SOVEREIGN METALS LIMITED

ASX: SVM | AIM:SVML | OTCQX: SVMLF

ANNUAL REPORT

For the financial year ended 30 June 2026

ABN 71 120 833 427

Corporate Directory

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

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OTCQX Best Market
OTCQX code: SVMLF

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Ernst & Young - Perth

BANKERS
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Malawi – Standard Bank

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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 2026 (**Group**).

OPERATING AND FINANCIAL REVIEW

KASIYA CRITICAL MINERALS PROJECT

Sovereign is focused on the development of its Kasiya critical minerals project (**Kasiya** or **the Project**). Kasiya is the world's largest known natural rutile deposit and one of the largest flake graphite deposits in the world, with the potential to produce a heavy rare earth concentrate (**REC**) as a by-product.

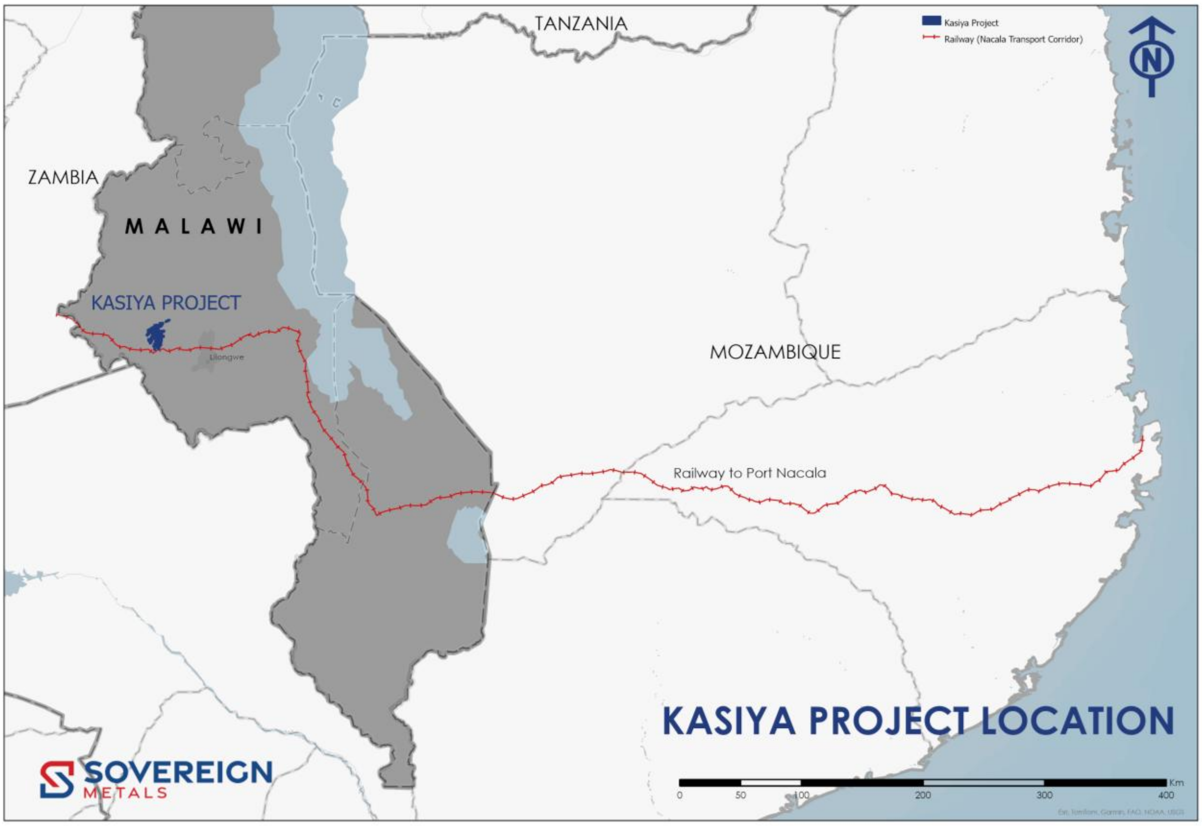

Figure 1: Kasiya Regional Project Location

The Definitive Feasibility Study (**DFS**), 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. Following the completion of the DFS, an evaluation of a REC by-product from rutile tailings stream was completed with the announcement of scoping study (**Scoping Study**) which confirmed Kasiya's potential as globally significant and strategic source of critical rare earths.

HIGHLIGHTS DURING AND SUBSEQUENT TO YEAR END

Kasiya Definitive Feasibility Study Delivers Outstanding Results

- Pre-tax NPV_8 of US$2.2 billion on capital expenditure to first production of US$727 million – an NPV to capex ratio of 3.0x
- Steady state annual EBITDA of US$476 million and pre-tax, unlevered free cash flow of US$452 million; total revenue of US$16.2 billion initial 25-year mine life with potential for multi-generational mine life extensions
- Operating cost of just US$450/t product (FOB Nacala) – underpinning strong margin resilience across commodity cycles
- Positioned to become the world's largest producer of both natural rutile (222ktpa) and natural flake graphite (275ktpa) – two commodities designated as Critical Minerals by the United States and the European Union
- DFS completed under the oversight of the Sovereign–Rio Tinto Technical Committee, with workstreams aligned with IFC Performance Standards; World Bank/IFC Collaboration Agreement in place as potential co-lead mandated lead arranger for project financing
- Data obtained from Pilot Mining Program, completed with technical input from Rio Tinto, provided real-world inputs and validation across key DFS workstreams
- Heavy rare earth evaluation not included in DFS

Kasiya – A Rare Earths Project With No Mine Of Its Own To Build

- Since the completion of the DFS, Sovereign has had deepening engagement with the U.S. Government, major U.S. companies, and industry stakeholders
- Scarce dysprosium (**Dy**), terbium (**Tb**), yttrium (**Y**), samarium (**Sm**) and gadolinium (**Gd**) oxides in elevated levels – all under Chinese export controls since April 2025
- Neodymium-praseodymium (**NdPr**), the primary input to Neodymium-Iron-Boron (NdFeB) permanent magnets, also present in levels similar to other Western rare earths mines
- 310tpa of NdPr and 36tpa DyTb — sufficient for the magnets in ~7 million humanoid robots over LOM; DyTb alone equivalent to ~18% of nameplate feed of America's first DyTb separation plant
- 193tpa Y — military radar and jet-engine thermal-barrier coatings; equivalent to ~35% of average annual U.S. consumption, which is 100% import-reliant
- 82tpa Sm + Gd — samarium used to steer Patriot, Tomahawk and AMRAAM missiles depleted to 2–3-year supply; gadolinium equivalent to 70% of the world's annual MRI supply. U.S. defence demand for both: classified
- Base Case ~US$722M Pre-Tax NPV_8 uplift to Kasiya from incremental capital to first production of ~US$29M with potential upside NPV_8 of US$883M
- Incremental Base Case Pre-Tax IRR of ~151% and payback of approximately 1.5 years
- ~90% operating margin with incremental site operating costs of ~US$0.90/kg REC
- ~US$84M incremental steady state annual EBITDA lifts Kasiya profitability and cash flow generation
- Pre-tax, unlevered free cash flow of ~US$1.8B over potential 23-year initial life of mine (**LOM**)
- Total Integrated Kasiya Pre-Tax NPV of US$2.9Bn

Sovereign to Advance Kasiya with US-Focused Critical Minerals Strategy

- During the year, Sovereign has had deepening engagement with the U.S. Government, major U.S. companies, and industry stakeholders
- Sovereign will now prioritise a U.S.-focused critical-minerals strategy, positioning Kasiya as a secure, non-Chinese source of titanium feedstock and natural graphite for the U.S. and allied supply chains
- Commercial workstreams will include:
    - advancing rutile and graphite offtake discussions toward binding agreements with Mitsui, Traxys and other strategic U.S. and U.S.-allied counterparties
    - continued engagement with potential offtake partners and U.S. government stakeholders in relation to the REC by-product opportunity

- Kasiya potentially provides exposure to three minerals designated critical by the U.S. – titanium (via natural rutile), graphite and heavy rare earths (via a REC by-product) – each feeding U.S. and allied supply chains, including Japan, being the dominant supplier of titanium metal to the U.S.

Successful Rehabilitation Trials and Community Partnerships

- Second year of rehabilitation trials at the Pilot Mining site neared completion ahead of the mid-2026 harvest, with crop yields expected to reach the first-year benchmark of 5.2 tonnes of maize per hectare – around five times the regional average
- Diversified multi-cropping system expanded, combining maize with bamboo, winter beans, grass fodder and groundnuts on rehabilitated post-mining land
- The 28 local farmers involved in the trials formally requested that Sovereign remain at the trial site and support the establishment of a farming co-operative – a strong community endorsement and a central pillar of Kasiya's post-closure social transition strategy
- Empirical trial data integrated into the Mine Closure and Mine Rehabilitation Plans – critical components for project bankability and alignment with the standards required by development finance institutions

Next Steps

- Advance offtake discussions and progress towards binding definitive agreements
- Variability testwork on Total Rare Earth Oxide (**TREO**) distribution within REC product with REC marketing and offtake discussions commencing immediately
- Pre-Feasibility Study: rare earths integrated into Kasiya's definitive development case; completion targeted 2027
- Commence offtake discussions for the rare earth by-product

OPERATIONS

KASIYA DEFINITIVE FEASIBILITY STUDY RESULTS

During the year, the Company announced the results of the DFS for Kasiya. The DFS built on the outcomes of the Optimised Pre-feasibility Study announced in January 2025 and on empirical data from the Pilot Mining and Rehabilitation Program (**Pilot Mining**) completed in 2024. The DFS was undertaken in accordance with a scope of work approved by, and with technical input and oversight from, the Sovereign-Rio Tinto Technical Committee and, where applicable, conforms to the World Bank Group's International Finance Corporation (**IFC**) Performance Standards to enhance bankability of the Project.

