fees and costs of the Group's ASX and AIM listings.

FINANCIAL POSITION

As at 30 June 2025, the Group had cash and cash equivalents of \$54,538,435 (2024: \$31,564,130) and no debt (2024: nil). The Group had net assets of \$55,387,701 at 30 June 2025 (2024: \$34,358,774), an increase of \$21,028,927 or approximately 38% compared with the previous year. This is largely attributable to the increase in cash reserves following the additional investment made by Rio Tinto and completion of the placement in the year offset by exploration and evaluation spend on the Project to complete the Pilot Phase and OPFS, and the progression to the DFS.

Business Strategies and Prospects for Future Financial Years

The objective of the Group is to create long-term shareholder value through the development of a technically and economically viable mineral deposits at Kasiya.

To date, the Group has not commenced production of any minerals at Kasiya. To achieve its objective, the Group intends, over the medium term to conduct further development activities at Kasiya including, the progression and completion of the DFS and to continue with ongoing discussions with potential offtake partners.

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

- Development Risk** – The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. To mitigate this risk, the Group will undertake systematic and staged exploration and testing programs on its mineral properties and, subject to the results of these exploration programs, the Group will then progressively undertake a number of technical and economic studies with respect to its projects prior to making a decision to mine. This includes the completion of the DFS which the Company is currently undertaking. However, there can be no guarantee that any other studies, including the DFS, will confirm the technical and economic viability of the Group's mineral properties or that the properties will be successfully brought into production;
- Operational Risk** – The potential commissioning, ramp-up and production at Kasiya are subject to operating risks that could impact the amount and quality of rutile and graphite produced or increase the cost of production. Further, following the publication of a DFS, Rio Tinto has the option, pursuant to an investment agreement with the Company, to be appointed as operator of the Project on arm's length terms. If Rio Tinto elects to become operator, it will be granted the exclusive right to 40% of the annual production of all products produced from the Project. If Rio does not exercise its option to operate the Project, the Company will be required to operate the project itself or seek alternative arrangements. This could lead to delays in the proposed development of the Project or hinder the Company's ability to obtain financing in the future, which may have a material adverse effect on the Company's operations, financial performance and value of its shares. Further, the Company would also be required to seek alternative offtake agreements and there can be no assurance that suitable counterparties will be identified, or that binding offtake agreements for all products from the Project will be concluded on commercially favourable terms;
- Capital and Funding Risk** – The ongoing development of the Group's mineral properties will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of further development of the Group's mineral properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Group;
- Sovereign Risk** – The Group's operations in the Republic of Malawi are exposed to various levels of political, economic and other risks and uncertainties. The Republic of Malawi is a developing country and economy which does not have an established mining industry. There can be no assurances that the future political developments in Malawi will not directly impact the Group's operations;
- Commodity Price and Foreign Exchange Risks** – The price of rutile, graphite and other commodities fluctuates widely and is affected by numerous factors beyond the control of the Group. Future production, if any, from the Group's mineral properties will be dependent upon the price of rutile and graphite and other commodities being adequate to make these properties economic.

DIRECTORS' REPORT

(Continued)

Business Strategies and Prospects for Future Financial Years (continued)

Current and planned development activities are predominantly denominated in US dollars and the Group's ability to fund these activities may be adversely affected if the Australian dollar continues to fall against the US Dollar. The Group currently does not engage in any hedging or derivative transactions to manage commodity price or foreign exchange risk. As the Group's operations change, this policy will be reviewed periodically; and

- **Global Financial Conditions Risk** – Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. Due to the current nature of the Group's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Group's growth and ability to finance its activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

- (i) On 3 July 2024, the Company announced that Rio Tinto had exercised unlisted options and the Company subsequently issued 34.5 million Shares to Rio Tinto to raise an additional \$18.5 million (before costs);
- (ii) On 22 January 2025, the Company announced the results of an OPFS for Kasiya which reaffirmed Kasiya's potential to become the largest and lowest-cost producer of natural rutile and natural flake graphite while generating exceptional economics; and
- (iii) On 3 April 2025, the Company completed a placement to raise gross proceeds of approximately \$40.0 million from new and existing investors.

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

SIGNIFICANT POST BALANCE DATE EVENTS

At the date of this report, there are no other matters or circumstances which have arisen since 30 June 2025 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2025 of the Group;
- the results of those operations, in financial years subsequent to 30 June 2025 of the Group; or
- the state of affairs, in financial years subsequent to 30 June 2025 of the Group.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year consisted of the development of Kasiya. No significant change in the nature of these activities occurred during the year.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2025 (30 June 2024: nil).

LOSS PER SHARE

	2025 Cents	2024 Cents
Basic and diluted loss per share	(6.62)	(3.34)

DIRECTORS

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

Current Directors

Mr Benjamin Stoikovich	Chair
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

Unless otherwise disclosed, Directors held their office from 1 July 2024 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Benjamin Stoikovich

Chair (Committee: ESG Member)

Qualifications – B.Eng, M.Eng, M.Sc, CEng, CEnv

Mr Stoikovich is an experienced mining executive and corporate finance professional residing in London. Mr Stoikovich is currently the Chief Executive Officer of GreenX Metals Limited (ASX: GRX) and was formerly a Director of the Mining and Metals Corporate Finance Division of Standard Chartered Bank in London, with extensive experience in financing the development of African mining projects and exposure to the mineral sands sector.

Mr Stoikovich started his career as a mining engineer with BHP Billiton in Australia, gaining broad experience across mine operations management and qualifying as a mine manager. He holds a post graduate degree in Environmental Engineering and UK professional designation as a Chartered Environmentalist (**CEnv**) with wide ranging experience of managing the environmental, social and sustainability aspects of mining projects across the life-cycle and the ESG requirements of the investment community. Mr Stoikovich was appointed a Director of the Company on 13 October 2020. During the three year period to the end of the financial year, Mr Stoikovich held a directorship in GreenX Metals Limited (June 2013 – present).

Frank Eagar

Managing Director and CEO (Committee: ESG Member)

Qualifications – B.Com, CA

Mr Eagar has over 20 years' experience in the financing, permitting, development and operation of mining projects with a strong focus in southern Africa.

Mr Eagar is a Chartered Accountant who has gained extensive corporate, commercial and technical experience in the mining sector throughout his career. Mr Eagar has previously held a number of senior executive positions in the resources sector, more recently with African mining focused private equity firm AMED Funds which included acting as Chief Financial Officer (**CFO**) for AMED's controlled company, Central Copper Resources PLC (**Central Copper**).

Prior to Central Copper, Mr Eagar was the CEO (and prior to that the CFO) of Baobab Steel Limited (**Baobab**) another AMED controlled company, where he managed the completion of a DFS and a joint venture with the World Bank's IFC to procure strategic investors and raise project finance for Baobab's US\$1 Billion, fully permitted, integrated 500ktpa Steel and Vanadium Project in Mozambique.

Mr Eagar joined Sovereign in December 2022 as General Manager in Malawi, where he has already expanded the team with a focus on Malawian nationals, developed strong relationships with Government and demonstrated a clear understanding of the Kasiya Project and its development landscape. Mr Eagar was appointed as Managing Director and CEO of Sovereign Metals Limited on 20 October 2023. During the three year period to the end of the financial year, Mr Eagar did not hold any other directorships in publicly listed companies.

Ian Middlemas

Non-Executive Director (Committee: Audit Member)

Qualifications – B.Com, CA

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

Mr Middlemas was appointed a Director of Sovereign Metals Limited on 20 July 2006. During the three year period to the end of the financial year, Mr Middlemas has held directorships in GBM Resources Limited (June 2025 - present), NGX Limited (April 2021 – present), Constellation Resources Limited (November 2017 – present), Apollo Minerals Limited (July 2016 – present), Terra Metals Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), GreenX Metals Limited (August 2011 – present), Salt Lake Potash Limited (Receivers and Managers Appointed) (January 2010 – present), Equatorial Resources Limited (November 2009 – present) and Odyssey Gold Limited (September 2005 – present).

DIRECTORS' REPORT

(Continued)

CURRENT DIRECTORS AND OFFICERS (continued)

Julian Stephens

Non-Executive Director

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

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

Dr Stephens has extensive experience in the resources sector having spent in excess of 25 years in board, executive management, senior operational and economic geology research roles for a number of companies. He has spent over a decade working on African projects, particularly projects in Malawi. Dr Stephens holds a PhD from James Cook University, Queensland and is a member of the Australian Institute of Geoscientists.

Dr Stephens was appointed a Director of Sovereign Metals Limited on 22 January 2016. On 27 June 2016 Dr Stephens was appointed Managing Director of the Company and on 20 October 2023 he was appointed as a Non-Executive Director. During the three year period to the end of the financial year, Dr Stephens held a directorship in Viking Mines Limited (March 2025 – present).

Mark Pearce

Non-Executive Director (Committee: Audit Chair)

Qualifications – B.Bus, CA, FCIS, FFin

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

Mr Pearce was appointed a Director of Sovereign Metals Limited on 20 July 2006. During the three year period to the end of the financial year, Mr Pearce has held directorships in Terra Metals Limited (Alternate Director) (June 2022 – present), NGX Limited (April 2021 – present), Constellation Resources Limited (July 2016 – present), GreenX Metals Limited (August 2011 – present) and Equatorial Resources Limited (November 2009 – present).

Nigel Jones

Non-Executive Director (Committees: ESG Chair, Audit Member)

Qualifications – MA

Mr Jones has over 30 years of mining industry experience with 22 years in a number of senior roles at Rio Tinto Group, where most recently, Mr Jones was Managing Director of Rio Tinto's Simandou iron ore project, one of the world's largest proposed mining developments.

In this role, he was accountable for all aspects of the project's development, including its complex ESG strategy. Such aspects included impacts on natural ecosystems, biodiversity, and community and government relations.

