



**SOVEREIGN**  
METALS LIMITED

**SOVEREIGN METALS LIMITED**  
**ABN 71 120 833 427**

**INTERIM FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2019**

## CORPORATE DIRECTORY

### Directors

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

### Company Secretary

Mr Lachlan Lynch

### Registered and Principal Office

Level 9, 28 The Esplanade  
 Perth WA 6000

Telephone: +61 8 9322 6322  
 Facsimile: +61 8 9322 6558

### Operations Office

Area 9  
 Lilongwe  
 Malawi

### Share Register

Computershare Investor Services Pty Ltd  
 Level 11  
 172 St Georges Terrace  
 Perth WA 6000

Telephone: 1300 850 505  
 International: +61 8 9323 2000  
 Facsimile: +61 8 9323 2033

### Stock Exchange Listing

Australian Securities Exchange  
 Home Branch – Perth  
 Level 40, Central Park  
 152-158 St Georges Terrace  
 Perth WA 6000

### ASX Code

SVM – Fully paid ordinary shares

### Solicitors

DLA Piper

### Auditor

Deloitte Touche Tohmatsu

### Bankers

Australia and New Zealand Banking Group Limited

## CONTENTS

	Page
Directors' Report	1
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	13
Competent Person Statement	14
Auditor's Independence Declaration	15
Independent Auditor's Review Report	16

The Directors of Sovereign Metals Limited present their report on Sovereign Metals Limited (“Sovereign” or “the Company” or “Parent”) and the entities it controlled at the end of, or during, the half year ended 31 December 2019 (“Consolidated Entity” or “Group”).

**DIRECTORS**

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

**Current Directors**

- Mr Ian Middlemas (Chairman)
- Dr Julian Stephens (Managing Director)
- Mr Mark Pearce (Non-Executive Director)

All Directors were in office from 1 July 2019 until the date of this report, unless otherwise noted.

**REVIEW AND RESULTS OF OPERATIONS**

The Company’s focus continues to be on the exploration and development of the highly prospective rutile mineralisation discovered across its large, strategic ground holding in Malawi, south-eastern Africa. Malawi is a stable, transparent jurisdiction with exceptional existing infrastructure (grid power, road network and established labour pool) as well as the Nacala Logistics Corridor providing a low-cost rail transportation solution.

Sovereign has identified a potentially globally significant, strategic rutile province which includes a number of advanced rutile prospects. The Company is targeting definition of a substantial resource in 2020 that could support a long-life, large-scale rutile operation.