Following input from world-class consultancies, Sovereign's highly experienced owners' team, and subject matter experts from Rio Tinto, the DFS has reconfirmed that Kasiya will be a leading future supplier to two distinct strategic critical minerals supply chains and outside of Chinese control – natural rutile for the titanium industry and natural flake graphite.

Outstanding Financial Returns

The key financial metrics from the DFS (steady state, all on a 100% project basis) are set out below:

TABLE 1: Key DFS Metrics (Steady State)

OPERATING METRICS	Units	Results
Initial Life of Mine (LOM)	Yrs	25
Total Ore Mined	Mt	536
Phase 1 Plant Throughput (Yrs 1-4)	Mtpa	12
Phase 2 Plant Throughput (Yrs 5-25)	Mtpa	24

OPERATING METRICS	Units	Results
Annual Rutile Production (95%+ TiO_2)	ktpa	222
Annual Graphite Production (96% TGC)	ktpa	275
FINANCIAL PERFORMANCE		
Total Revenue	US$M	16,210
Annual Revenue	US$M	728
Annual EBITDA	US$M	476
Annual Free Cash Flow (pre-tax, unlevered)	US$M	452
NPV_8 (real, pre-tax)	US$M	2,204
IRR (pre-tax)	%	23%
OPERATING AND CAPITAL EXPENDITURE		
Capex to First Production	US$M	727
Total LOM Development Capex	US$M	1,239
Total LOM Sustaining Capex	US$M	431
Operating Costs (FOB Nacala)	US$/t product	450

Note: Steady State is defined as years of operation during which total run-of-mine is at full capacity of 24 Mtpa (i.e., years 5 to 23). All results are presented on a 100% project basis.

Summary of Key DFS Workstreams

Dry Mining Method Confirmed

Using real-world data collected from the Pilot Mining, the DFS confirms a dry mechanical mining method using draglines and 100t rigid dump trucks. The soft, free-dig saprolite orebody requires no drilling, blasting, crushing or milling. A two-bench approach (5m top cut, up to 15m bottom cut) keeps the draglines above the water table, eliminating the need for production equipment below groundwater level. This represents a significant de-risking step from the hydro-mining method originally considered in the original Pre-feasibility Study.

No Conventional Tailings Storage Facility

A major advancement in the DFS is the elimination of the conventional Tailings Storage Facility, leading to a significant reduction in the mining footprint and providing a flexible, lower-risk tailings management solution. All tailings will be stored via hydraulic co-disposal backfilling of mined-out pits, designed in compliance with the Global Industry Standard on Tailings Management. The 50:50 fines-to-sand backfill ratio closely matches the existing soil profile, supporting progressive rehabilitation.

Hydropower-Sourced Grid Electricity

The DFS is based on connection to Malawi's national hydropower grid via a 132kV overhead line to the Nkhoma substation. Electricity Supply Corporation of Malawi Limited has confirmed significant grid expansion is underway, including a 400kV Mozambique interconnector and the 375MW IFC/World Bank-funded Mpatamanga hydropower station. Grid connection delivers substantially lower power costs and a favourable emissions profile.

Dual Plant Configuration and Processing Flowsheet

The DFS confirms a staged development with two 12Mtpa processing plants – South Plant from Year 1 and North Plant from Year 5 – positioned at the respective resource centres of gravity to minimise haulage distances and costs. The Wet Concentration Plant employs a low-energy gravity separation process to produce a Heavy Mineral Concentrate, which is then fed to the Mineral Separation Plant for electrostatic and magnetic separation to yield premium-quality rutile (+95% TiO_2). Graphite-rich concentrate recovered from the spirals is processed in a dedicated flotation plant, producing a high-purity, high-crystallinity, coarse-flake graphite product.

Logistics and Export Infrastructure

Kasiya's products will be railed directly from a purpose-built dry port at the mine site eastward along the Nacala Logistics Corridor to the container terminal at the Port of Nacala on the Indian Ocean. The existing heavy-haul rail line and deep-water port provide a proven, operational export route – a significant infrastructure advantage over comparable undeveloped projects. Product transport cost is estimated at US$117/t product (FOB Nacala).

IFC Performance Standards Integrated into Design

The DFS has been prepared in alignment with IFC Performance Standards, with a comprehensive Environmental and Social Impact Assessment nearing completion and the full suite of environmental and social specialist studies completed. Sovereign's established on-the-ground social team of 22 core staff and 90-member Community Liaison Team represent a level of social preparedness rarely achieved at DFS stage.

SOVEREIGN ADDS RARE EARTHS TO RUTILE (TITANIUM) AND GRAPHITE PRODUCT SUITE

Subsequent to the end of the period, Sovereign completed a Scoping Study to assess the operational, commercial and economic viability of adding a third product stream to the Kasiya Project. The Scoping Study shows that ~2,626tpa of monazite REC can be recovered from the rutile tailings stream. Together with the results of the Kasiya DFS, Sovereign is potentially positioned to be a multi-decade supplier of a critical minerals products suite essential to the U.S. and U.S.-allied defence and aerospace, AI infrastructure, robotics, energy and other vital industries.

Kasiya - One Project to Feed the West's Critical Supply Complex

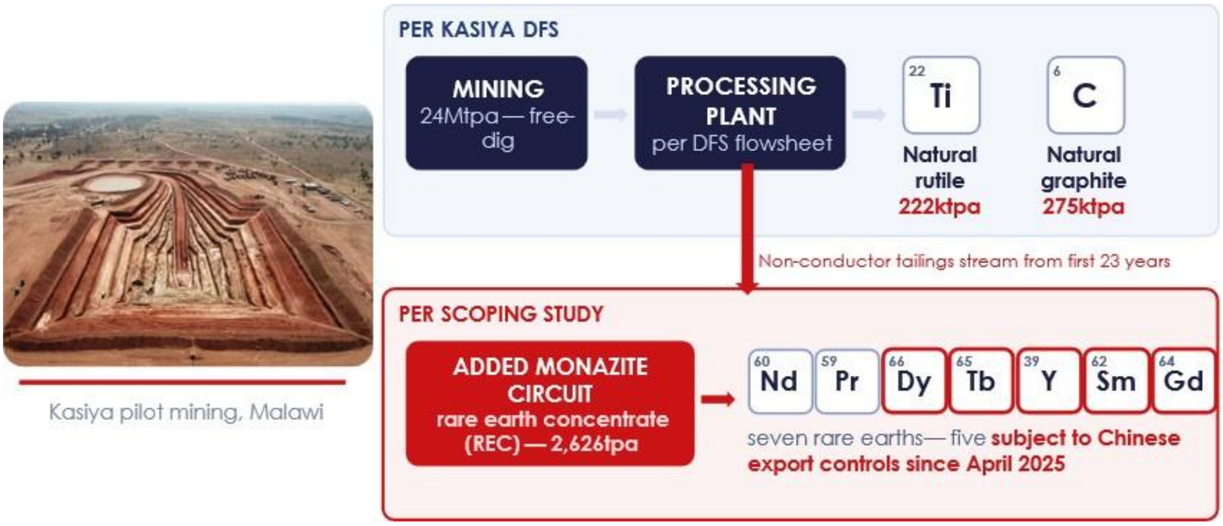

Figure 2: Kasiya Circuit Schematic and Product Suite

TABLE 2: SIDE-BY-SIDE KASIYA STUDY RESULTS

Metric	Unit	Kasiya DFS (Rutile & Graphite)	Scoping Study Base Case ±30% (Rare Earths)
Total Revenue	US$M	16,210	**~2,134**
EBITDA	US$M pa	476	**~84**
Free Cash Flow (pre-tax)	US$M pa	452	**~82**
NPV_8 (pre-tax)	US$M	2,204	**~722**
Capex to 1st production	US$M	727	**~29**

MONAZITE BY-PRODUCT CONFIRMED WITH MAIDEN MINERAL RESOURCE ESTIMATE

A maiden by-product Mineral Resource Estimate (**MRE**), estimated for the REC Scoping Study, constrained to the DFS open pits, was estimated at 69kt monazite contained in 524.4Mt at 0.0132% monazite and classified 74% Indicated and 26% Inferred. The grade reflects monazite's status as a by-product. Since the monazite MRE sits within pits the DFS has already designed, no additional mining is required to access it.

Figure 3: Monazite contained within the Kasiya 2026 MRE

In January 2026, Sovereign announced that it had successfully recovered a monazite product containing high-value heavy rare earth elements (**REE**) alongside common light REEs from the tailings stream generated during rutile processing at its Lilongwe laboratory facilities in Malawi. The concentrate was recovered from material that would otherwise be discarded, i.e. the non-conductor tailings stream from electrostatic separation of a heavy mineral gravity concentrate of Kasiya ore. Independent preliminary chemical analysis of magnetic concentrates from processed resource drilling samples confirmed the favourable rare earth oxide distributions within the monazite concentrate

NEAR-ZERO INCREMENTAL OPERATING COSTS

Kasiya's REC will be recovered from mineral streams the DFS flowsheet already produces. Upstream steps including free-dig mining, ore transport to the plant, the scrubber, wet concentration and electrostatic separation have been defined and costed in the DFS and accordingly attributed to rutile and graphite production. The only incremental processing is the added monazite concentrate circuit which involves spiral gravity separation and flotation treating the non-conductor stream from the Mineral Separation Plant, together with product packaging and storage. There is no additional mining, no early-stage processing and no change to the DFS mining method, wet concentration or graphite recovery strategy.