Mr Jones was also a member of the senior leadership team of the Energy and Minerals product group, which incorporated Rio Tinto's titanium dioxide feedstock businesses in Canada and southern Africa. Prior roles in Rio Tinto included Head of Business Development, Head of Business Evaluation and Managing Director of the group's Marine operations.

Mr Jones was appointed a Director of Sovereign Metals Limited on 10 February 2022. During the three year period to the end of the financial year, Mr Jones did not hold any other directorships in publicly listed companies.

Mr Dylan Browne

Chief Financial Officer) and Company Secretary
Qualifications – B.Com, CA, AGIA ACG

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

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF SOVEREIGN

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

Interest in Securities at the Date of this Report		
Current Directors	Ordinary Shares ⁽¹⁾	Performance Rights ⁽²⁾
Benjamin Stoikovich	4,190,000	2,450,000
Frank Eagar	500,000	3,200,000
Ian Middlemas	16,500,000	-
Julian Stephens	13,557,518	1,200,000
Mark Pearce	4,161,151	950,000
Nigel Jones	225,000	550,000

Notes:

⁽¹⁾ "Ordinary Shares" means fully paid ordinary shares in the capital of the Company; and

⁽²⁾ "Performance Rights – means an unlisted performance right that converts to one Share in the capital of the Company upon satisfaction of the relevant milestone.

CONVERTIBLE SECURITIES

At the date of this report the following convertible securities have been issued by the Company over unissued capital:

- 10,977,500 Performance Rights subject to the Definitive Feasibility Study Milestone that expire on 31 October 2025;
- 4,992,500 Performance Rights subject to the Mining Licence Milestone that expire on 31 March 2026; and
- 6,190,000 Performance Rights subject to the Final Investment Decision Milestone that expire on 30 June 2026.

During the year ended 30 June 2025 and up to the date of this report, no ordinary shares were issued as a result of the exercise of unlisted options and no ordinary shares have been issued as a result of the conversion of performance rights. During the year ended 30 June 2024 and up to the date of this report, 34,549,598 ordinary shares were issued as a result of the exercise of unlisted options and 6,100,000 ordinary shares have been issued as a result of the conversion of performance rights.

DIRECTORS' REPORT

(Continued)

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2025, and the number of meetings attended by each Director.

Current Directors	Board Meetings		ESG Committee		Audit Committee	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
Benjamin Stoikovich	2	2	1	1	-	-
Frank Eagar	2	2	1	1	-	-
Ian Middlemas	2	2	-	-	2	2
Julian Stephens	2	2	-	-	-	-
Mark Pearce	2	2	-	-	2	2
Nigel Jones	2	2	1	1	2	2

The Board as a whole currently performs the functions of a Risk Committee, Nomination Committee and Remuneration Committee. However this will be reviewed should the size and nature of the Company's activities change.

COMMITTEE MEMBERSHIPS

As at the date of this report, the Company has an Audit Committee and an ESG Committee of the board of directors.

An Audit Committee has been established to oversee the Company's financial reporting and quality of the audit conducted by the external auditors.

The ESG Committee was established to support the Company's ongoing commitment to environmental, health and safety, corporate social responsibility, corporate governance, sustainability and other public policy matters relevant to the Company.

Please refer to the Corporate Governance section on page 70 for further discussion on the Company's Corporate Governance Statement and policies.

REMUNERATION REPORT (AUDITED)

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

Details of KMP

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

Executives

Mr Benjamin Stoikovich	Chair
Mr Frank Eagar	Managing Director and CEO
Mr Robert Slater	Chief Operating Officer
Mr Sapan Ghai	Chief Commercial Officer
Mr Dylan Browne	CFO and Company Secretary
Mr Paul Marcos	Head of Project Development
Mr Sam Cordin	Business Development Manager (ceased 31 August 2024)

Directors

Mr Ian Middlemas	Non-Executive Director
Dr Julian Stephens	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Nigel Jones	Non-Executive Director

Unless otherwise disclosed, the KMP held their position from 1 July 2024 until the date of this report.

Remuneration Policy

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

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP: (a) the Group is currently focused on undertaking development and exploration activities at Kasiya; (b) risks associated with small cap resource companies whilst in the development and exploration phase; (c) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production at Kasiya.

The objective of the Group's remuneration structure reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The remuneration framework provides a mix of fixed and variable remuneration, which incorporates a blend of short and long-term incentives. There is a deliberate emphasis on lower fixed base and higher variable results-based remuneration to ensure that management focus is aligned with that of shareholders. This has been achieved by ensuring that a significant proportion of executive's remuneration is 'at risk'. Long-term incentives are based on Company milestones linked to long term value drivers.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance-based component (short-term incentive and long-term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

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

Performance Based Remuneration – Short Term Incentive

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

During the 2025 financial year, a total bonus sum of \$575,925 (2024: \$334,514), representing 100% of KMP entitlement was paid and accrued to executives after achievement of KPIs set by the Board. For the 2025 year, the KPI areas of focus included: (a) completion of the OPFS; (b) commencement and completion of the Pilot Phase, on time and on budget; (c) completion of the infill drilling program; (d) successful installation of the spiral plant; (e) completion of various graphite met test work programs; and (f) completion of the sustainable farming program. Specific KPIs are set for each KMP and are designed to drive successful business outcomes. No cash bonuses were forfeited during the financial year.

Performance Based Remuneration – Long Term Incentive

The Group has a long-term equity incentive plan (**LTIP**) comprising the "Sovereign Employee Equity Incentive Plan" (**Incentive Plan**) to reward KMP and other key employees and contractors for long-term performance of the Group. The Incentive Plan provides for the issuance of unlisted performance rights (**Performance Rights**) and unlisted incentive options (**Incentive Options**) to eligible employees and contractors as part of their remuneration and incentive arrangements in order to attract and retain their services and to provide an incentive linked to the performance of the Group.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Remuneration Policy (continued)

To achieve its corporate objectives, the Group needs to attract, incentivise, and retain its KMP and other key employees and contractors. The Board believes that grants made to eligible participants under the Incentive Plan is a useful tool to underpin the Group's employment and engagement strategy, and enables the group to: (a) recruit, incentivise and retain KMP and other key employees and contractors needed to achieve the Group's business objectives; (b) link the reward of key staff with the achievement of strategic goals and the long-term performance of the Group; (c) align the financial interest of participants of the Plan with those of Shareholders; and (d) provide incentives to participants of the Incentive Plan to focus on superior performance that creates Shareholder value.

(i) Performance Rights

The Incentive Plan provides for the issuance of Performance Rights to eligible participants which, upon satisfaction of the relevant performance conditions attached to the Performance Rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

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

During the financial year, 3,500,000 (2024: 5,350,000) Performance Rights were granted to KMP. No (2024: 4,070,000) Performance Rights held by KMP vested and converted in Ordinary Shares during the year. No (2024: nil) Performance Rights held by KMP lapsed during the financial year. The Performance Rights granted to KMP during the year included the following:

- 1,087,500 Performance Rights subject to the Definitive Feasibility Study Milestone that expire on 31 October 2025;
- 1,087,500 Performance Rights subject to the Mining Licence Milestone that expire on 31 March 2026; and
- 1,450,000 Performance Rights subject to the Final investment Decision Milestone that expire on 30 June 2026.

(ii) Incentive Options

The Incentive Plan also provides for the issuance of Incentive Options to eligible participants. The Board's policy is to grant Incentive Options to KMP with exercise prices at or above market share price (at the time of agreement). As such, the Incentive Options granted to KMP are generally only of benefit if the KMP performs to the level whereby the value of the Group increases sufficiently to warrant exercising the Incentive Options granted.

Other than service-based vesting conditions (if any) and the exercise price required to exercise the Incentive Options, there are generally no additional performance criteria on the Incentive Options granted to KMP, as given the speculative nature of the Group's activities and the small management team responsible for its running, it is considered that the performance of the KMP and the performance and value of the Group are closely related. The Group prohibits executives from entering into arrangements to limit their exposure to Incentive Options granted as part of their remuneration package.

During the financial year, no (2024: nil) Incentive Options were granted, exercised or lapsed to KMP.

Non-Executive Director Remuneration

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

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting and is currently \$500,000. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors have received Performance Rights and Incentive Options in order to secure their services and as a key component of their remuneration. The Company prohibits Non-Executive Directors from entering into arrangements to limit their exposure to convertible securities granted as part of their remuneration package.

Fees for the Chair are presently £50,000 (\$95,000) per annum (2024: £50,000 (\$95,000)) and fees for Non-Executive Directors' are \$50,000 to £40,000 (\$82,000) per annum (2024: \$50,000 to £40,000 (\$76,000) per annum). Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees including the Audit and ESG Committee. The Chair of the ESG Committee currently receives £10,000 (\$20,000) (2024: £10,000 (\$19,000)) for chairing the ESG Committee.

Relationship between Remuneration of KMP and Shareholder Wealth

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

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash bonuses are based upon achieving various non-financial KPI's that are not based on share price or earnings, as discussed above. However, as noted above, a number of KMP have received Performance Rights and/or Incentive Options which generally will be of greater value to KMP if the value of the Group's shares increases (subject to vesting conditions being met).