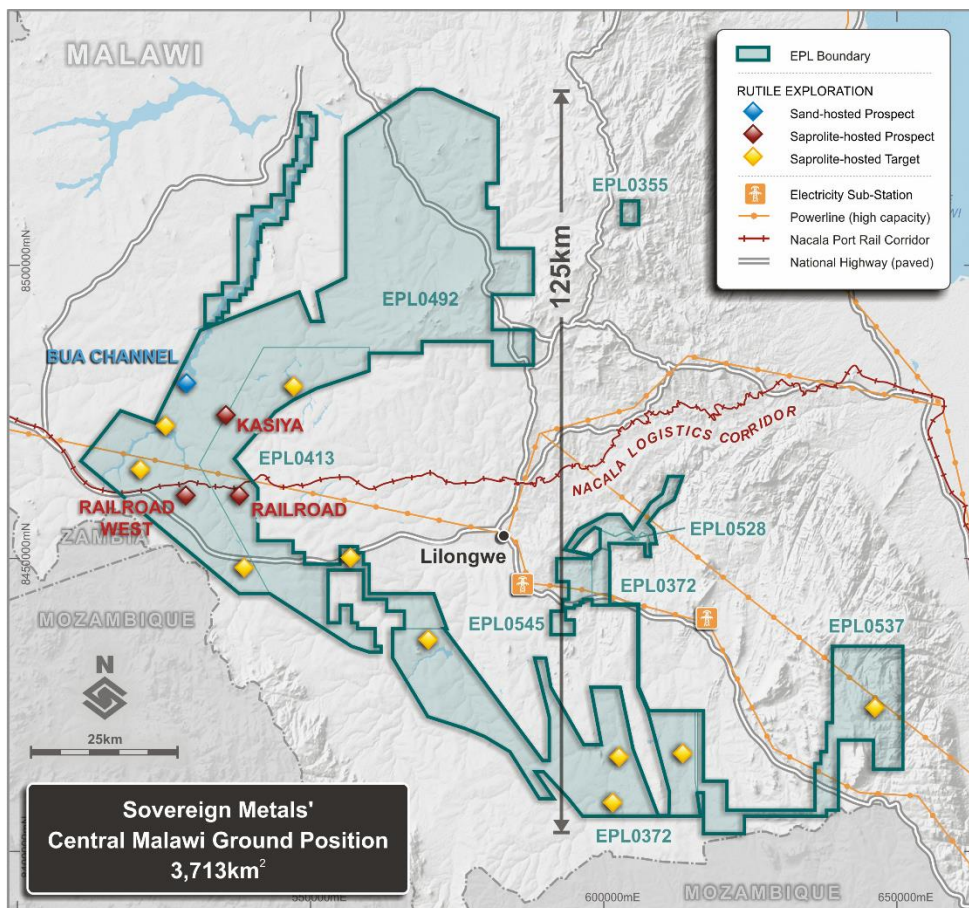


Figure 1. Project map showing key rutile prospects and the Company’s large ground holding in central Malawi.

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

**Outstanding Drill Results at the Railroad Prospect**

- ◆ Received outstanding initial shallow drill results from the Railroad saprolite-hosted rutile prospect including;
  - **13m @ 1.08% inc. 6m @ 1.25% rutile**
  - **8m @ 0.92% inc. 5m @ 1.06% rutile**
  - **5m @ 1.16% rutile**
  - **7m @ 0.86% rutile**
- ◆ Drilling results confirm high-grade, residual placer-style rutile mineralisation occurs over large areas

**Major New Rutile Soil Anomaly identified at Kasiya**

- ◆ Wide and very high tenor rutile soil anomaly identified at the Kasiya Prospect with the following characteristics;
  - **~2.4km width** with potential strike length currently **undefined**, though surface mineral assemblages and airborne magnetics suggest it could be in excess of several kilometres
  - The observed rutile content of the soil anomaly is significantly higher than any anomaly previously tested
  - Shallow hand-auger program completed over the anomaly in early 2020 with results pending
- ◆ Strong indication of scale potential as the Kasiya anomaly is within close regional proximity to the Railroad and Railroad West prospects suggesting the potential for large to very large tonnages of mineralisation within a modest radius

**Discovery of Bua Channel Prospect**

- ◆ New high-grade, placer-style, sand-hosted rutile mineralisation identified at Bua Channel with initial 8km length drilled
- ◆ The Bua Channel is geologically well defined over a total length of ~50km. Planning for a drilling program to test the remaining +40km length of the channel is advancing
- ◆ Initial shallow hand auger drilling on a single section at the Bua Channel show excellent rutile grades with accessory zircon and ilmenite. Including:
  - **7m @ 0.81% rutile, 1.0% ilmenite & 0.11% zircon (from surface)**  
*Inc. 3m @ 1.03% rutile, 1.2% ilmenite & 0.13% zircon (from 4m) remains open at depth*
  - **5m @ 0.72 % rutile, 0.9% ilmenite & 0.09% zircon (from 2m)**  
*Inc. 1m @ 0.97% rutile, 1.3% ilmenite & 0.10% zircon (from 6m) remains open at depth*
  - **5m @ 0.64% rutile, 0.9% ilmenite & 0.10% zircon (from surface)**  
*Inc. 3m @ 0.70% rutile, 0.9% ilmenite & 0.10% zircon (from 2m) remains open at depth*
- ◆ First phase air-core results with 17 holes received to date from total 54 holes. Results include;
  - **8m @ 0.88 % rutile, 1.5% ilmenite & 0.08% zircon (from surface)**  
*Inc. 5m @ 1.02% rutile, 1.7% ilmenite & 0.09% zircon (from 3m)*
  - **7m @ 0.85% rutile, 1.4% ilmenite & 0.08% zircon (from surface)**  
*Inc. 3m @ 0.96% rutile, 1.6% ilmenite & 0.08% zircon (from 4m)*
  - **8m @ 0.71% rutile, 1.3% ilmenite & 0.07% zircon (from surface)**  
*Inc. 3m @ 0.92% rutile, 1.5% ilmenite & 0.08% zircon (from 5m)*
- ◆ QEMSCAN mineralogy has characterised the ilmenite as high quality with TiO<sub>2</sub> content of ~60% indicating it may be suitable as a chloride feedstock and potentially adding significant value to the overall mineral assemblage