Incremental operating costs are accordingly low. The incremental site operating cost is ~US$0.90/kg REC at the mine gate. Including transport and port charges, the cost is ~US$1.39/kg REC free-on-board FOB Dar es Salaam. Including ocean freight and insurance, the total cost is ~US$3.68/kg REC delivered CIF Houston, Texas. The Study deliberately costs Kasiya's REC delivered into the United States. On that basis, the operating margin is approximately 90%. Due to its by-product nature, this cost structure holds across rare earth price cycles. Including all other regulatory fees, Sovereign can land REC in America for US$3.85/kg in any market.

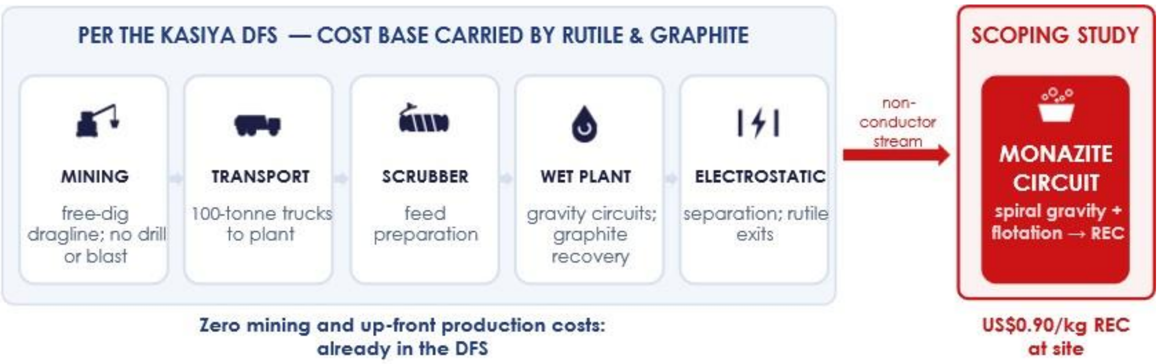

Figure 4: Kasiya's circuit to produce REC is added onto the DFS operation

PROFITABLE EVEN AT U.S. GOVERNMENT FLOOR PRICES

Since Sovereign's REC may be a by-product of the titanium and graphite operation defined in the DFS, Kasiya REC supply does not depend on rare earth prices to remain in production. This is reflected in the Study's two main price cases: the Base Case (using Argus Media price forecasts) delivers the potential for an incremental pre-tax NPV_8 of US$722 million at a 151% IRR, and the Western Supply Case (reflecting higher demand for ex-China supply of monazite concentrate) US$883 million at 172%.

Figure 6: Kasiya pre-tax NPV and IRR in various market and geopolitical scenarios

A third case tests the bottom of the market as the U.S. Government itself has defined it. Since July 2025, guaranteed minimum prices have become a standard feature of U.S. rare earth supply arrangements:

- a US$110/kg floor for NdPr established with MP Materials and repeated with Lynas; and
- the first Western floor prices for heavy rare earths, at US$575/kg for Dy and US$2,050/kg for Tb

The U.S. Floor Price Case applies these floors, with 2025 average prices for yttrium, samarium and gadolinium which do not currently have floor prices but are deemed critical. Even in this scenario, the circuit generates US$183 million of incremental pre-tax NPV_8 and a 43% IRR. These floor prices arise under U.S. Government arrangements with third parties and are applied as a downside assumption only; Kasiya is not party to any such arrangement.

SOVEREIGN TO ADVANCE KASIYA WITH US-FOCUSED CRITICAL MINERALS STRATEGY

With full responsibility for commercial, offtake and financing workstreams now with Sovereign, the Company is prioritising a US-focused critical minerals strategy. Kasiya is well placed to supply natural rutile and natural graphite to supply chains serving the US and allied economies, addressing acute gaps in secure, non-Chinese sources of critical minerals feedstock, alongside the potential heavy rare earth by-product opportunity.

Sovereign intends to progress existing rutile and graphite offtake arrangements, including those with Mitsui & Co., Ltd and Traxys North America LLC, from non-binding arrangements toward binding agreements, subject to negotiation. The Company will deepen engagement with the US Government, major US companies, industry stakeholders and development-finance institutions, and intends to pursue partnerships and financing arrangements with institutions across the US-allied economies, consistent with Kasiya's role in securing critical minerals supply. The Company's Collaboration Agreement with the IFC remains central to the Project's financing strategy.

SUCCESSFUL REHABILITATION TRIALS AND COMMUNITY PARTNERSHIPS

In April 2026, the Company announced that its second year of rehabilitation trials, as part of the Pilot Mining at Kasiya, was nearing completion for the upcoming harvest season in Malawi. The rehabilitation trials provide practical, multi-year evidence demonstrating Sovereign's alignment with international rehabilitation, environmental, and community good-practice standards. Empirical data from the trials were used to prepare the Mine Closure and Mine Rehabilitation Plans, which are now integrated into the mining, backfilling and post-mining closure planning – critical components for project bankability and alignment with the standards required by development finance institutions.

The second year of trials builds on the success of the first year, which delivered maize yields of 5.2 tonnes per hectare versus the regional average of 1 tonne per hectare – a fivefold increase that confirmed post-mining land can achieve superior agricultural productivity compared to pre-mining land. Second-year crop yields are expected to reach the first-year benchmark when harvested in mid-2026. The second year expanded the rehabilitation approach into a diversified multi-cropping system, combining maize with Giant Bamboo, winter beans, grass fodder and groundnuts, providing participating communities with a wider range of food, cash and fodder crops.

After two years of close collaboration, the 28 local farmers involved in the trials formally requested that Sovereign remain at the trial site and support them in establishing a farming co-operative. This represents a strong community endorsement of the program's value and is a central pillar of Kasiya's post-closure social transition strategy, demonstrating that the Project can deliver lasting economic benefits to local communities well beyond the mine life. The outcomes directly complement the collaboration with the IFC, which is supporting integration of IFC Performance Standards into the Project's Environmental and Social Impact Assessment, and strengthening Kasiya's pathway to bankable development and international project financing.

Figures 7 & 8: Pilot mining site post-mining and following rehabilitation.

RESULTS OF OPERATIONS

The net loss of the Group for the year ended 30 June 2026 was $25,632,938 (2025: $40,440,339). Significant items included in the year end loss are the following:

(i) Interest income of $1,524,771 (2025: $2,043,809) earned on term deposits held by the Group;

(ii) Exploration and evaluation expenses of $23,379,720 (2025: $33,897,375) in relation to the Kasiya project. This is attributable to the Group’s accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore and up to the completion of feasibility studies and the commercial viability of extracting the mineral resource is demonstrable;

(iii) Non-cash share-based payments benefit totalling $368,714 (2025: expense $4,309,932) 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. During the period, 4,992,500 and 6,190,000 unvested performance rights expired on 31 March 2026 and 30 June 2026, respectively, resulting in a reduction in the share-based payment expense recognised. This reduction was offset by the expense recognised on the grant of 9,022,500 Bankable DFS performance rights and 13,262,500 Construction and Finance performance rights; and

(iv) Business development expenses of $2,126,209 (2025: $2,247,815) 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 2026, the Group had cash and cash equivalents of $25,124,630 (2025: $54,538,435) and no debt (2025: nil). The Group had net assets of $29,356,679 at 30 June 2026 (2025: $55,387,701), a decrease of $26,031,022 or approximately 89% compared with the previous year. This is largely attributable to the decrease in cash reserves relating to exploration and evaluation spend on the Project to complete 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 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 and permitting activities at Kasiya 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*** – During the period, the Company completed a DFS for the Project, which demonstrated the potential economic viability of the Project based on the assumptions, estimates and inputs used in the DFS. However, the Project remains subject to a number of development risks before a decision to mine can be made and commercial production is achieved. The next phase of technical work is expected to include Front-End Engineering Design (**FEED**), which will further develop and refine the engineering design, capital and operating cost estimates, execution strategy and development schedule for the Project. There can be no assurance that FEED or subsequent engineering, optimisation or development activities will confirm the assumptions or outcomes of the DFS, or that they will not identify additional technical requirements, increased capital or operating costs, delays or other matters that adversely affect the Project's economics. The development of the Project will also depend on, among other things, obtaining all required approvals and licences, securing appropriate financing and offtake arrangements, finalising suitable commercial and fiscal arrangements and successfully constructing, commissioning and ramping up the Project, as discussed in further detail below. There can be no assurance that the Project will ultimately be developed or brought into production on the timing, cost or operating assumptions contemplated by the DFS, or at all. Any material deterioration in the Project's economics, delay in development or inability to successfully develop the Project may have a material adverse effect on the Company's operations, financial performance and the value of its securities;
- ***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. Further, the Company has submitted an application for a large-scale mining licence (**ML**) to secure the mineral deposits required for mining, including the licence areas covered by the DFS and the Scoping Study. As at the date of this report, the ML application remains pending. There is no certainty that the ML will be granted or, if granted, that it will be granted on terms favourable to the Company.