Relationship between Remuneration of KMP and Earnings

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

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Remuneration of KMP

Details of the nature and amount of each element of the remuneration of each KMP of the Company for the year ended 30 June 2025 and 30 June 2024 are as follows:

	Short-Term Benefits		Post Employ- ment Super- annuation	Non-Cash Share- based payments (Rights)	Other -Cash Benefits	Total	Percentage Performance Related
	Salary & Fees	Cash Bonus					
2025	\$	\$	\$	\$	\$	\$	%
Executives							
Benjamin Stoikovich ⁽¹⁾	246,079	-	-	567,628	-	813,707	70
Frank Eagar ⁽²⁾	458,308	195,993	-	731,594	-	1,385,895	67
Robert Slater ⁽³⁾	614,089	261,854	-	435,597	-	1,311,540	53
Sapan Ghai ⁽⁴⁾	354,834	59,745	-	338,091	-	752,670	53
Dylan Browne ⁽⁵⁾	-	54,428	-	287,783	-	342,211	100
Paul Marcos	300,000	50,000	27,125	141,311	-	518,436	37
Sam Cordin ⁽⁶⁾	15,000	8,333	2,683	8,770	18,888	53,674	32
Non-Executive Directors							
Ian Middlemas	50,000	-	5,750	-	-	55,750	-
Julian Stephens ⁽⁷⁾	50,000	-	5,750	87,551	-	143,301	61
Mark Pearce	50,000	-	5,750	149,343	-	205,093	73
Nigel Jones	104,611	-	-	78,586	-	183,197	43
	2,242,921	630,353	47,058	2,826,254	18,888	5,765,474	

2024	Short-Term Benefits		Post Employ- ment Super- annuation	Non-Cash Share- based payments (Rights)	Other Non- Cash Benefits	Total	Percentage Performance Related
	Salary & Fees \$	Cash Bonus \$					
Executives							
Benjamin Stoikovich ⁽¹⁾	246,750	-	-	151,773	-	398,523	38
Frank Eagar ⁽²⁾	432,057	116,045	-	282,196	-	830,298	48
Robert Slater ⁽³⁾	425,175	-	-	108,300	-	533,475	20
Sapan Ghai ⁽⁴⁾	140,116	48,468	-	121,640	-	310,224	55
Dylan Browne ⁽⁵⁾	-	-	-	166,159	-	166,159	100
Paul Marcos	277,500	45,000	29,800	94,506	-	446,806	31
Sam Cordin ⁽⁶⁾	166,667	45,000	23,508	52,332	-	287,507	34
Non-Executive Directors							
Ian Middlemas	45,336	-	4,987	-	-	50,323	-
Julian Stephens ⁽⁷⁾	141,218	80,000	27,500	87,791	-	336,509	50
Mark Pearce	40,000	-	4,400	119,344	-	163,744	73
Nigel Jones	95,925	-	-	67,088	-	163,013	41
	2,010,744	334,513	90,195	1,251,129	-	3,686,581	

Notes:

- (1) In addition to Directors fees, Selwyn Capital Limited (**Selwyn**), an company of which Mr Stoikovich is a director and beneficial shareholder, was paid, or is payable, A\$144,846 (2024: A\$150,506) for additional services provided in respect of corporate and business development activities which is included in Mr Stoikovich's salary and fee amount.
- (2) Mr Eagar was appointed as the Company's Managing Director and CEO on 20 October 2023.
- (3) Mr Slater was appointed as Chief Operating Officer from 16 October 2023.
- (4) Mr Ghai commenced being KMP from 1 November 2023.
- (5) Mr Browne commenced being KMP from 1 November 2023. Mr Browne provided services through a services agreement with Apollo Group Pty Ltd (**Apollo Group**) a company of which Mr Mark Pearce is a Director and beneficial shareholder of. Mr Browne is an employee of Apollo Group. During the year, Apollo Group was paid or is payable A\$390,000 (2024: A\$432,000) for the provision of serviced office facilities and administrative, accounting, company secretarial and transaction services to the Group.
- (6) Mr Cordin ceased as Business Development Manager on 31 August 2024.
- (7) Dr Stephens was previously Managing Director and was appointed as a Non-Executive Director as at 20 October 2023. Cash bonus was paid to Dr Stephen's in his role as Managing Director.

Loans with KMP

No loans were provided to or received from KMP during the year ended 30 June 2025 (2024: Nil).

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Other Transactions with KMP

Selwyn, a company of which Mr Stoikovich is a director and beneficial shareholder, is engaged under an agreement to provide consulting services to the Company, on a rolling 12-month term that either party may terminate with one month written notice. Selwyn receives a daily rate of £1,000 under the consulting agreement. These services provided during the financial year amounted to \$144,846 (2024: \$150,506).

Apollo Group, a company of which Mr Mark Pearce is a director and beneficial shareholder, was paid, or is payable, \$390,000 (2024: \$432,000) for the provision of serviced office facilities, administration services and additional transaction services provided during the year. This item has been recognised as an expense in profit and loss. The amount is based on a current monthly retainer of \$32,500 (2024: \$31,000) due and payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice.

Performance Rights Granted to KMP

Details of the value of Performance rights granted, vested, converted or lapsed for each KMP of the Group during the 2025 financial year are as follows:

2025	No. of rights granted #	No. of rights vested #	No. of rights lapsed #	Value of rights granted during the year ⁽¹⁾ \$	Value of rights converted during the year ⁽²⁾ \$	Value of rights included in remuneration for the year \$
Executives						
Benjamin Stoikovich	1,000,000	-	-	710,000	-	567,628
Frank Eagar	1,000,000	-	-	710,000	-	731,594
Robert Slater	750,000	-	-	532,500	-	435,597
Sapan Ghai	500,000	-	-	355,000	-	338,091
Dylan Browne	250,000	-	-	177,500	-	287,783
Paul Marcos	125,000	-	-	88,750	-	141,311
Sam Cordin	-	-	-	-	-	8,770
Non-Executive Directors						
Julian Stephens	-	-	-	-	-	87,551
Mark Pearce	-	-	-	-	-	149,343
Nigel Jones	-	-	-	-	-	78,586

Notes:

⁽¹⁾ Determined at the time of grant per AASB 2.

⁽²⁾ Determined at the time of conversion at the intrinsic value.

Details of Performance Rights granted by the Company to each KMP of the Group during the 2025 financial year are as follows:

	Grant Date	Expiry Date	Exercise Price \$	Grant Date Fair Value ⁽¹⁾ \$	No. Granted
Executives					
Benjamin Stoikovich	27 Sep 24	31 Oct 25	-	0.710	300,000
	27 Sep 24	31 Mar 26	-	0.710	300,000
	27 Sep 24	30 Jun 26	-	0.710	400,000
Frank Eagar	27 Sep 24	31 Oct 25	-	0.710	300,000
	27 Sep 24	31 Mar 26	-	0.710	300,000
	27 Sep 24	30 Jun 26	-	0.710	400,000
Robert Slater	27 Sep 24	31 Oct 25	-	0.710	225,000
	27 Sep 24	31 Mar 26	-	0.710	225,000
	27 Sep 24	30 Jun 26	-	0.710	300,000
Sapan Ghai	27 Sep 24	31 Oct 25	-	0.710	150,000
	27 Sep 24	31 Mar 26	-	0.710	150,000
	27 Sep 24	30 Jun 26	-	0.710	200,000
Dylan Browne	27 Sep 24	31 Oct 25	-	0.710	75,000
	27 Sep 24	31 Mar 26	-	0.710	75,000
	27 Sep 24	30 Jun 26	-	0.710	100,000
Paul Marcos	27 Sep 24	31 Oct 25	-	0.710	37,500
	27 Sep 24	31 Mar 26	-	0.710	37,500
	27 Sep 24	30 Jun 26	-	0.710	50,000

Notes:

⁽¹⁾ For details on the valuation of Unlisted Options and Performance Rights, including models and assumptions used, please refer to Note 17 of the financial statements.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Performance Rights Granted to KMP (continued)

2025	Held at 1 July 2024 (#)	Granted as remuneration (#)	Rights Converted (#)	Net Change Other (#)	Held at 30 June 2025 (#)	Vested and exercisable at 30 June 2025 (#)
Executives						
Benjamin Stoikovich	1,450,000	1,000,000	-	-	2,450,000	-
Frank Eagar	2,200,000	1,000,000	-	-	3,200,000	-
Robert Slater	900,000	750,000	-	-	1,650,000	-
Sapan Ghai	1,080,000	500,000	-	-	1,580,000	-
Dylan Browne	1,200,000	250,000	-	-	1,450,000	-
Paul Marcos	750,000	125,000	-	-	875,000	-
Sam Cordin	600,000	-	-	-	600,000 ⁽¹⁾	-
Non-Executive Directors						
Julian Stephens	1,200,000	-	-	-	1,200,000	-
Mark Pearce	950,000	-	-	-	950,000	-
Nigel Jones	550,000	-	-	-	550,000	-

Note:

⁽¹⁾ As at date of ceasing to be KMP.

Shareholdings of KMP

2025	Held at 1 July 2024 (#)	Granted as remuneration (#)	Conversion of rights (#)	Net Other Change (#)	Held at 30 June 2025 (#)
Executives					
Benjamin Stoikovich	4,190,000	-	-	-	4,190,000
Frank Eagar	500,000	-	-	-	500,000
Robert Slater	-	-	-	-	-
Sapan Ghai	1,714,000	-	-	-	1,714,000
Dylan Browne	952,000	-	-	-	952,000
Paul Marcos	750,000	-	-	-	750,000
Sam Cordin	4,225,000	-	-	-	4,225,000 ⁽¹⁾
Non-Executive Directors					
Ian Middlemas	16,100,000	-	-	400,000	16,500,000
Julian Stephens	13,557,518	-	-	-	13,557,518
Mark Pearce	4,520,842	-	-	-	4,520,842
Nigel Jones	225,000	-	-	-	225,000

Note:

⁽¹⁾ As at date of ceasing to be KMP.

Employment Contracts with KMP

Mr Frank Eagar, Managing Director and CEO, has a letter of employment with the Group which may be terminated by either party upon giving six months' advance notice, or payment of lieu thereof. Mr Eagar receives a fixed remuneration component of US\$296,000 per annum and a discretionary annual bonus of up to US\$74,000 to be paid upon successful completion of KPIs as determined by the Board.

Mr Robert Slater, Chief Commercial Officer, has a consulting agreement with the Group which may be terminated by either party upon giving six months' advance notice. Mr Slater receives a fixed remuneration component of US\$33,000 per month and a discretionary annual bonus of up to 25% of the annual fixed remuneration component, to be paid upon successful completion of KPIs as determined by the Board.

Mr Sapan Ghai, Chief Commercial Officer, has a consulting agreement with the Group which may be terminated by either party upon giving one month advance notice. Mr Ghai receives a fixed remuneration component of £18,750 (2024: £10,417) per month.