### **Unlocking the Malawi Rutile Province**

- ◆ Progressing rutile exploration programs in Malawi via extensive hand-auger and deeper air-core (10m to 30m) drilling programs focussed on four main prospects
- ◆ A large number of drilling samples are being processed in Perth laboratories and will be reported from the Kasiya saprolite-hosted rutile discovery, the Bua Channel and additional new regional prospects over the coming weeks
- ◆ The Company is targeting definition of a substantial resource in 2020 that could support a long-life, large-scale rutile operation

### **Other Corporate**

In February 2020, the Company completed a placement with two well regarded North American and United Kingdom based institutional investors as well as a small number of high net worth investors to subscribe for 22,222,222 new ordinary shares of the Company, to raise gross proceeds of A\$2.0 million (Placement). Included in the Placement were affiliates of the Sprott Group (Sprott). Sprott is a leading North American-based asset management firm with an enviable track record of identifying and funding successful early stage resource companies. As at 31 December 2019, the Group has \$1.75 million cash and no debt (30 June 2019: \$4.2 million cash and no debt). As at the date of this report, the Group has approximately \$3.0 million cash as a result of the completion of the Placement.

### **Operating Results**

The net operating loss after tax for the half year ended 31 December 2019 was \$1,676,554 (2018: \$2,834,327). The loss for the period includes \$1,148,492 (2018: \$2,162,358) in exploration expenditure and \$168,968 (2018: \$215,833) in business development expenditure.

### **SIGNIFICANT POST BALANCE DATE EVENTS**

As at the date of this report, other than stated in this Directors' Report, there are no other matters or circumstances which have arisen since 31 December 2019 that have significantly affected or may significantly affect:

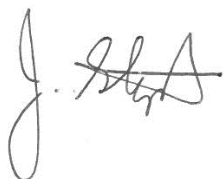
- the operations, in financial years subsequent to 31 December 2019, of the Group;
- the results of those operations, in financial years subsequent to 31 December 2019, of the Company; or
- the state of affairs, in financial years subsequent to 31 December 2019, of the Company.

### **AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of Sovereign Metals Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is on page 15 and forms part of this Directors' Report.

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

For and on behalf of the Directors



**Julian Stephens**  
Managing Director

12 March 2020

**CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**



	Note	Half Year Ended 31 December 2019 \$	Half Year Ended 31 December 2018 \$
<b>Income</b>			
Interest income		20,808	22,699
R&D rebate		-	126,058
<b>Total income</b>		<b>20,808</b>	<b>148,757</b>
<b>Expenses</b>			
Exploration and evaluation expenses		(1,148,492)	(2,162,358)
Corporate and administrative expenses		(307,940)	(329,993)
Business development and investor relations expenses		(168,968)	(215,833)
Share based payments expense		(71,962)	(274,900)
<b>Loss before income tax</b>		<b>(1,676,554)</b>	<b>(2,834,327)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(1,676,554)</b>	<b>(2,834,327)</b>
<b>Other comprehensive income, net of income tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on foreign entities		9,383	13,153
<b>Other comprehensive income for the period, net of income tax</b>		<b>9,383</b>	<b>13,153</b>
<b>Total comprehensive loss for the period</b>		<b>(1,667,171)</b>	<b>(2,821,174)</b>
<b>Loss attributable to members of Sovereign Metals Limited</b>		<b>(1,667,171)</b>	<b>(2,821,174)</b>
<b>Total comprehensive loss attributable to members of Sovereign Metals Limited</b>		<b>(1,667,171)</b>	<b>(2,821,174)</b>
<b>Loss per share</b>			
Basic and Diluted loss per share (cents per share)		(0.5)	(1.02)

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



**CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**  
AS AT 31 DECEMBER 2019



		31 December 2019	30 June 2019
	Note	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,755,355	4,178,320
Trade and other receivables		84,780	129,246
<b>Total Current Assets</b>		<b>1,840,135</b>	<b>4,307,566</b>
<b>Non-current Assets</b>			
Property, plant and equipment		106,459	118,002
Exploration and evaluation assets	3(a)	7,170,282	7,170,282
<b>Total Non-current Assets</b>		<b>7,276,741</b>	<b>7,288,284</b>
<b>TOTAL ASSETS</b>		<b>9,116,876</b>	<b>11,595,850</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		543,461	1,419,143
Provisions		26,712	32,681
<b>Total Current Liabilities</b>		<b>570,173</b>	<b>1,451,824</b>
<b>TOTAL LIABILITIES</b>		<b>570,173</b>	<b>1,451,824</b>
<b>NET ASSETS</b>		<b>8,546,703</b>	<b>10,144,026</b>
<b>EQUITY</b>			
Issued capital	4(a)	42,376,296	42,365,285
Reserves	4(b)	1,704,904	1,886,713
Accumulated losses		(35,534,497)	(34,107,972)
<b>TOTAL EQUITY</b>		<b>8,546,703</b>	<b>10,144,026</b>