- Failure to obtain the ML, or the grant of the ML on terms or conditions that are unfavourable to the Company, could materially adversely affect the viability of the Project and the value of the Company's securities.

  Under the Malawi Mines and Minerals Act, 2023 (**Mines Act**), the Government of Malawi has a right to equity ownership in respect of large-scale mining licences (>5Mt mined per annum or >US$250 million in capital expenditure), with the extent and terms of such ownership subject to negotiation, likely as part of any future Mine Development Agreement (**MDA**). An MDA may also provide an opportunity to agree and clarify the fiscal regime applicable to the Project, including the treatment of certain taxes and any potential deviation from applicable Malawian tax laws. In particular, this may include the application of the existing resource rent tax (**RRT**) or a proposed supernormal profits tax (**SPT**) that could replace the RRT. Under the proposed SPT regime, profits of up to MWK10 billion (approximately US$6 million as at the date of this report) would be taxed at the standard corporate income tax rate of 30%, with profits exceeding MWK10 billion subject to a higher rate of 40%.

  As at the date of this report, the Company has not entered into an MDA. There is no certainty that an MDA will be entered into or, if entered into, that its terms will be favourable to the Company or the Project. Any requirement for unfavourable terms in relation to Government equity participation, or the application of an unfavourable fiscal regime, including application of RRT or SPT, could materially adversely affect the economics and commercial viability of the Project and, consequently, the value of the Company's securities.

- ***Operational Risk*** – The potential commissioning, ramp-up and production at Kasiya are subject to operational risks that could adversely affect the quantity and quality of any potential rutile, graphite and REC produced, or increase production costs. The Company is currently progressing the development of the Project on an owner-operated basis. This may result in delays to the proposed development of the Project and could adversely affect the Company's ability to secure future financing, which may have a material adverse effect on the Company's operations, financial performance and the value of its securities. Further, the Company is currently seeking both binding and non-binding offtake arrangements for the suite of products expected to be produced from the Project. There can be no assurance that suitable counterparties will be identified, or that binding offtake agreements for all products will be concluded on commercially favourable terms. Failure to secure appropriate offtake arrangements could adversely affect the financing, development and commercial viability of the Project and may have a material adverse effect on the value of the Company's securities;

- ***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;

- ***Commodity Price and Foreign Exchange Risks*** – The price of rutile, graphite, rare earths 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.

  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 21 January 2026, Sovereign announced that it had recovered a heavy REC from the Kasiya rutile tailings stream. Preliminary analysis confirmed Kasiya monazite to contain exceptionally elevated levels of heavy rare earth elements DyTb and Y;

(ii) On 17 February 2026, Sovereign announced that it had signed non-binding MOU with Traxys North America for the marketing of graphite from Kasiya which targeted 40,000 tonnes per annum of graphite concentrate for Stage 1 (Years 1-5) and up to 80,000 tonnes per annum thereafter;

(iii) On 16 April 2026, Sovereign announced results of the DFS for of Kasiya which reaffirmed Kasiya's potential to become a large, low-cost producer of strategic minerals; and

(iv) On 17 April 2026, the Company issued 9,022,500 shares on the conversion of the Bankable DFS performance rights.

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

(i) On 8 July 2026, announced that it was advancing a U.S.-focused strategy following the receipt of a notification from Rio Tinto that it had not exercised its option to elect to become operator of Kasiya. In its notice to the Company, Rio Tinto advised that its decision reflected its change in corporate strategy regarding its titanium business and not a change the fundamentals, economics or strategic importance of Kasiya as highlighted in the Kasiya DFS, which was completed with technical input from Rio Tinto; and

(ii) On 9 September 2026, Sovereign announced results of the Scoping Study for recovery of the heavy REC which confirmed Kasiya's potential as globally significant and strategic source of critical rare earths.

At the date of this report, there are no other matters or circumstances which have arisen since 30 June 2026 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2026 of the Group;
- the results of those operations, in financial years subsequent to 30 June 2026 of the Group; or
- the state of affairs, in financial years subsequent to 30 June 2026 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 2026 (30 June 2025: nil).

LOSS PER SHARE

	2026 Cents	**2025 Cents**
Basic and diluted loss per share	**(3.95)**	(6.62)

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 2025 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), 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), Odyssey Gold Limited (September 2005 – present) and Terra Metals Limited (October 2013 – June 2026).

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 Zinc of Ireland Limited (April 2026 – present), NGX Limited (April 2021 – present), Constellation Resources Limited (July 2016 – present), GreenX Metals Limited (August 2011 – present), Equatorial Resources Limited (November 2009 – present) and Terra Metals Limited (Alternate Director) (June 2022 – January 2026).

Nigel Jones
Non-Executive Director (Committees: ESG Chair, Audit Member)
Qualifications – MA (Oxon); alumnus of London Business School (corporate finance programme)

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.

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

Mr Browne is a Chartered Accountant and an Associate Member of the Governance Institute of Australia (Chartered Secretary). He currently serves as Company Secretary for a number of ASX, London and European-listed companies operating in the resources sector. He commenced his career with a large international accounting firm and has since held senior corporate and company secretarial roles with a number of exploration and development companies in the resources sector, based in London and Perth, including GreenX Metals Limited, Berkeley Energia Limited, Apollo Minerals Limited and Papillon Resources Limited.

Mr Browne successfully managed the listing of Prairie Mining Limited (now GreenX Metals Limited) on the Main Market of the London Stock Exchange (**LSE**) and the Warsaw Stock Exchange, and oversaw Berkeley Energia Limited's listings on the Main Market of the 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	5,090,000	1,550,000
Frank Eagar	2,000,000	2,000,000
Ian Middlemas	16,500,000	-
Julian Stephens	13,157,518	600,000
Mark Pearce	4,461,151	650,000
Nigel Jones	525,000	250,000

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 13,262,500 Performance Rights subject to the Construction and Finance Milestone that expire on 30 June 2028 have been issued by the Company over unissued capital.

During the year ended 30 June 2026 and up to the date of this report, 9,022,500 (2025: nil) ordinary shares have been issued as a result of the conversion of performance rights.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2026, and the number of meetings attended by each Director.

	Board Meetings		ESG Committee		Audit Committee	
Current Directors	**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 63 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

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 2025 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 2026 financial year, a total bonus sum of $284,292 (2025: $622,020), representing 50% of KMP entitlement accrued but not yet paid to executives. Specific KPIs are set for each KMP and are designed to drive successful business outcomes.

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.

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 Incentive 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, 14,455,000 (2025: 3,625,000) Performance Rights were granted to KMP. A total of 5,942,500 (2025: nil) Performance Rights held by KMP vested and converted in Ordinary Shares during the year. A further 13,905,000 (2025: nil) Performance Rights held by KMP lapsed during the financial year. The Performance Rights granted to KMP during the year included the following:

- 5,942,500 Performance Rights subject to the Bankable DFS that expire on 30 June 2026 (converted into Ordinary Shares during the year); and
- 8,512,500 Performance Rights subject to the Construction and Finance Milestone that expire on 30 June 2028.

(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 (2025: 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 (2025: £50,000 ($95,000)) and fees for Non-Executive Directors' are $50,000 to £40,000 ($82,000) per annum (2025: $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 Committees. The Chair of the ESG Committee currently receives £10,000 ($20,000) (2025: £10,000 ($20,000)) 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 the nature and amount of remuneration of 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.

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 2026 and 30 June 2025 are as follows:

	Short-Term Benefits		Post Employment	Non-Cash Share-based payments	Other		
2026	Salary & Fees $	Cash Bonus $	Super-annuation $	(Rights) $	Non-Cash Benefits $	Total $	Percentage Performance Related %
Executives							
Benjamin Stoikovich(1)	241,272	-	-	90,315	-	331,587	27
Frank Eagar	436,079	110,911	-	359,402	-	906,392	52
Robert Slater	581,234	148,381	-	(51,467)	-	678,148	14
Sapan Ghai	443,590	-	-	(111,346)	-	332,244	-
Dylan Browne(2)	-	-	-	(184,276)	-	(184,276)	-
Paul Marcos	300,000	25,000	30,000	(120,520)	-	234,480	-
Non-Executive Directors							
Ian Middlemas	50,000	-	6,000	-	-	56,000	-
Julian Stephens(3)	110,750	-	6,000	140,337	-	257,087	55
Mark Pearce	50,000	-	6,000	(36,014)	-	19,986	-
Nigel Jones	96,100	-	-	65,611	-	161,711	41
	2,309,025	284,292	48,000	152,042	-	2,793,359	

2025	Short-Term Benefits Salary & Fees $	Cash Bonus $	Post Employ-ment Super-annuation $	Non-Cash Share-based payments (Rights) $	Other Non-Cash Benefits $	Total $	Percentage Performance Related %
Executives							
Benjamin Stoikovich[1]	246,079	-	-	567,628	-	813,707	70
Frank Eagar	458,308	195,993	-	731,594	-	1,385,895	67
Robert Slater	614,089	261,854	-	435,597	-	1,311,540	53
Sapan Ghai	354,834	59,745	-	338,091	-	752,670	53
Dylan Browne[2]	-	54,428	-	287,783	-	342,211	100
Paul Marcos	300,000	50,000	27,125	141,311	-	518,436	37
Non-Executive Directors							
Ian Middlemas	50,000	-	5,750	-	-	55,750	-
Julian Stephens	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
	2,227,921	622,020	44,375	2,817,484	-	5,711,800	

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, $143,303 (2025: $144,846) 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 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 $390,000 (2025: $390,000) for the provision of administrative, secretarial and corporate services to the Group.