Mr Paul Marcos, Head of Project Development, has a letter of employment with the Group which may be terminated by either party by giving three months' advance notice. Mr Marcos receives a fixed remuneration component of \$300,000 per annum plus superannuation with an annual bonus of up to \$50,000 payable upon successful completion of KPIs as determined by the Board.

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

End of Remuneration Report

PROCEEDINGS ON BEHALF OF COMPANY

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities. There have been no significant known breaches by the Group during the financial year.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

The Group has paid, or agreed to pay, a premium in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies for the 12 months ended 30 June 2025 and 2024, which cover all Directors and officers of the Group against liabilities to the extent permitted by the Corporations Act 2001. The policy conditions preclude the Group from any detailed disclosures including the premium amount paid.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

NON-AUDIT SERVICES

During the financial year, the Company's current auditor, Ernst & Young (or by another person or firm on the auditor's behalf) provided non-audit services relating to income tax preparation and advice, totalling \$11,500 (2024: \$13,000). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of the non-audit services provided means that auditor independence was not compromised.

DIRECTORS' REPORT

(Continued)

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2025 has been received and can be found on page 31 of the Directors' Report.

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

For and on behalf of the Directors

A handwritten signature in black ink, appearing to read 'F. Eagar', is written over a thin horizontal line.

Frank Eagar
Managing Director and CEO

25 September 2025



Ernst & Young
9 The Esplanade
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the audit of the financial report of Sovereign Metals Limited for the financial year ended 30 June 2025, 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 audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Pierre Dreyer
Partner
25 September 2025

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2025 \$	2024 \$
Continuing Operations			
Interest Income		2,043,809	1,821,876
Other (expenses)/income	2(a)	(479,574)	141,614
Exploration and evaluation expenses		(33,897,375)	(14,831,671)
Corporate and administrative expenses		(1,549,452)	(1,088,693)
Share-based payment expenses	17	(4,309,932)	(2,303,201)
Business development expenses		(2,247,815)	(2,340,819)
Loss before income tax		(40,440,339)	(18,600,894)
Income tax expense	3	-	-
Loss for the year		(40,440,339)	(18,600,894)
Loss attributable to members of the parent		(40,440,339)	(18,600,894)
Other Comprehensive income, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on foreign entities		194,119	510,155
Other comprehensive income for the year, net of income tax		194,119	510,155
Total comprehensive loss for the year		(40,246,220)	(18,090,739)
Total comprehensive loss attributable to members of Sovereign Metals Limited		(40,246,220)	(18,090,739)
Basic and diluted loss per share from continuing operations (cents per share)	13	(6.62)	(3.34)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025



	Notes	2025 \$	2024 \$
Current Assets			
Cash and cash equivalents	12(b)	54,538,435	31,564,130
Other receivables	4	1,771,002	315,597
Other financial assets		105,000	560,000
Total Current Assets		56,414,437	32,439,727
Non-current Assets			
Property, plant and equipment	5	1,852,383	1,149,771
Exploration and evaluation assets	6	5,086,129	5,086,129
Total Non-current Assets		6,938,512	6,235,900
TOTAL ASSETS		63,352,949	38,675,627
Current Liabilities			
Trade and other payables	7	7,749,922	4,138,353
Provisions	8	125,582	56,782
Other financial liabilities	9(a)	46,621	35,288
Total Current Liabilities		7,922,125	4,230,423
Non-Current Liabilities			
Other financial liabilities	9(b)	43,123	86,430
Total Non-Current Liabilities		43,123	86,430
TOTAL LIABILITIES		7,965,248	4,316,853
NET ASSETS		55,387,701	34,358,774
EQUITY			
Contributed equity	10	174,800,846	117,835,631
Reserves	11	1,143,781	(3,360,270)
Accumulated losses		(120,556,926)	(80,116,587)
TOTAL EQUITY		55,387,701	34,358,774

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2025 \$	2024 \$
Cash flows from operating activities			
Interest received		1,715,164	1,676,348
Payments to suppliers and employees – exploration and evaluation		(30,042,677)	(12,632,736)
Payments to suppliers and employees – other		(4,551,699)	(2,576,443)
Net cash used in operating activities	12(a)	(32,879,212)	(13,532,831)
Cash flows from investing activities			
Payments for purchase of plant and equipment		(1,023,642)	(836,348)
Repayment of loan receivable from NGX Limited		-	34,434
Net cash used in investing activities		(1,023,642)	(801,914)
Cash flows from financing activities			
Proceeds from issue of shares		59,174,395	40,598,258
Share issue costs		(2,209,180)	(248,778)
Payments for finance lease		(63,482)	(16,595)
Net cash from financing activities		56,901,733	40,332,885
Net increase in cash and cash equivalents		22,998,879	25,998,140
Net foreign exchange differences		(24,574)	1,614
Cash and cash equivalents at the beginning of the financial year		31,564,130	5,564,376
Cash and cash equivalents at the end of the financial year	12(b)	54,538,435	31,564,130

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025



	Issued Capital	Share-based Payments 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 year	-	-	-	-	(40,440,339)	(40,440,339)
<i>Other comprehensive income</i>						
Foreign currency translation	-	-	-	194,119	-	194,119
Total comprehensive loss for the year	-	-	-	194,119	(40,440,339)	(40,246,220)
Transactions with owners recorded directly in equity						
Issue of placement shares	59,174,395	-	-	-	-	59,174,395
Share issue costs	(2,209,180)	-	-	-	-	(2,209,180)
Share-based payments expense	-	4,309,932	-	-	-	4,309,932
Balance at 30 June 2025	174,800,846	7,915,683	(7,336,678)	564,776	(120,556,926)	55,387,701
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 year	-	-	-	-	(18,600,894)	(18,600,894)
<i>Other comprehensive income</i>						
Foreign currency translation	-	-	-	510,155	-	510,155
Total comprehensive loss for the year	-	-	-	510,155	(18,600,894)	(18,090,739)
Transactions with owners recorded directly in equity						
Issue of placement shares	40,598,258	-	-	-	-	40,598,258
Transfer from SBP reserve on conversion of performance rights	2,853,400	(2,853,400)	-	-	-	-
Share issue costs	(124,515)	-	-	-	-	(124,515)
Share-based payments expense	-	2,303,201	-	-	-	2,303,201
Balance at 30 June 2024	117,835,631	3,605,751	(7,336,678)	370,657	(80,116,587)	34,358,774

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

1. STATEMENT OF MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in preparing the financial report of Sovereign Metals Limited (**Sovereign** or **Company**) and its consolidated entities (**Group**) for the year ended 30 June 2025 are stated to assist in a general understanding of the financial report. Sovereign is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the AIM Market of the London Stock Exchange. The Company also has a quotation on the OTCQX.

The financial report of the Group for the year ended 30 June 2025 was authorised for issue in accordance with a resolution of the Directors.

(a) Basis of Preparation

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

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

(b) Statement of Compliance

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

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2025. Those which may be relevant to the Group are set out in the following table. The impact of these standards are still being assessed.

Standard/Interpretation	Application Date of Standard	Application Date for Group
AASB 2023-5 Amendments to AASs – Lack of Exchangeability	1 January 2025	1 July 2025
AASB 2024-2 Amendments to AASs – Classification and Measurement of Financial Instruments	1 January 2026	1 July 2026
AASB 2024-3 Amendments to AASs – Annual Improvements Volume II. Amendments to AASB 1, AASB 7, AASB 9, AASB 10 and AASB 107	1 January 2026	1 July 2026
AASB 2025-2 Amendments to AASs – Classification and Measurement of Financial Instruments: Tier 2 Disclosures	1 January 2026	1 July 2026
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

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2025 and the results of all subsidiaries for the year then ended. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(e) Cash and Cash Equivalents

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

(f) Other Receivables

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

(g) Property, Plant and Equipment

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

1. STATEMENT OF MATERIAL ACCOUNTING POLICIES (Continued)

(g) Property, Plant and Equipment (continued)

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

	Life
Office Furniture and Equipment	3 – 10 years
Computer Equipment	3 years
Plant and Equipment, Vehicles	2 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income.

(h) Exploration and Evaluation Expenditure

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

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

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

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

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

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

(i) Investments and Other Financial Assets

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

(i) Classification and subsequent measurement of financial assets

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

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

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

Classifications of financial assets are determined by both:

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

(ii) Loans and receivables

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

(iii) Fair Value Estimation

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

1. STATEMENT OF MATERIAL ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets (continued)

(iii) Fair Value Estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iv) Impairment of Financial Assets

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(v) Derecognition of financial assets

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

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

(j) Payables

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

(k) Employee Benefits

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

(l) Issued Capital

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

(m) Other Income Recognition

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

(n) Income Tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in equity. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025
(Continued)

1. STATEMENT OF MATERIAL ACCOUNTING POLICIES (Continued)

(o) Earnings per Share

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

(p) Goods and Services and Value Added Taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Taxes (**GST**) or Value Added Taxes (**VAT**). Receivables and payables in the Statement of Financial Position are shown inclusive of GST or VAT. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST or VAT component of investing and financing activities, which are disclosed as operating cash flows.