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

**CONDENSED CONSOLIDATED  
STATEMENT OF CHANGES IN EQUITY**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019



	Issued Capital \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2019</b>	<b>42,365,285</b>	<b>1,846,630</b>	<b>40,083</b>	<b>(34,107,972)</b>	<b>10,144,026</b>
Net loss for the period	-	-	-	(1,676,554)	(1,676,554)
Other comprehensive income	-	-	9,383	-	9,383
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>9,383</b>	<b>(1,676,554)</b>	<b>(1,667,171)</b>
<b>Transactions with owners, recorded directly in equity</b>					
Issue of Ordinary Shares to a consultant	13,125	-	-	-	13,125
Share issue costs	(2,114)	-	-	-	(2,114)
Expiration of unlisted options	-	(250,029)	-	250,029	-
Share based payments expense	-	58,837	-	-	58,837
<b>Total transactions with owners recorded directly in equity</b>	<b>11,011</b>	<b>(191,192)</b>	<b>-</b>	<b>250,029</b>	<b>69,848</b>
<b>Balance at 31 December 2019</b>	<b>42,376,296</b>	<b>1,655,438</b>	<b>49,466</b>	<b>(35,534,497)</b>	<b>8,546,703</b>
<b>Balance at 1 July 2018</b>	<b>37,139,632</b>	<b>929,017</b>	<b>38,722</b>	<b>(27,823,094)</b>	<b>10,284,277</b>
Net loss for the period	-	-	-	(2,834,327)	(2,834,327)
Other comprehensive income	-	-	13,153	-	13,153
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>13,153</b>	<b>(2,834,327)</b>	<b>(2,821,174)</b>
<b>Transactions with owners, recorded directly in equity</b>					
Expiration of unlisted options	-	(149,663)	-	149,663	-
Share based payments expense	-	274,900	-	-	274,900
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>125,237</b>	<b>-</b>	<b>149,663</b>	<b>274,900</b>
<b>Balance at 31 December 2018</b>	<b>37,139,632</b>	<b>1,054,254</b>	<b>51,875</b>	<b>(30,507,758)</b>	<b>7,738,003</b>

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



**CONDENSED CONSOLIDATED  
STATEMENT OF CASH FLOWS**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019



	Half Year Ended 31 December 2019 \$	Half Year Ended 31 December 2018 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(2,475,663)	(3,014,344)
Refunds of GST payments	40,847	55,400
R&D rebate received	-	126,058
Interest received	29,128	31,434
<b>Net cash used in operating activities</b>	<b>(2,405,688)</b>	<b>(2,801,452)</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of plant and equipment	(15,163)	(5,174)
<b>Net cash used in investing activities</b>	<b>(15,163)</b>	<b>(5,174)</b>
<b>Cash flows from financing activities</b>		
Payments for share issue costs	(2,114)	-
<b>Net cash (used in)/from financing activities</b>	<b>(2,114)</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,422,965)</b>	<b>(2,806,626)</b>
Cash and cash equivalents at the beginning of the period	4,178,320	3,944,545
<b>Cash and cash equivalents at the end of the period</b>	<b>1,755,355</b>	<b>1,137,919</b>

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

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sovereign Metals Limited (the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The consolidated interim financial statements of the Company as at and for the period from 1 July 2019 to 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are as described in the Directors' Report.

The interim consolidated financial statements of the Group for the half year ended 31 December 2019 were authorised for issue in accordance with the resolution of the directors on 12 March 2020.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Sovereign for the year ended 30 June 2019 and any public announcements made by Sovereign and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### (a) Basis of Preparation of Half Year Financial Report

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

### (b) Statement of Compliance

The consolidated financial report complies with Australian Accounting Standards, including AASB 134 which ensures compliance with International Financial Reporting Standard ("IFRS") IAS 34 "*Interim Financial Reporting*" as issued by the International Accounting Standards Board.