(3) In addition to Directors fees, JRS Geology Pty Ltd (**JRS Geology**), a company of which Dr Stephens is a director and beneficial shareholder, was paid, or is payable, $60,750 in 2026 for additional services provided in respect of geological activities which is included in Dr Stephen's salary and fee amount.

Loans with KMP

No loans were provided to or received from KMP during the year ended 30 June 2026 (2025: Nil).

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 $143,303 (2025: $144,846).

JRS Geology, a company of which Dr Stephens is a director and beneficial shareholder, is also engaged under an agreement to provide geological consulting services to the Company that either party may terminate with one month written notice. JRS Geology receives a hourly rate of $2,000 under the consulting agreement. These services provided during the financial year amounted to $60,750.

Apollo Group, a company of which Mr Mark Pearce is a director and beneficial shareholder, was paid, or is payable, $390,000 (2025: $390,000) for the provision of provision of administrative, secretarial and corporate 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 (2025: $32,500) 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 2026 financial year are as follows:

2026	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	2,450,000	900,000	(2,450,000)	1,837,500	675,000	90,315
Frank Eagar	3,500,000	1,500,000	(3,200,000)	2,625,000	1,125,000	359,402
Robert Slater	1,900,000	600,000	(1,650,000)	1,339,500	423,000	(51,467)
Sapan Ghai	1,580,000	630,000	(1,580,000)	1,113,900	444,150	(111,346)
Dylan Browne	1,450,000	675,000	(1,450,000)	1,022,250	475,875	(184,276)
Paul Marcos	875,000	437,500	(875,000)	616,875	308,438	(120,520)
Non-Executive Directors						
Julian Stephens	1,200,000	600,000	(1,200,000)	900,000	450,000	140,337
Mark Pearce	950,000	300,000	(950,000)	712,500	225,000	(36,014)
Nigel Jones	550,000	300,000	(550,000)	412,500	225,000	65,611

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 2026 financial year are as follows:

	Grant Date	Expiry Date	Exercise Price $	Grant Date Fair Value(1) $	No. Granted
Executives					
Benjamin Stoikovich	18 Feb 26	30 Jun 26	-	0.750	900,000
	18 Feb 26	30 Jun 28	-	0.750	1,550,000
Frank Eagar	18 Feb 26	30 Jun 26	-	0.750	1,500,000
	18 Feb 26	30 Jun 28	-	0.750	2,000,000
Robert Slater	14 Jan 26	30 Jun 26	-	0.585	600,000
	14 Jan 26	30 Jun 28	-	0.585	1,300,000
Sapan Ghai	14 Jan 26	30 Jun 26	-	0.585	630,000
	14 Jan 26	30 Jun 28	-	0.585	950,000
Dylan Browne	14 Jan 26	30 Jun 26	-	0.585	675,000
	14 Jan 26	30 Jun 28	-	0.585	775,000
Paul Marcos	14 Jan 26	30 Jun 26	-	0.585	437,500
	14 Jan 26	30 Jun 28	-	0.585	437,500

	Grant Date	Expiry Date	Exercise Price $	Grant Date Fair Value[1] $	No. Granted
Non-Executive Directors					
Julian Stephens	18 Feb 26	30 Jun 26	-	0.750	600,000
	18 Feb 26	30 Jun 28	-	0.750	600,000
Mark Pearce	18 Feb 26	30 Jun 26	-	0.750	300,000
	18 Feb 26	30 Jun 28	-	0.750	650,000
Nigel Jones	18 Feb 26	30 Jun 26	-	0.750	300,000
	18 Feb 26	30 Jun 28	-	0.750	250,000

Notes:

(1) For details on the valuation of Unlisted Options and Performance Rights, including models and assumptions used, please refer to Note 16 of the financial statements.

Performance Rights Held by KMP

2026	Held at 1 July 2025 (#)	Granted as remuneration (#)	Rights Converted (#)	Lapsed and Expired (#)	Held at 30 June 2026 (#)	Vested and exercisable at 30 June 2026 (#)
Executives						
Benjamin Stoikovich	2,450,000	2,450,000[1]	(900,000)	(2,450,000)	1,550,000	-
Frank Eagar	3,200,000	3,500,000[1]	(1,500,000)	(3,200,000)	2,000,000	-
Robert Slater	1,650,000	1,900,000	(600,000)	(1,650,000)	1,300,000	-
Sapan Ghai	1,580,000	1,580,000	(630,000)	(1,580,000)	950,000	-
Dylan Browne	1,450,000	1,450,000	(675,000)	(1,450,000)	775,000	-
Paul Marcos	875,000	875,000	(437,500)	(875,000)	437,500	-
Non-Executive Directors						
Julian Stephens	1,200,000	1,200,000	(600,000)	(1,200,000)	600,000	-
Mark Pearce	950,000	950,000	(300,000)	(950,000)	650,000	-
Nigel Jones	550,000	550,000	(300,000)	(550,000)	250,000	-

Shareholdings of KMP

2026	Held at 1 July 2025 (#)	Granted as remuneration (#)	Conversion of rights (#)	Net Other Change (#)	Held at 30 June 2026 (#)
Executives					
Benjamin Stoikovich	4,190,000	-	900,000	-	5,090,000
Frank Eagar	500,000	-	1,500,000	-	2,000,000
Robert Slater	-	-	600,000	(300,000)	300,000
Sapan Ghai	1,714,000	-	630,000	-	2,344,000
Dylan Browne	952,000	-	675,000	-	1,627,000
Paul Marcos	750,000	-	437,500	-	1,187,500
Non-Executive Directors					
Ian Middlemas	16,500,000	-	-	-	16,500,000
Julian Stephens	13,557,518	-	600,000	(1,000,000)	13,157,518
Mark Pearce	4,520,842	-	300,000	(359,691)	4,461,151
Nigel Jones	225,000	-	300,000	-	525,000

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 (2025: US$296,000) per annum and a discretionary annual bonus of up to US$74,000 (2025: 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 (2025: US$33,000) per month and a discretionary annual bonus of up to 25% (2025: 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 (2025; £18,750) 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 (2025: $300,000) per annum plus superannuation with an annual bonus of up to $50,000 (2025: $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

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 2026 and 2025, 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.

NON-AUDIT SERVICES

During the financial year, the Company's current auditor, Ernst & Young provided non-audit services relating to income tax preparation and advice, totalling $25,000 (2025: $11,500). 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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2026 has been received and can be found on page 25 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

Frank Eagar
Managing Director and CEO

25 September 2026

Competent Person Statements

Monazite Scoping Study

The information in this announcement that relates to the Scoping Study (including Infrastructure, Capital and Operating Costs, Production Target and economic analysis and other financial forecasts) exploration results and metallurgical testwork is extracted from an announcement dated 9 September 2026, which is available to view at www.sovereignmetals.com.au.

Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions 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 announcement have not been materially changed from the original announcement.

The information in this announcement that relates to the Mineral Resource Estimate (Monazite) is extracted from Sovereign's announcement dated 9 September 2026, which is available to view at www.sovereignmetals.com.au, and is based on, and fairly represents, information compiled by Mr Jeremy Witley, a Competent Person who is a member of the South African Council for Natural Scientific Professions (SACNASP Pr. Sci. Nat.), a Recognised Professional Organisation (**RPO**) included in a list promulgated by ASX from time to time. Mr Witley is a principal of MSA Group, an independent consulting company. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions included in the 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 original announcement have not been materially changed from the disclosure in the original announcement.

TABLE 3: Kasiya 2026 Monazite Mineral Resource Estimate

Class	Tonnes (Mt)	Grade (%)
Indicated	386.9	0.0135
Inferred	137.5	0.0125
Total	**524.4**	**0.0132**

Notes:
1) The mineral resource is constrained to the Kasiya rutile and graphite DFS open pits to satisfy RPEEE
2) No cut-off is applied and the total volume within the DFS open pits will be processed with monazite concentrate being produced as a by-product of the Kasiya rutile and graphite production
3) The grade % is the in-situ grade of monazite mineral calculated from the recovered magnetic concentrate fraction of the HMS within the sand fraction (>45um <600um)

<u>Definitive Feasibility Study</u>

The information in this announcement that relates to the DFS (including Mine Engineering, Mine Scheduling, Processing, Infrastructure, Capital and Operating Costs, Production Target and Ore Reserves and other financial forecasts) is extracted from an announcement dated 16 April 2026, which is available to view at www.sovereignmetals.com.au.

Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions 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 announcement have not been materially changed from the original announcement.

The information in this announcement that relates to the exploration results (metallurgy) is extracted from announcements dated 28 September 2023, 8 May 2024, 15 May 2024, 4 September 2024, 21 January 2026 and 27 May 2026, which is available to view at www.sovereignmetals.com.au. Sovereign confirms that a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions 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 announcement have not been materially changed from the original announcement.

<u>Forward-Looking Statements</u>

Certain statements contained in this announcement, including information as to the future financial or operating performance of Sovereign and its project interests are 'forward-looking statements'. They include indications of, and guidance on, future matters. Forward-looking statements include, but are not limited to, statements preceded by words such as "targeted", "planned", "expected", "projected", "estimated", "may", "scheduled", intends", "anticipates", "believes", "potential", "could", "likely", "nominal", "conceptual", "propose", "will", "forecast", "estimate", and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, anticipated future activities at the Kasiya Project, production targets, financial forecasts, estimates and assumptions in respect of mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures and operating expenditures and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. These 'forward-looking statements' are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Sovereign, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies and involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results expressed or implied in any forward-looking statement and deviations are both normal and to be expected.