(q) Dividends

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

(r) Impairment of Assets

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

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

(s) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date using an appropriate valuation model. Where ordinary shares are issued, fair value is determined using volume weighted average price for ordinary shares for an appropriate period prior to the issue of the shares. Further details on how the fair value of equity-settled share-based payments has been

determined can be found in Note 17. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period (if applicable), based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

(t) Operating Segments

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

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

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

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

- Note 6 – Exploration and Evaluation Assets

Impairment of exploration and evaluation assets

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

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

- Note 17 – Share-Based Payments

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

1. STATEMENT OF MATERIAL ACCOUNTING POLICIES (Continued)

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

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

(v) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(w) Foreign currencies

The Group's consolidated financial statements are presented in Australian Dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency. However, items included in the financial statements of each entity are measured using the parent company's functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(x) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2. LOSS FROM OPERATIONS

	2025 \$	2024 \$
(a) Other (Expenses)/Income		
Foreign exchange (losses)/gains	(24,574)	1,614
Fair value movements in other financial assets	(455,000)	140,000
	(479,574)	141,614
(b) Depreciation		
Depreciation of property, plant and equipment (Note 5)	302,056	157,742
(c) Employee Benefits Expense		
Salaries and wages	2,740,280	2,852,927
Superannuation/Pension	236,493	243,646
Annual leave provision	43,607	52,402
Non-cash benefits	179,319	79,973
Share-based payments expense	4,309,932	2,303,201
	7,509,631	5,532,149

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

3. INCOME TAX

	2025 \$	2024 \$
(a) Recognised in the Statement of Comprehensive Income		
Adjustments in respect of current income tax of previous years	-	-
Origination and reversal of temporary differences	-	-
Deferred tax assets not brought to account	-	-
Income tax expense reported in the Statement of Comprehensive Income	-	-
(b) Reconciliation Between Tax Expense and Accounting Loss Before Income Tax		
Accounting loss before income tax	(40,440,339)	(18,600,894)
At the income rate of 30% (2024: 30%)	(12,132,102)	(5,580,268)
Expenditure not allowable for income tax purposes	6,340,996	2,817,627
Deferred tax assets not brought to account	5,791,106	2,762,641
Income tax expense reported in the Statement of Comprehensive Income	-	-
(c) Deferred Income Tax		
<i>Deferred Tax Liabilities</i>		
Accrued interest	142,367	43,774
Other receivables	14,126	15,796
Other financial assets at fair value through profit or loss	-	42,000
Deferred tax assets used to offset deferred tax liabilities	(156,493)	(101,570)
	-	-
<i>Deferred Tax Assets</i>		
Other financial assets	1,711	1,711
Accruals	584,074	52,137
Provisions	37,675	37,781
Capital allowances	170,577	60,320
Other financial assets at fair value through profit or loss	136,500	-
Tax losses available to offset against future taxable income	16,354,252	11,286,810
Deferred tax assets used to offset deferred tax liabilities	(156,493)	(101,570)
Deferred tax assets not brought to account	(17,128,296)	(11,337,189)
	-	-

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

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

Included in the unrecognised deferred tax assets are unused carry forward losses amounting to \$54,706,934 (2024: \$35,566,899).

(d) Tax Consolidation

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

4. CURRENT ASSETS – OTHER RECEIVABLES

	2025 \$	2024 \$
Accrued interest	474,557	145,913
GST and VAT receivable	1,229,632	89,991
Prepayments	47,085	52,655
Other	19,728	27,038
	1,771,002	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/(disposals)	45,449	61,355	1,160,666	-	(275,803)	991,667
Depreciation charge	(33,342)	(34,054)	(190,976)	(43,684)	-	(302,056)
Foreign exchange differences	2,821	(7,857)	9,737	4,181	4,119	13,001
Carrying amount at 30 June 2025	167,091	88,010	1,476,380	76,944	43,958	1,852,383
At cost	241,570	184,131	2,196,032	134,091	43,958	2,799,782
Accumulated depreciation and impairment	(74,479)	(96,121)	(719,652)	(57,147)	-	(947,399)
Carrying amount at 1 July 2023	43,371	32,422	456,246	-	-	532,039
Additions	139,166	65,177	304,301	134,091	315,642	958,377
Depreciation charge	(16,134)	(19,224)	(104,930)	(17,454)	-	(157,742)
Foreign exchange differences	(14,240)	(9,809)	(158,664)	(190)	-	(182,903)
Carrying amount at 30 June 2024	152,163	68,566	496,953	116,447	315,642	1,149,771
At cost	196,121	122,776	1,035,366	134,091	315,642	1,803,996
Accumulated depreciation and impairment	(43,958)	(54,210)	(538,413)	(17,644)	-	(654,225)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025
(Continued)

6. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	2025 \$	2024 \$
Movement in Exploration and Evaluation Assets		
<u>Kasiya Rutile-Graphite Project</u>		
Carrying amount at beginning of year	5,086,129	5,086,129
Carrying amount at end of year ⁽¹⁾	5,086,129	5,086,129

Note:

⁽¹⁾ 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. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2025 \$	2024 \$
Trade creditors	7,207,700	2,490,743
Accrued expenses	542,222	1,647,610
	7,749,922	4,138,353

8. CURRENT LIABILITIES – PROVISIONS

	2025 \$	2024 \$
Annual leave provisions	125,582	56,782
	125,582	56,782

9. OTHER FINANCIAL LIABILITIES

	2025 \$	2024 \$
Current liabilities		
Lease Liability ⁽¹⁾	46,621	35,288
Non- Current liabilities		
Lease Liability ⁽¹⁾	43,123	86,430

Note:

⁽¹⁾ 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 \$43,684 (2024: \$17,454); (ii) interest expense on lease liabilities of \$26,667 (2024: \$12,961); and (iii) rent expense of \$1,997 (2024: \$7,922).

10. CONTRIBUTED EQUITY

	2025 \$	2024 \$
(a) Issued and Paid Up Capital		
646,938,703 fully paid ordinary shares (2024: 563,003,401)	174,800,846	117,835,631
	174,800,846	117,835,631

(b) Movements in Ordinary Share Capital During the Current and Prior Financial Periods 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	554,521
3 Apr 25	Issue of placement shares	47,058,824	40,000,000
Jul 24 to Jun 25	Share issue costs	-	(2,763,701)
30 Jun 25	Closing Balance	646,938,703	174,800,846

1 Jul 23	Opening Balance	470,875,023	74,508,488
Various	Issue of placement shares	83,535,510	40,598,258
25 Aug 23	Issue of advisory fee shares	2,492,868	1,211,534
29 Sep 23	Issue of shares upon conversion of performance rights	6,100,000	2,853,400
Jul 23 to Jun 24	Share issue costs	-	(1,336,049)
30 Jun 24	Closing Balance	563,003,401	117,835,631

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

(c) Terms and Conditions of Ordinary Shares

(i) General

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

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

(ii) Reports and Notices

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025
(Continued)

10. CONTRIBUTED EQUITY (Continued)

(c) Terms and Conditions of Ordinary Shares (continued)

(iii) *Voting*

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

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

(iv) *Variation of Shares and Rights Attaching to Shares*

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

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

(v) *Unmarketable Parcels*

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

(vi) *Changes to the Constitution*

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

11. RESERVES

	Note	2025 \$	2024 \$
Share-based Payments Reserve	11(a)	7,915,683	3,605,751
Foreign Currency Translation Reserve - exchange differences		564,776	370,657
Demerger Reserve		(7,336,678)	(7,336,678)
		1,143,781	(3,360,270)

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

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

Demerger Reserve - The Demerger Reserve is used to record the value of the in-specie distribution to Sovereign shareholders in relation to the demerger of NGX Limited that occurred during the year end 30 June 2023.

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

Date	Details	Number of Unlisted Performance Rights	\$(⁽¹⁾)
1 Jul 24	Opening Balance	17,860,000	3,605,751
Various	Issue of performance rights	4,725,000	-
31 Dec 25	Forfeiture of unvested performance rights	(425,000)	(22,754) ²
Jul 24 to Jun 25	Share-based payment expense	-	4,332,686
30 Jun 25	Closing Balance	(22,160,000)	7,915,683
1 Jul 23	Opening Balance	13,910,000	4,155,950
29 Sep 23	Transfer from SBP reserve upon conversion of performance rights	(6,100,000)	(2,853,400)
Various	Issue of performance rights	10,050,000	-
Jul 23 to Jun 24	Share-based payment expense	-	2,303,201
30 Jun 24	Closing Balance	17,860,000	3,605,751

Note:

⁽¹⁾ The value of Performance Rights granted is recognised over the vesting period of the grant, in accordance with Australian Accounting Standards. Refer to Note 17.

⁽²⁾ Forfeiture of performance rights due to cessation of employment

(b) Terms and Conditions of unlisted Performance Rights

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

- Each Performance Right automatically converts into one Share upon vesting of the Performance Right;
- Each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest;
- The Performance Rights outstanding at the end of the financial year have the following performance conditions and expiry dates:
 - 10,977,500 Performance Rights subject to the Definitive Feasibility Study Milestone that expire on 31 October 2025;
 - 4,992,500 Performance Rights subject to the Mining Licence Milestone that expire on 31 March 2026; and
 - 6,190,000 Performance Rights subject to the Final investment Decision Milestone that expire on 30 June 2026.
- Shares issued on conversion of the Performance Rights rank equally with the Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Shares issued upon conversion of the Performance Rights;

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

11. RESERVES (Continued)

(b) Terms and Conditions of unlisted Performance Rights (Continued)

- If there is any reconstruction of the issued share capital of the Company, the rights of the Performance Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- No application for quotation of the Performance Rights will be made by the Company; and
- Without approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

12. STATEMENT OF CASH FLOWS

	2025 \$	2024 \$
(a) Reconciliation of Loss for the Year to Net Cash Flows from Operating Activities		
Loss for the year	(40,440,339)	(18,600,894)
Adjustment for non-cash income and expense items		
Depreciation and amortisation	302,056	157,432
Share-based payment expense	4,309,932	2,303,201
Unrealised foreign exchange movement	181,122	693,057
Fair value movements in other financial assets	455,000	(140,000)
Changes in operating assets and liabilities		
Increase in other receivables	(1,455,405)	(63,547)
Increase in trade and other payables and provisions	3,768,422	2,117,920
Net cash outflow from operating activities	(32,879,212)	(13,532,831)
(b) Reconciliation of Cash Assets		
Cash at bank and on hand	5,018,435	254,779
Short term deposits	49,520,000	31,309,351
	54,538,435	31,564,130

(c) Credit Standby Arrangements with Banks

At balance date, the Company had no used or unused financing facilities (2024: none).