### (c) Changes in Significant Accounting Policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2019, except for new standards, amendments to standards and interpretations effective 1 January 2019 as set out below.

In the current half year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 16 *Leases*
- *Interpretation 23 Uncertainty over Income Tax Treatments*
- AASB 2017-7 *Amendments – Long-term Interests in Associates and Joint Venture Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments – Annual Improvements 2015-2017 Cycle*
- AASB 2018-2 *Amendments – Plan Amendment, Curtailment or Settlement (AASB 119)*

The adoption of the aforementioned standards have resulted in no impact on interim financial statements of the Group as at 31 December 2019. A discussion on the adoption of AASB 16 is included below.

### AASB 16 Leases

AASB 16 Leases has replaced the previous accounting requirements for leases under AASB 117 Leases. Under the previous requirements, leases were classified based on their nature as either finance leases which were recognised on the Statement of Financial Position, or operating leases, which were not recognised on the Statement of Financial Position.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under AASB 16 Leases, the Group's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

The Group's adoption of AASB 16 has resulted in no impact to the financial statements of the Group as the Group has not entered into any transactions or arrangements that are accounted for as a lease under the new standard that do not fall under a short-term or low value exemption.

### (d) Issued standards and interpretations not early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ended 31 December 2019. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements:

Standard/Interpretation	Application Date of Standard	Application Date for Company
AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i>	1 January 2020	1 July 2020
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020	1 July 2020
<i>Conceptual Framework</i>	1 January 2020	1 July 2020
2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020	1 July 2020
AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i>	1 January 2020	1 July 2020

## 2. SEGMENT INFORMATION

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

The Consolidated Entity has one operating segment, being exploration in Malawi.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019  
(Continued)



**3. EXPLORATION AND EVALUATION ASSETS**

	31 December 2019	30 June 2019
	\$	\$
<b>(a) Movement in Exploration and Evaluation Assets</b>		
Carrying amount as at 1 July	7,170,282	7,170,282
- Additions	-	-
	<b>7,170,282</b>	<b>7,170,282</b>

**4. EQUITY SECURITIES ISSUED**

	31 December 2019	30 June 2019
	\$	\$
<b>(a) Issued and Paid Up Capital</b>		
359,398,673 (30 June 2019: 359,273,673) fully paid ordinary shares	<b>42,376,296</b>	42,365,285
<b>(b) Reserves</b>		
<i>Share Based Payment Reserve</i>		
Nil (30 June 2019: 4,025,000) unlisted \$0.15 options	-	202,245
16,050,000 (30 June 2019: 16,050,000) unlisted \$0.18 options	853,267	784,963
1,600,000 (30 June 2019: 1,600,000) unlisted \$0.12 options	53,296	48,424
Nil (30 June 2019: 6,000,000) unlisted \$0.15 options	-	132,335
2,150,000 (30 June 2019: 2,150,000) unlisted \$0.15 options	78,823	50,235
2,500,000 (30 June 2019: 2,500,000) unlisted \$0.18 options	76,604	47,025
6,000,000 (30 June 2019: 6,000,000) unlisted \$0.10 options	237,967	237,967
7,375,000 (30 June 2019: 6,375,000) unlisted \$0.14 options	290,072	281,736
1,850,000 (30 June 2019: 850,000) unlisted \$0.18 options	65,409	61,700
<b>Total Share Based Payments Reserve</b>	<b>1,655,438</b>	<b>1,846,630</b>
<i>Foreign Currency Translation Reserve (FCTR)</i>		
Exchange differences	49,466	40,083
<b>Total Foreign Currency Translation Reserve (FCTR)</b>	<b>49,466</b>	<b>40,083</b>
<b>Total Reserves</b>	<b>1,704,904</b>	<b>1,886,713</b>

**(c) Movements in Ordinary Share Capital were as follows:**

Date	Details	Number of Shares	Issue Price \$	\$
1 Jul 2019	Opening balance	359,273,673		42,365,285
8 Nov 2019	Issue of shares to a consultant	125,000	-	13,125
31 Dec 2019	Share issue costs	-	-	(2,114)
31 Dec 2019	Closing balance	359,398,673		42,376,296

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019  
(Continued)



(d) Movements in Options were as follows:

Date	Details	Notes	Number of Incentive Options	Fair Value \$	\$
1 Jul 2019	Opening balance		45,550,000		1,846,630
31 Jul 2019	Expiration of \$0.15 options		(4,025,000)	-	(202,245)
30 Sep 2019	Expiration of \$0.15 options		(6,000,000)	-	(132,355)
8 Nov 2019	Issue of \$0.14 options	(i)	1,000,000	0.0554	8,336
	Issue of \$0.18 options		1,000,000	0.0497	3,709
31 Dec 2019	Share based payment expense	(i)	-	-	131,363
<b>31 Dec 2019</b>	<b>Closing balance</b>		<b>37,525,000</b>		<b>1,655,438</b>
1 Jul 2018	Opening balance		23,841,667		929,017
31 Jul 2018	Expiration of \$0.12 options		(2,350,000)	-	(99,505)
14 Sep 2018	Issue of \$0.12 options	(i)	850,000	0.0273	11,024
	Issue of \$0.15 options		6,000,000	0.0239	110,658
	Issue of \$0.15 options		1,150,000	0.0325	11,116
	Issue of \$0.18 options		1,250,000	0.0370	9,229
30 Sep 2018	Expiration of \$0.15 options		(1,416,667)	-	(50,158)
5 Oct 2018	Issue of \$0.12 options	(i)	750,000	0.0401	8,959
	Issue of \$0.15 options		1,000,000	0.0462	8,564
	Issue of \$0.18 options		1,250,000	0.0517	8,700
31 Dec 2018	Share based payment expense	(i)	-	-	106,650
<b>31 Dec 2018</b>	<b>Closing balance</b>		<b>32,325,000</b>		<b>1,054,254</b>

**Notes**

(i) The value of options granted during the period is recognised over the vesting period (if applicable) of the grant in accordance with Australian Accounting Standards.

**5. COMMITMENTS AND CONTINGENCIES**

(a) **Commitments**

	31 December 2019 \$	30 June 2019 \$
<i>Exploration Commitments - Central Malawi Graphite Project:</i>		
Within one year	670,691	528,192
After one year but not more than five years	496,211	646,096
	<b>1,166,902</b>	<b>1,174,288</b>

(b) **Contingencies**

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

**6. DIVIDENDS PAID OR PROVIDED FOR**

No dividend has been paid or provided for during the half year (2018: nil).

**7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables, and trade and other payables. The carrying amount of these financial assets and liabilities approximate their fair value.

## **8. SUBSEQUENT EVENTS AFTER BALANCE DATE**

In February 2020, the Group secured commitments from two well regarded North American and United Kingdom based institutional investors as well as a small number of high net worth investors to subscribe for 22,222,222 new ordinary shares of the Company, to raise gross proceeds of A\$2.0 million.

As at the date of this report, other than the above, there are no matters or circumstances which have arisen since 31 December 2019 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2019, of the Group;
- the results of those operations, in financial years subsequent to 31 December 2019, of the Company; or
- the state of affairs, in financial years subsequent to 31 December 2019, of the Company.

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## DIRECTORS' DECLARATION



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

In the opinion of the Directors:

- (a) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

A handwritten signature in black ink, appearing to read "Julian Stephens", written over a faint circular stamp.

**Julian Stephens**  
Managing Director

12 March 2020

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## COMPETENT PERSON STATEMENT



### **Competent Person Statement**

The information in this report that relates to Exploration Results and QEMSCAN is extracted from announcements dated 6 November 2019, 16 January 2020, 3 February 2020 and 24 February 2020. These announcements are available to view on [www.sovereignmetals.com.au](http://www.sovereignmetals.com.au). The information in the original ASX Announcements that related to Exploration Results and QEMSCAN was based on and fairly represents information compiled or reviewed by Dr Julian Stephens, a Competent Person who is a member of the Australian Institute of Geoscientists (AIG). Dr Stephens is the Managing Director of Sovereign Metals Limited and a holder of ordinary shares and unlisted options in Sovereign Metals Limited. Dr Stephens has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement.

### **Forward Looking Statement**

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

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**Deloitte.**

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

12 March 2020

Dear Board Members

**Sovereign Metals Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sovereign Metals Limited.

As lead audit partner for the review of the financial statements of Sovereign Metals Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



**DELOITTE TOUCHE TOHMATSU**



**David Newman**  
Partner  
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Sovereign Metals Limited ("the Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sovereign Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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## Deloitte.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sovereign Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**DELOITTE TOUCHE TOHMATSU**



**David Newman**  
Partner  
Chartered Accountants  
Perth, 12 March 2020

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