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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 2026, 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

Ernst & Young

Pierre Dreyer
Partner
25 September 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2026

	Notes	2026 $	2025 $
Continuing Operations			
Interest Income		**1,524,771**	2,043,809
Other expenses	2(a)	**(170,922)**	(479,574)
Exploration and evaluation expenses		**(23,379,720)**	(33,897,375)
Corporate and administrative expenses		**(1,849,572)**	(1,549,452)
Share-based payment benefit/(expense)	16	**368,714**	(4,309,932)
Business development expenses		**(2,126,209)**	(2,247,815)
Loss before income tax		**(25,632,938)**	(40,440,339)
Income tax expense	3	**-**	-
Loss for the year		**(25,632,938)**	(40,440,339)
Loss attributable to members of the parent		**(25,632,938)**	(40,440,339)
Other Comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on foreign entities		**(8,653)**	194,119
Other comprehensive (loss)/income for the year, net of income tax		**(8,653)**	194,119
Total comprehensive loss for the year		**(25,641,591)**	(40,246,220)
Total comprehensive loss attributable to members of Sovereign Metals Limited		**(25,641,591)**	(40,246,220)
Basic and diluted loss per share from continuing operations (cents per share)	13	**(3.95)**	(6.62)

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

	Notes	2026 $	2025 $
Current Assets			
Cash and cash equivalents	12(b)	**25,124,630**	54,538,435
Other receivables	4	**494,956**	1,771,002
Other financial assets		**70,000**	105,000
Total Current Assets		**25,689,586**	56,414,437
Non-current Assets			
Property, plant and equipment	5	**1,700,518**	1,852,383
Exploration and evaluation assets	6	**5,086,129**	5,086,129
Total Non-current Assets		**6,786,647**	6,938,512
TOTAL ASSETS		**32,476,233**	63,352,949
Current Liabilities			
Trade and other payables	7	**2,894,581**	7,749,922
Provisions	8	**180,568**	125,582
Other financial liabilities	9	**44,405**	46,621
Total Current Liabilities		**3,119,554**	7,922,125
Non-Current Liabilities			
Other financial liabilities	9	**-**	43,123
Total Non-Current Liabilities		**-**	43,123
TOTAL LIABILITIES		**3,119,554**	7,965,248
NET ASSETS		**29,356,679**	55,387,701
EQUITY			
Contributed equity	10	**180,652,292**	174,800,846
Reserves	11	**(5,105,749)**	1,143,781
Accumulated losses		**(146,189,864)**	(120,556,926)
TOTAL EQUITY		**29,356,679**	55,387,701

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 2026

	Notes	2026 $	2025 $
Cash flows from operating activities			
Interest received		**1,902,379**	1,715,164
Payments to suppliers and employees – exploration and evaluation		**(28,319,047)**	(30,042,677)
Payments to suppliers and employees – other		**(2,480,961)**	(4,551,699)
Net cash used in operating activities	12(a)	**(28,897,629)**	(32,879,212)
Cash flows from investing activities			
Payments for purchase of plant and equipment		**(275,421)**	(1,023,642)
Net cash used in investing activities		**(275,421)**	(1,023,642)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	59,174,395
Share issue costs		**(20,717)**	(2,209,180)
Payments for finance lease		**(84,117)**	(63,482)
Net cash (used in)/from financing activities		**(104,834)**	56,901,733
Net (decrease)/increase in cash and cash equivalents		**(29,277,884)**	22,998,879
Net foreign exchange differences		**(135,922)**	(24,574)
Cash and cash equivalents at the beginning of the financial year		**54,538,436**	31,564,130
Cash and cash equivalents at the end of the financial year	12(b)	**25,124,630**	54,538,435

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 2026

	Issued Capital	Share-based Payments Reserve	Other Equity Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2025	**174,800,846**	**7,915,683**	**(7,336,678)**	**564,776**	**(120,556,926)**	**55,387,701**
Net loss for the year	**-**	**-**	**-**	**-**	**(25,632,938)**	**(25,632,938)**
Other comprehensive income						
Foreign currency translation	**-**	**-**	**-**	**(8,653)**	**-**	**(8,653)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(8,653)**	**(25,632,938)**	**(25,641,591)**
Transactions with owners recorded directly in equity						
Share issue costs	**(20,717)**	**-**	**-**	**-**	**-**	**(20,717)**
Expiry of unvested performance rights	**-**	**(7,915,681)**	**-**	**-**	**-**	**(7,915,681)**
Transfer of SBP reserve on conversion of performance rights	**5,872,163**	**(5,872,163)**	**-**	**-**	**-**	**-**
Share-based payments expense	**-**	**7,546,967**	**-**	**-**	**-**	**7,546,967**
Balance at 30 June 2026	**180,652,292**	**1,674,806**	**(7,336,678)**	**556,123**	**(146,189,864)**	**29,356,679**
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)
Other comprehensive income						
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

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

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 2026 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 2026 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 2026. 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 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 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 2026 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 Profit or Loss during the financial period in which they are incurred.

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.

(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.

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 initially recognised at fair value and subsequently measured 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.

(o) Earnings per Share

Basic earnings per share (**EPS**) is calculated by dividing the net result 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 16. 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 16 – Share-Based Payments

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

	2026 $	2025 $
(a) Other Expenses		
Foreign exchange losses	**(135,922)**	(24,574)
Fair value movements in other financial assets	**(35,000)**	(455,000)
	(170,922)	(479,574)
(b) Depreciation		
Depreciation of property, plant and equipment (Note 5)	**351,241**	302,056
(c) Employee Benefits Expense		
Salaries and wages	**2,530,136**	2,740,280
Superannuation/Pension	**274,909**	236,493
Annual leave provision	**61,091**	43,607
Non-cash benefits	**183,510**	179,319
Share-based payments (benefit)/expense	**(368,714)**	4,309,932
	2,680,932	7,509,631

3. INCOME TAX

	2026 $	2025 $
(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	**(25,632,938)**	(40,440,339)
At the income rate of 30% (2025: 30%)	**(7,689,881)**	(12,132,102)
Expenditure not allowable for income tax purposes	**4,298,591**	6,340,996
Deferred tax assets not brought to account	**3,391,290**	5,791,106
Income tax expense reported in the Statement of Comprehensive Income	-	-
(c) Deferred Income Tax		
Deferred Tax Liabilities		
Accrued interest	**29,085**	142,367
Other receivables	**49,386**	14,126
Other financial assets at fair value through profit or loss	-	-
Deferred tax assets used to offset deferred tax liabilities	**(78,471)**	(156,493)
	-	-
Deferred Tax Assets		
Other financial assets	**1,711**	1,711
Accruals	**529,852**	584,074
Provisions	**54,170**	37,675
Capital allowances	**171,323**	170,577
Other financial assets at fair value through profit or loss	**105,000**	136,500
Tax losses available to offset against future taxable income	**19,444,732**	16,354,252
Deferred tax assets used to offset deferred tax liabilities	**(78,471)**	(156,493)
Deferred tax assets not brought to account	**(20,228,317)**	(17,128,296)
	-	-

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 $64,815,773 (2025: $54,706,934).

(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 14.

4. CURRENT ASSETS – OTHER RECEIVABLES

	2026 $	2025 $
Accrued interest	**96,949**	474,557
GST and VAT receivable	**135,718**	1,229,632
Prepayments	**164,621**	47,085
Other	**97,668**	19,728
	494,956	1,771,002

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 2025	**167,091**	**88,010**	**1,476,380**	**76,944**	**43,958**	**1,852,383**
Additions	**13,329**	**8,127**	**76,590**	**-**	**177,376**	**275,422**
Depreciation charge	**(38,163)**	**(33,096)**	**(235,139)**	**(44,843)**	**-**	**(351,241)**
Foreign exchange differences	**(6,600)**	**(2,605)**	**(66,543)**	**1,855**	**(2,153)**	**(76,046)**
Carrying amount at 30 June 2026	**135,657**	**60,436**	**1,251,288**	**33,956**	**219,181**	**1,700,518**
At cost	**254,899**	**192,258**	**2,272,622**	**134,091**	**221,334**	**3,075,204**
Accumulated depreciation and impairment	**(119,242)**	**(131,822)**	**(1,021,334)**	**(100,135)**	**(2,153)**	**(1,374,686)**
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)

6. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	2026 $	2025 $
Movement in Exploration and Evaluation Assets		
Kasiya Critical Minerals Project		
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

	2026 $	2025 $
Trade creditors	**2,018,671**	7,207,700
Accrued expenses	**875,910**	542,222
	2,894,581	7,749,922

8. CURRENT LIABILITIES – PROVISIONS

	2026 $	2025 $
Annual leave provisions	**180,568**	125,582

9. OTHER FINANCIAL LIABILITIES

	2026 $	2025 $
Current liabilities		
Lease Liability[1]	**44,405**	46,621
Non- Current liabilities		
Lease Liability[1]	**-**	43,123

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 $44,843 (2025: $43,684); and (ii) interest expense on lease liabilities of $17,197 (2025: $26,667).