(d) Non-cash Financing and Investing Activities

During the year ended 30 June 2025, 1,036,488 (2024: 2,492,868) Ordinary Shares were issued as share-based payments as an advisory fee in relation to the strategic investment made by Rio Tinto in the Group.

13. LOSS PER SHARE

	2025 Cents per Share	2024 Cents per Share
Basic and diluted loss per share		
From continuing operations	(6.62)	(3.34)
Total basic and diluted loss per share	(6.62)	(3.34)

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

	2025 \$	2024 \$
Net loss used in calculating basic and diluted earnings per share	(40,440,339)	(18,600,894)

	2025 Number of Shares	2024 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	610,495,709	556,504,182
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	610,495,709	556,504,182

Non-dilutive securities

As at 30 June 2025, 22,160,000 Performance Rights (which represent 22,160,000 potential Ordinary Shares) were non-dilutive as they would decrease the loss per share. As at 30 June 2024, 17,860,000 Performance Rights and 34,549,598 Options (which represented 52,409,598 potential Ordinary Shares) were non-dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 30 June 2025

There have been no conversions to, calls of, or subscriptions for ordinary shares, since the reporting date and before the completion of this financial report.

14. COMMITMENTS AND CONTINGENCIES

	2025 \$	2024 \$
(a) Commitments		
<i>Exploration Commitments - Malawi</i>		
Within one year	-	107,155
After one year but not more than five years	-	46,705
	-	153,860

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

14. COMMITMENTS AND CONTINGENCIES (Continued)

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. During the year, sufficient expenditure was incurred across the Group's portfolio of exploration tenements in Malawi to meet all minimum expenditure conditions.

(b) Contingencies

No material contingent assets or liabilities have been identified as at 30 June 2025 (2024: nil).

15. RELATED PARTIES

(a) Ultimate Parent

Sovereign Metals Limited is the ultimate parent of the Group.

(b) Subsidiaries

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

Name	Country of Incorporation	Equity Interest	
		2025 %	2024 %
McCourt Mining Pty Ltd ⁽¹⁾	Australia	100	100
McCourt Mining (UK) Limited	United Kingdom	100	100
McCourt Holdings (UK) Limited	United Kingdom	100	100
Sovereign Advisory SA (Pty) Ltd	South Africa	100	100
McCourt Mining Limited	Malawi	100	100
Sovereign Services Limited	Malawi	100	100
Sovereign Cloncurry Pty Ltd ⁽¹⁾	Australia	100	100
Sovereign Mozambique Pty Ltd ⁽¹⁾	Australia	100	100
Sovereign Zambia Pty Ltd ⁽¹⁾	Australia	100	100
Sovereign Coal Pty Ltd ⁽¹⁾	Australia	100	100
Sovereign Metals (Zambia) Ltd	Zambia	100	100

Note:

⁽¹⁾ Member of the tax consolidated group.

(c) Transactions with Related Parties in the Consolidated Group

There were no transactions with related parties during the 2025 financial year (2024: Nil) other than as noted below.

(d) KMP

The aggregate compensation made to KMP of the Group is set out below:

	2025 \$	2024 \$
Short-term benefits	2,873,274	2,345,257
Post-employment benefits	47,058	90,195
Other – cash benefits	18,888	-
Share-based payments	2,826,254	1,251,129
	5,765,474	3,686,581

No loans were provided to or received from KMP during the year ended 30 June 2025 (2024: nil).

(e) Other Transactions with Related Parties

Selwyn, a company of which Mr Stoikovich controls, and is a director and beneficial shareholder, is engaged under an agreement to provide consulting services to the Company, on a rolling 12-month term that either party may terminate with one month written notice. Selwyn receives a daily rate of £1,000 under the consulting agreement. This item has been recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income. These services provided during the period amounted to \$144,846 (2024: \$150,506).

Apollo Group, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid, or is payable, \$390,000 (2024: \$432,000) for the provision of serviced office facilities, administration services and additional transaction services provided during the year. This item has been recognised as an expense in the Statement of Profit or Loss and other Comprehensive Income. The amount is based on a current monthly retainer of \$32,500 (2024: \$31,000) due and payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025
(Continued)

16. PARENT ENTITY DISCLOSURES

	2025	2024
	\$	\$
(a) Financial Position		
Assets		
Current Assets	54,169,314	32,109,529
Non-Current Assets	5,000,564	4,963,681
Total Assets	59,169,878	37,073,210
Liabilities		
Current Liabilities	783,737	745,486
Total Liabilities	783,737	745,486
Equity		
Issued capital	174,800,846	117,835,631
Accumulated losses	(119,947,318)	(80,730,588)
Reserves	3,532,613	(777,319)
Total Equity	58,386,141	36,327,724
(b) Financial Performance		
Loss for the year	(39,216,730)	(16,546,163)
Other comprehensive loss	-	-
Total comprehensive loss	(39,216,730)	(16,546,163)

17. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payment Expense

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

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

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

	2025 \$	2024 \$
Expense arising from equity-settled share-based payment transactions (performance rights)	4,309,932	2,303,201
	4,309,932	2,303,201

In addition to share-based payment expenses recognised as an expense through profit or loss: a share-based payment of \$554,521 (2024: 1,211,534) was recognised in equity (share issue costs) during the 2025 financial year, relating to the issue of 1,290,392 (2024: 2,492,868) ordinary shares as an advisory fee in relation to the strategic investment made by Rio Tinto in the Group.

(b) Summary of Rights Granted and Pricing Models

The fair value of the performance rights granted is estimated as at the date of grant using the share price at that date. The following table lists the inputs to the valuation model used for performance rights granted by the Group during the years ended 30 June 2025 and 30 June 2024:

2025	Security Type	Number	Grant Date	Expiry Date	Exercise Price \$	Fair Value \$
Series						
Definitive Feasibility Study	Right	1,317,500	27 Oct 24	31 Oct 25	-	0.710
	Right	200,000	1 Jul 24	31 Oct 25	-	0.655
Mining Licence	Right	1,317,500	27 Oct 24	31 Mar 26	-	0.710
	Right	200,000	1 Jul 24	31 Mar 26	-	0.655
Final Investment Decision	Right	1,590,000	13 Oct 23	30 Jun 26	-	0.710
	Right	100,000	3 Apr 24	30 Jun 26	-	0.655
2024						
Series						
Definitive Feasibility Study	Right	1,300,000	16 Oct 23	31 Oct 25	-	0.410
	Right	350,000	3 Apr 24	31 Oct 25	-	0.480
Mining Licence	Right	700,000	13 Oct 23	31 Mar 26	-	0.425
	Right	2,450,000	16 Oct 23	31 Mar 26	-	0.410
	Right	450,000	3 Apr 24	31 Mar 26	-	0.480
Final Investment Decision	Right	1,050,000	13 Oct 23	30 Jun 26	-	0.425
	Right	3,100,000	16 Oct 23	30 Jun 26	-	0.410
	Right	650,000	3 Apr 24	30 Jun 26	-	0.480

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

17. SHARE-BASED PAYMENTS (continued)

(c) Summary of Performance Rights

The following table illustrates the number and weighted average exercise prices (**WAEP**) of Performance Rights at the beginning and end of the financial year:

	2025 Number	2025 WAEP	2024 Number	2024 WAEP
Outstanding at beginning of year	17,860,000	-	13,910,000	-
Rights granted during the year	4,725,000	-	10,050,000	-
Rights converted during the year	-	-	(6,100,000)	-
Rights lapsed during the year	(425,000)	-	-	-
Outstanding at end of year	22,160,000	-	17,860,000	-

The outstanding balance of Performance Rights granted as share-based payments on issue as at 30 June 2025 is represented by:

- 10,977,500 Performance Rights subject to the Definitive Feasibility Study Milestone that expire on 31 October 2025;
- 4,992,500 Performance Rights subject to the Mining Licence Milestone that expire on 31 March 2026; and
- 6,190,000 Performance Rights subject to the Final Investment Decision Milestone that expire on 30 June 2026.

(d) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life for Performance Rights outstanding as at 30 June 2025 was 0.63 years (2024: 1.60 years).

(e) Weighted Average Fair Value

The weighted average fair value of Performance Rights was \$0.506 (2024: \$0.441).

18. REMUNERATION OF AUDITORS

	2025 \$	2024 \$
Current Auditor – Ernst & Young		
Amounts received or due and receivable by Ernst & Young for an audit or review of the financial report of the Company	80,511	92,640
Other services provided by Ernst & Young – taxation advice	11,500	13,000
Total Auditors' Remuneration	92,011	105,640

19. SEGMENT INFORMATION

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

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

	2025 \$	2024 \$
Malawi	1,725,283	983,124
Republic of South Africa	123,618	162,067
Australia	3,482	4,580
	1,852,383	1,149,771

20. FINANCIAL INSTRUMENTS

(a) Overview

The Group's principal financial instruments comprise receivables, financial assets held at fair value through profit or loss, lease liabilities, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. This Note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security. Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

20. FINANCIAL INSTRUMENTS (continued)

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from cash and cash equivalents, other receivables and other financial assets. There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	Notes	2025 \$	2024 \$
Cash and cash equivalents	12 (b)	54,538,435	31,564,130
Other receivables	4	1,771,002	315,597
		56,309,437	31,879,727

The Group does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts. Other receivables comprise accrued interest and other miscellaneous receivables. Where possible the Group only transacts with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There were no other receivables that were past due at 30 June 2025 (2024: nil). With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Credit risk related to balances with banks is considered low as the Group banks with a financial institution which is considered to have a high credit rating.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2025 and 2024, the Group has sufficient liquid assets to meet its financial obligations. The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

2025 Group	≤6 Months \$	6-12 Months \$	1-5 Years \$	≥5 Years \$	Total \$
Financial Liabilities					
Trade and other payables	7,749,922	-	-	-	7,749,922
Other financial liabilities	147,490	24,713	43,123	-	215,326
	7,897,412	24,713	43,123	-	7,965,248
2024 Group					
Financial Liabilities					
Trade and other payables	4,138,353	-	-	-	4,138,353
Other financial liabilities	74,426	17,644	86,430	-	178,500
	4,212,779	17,644	86,430	-	4,316,853

(d) Capital Management

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

(e) Interest Rate Risk

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

	2025 \$	2024 \$
Interest-bearing financial instruments		
Cash at bank and on hand	5,018,435	254,779
Short term deposits	49,520,000	31,309,351
	54,538,435	31,564,130

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 4.64% (2024: 4.84%). The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

(f) Interest rate sensitivity

A sensitivity of +/-2% has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A +/-2% movement in interest rates at the reporting date would have increased (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2025.

	Profit or Loss	
	+2% Increase	-2% Decrease
2025		
Cash and cash equivalents	1,090,767	(1,090,767)
2024		
Cash and cash equivalents	631,283	(631,283)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

(Continued)

20. FINANCIAL INSTRUMENTS (continued)

(g) Foreign Currency Risk

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

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

The year end AUD:USD exchange rate was 0.6580 (2024: 0.6667). A 10% movement in this exchange rate would have resulted in a movement in net assets of the Group of \$48,059 (2024: \$183,131). This analysis assumes that all other variables, in particular interest rates, remain constant. There would be no impact on profit or loss arising from changes in the currency risk variables relating to the Group's activities overseas as all changes in value are taken to a reserve.

Sensitivity Analysis for Currency Risk – South African Rand (ZAR)

The year end AUD:ZAR exchange rate was 11.6762 (2024: 12.1239). A 10% movement in this exchange rate would have resulted in a movement in net assets of the Group of \$2,708 (2024: \$2,608). This analysis assumes that all other variables, in particular interest rates, remain constant. There would be no impact on profit or loss arising from changes in the currency risk variables relating to the Group's activities overseas as all changes in value are taken to a reserve.

(h) Fair Value

The Group uses various methods in estimating the fair value of financial assets and liabilities. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

At 30 June 2025 and 30 June 2024, the carrying value of the Group's financial assets and liabilities approximate their fair value.

21. SUBSEQUENT EVENTS

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2025 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2025 of the Group;
- the results of those operations, in financial years subsequent to 30 June 2025 of the Group; or
- the state of affairs, in financial years subsequent to 30 June 2025 of the Group.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT
AS AT 30 JUNE 2025



The consolidated entity disclosure statement has been prepared in accordance with subsection 295(3A)(a) of the Corporations Act 2001. The entities listed in the statement are Sovereign Metals Limited and all the entities it controls in accordance with AASB 10 Consolidated Financial Statements.

The percentage of share capital disclosed for bodies corporate included in the statement represents the economic interest controlled and consolidated by Sovereign Metals Limited.

In relation to the tax residency information included in the statement, judgement may be required in the determination of the residency of the entities listed. In developing the disclosures in the statement, the directors have utilised internal documentation and the use of tax advisors to support the determination of tax residency.

Name of Controlled Entity	Entity Type	Country of Incorporation	% of share capital held	Country of Tax Residence
Sovereign Metals Limited	Body corporate	Australia	N/A	Australia
McCourt Mining Pty Ltd	Body corporate	Australia	100	Australia
Sovereign Cloncurry Pty Ltd	Body corporate	Australia	100	Australia
Sovereign Mozambique Pty Ltd	Body corporate	Australia	100	Australia
Sovereign Zambia Pty Ltd	Body corporate	Australia	100	Australia
Sovereign Coal Pty Ltd	Body corporate	Australia	100	Australia
McCourt Mining (UK) Limited	Body corporate	United Kingdom	100	United Kingdom
McCourt Holdings (UK) Limited	Body corporate	United Kingdom	100	United Kingdom
Sovereign Advisory SA (Pty) Ltd	Body corporate	South Africa	100	South Africa
McCourt Mining Limited	Body corporate	Malawi	100	Malawi
Sovereign Services Limited	Body corporate	Malawi	100	Malawi
Sovereign Metals (Zambia) Ltd	Body corporate	Zambia	100	Zambia

DIRECTORS' DECLARATION

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

- (1) In the opinion of the Directors:
 - (a) the attached financial statements, notes and the additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001 including:
 - (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 297 (gives a true and fair view of the financial position as at 30 June 2025 and of the performance for the year ended on that date of the Group); and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - (c) the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act 2001 is true and correct
- (2) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1(b) to the financial statements.
- (3) The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2025.

On behalf of the Board.



Frank Eagar
Managing Director and CEO

25 September 2025



Ernst & Young
9 The Esplanade
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Sovereign Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2025, 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 year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2025 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDIT REPORT TO MEMBERS OF SOVEREIGN METALS LIMITED AND ITS CONTROLLED ENTITIES

(Continued)



**Shape the future
with confidence**

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Carrying value of capitalised exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
As disclosed in Note 6 to the financial statements, the Group held capitalised exploration and evaluation assets of \$5,086,129 at 30 June 2025. The carrying amount of capitalised exploration and evaluation assets is assessed for impairment by the Group when facts and circumstances indicate that the carrying amount of capitalised exploration and evaluation assets may exceed its recoverable amount. The determination as to whether there are any indicators of impairment, involves judgment including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. The Directors did not identify any impairment indicators as at 30 June 2025. Given the size of the balance and the judgmental nature of impairment indicator assessments associated with capitalised exploration and evaluation assets, we consider this a key audit matter.	We evaluated the Group's assessment as to whether there were any indicators of impairment to require the carrying amount of capitalised exploration and evaluation assets to be tested for impairment. Our audit procedures included the following: ▪ Evaluated whether the Group's right to explore was current, which included obtaining and assessing supporting documentation such as license agreements. ▪ Assessed the Group's intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's approved cash-flow forecast and enquiring of senior management and the Directors as to their intentions and the strategy of the Group. ▪ Assessed whether exploration and evaluation data or contrary information existed to indicate that the carrying amount of capitalised exploration and evaluation assets is unlikely to be recovered through successful development or sale. ▪ Assessed the adequacy of the disclosures included in Note 6 of the financial statements.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2025 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



**Shape the future
with confidence**

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

INDEPENDENT AUDIT REPORT TO MEMBERS OF SOVEREIGN METALS LIMITED AND ITS CONTROLLED ENTITIES

(Continued)



**Shape the future
with confidence**

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of Sovereign Metals Limited for the year ended 30 June 2025, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Ernst & Young



Pierre Dreyer
Partner
Perth
25 September 2025

CORPORATE GOVERNANCE

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

The Company's 2025 Corporate Governance Statement, which is current as at 30 June 2025 and has been approved by the Company's Board, explains how Sovereign complies with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 4th Edition' in relation to the year ended 30 June 2025. The Corporate Governance Statement is available in the Corporate Governance section of the Company's website, www.sovereignmetals.com.au/corporate/corporate-governance and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

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

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

The Company's corporate governance policies can be found here:

www.sovereignmetals.com.au/corporate/corporate-governance and include the following:

- Board Charter;
- Audit Committee Charter;
- Remuneration and Nomination Committee Charter;
- ESG Charter;
- Code Of Conduct;
- Securities Trading Policy;
- Continuous Disclosure Policy;
- Risk Management Policy;
- Anti-Bribery & Corruption Policy;
- Whistleblower Policy;
- Social Media Policy; and
- Data Privacy Policy.

1. MINERAL RESOURCES

Sovereign's Mineral Resource Estimate (**MRE**) relating to rutile and graphite as at 30 June 2025 and 30 June 2024 are from the Kasiya Project, located in Malawi. The resources are reported in accordance with the 2012 Edition of the JORC Code as follows as below. Kasiya is the largest rutile deposit in the world with the graphite MRE at Kasiya the second largest flake graphite deposit in the world.

2025 and 2024 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

All figures are rounded to reflect appropriate level of confidences with any apparent differences a result of rounding.

As a result of the annual review of the Company's MRE, there has been no change to the MRE reported at Kasiya.

2. ORE RESERVES

During the prior period, a maiden Ore Reserve of 538Mt was declared at Kasiya. The Ore reserve has been reported in accordance with the 2012 Edition of the JORC Code as follows:

2025 and 2024 Ore Reserve for Kasiya

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

All figures are rounded to reflect appropriate level of confidences with any apparent differences a result of rounding.

As a result of the annual review of the Company's Ore Reserve, there has been no change to the Ore Reserves reported at Kasiya.

3. GOVERNANCE OF MINERAL RESOURCES AND ORE RESERVES

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

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

MINERAL RESOURCES AND ORE RESERVE STATEMENT (Continued)

4. COMPETENT PERSONS STATEMENT

The information in this Report that relates to Mineral Resources (Rutile and Graphite - Kasiya) 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. Mr Stockwell has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stockwell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Stockwell has approved the Mineral Resources Statement as a whole and consents to its inclusion in the form and context in which it appears.

The information in this announcement that relates to Ore Reserves is based on and fairly represents information provided by Mr Frikkie Fourie, a Competent Person, who is an Associate Member of The South African Institute of Mining and Metallurgy and a Registered Professional Engineer with the Engineering Council of South Africa, a Recognised Professional Organisation' (**RPO**) included in a list promulgated by ASX from time to time. Mr Fourie is employed by Moletech SA (Pty) Ltd, an independent consulting company. Mr Fourie has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fourie consents to the inclusion in the Announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to the Exploration Results is extracted from announcements dated 7 December 2021, 16 December 2021, 28 September 2023, 8 May 2024, 15 May 2024, 4 September 2024, 21 November 2024, 19 February 2025, 26 February 2025 and 10 March 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.

Forward Looking Statement

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

The shareholder information set out below was applicable as at 31 August 2025.