10. CONTRIBUTED EQUITY

	2026 $	2025 $
(a) Issued and Paid Up Capital		
655,961,203 fully paid ordinary shares (2025: 646,938,703)	**180,652,292**	174,800,846
	180,652,292	174,800,846

(b) Movements in Ordinary Share Capital During the Current and Prior Financial Periods Were as Follows:

Date	Details	Number of Shares	$
1 Jul 25	**Opening Balance**	**646,938,703**	**174,800,846**
17 Apr 26	**Issue of shares upon conversion of performance rights**	**9,022,500**	**-**
Jul 25 to Jun 26	**Transfer of SBP reserve on conversion of performance rights**	**-**	**5,872,163**
Jul 25 to Jun 26	**Share issue costs**	**-**	**(20,717)**
30 Jun 26	**Closing Balance**	**655,961,203**	**180,652,292**
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

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.

(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	2026 $	2025 $
Share-based Payments Reserve	11(a)	**1,674,806**	7,915,683
Foreign Currency Translation Reserve - exchange differences		**556,123**	564,776
Other Equity Reserve		**(7,336,678)**	(7,336,678)
		(5,105,749)	1,143,781

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.

Other Equity Reserve – The Other Equity Reserve was 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 and for any other equity related transactions.

(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 25	**Opening Balance**	**22,160,000**	**7,915,683**
Various	**Issue of performance rights**	**22,285,000**	**-**
Jul 25 to Jun 26	**Transfer of SBP reserve on conversion of Performance Rights**	**(9,022,500)**	**(5,872,163)**
Jul 25 to Jun 26	**Lapse of unvested performance rights**	**(22,160,000)**	**(7,915,681)**
Jul 25 to Jun 26	**Share-based payment expense**	**-**	**7,546,967**
30 Jun 26	**Closing Balance**	**13,262,500**	**1,674,806**
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

Note:

(1) The value of Performance Rights granted is recognised over the vesting period of the grant, in accordance with Australian Accounting Standards and International Financial Reporting Standards. Refer to Note 16.

(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:
  - 13,262,500 Performance Rights subject to the Construction and Finance Milestone that expire on 30 June 2028.
- 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;
- 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

	2026 $	2025 $
(a) Reconciliation of Loss for the Year to Net Cash Outflows from Operating Activities		
Loss for the year	**(25,632,938)**	(40,440,339)
Adjustment for non-cash income and expense items		
Depreciation and amortisation	**351,241**	302,056
Share-based payment (benefit)/expense	**(368,714)**	4,309,932
Unrealised foreign exchange movement	**76,044**	181,122
Fair value movements in other financial assets	**35,000**	455,000
Changes in operating assets and liabilities		
Decrease/(increase) in other receivables	**1,275,008**	(1,455,405)
(Decrease)/increase in trade and other payables and provisions	**(4,633,270)**	3,768,422
Net cash outflow from operating activities	**(28,897,629)**	(32,879,212)
(b) Reconciliation of Cash Assets		
Cash at bank and on hand	**13,104,630**	5,018,435
Short term deposits	**12,020,000**	49,520,000
	25,124,630	54,538,435

(c) Credit Standby Arrangements with Banks

At balance date, the Company had no used or unused financing facilities (2025: none).

(d) Non-cash Financing and Investing Activities

During the year ended 30 June 2026, no Ordinary Shares (2025: 1,036,488) were issued as share-based payments as an advisory fee in relation to the strategic investment made by Rio Tinto in the Group in 2025.

13. LOSS PER SHARE

	2026 Cents per Share	2025 Cents per Share
Basic and diluted loss per share		
From continuing operations	**(3.95)**	(6.62)
Total basic and diluted loss per share	**(3.95)**	(6.62)

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

	2026 $	2025 $
Net loss used in calculating basic and diluted earnings per share	**(25,632,938)**	(40,440,339)

	2026 Number of Shares	2025 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**648,822,522**	610,495,709
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	**648,822,522**	610,495,709

Non-dilutive securities

As at 30 June 2026, 13,262,500 (2025: 22,160,000) Performance Rights (which represent 13,262,500 (2025: 22,160,000) potential Ordinary Shares) were non-dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 30 June 2026

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. 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 2026 %	Equity Interest 2025 %
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 2026 financial year (2025: Nil) other than as noted below.

(d) KMP

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

	2026 $	2025 $
Short-term benefits	**2,593,317**	2,849,940
Post-employment benefits	**48,000**	44,375
Share-based payments	**152,042**	2,817,485
	2,793,359	5,711,800

No loans were provided to or received from KMP during the year ended 30 June 2026 (2025: 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 $143,303 (2025: $144,846).

JRS Geology, a company of which Dr Stephens controls, and is a director and beneficial shareholder, is engaged under an agreement to provide geological consulting services to the Company, on a rolling 12-month term that either party may terminate with one month written notice. JRS Geology receives a hourly rate of $2,000 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 $60,750 .

Apollo Group, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid, or is payable, $390,000 (2025: $390,000) for the provision of administrative, secretarial and corporate 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 (2025: $32,500) due and payable in advance, with no fixed term, and is able to be terminated by either party with one month’s notice.

15. PARENT ENTITY DISCLOSURES

	2026 $	2025 $
(a) Financial Position		
Assets		
Current Assets	**25,353,890**	54,169,314
Non-Current Assets	**4,997,082**	5,000,564
Total Assets	**30,350,972**	59,169,878
Liabilities		
Current Liabilities	**1,301,634**	783,737
Total Liabilities	**1,301,634**	783,737
Equity		
Issued capital	**180,652,292**	174,800,846
Accumulated losses	**(148,894,690)**	(119,947,318)
Reserves	**(2,708,264)**	3,532,613
Total Equity	**29,049,338**	58,386,141
(b) Financial Performance		
Loss for the year	**(28,947,372)**	(39,216,730)
Other comprehensive loss	**-**	-
Total comprehensive loss	**(28,947,372)**	(39,216,730)

16. 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.

	2026	2025
	$	$
(Benefit)/expense arising from equity-settled share-based payment transactions (performance rights)	**(368,714)**	4,309,932
	(368,714)	4,309,932

In addition to share-based payment expenses recognised as an expense through profit or loss, a share-based payment of nil (2025: $554,521) was recognised in equity (share issue costs) during the 2026 financial year, relating to the issue of Ordinary Shares (2025: 1,290,392) 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 2026 and 30 June 2025:

2026	**Security Type**	**Number**	**Grant Date**	**Issue Date**	**Expiry Date**	**Exercise Price $**	**Fair Value $**
Series							
Bankable DFS	**Right**	**5,422,500**	**14 Jan 26**	**14 Jan 26**	**30 Jun 26**	**-**	**0.585**
	Right	**3,600,000**	**18 Feb 26**	**18 Feb 26**	**30 Jun 26**	**-**	**0.750**
Construction and Finance	**Right**	**8,212,500**	**14 Jan 26**	**14 Jan 26**	**30 Jun 28**	**-**	**0.585**
	Right	**5,050,000**	**18 Feb 26**	**18 Feb 26**	**30 Jun 28**	**-**	**0.750**

2025							
Series							
Definitive Feasibility Study	Right	1,317,500	27 Oct 24	27 Oct 24	31 Oct 25	-	0.710
	Right	200,000	1 Jul 24	1 Jul 24	31 Oct 25	-	0.655
Mining Licence	Right	1,317,500	27 Oct 24	27 Oct 24	31 Mar 26	-	0.710
	Right	200,000	1 Jul 24	1 Jul 24	31 Mar 26	-	0.655
Final Investment Decision	Right	1,590,000	13 Oct 23	13 Oct 23	30 Jun 26	-	0.710
	Right	100,000	3 Apr 24	3 Apr 24	30 Jun 26	-	0.655

(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:

	2026 Number	2026 WAEP	2025 Number	2025 WAEP
Outstanding at beginning of year	**22,160,000**	**-**	17,860,000	-
Rights granted during the year	**22,285,000**	**-**	4,725,000	-
Rights converted during the year	**(9,022,500)**	**-**	-	-
Rights lapsed during the year[1]	**(22,160,000)**	**-**	(425,000)	-
Outstanding at end of year	**13,262,500**	**-**	22,160,000	-

Note:

(1) Rights expired unvested during the year.

The outstanding balance of Performance Rights granted as share-based payments on issue as at 30 June 2026 is represented by:

- 13,262,500 Performance Rights subject to the Construction and Finance Milestone that expire on 30 June 2028.

(d) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life for Performance Rights outstanding as at 30 June 2026 was 2 years (2025: 0.63 years).

(e) Weighted Average Fair Value

The weighted average fair value of Performance Rights on issue was $0.648 (2025: $0.506).

17. REMUNERATION OF AUDITORS

	2026 $	2025 $
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	**86,888**	80,511
Other services provided by Ernst & Young – taxation advice	**25,000**	11,500
Total Auditors' Remuneration	**111,888**	92,011

18. 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

	2026 $	2025 $
Malawi	**1,645,170**	1,725,283
Republic of South Africa	**55,348**	123,618
Australia	**-**	3,482
	1,700,518	1,852,383

19. 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.

(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	2026 $	2025 $
Cash and cash equivalents	**12 (b)**	**25,124,630**	54,538,435
Other receivables	**4**	**494,956**	1,771,002
		25,619,586	56,309,437

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 2026 (2025: 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 2026 and 2025, 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.