1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES

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

Name	No of Ordinary Shares Held	Percentage of Issued Shares
Rio Tinto Mining and Exploration Limited	119,375,500	18.45
BNP Paribas Nominees Pty Ltd <Clearstream>	84,817,942	13.11
Citicorp Nominees Pty Limited	81,149,950	12.54
BNP Paribas Noms Pty Ltd	55,487,294	8.58
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient>	37,670,718	5.82
HSBC Custody Nominees (Australia) Limited	27,229,986	4.21
Computershare Clearing Pty Ltd <CCNL DI A/C>	26,904,257	4.16
Arredo Pty Ltd	16,500,000	2.55
J P Morgan Nominees Australia Pty Limited	14,450,553	2.23
Mr Julian Rodney Stephens <One Way A/C>	12,557,518	1.94
Mr Mark Stuart Savage <Mark Savage Revocable A/C>	12,000,000	1.85
Mota-Engil Minerals & Mining Investments BV	6,000,000	0.93
Jackhamish Pty Ltd	4,451,486	0.69
Mr Andries Willem Kruger	3,885,162	0.60
Mr Samuel Cordin	3,700,000	0.57
Marensa Pty Ltd <Stewart Super A/C>	3,600,000	0.56
CPO Superannuation Fund Pty Ltd <C & P O'Connor S/F A/C>	3,481,307	0.54
Mr Collin Francis Davy <The Bush Rat A/C>	3,479,166	0.54
HSBC Custody Nominees (Australia) Limited - A/C 2	3,441,684	0.53
Mandel Pty Ltd <Mandel Super Fund A/C>	3,300,000	0.51
Total Top 20	523,482,523	80.92
Others	123,456,180	19.08
Total Ordinary Shares on Issue	646,938,703	100

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of shareholders by size of holding:

Distribution	Number of Shareholders	Ordinary Shares	
		Number of Shares	Percentage
1 – 1,000	434	277,715	0.04
1,001 – 5,000	1,095	3,084,333	0.48
5,001 – 10,000	473	3,806,536	0.59
10,001 – 100,000	831	27,202,971	4.20
More than 100,000	209	612,567,148	94.69
Totals	3,042	646,938,703	100.00

ASX ADDITIONAL INFORMATION

(Continued)

There were 205 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 10(c) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder Notices received by the Company are:

Substantial Shareholder Name	Number of Shares
Rio Tinto Mining and Exploration Limited	118,085,108
Sprott Inc. (Sprott) and each of its controlled bodies corporate listed in the notice.	43,315,679

5. EXPLORATION INTERESTS

As at 31 August 2025, the Company has an interest in the following projects in Malawi:

Licence	Holding Entity	Interest	Type	Licence Renewal Date	Expiry Term Date ⁽¹⁾	Licence Area (km ²)	Status
EL0609	MML	100%	Exploration	25/09/2026	25/09/2028	219.5	Granted
EL0582	SSL	100%	Exploration	15/09/2025	15/09/2027	69.8	Granted
RTL0035-RTL0045	SSL	100%	Retention	N/A	26/06/2026	285.2	Granted
EL0528	SSL	100%	Exploration	27/11/2025	27/11/2025	16.2	Granted
EL0545	SSL	100%	Exploration	12/05/2026	12/05/2026	24.2	Granted
EL0561	SSL	100%	Exploration	15/09/2025	15/09/2027	30.7	Granted
EL0657	SSL	100%	Exploration	3/10/2025 ²	3/10/2029	2.3	Granted
EL0710	SSL	100%	Exploration	1/02/2027	1/02/2031	38.4	Granted

Notes:

SSL: Sovereign Services Limited, MML: McCourt Mining Limited

⁽¹⁾ An exploration licence (**EL**) covering a preliminary period in accordance with the Malawi the Mines and Minerals Act (2023) (**Mines Act**) is granted for initial period of five (5) years with the ability to extend by three (3) years on two occasions (a total 11 years). ELs that have come to the end of their term may be converted by the EL holder into a retention licence (**RL**) for a term of not exceeding five (5) years subject to meeting certain criteria or any conditions imposed on the RL.

6. ON-MARKET BUY BACK

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

7. PEER COMPARISON INFORMATION

1. China weighted average C1 cash cost source: Benchmark Mineral Intelligence
2. Cumulative Demand & China graphite production source: S&P Global Market Intelligence
3. Company specific disclosure sources as follows:

7. PEER COMPARISON INFORMATION (continued)

Company	Project	Stage of Development	C1 Cash Costs (FOB) US\$/t	Steady State Production tpa	Current Production tpa	Notes	Source
Black Mining	Rock Mahenge	Financing post DFS	466	89,000	-	Operating costs are for first 10 years therefore production of first 10 years only shown	Company Announcement: Black Rock Completes FEED and eDFS Update (10 October 2022)
Blencowe Resources	Orom-Cross	PFS Complete	482	101,000	-	-	Company Announcement: Major Milestone as Blencowe Delivers US\$482M NPV Pre-Feasibility Study for Orom-Cross Graphite Project (19 July 2022)
Ecograf	Epanko	BFS Complete	508	73,000	-	-	Updated Epanko Ore Reserve (25 July 2024) Epanko Pre-Development Program Delivers Outstanding Results (28 April 2023)
Evion	Maniry	DFS Complete	657	56,400	-	Production of 56.4ktpa is from year 4. Years 1-3 production is 39ktpa	BlackEarth Minerals Maniry Graphite Project Definitive Feasibility Study (3 November 2022)
Evolution Energy	Chilalo	DFS Complete	773	52,000	-	Operating costs are for first 9 years of production	Company Announcement: FEED and updated DFS confirms Chilalo as a standout high margin, low capex and development-ready graphite project (20 March 2023)
Falcon Energy Materials	Lola	Updated DFS Complete	588	92,435	-	-	SEDAR Filing: Lola Graphite Project NI 43-101 Technical Report - Updated Feasibility Study (7 April 2023)
Focus Graphite	Lac Knife	FS Complete	413	50,000	-	Converted from Canadian Dollars to US Dollars based on exchange rate used in source document of 1.00 CAD / 0.736 USD	Company Announcement: NI 43-101 Technical Report – Feasibility Study Update Lac Knife Graphite Project Québec, Canada (14 April 2023)
Graphite One	Graphite Creek	PFS Complete	1,394	51,813	-	Production and costs relate to Graphite Creek Mine and not the proposed graphite manufacturing facility	Company Announcement: Graphite One Advances its United States Graphite Supply Chain Solution

ASX ADDITIONAL INFORMATION

(Continued)

Company	Project	Stage of Development	C1 Cash Costs (FOB) US\$/t	Steady State Production tpa	Current Production tpa	Notes	Source
							Demonstrating a Pre-tax USD\$1.9B NPV (8%), 26.0% IRR and 4.6 Year Payback on its Integrated Project (29 August 2022)
Mineral Commodities (MRC)	Skaaland	Production	1,434	10,000	10,000	Production based on annual operating target, costs based on latest reported numbers for September 2024	Quarterly Activities Report: September 2024
Mineral Commodities (MRC)	Munglinup	DFS Complete	491	54,000	-	-	<u>Company Announcement: Robust Munglinup DFS Results Allow MRC to Move to 90% Ownership of Munglinup Graphite Project (8 January 2020)</u>
NextSource Materials	Molo	Construction	541	150,000	-	Figures relate to Molo expansion case. Operating Costs are US\$392.59/t Minesite Operating Cost plus Selling Cost of US\$148.80	Company Announcement: Nextsource Materials announces robust feasibility study results for Molo Mine expansion to 150,000 tonnes per annum of Superflake® graphite concentrate (12 December 2023)
NGX	Malingunde	PFS Complete	396	52,000	-	-	Company Presentation: Clean Energy Minerals in Africa (August 2024)
Nouveau Monde Graphite	Matawinie	Construction	443	103,328	-	Exchange rate used as per technical report	Technical Report: Feasibility Study for the Matawinie Property
Renascor	Siviour	DFS Complete	472	150,000	-	-	Company Announcement: Siviour Battery Anode Material Study Results (8 August 2023)
Syrah Resources	Balama	Production	455	240,000	-	Production based on Company guidance of 20kt per month production rate. Operating costs based on midpoint of Balama C1 cost (FOB Nacala/Pemba) medium-term guidance of US\$430-480 per tonne.	Company Quarterly Activities Report September 2024 (30 October 2024)

Company	Project	Stage of Development	C1 Cash Costs (FOB) US\$/t	Steady State Production tpa	Current Production tpa	Notes	Source
Triton	Ancuabe	DFS Complete	634	60,000	-	2023 updates to DFS do not include updated costs and base case production figures. On 9th December 2024, Triton Minerals announced that it had executed a Share Sale and Purchase Agreement with Shandong Yulong Gold Limited for the sale of at least 70% of its interests in the entities that hold the Ancuabe Graphite Project	Company Announcement: Triton Delivers Robust Ancuabe Definitive Feasibility Study and Declares Maiden Ore Reserve (15 December 2017)
Volt Resources	Bunyu	Stage 1 FS Complete	670	24,780	-	Relates to stage 1 development which has had a feasibility study completed	Company Announcement: Feasibility Study Update for Bunyu Graphite Project Stage 1, Tanzania, delivers significantly improved economics (14 August 2023)

Notes:

1. Blencowe Resources C1 cash costs calculated as US\$499/t operating costs (FOB) less US\$17/t royalties as disclosed in the source above
2. South Star Battery Metals Corp.'s Santa Cruz mine not included as FOB costs not disclosed. For reference, operating costs are disclosed as US\$4396/t from source: Technical Report: Updated Resources and Reserves Assessment and Pre-feasibility Study (18 March 2020)
3. Magnis not included while shares are suspended by the ASX in December 2023
4. Walkabout's Lindi Project not included following appointment of voluntary administrators and Receivers in November 2024
5. Leading Edge Materials Woxna Graphite not included as it is currently under care and maintenance
6. Northern Graphite's Lac des Iles not included due to recent maintenance
7. Talga Group not shown as latest technical study based on integrated anode plant strategy
8. Tirupati Graphite not included due to lack of relevant disclosure



T: +61 8 9322 6322
E: info@sovereignmetals.com.au
www.sovereignmetals.com.au

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