2026 **Group**	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
Financial Liabilities					
Trade and other payables	**2,894,581**	**-**	**-**	**-**	**2,894,581**
Other financial liabilities	**209,271**	**15,702**	**-**	**-**	**224,973**
	3,103,852	**15,702**	**-**	**-**	**3,119,554**
2025 **Group**					
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

(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:

	2026 $	2025 $
Interest-bearing financial instruments		
Cash at bank and on hand	**13,104,630**	5,018,435
Short term deposits	**12,020,000**	49,520,000
	25,124,630	54,538,435

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% (2025: 4.64%). 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
2026		
Cash and cash equivalents	**502,493**	**(502,493)**
2025		
Cash and cash equivalents	1,090,767	(1,090,767)

(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 – USD

The year end AUD:USD exchange rate was 0.6919 (2025: 0.6580). A 10% movement in this exchange rate would have resulted in a movement in net assets of the Group of $87,439 (2025: $48,059). 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 11.3391 (2025: 11.6762). A 10% movement in this exchange rate would have resulted in a movement in net assets of the Group of $350 (2025: $2,708). 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 2026 and 30 June 2025, the carrying value of the Group's financial assets and liabilities approximate their fair value.

20. SUBSEQUENT EVENTS

(i) On 8 July 2026, announced that it was advancing a U.S.-focused strategy following the receipt of a notification from Rio Tinto that it had not exercised its option to elect to become operator of Kasiya. In its notice to the Company, Rio Tinto advised that its decision reflected its change in corporate strategy regarding its titanium business and not a change the fundamentals, economics or strategic importance of Kasiya as highlighted in the Kasiya DFS, which was completed with technical input from Rio Tinto; and

(ii) On 9 September 2026, Sovereign announced results of the Scoping Study for recovery of the heavy REC which confirmed Kasiya's potential as globally significant and strategic source of critical rare earths.

Other than outlined above, there are no other matters or circumstances which have arisen since 30 June 2026 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2026 of the Group;
- the results of those operations, in financial years subsequent to 30 June 2026 of the Group; or
- the state of affairs, in financial years subsequent to 30 June 2026 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

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 2026 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 2026.

On behalf of the Board.

Frank Eagar
Managing Director and CEO

25 September 2026

Shape the future
with confidence

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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 2026, 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 2026 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 audits of the financial report of public interest entities 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.

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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 2026. 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 2026. 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 2026 Annual Report other than 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.

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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.

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 units 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.

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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 2026.

In our opinion, the Remuneration Report of Sovereign Metals Limited for the year ended 30 June 2026, 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

Ernst & Young

Pierre Dreyer
Partner
Perth
25 September 2026

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 2026 Corporate Governance Statement, which is current as at 30 June 2026 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 2026. 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 MRE relating to rutile and graphite as at 30 June 2026 and 30 June 2025 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.

Subsequent to the end of the period, the Company announced a maiden MRE for it monazite by-product. The monazite MRE is not included in this statement given it was only established after 30 June 2026.

2026 Rutile Mineral Resource

Classification	Resource (Mt)	Rutile Grade (%)	Contained Rutile (Mt)	Graphite Grade (TGC) (%)	Contained Graphite (Mt)
Measured	107	1.05%	1.12	1.56%	1.67
Indicated	1,545	0.97%	14.99	1.05%	16.26
Total M&I	**1,652**	**0.98%**	**16.12**	**1.08%**	**17.93**
Inferred	452	0.91%	4.12	0.45%	2.02
Total Rutile MRE	**2,105**	**0.96%**	**20.24**	**0.95%**	**19.95**

Note: Rutile Mineral Resource defined from an optimised pit shell with mineralisation defined as >= 0.75% Rut95. A rutile concentrate net price of US$1,400 was used to determine economic value. Graphite had no value for this run.

2026 Additional Graphite Mineral Resource (TGC>=0.6%)

Classification	Tonnes (Mt)	TGC (%)	TGC (Mt)	Rutile Grade (%)	Rutile (Mt)	Rutile Eq. (%)	Dry BD
Measured	30	1.99	0.59	0.52	0.15	1.67	1.74
Indicated	629	1.86	11.69	0.4	2.53	1.47	1.69
Inferred	201	1.7	3.42	0.3	0.61	1.28	1.7
Total	**860**	**1.83**	**15.7**	**0.38**	**3.29**	**1.43**	**1.69**

Note1: Additional Graphite Mineral Resource is all material inside the Total MRE pit shell after depletion of the Rutile Mineral Resource.

Note2: The Total MRE pit shell includes all rutile and graphite mineralisation within an optimised open pit shell using a 95%+TiO2 rutile (Rut95) concentrate revenue price of net US$1,400/t and a Graphite product price of net US$1,200/t; Mine OPEX US$1.35/t; Process OPEX US$5.44/t; Rutile recovery of 97.6%; Average Graphite recovery of 70.4%.

2025 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**

2. ORE RESERVES

In April 2026 updated Ore Reserve declared as part of the Definitive Feasibility Study. The Ore reserve has been reported in accordance with the 2012 Edition of the JORC Code as follows:

2026 Ore Reserve for Kasiya

Classification	Tonnes (Mt)	Rutile Grade (%)	Contained Rutile (Mt)	Graphite Grade (TGC) (%)	Contained Graphite (Mt)
Proved	78	1.03%	0.80	1.65%	1.28
Probable	458	0.94%	4.29	1.54%	7.07
Total	**536**	**0.95%**	**5.09**	**1.56%**	**8.35**

2025 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**

The Total Ore Reserve is all rutile and graphite mineralisation within an optimised open pit shell using a Rut95 concentrate revenue price of net US$1,286.81/t and a Graphite product price of net US$1,099.51/t; Mine Opex US$1.35/t; Process Opex US$5.44/t; Rutile recovery of 97.6%; Average Graphite recovery of 70.4%.

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.

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 Jeremy Witley, a Competent Person, who is a member of the South African Council for Natural Scientific Professions (SACNASP Pr. Sci. Nat.), a Recognised Professional Organisation' included in a list promulgated by ASX from time to time. Mr Witley is a principal of MSA Group, an independent consulting company. Mr Witley 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 Witley consents to the inclusion of the matters based on his information 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 Consulting 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, 10 March 2025 and 21 January 2026, 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 2026.

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	18.20
BNP Paribas Nominees Pty Ltd <Clearstream>	104,845,158	15.98
Citicorp Nominees Pty Limited	67,163,442	10.24
BNP Paribas Noms Pty Ltd	62,379,984	9.51
Computershare Clearing Pty Ltd <CCNL Di A/C>	60,812,862	9.27
BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient>	47,737,152	7.28
HSBC Custody Nominees (Australia) Limited	28,619,700	4.36
Arredo Pty Ltd	16,500,000	2.52
Mr Julian Rodney Stephens <One Way A/C>	10,157,518	1.55
Luso Global Mining BV	6,000,000	0.91
HSBC Custody Nominees (Australia) Limited - A/C 2	4,638,628	0.71
Mr Andries Willem Kruger	4,485,162	0.68
Mr Samuel Cordin	3,780,000	0.58
Mr Collin Francis Davy <The Bush Rat A/C>	3,479,166	0.53
Mr Julian Rodney Stephens <One Way A/C>	3,000,000	0.46
Mr Matthew James Rimes + Mrs Robin Lyn Rimes <The Revolver Super Fund>	2,195,910	0.33
Mrs Pennee Ruth Osmond <The Blue Sky A/C>	2,017,500	0.31
Bouchi Pty Ltd	1,926,922	0.29
Apollo Group Pty Ltd	1,911,151	0.29
Mr Kenneth Joseph Hall <Hall Park A/C>	1,600,000	0.24
Total Top 20	**552,625,755**	**84.25**
Others	103,335,448	15.75
Total Ordinary Shares on Issue	**655,961,203**	**100**

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of shareholders by size of holding:

	Ordinary Shares		
Distribution	**Number of Shareholders**	**Number of Shares**	**Percentage**
1 – 1,000	533	359,666	0.05
1,001 – 5,000	1,304	3,705,746	0.56
5,001 – 10,000	593	4,770,406	0.73
10,001 – 100,000	946	29,595,621	4.51
More than 100,000	199	617,529,764	94.14
Totals	**3,575**	**655,961,203**	**100.00**

ASX ADDITIONAL INFORMATION
(Continued)

There were 385 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

5. EXPLORATION INTERESTS

As at 31 August 2026, 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 (km²)	Status
EL0609	MML	100%	Exploration	25/09/2026	25/09/2028	219.5	Granted
EL0582	SSL	100%	Exploration	15/09/2025[3]	15/09/2028	69.8	Granted
EL0561	SSL	100%	Exploration	15/09/2025[3]	15/09/2028	30.7	Granted
EL0657	SSL	100%	Exploration	3/10/2028	3/10/2031	2.3	Granted
EL0710	SSL	100%	Exploration	1/02/2027	1/02/2031	38.4	Granted
RTL0035-RTL0045	SSL	100%	Retention	N/A	26/06/2026[1]	285.2	Granted

Notes:

SSL: Sovereign Services Limited, MML: McCourt Mining Limited

(1) During the year, the Company submitted a **ML** application for the licence areas covered by the DFS for the Kasiya Project. The application for the ML has been acknowledged by the Malawi Mining and Minerals Regulatory Authority and remains pending as at the date of this report.

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

(3) The Company has submitted two EL applications, APL0739 (16.2km2) and APL0740 (71.5km2), which remain pending as at the date of this report.

6. ON-MARKET BUY BACK

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

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