

17 January 2023

Quarterly Activities Report

MELBOURNE, Australia – Sunrise Energy Metals Limited (**Sunrise Energy Metals** or **Company**) (ASX:SRL and OTC:SREMF) is pleased to provide an update on its activities for the quarter ended 31 December 2022.

Key Developments:

- **The Company continues to progress discussions with potential equity funding and offtake partners for the Sunrise Project**
- **Award by the Department of Regional NSW of a \$500,000 grant towards the Sunrise Project Oversize Transportation Corridor Study**
- **Conditional approval by the Department of Regional NSW of the Company's application for a further \$10 million grant to support the development of the Sunrise Project electrical transmission line (ETL)**
- **Ongoing work streams to advance the fully integrated Sunrise Project continued with activities focussed on:**
 - **Work on the necessary NSW electricity grid connection agreement and power systems studies that are required as part of the ETL work scope**
 - **Commencement of the detailed Oversize Transportation Corridor Study**
 - **Test work and process development assessing opportunities for the potential recycling of spent battery materials**
- **Field exploration activities were restricted during the quarter due to high rainfall experienced during the period. Key activities for coming quarters will focus on further drilling, sampling, analysis and geological interpretation activities across the Company's large tenement package in the Macquarie Arc**

OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENTAL PERFORMANCE

The Company had no lost time injuries during the quarter.

One minor environmental exceedance was reported in the quarter. Total suspended solids (**TSS**) recorded in creek water downstream from the Sunrise Project site exceeded the applicable limit. No works were being undertaken on the Project site at the time and the exceedance was a natural impact of very high rainfall.

SUNRISE BATTERY MATERIALS COMPLEX

During the quarter, the Company continued to advance the development of the Sunrise Project. A range of workstreams remain ongoing to progress several value-adding deliverables aimed at minimising Project start time once a financing package is secured and a final investment decision is made. Key work programs included:

- Advancement of the long-lead ETL work scope. The ETL application to connect to the NSW electrical grid is currently in progress and will continue through FY23.
- Work is underway with GHD on the necessary power systems studies that are required as part of the ETL connection agreement.
- Test work and process development assessing opportunities for potential recycling of spent battery materials and further downstream processing of sulphates into precursor cathode active material.
- A range of scandium alloy development programs continue to be progressed, consistent with Sunrise Energy Metals' long-term strategy to work with, and assist, industry players to investigate and develop new applications for scandium-aluminium alloys.

Permitting and approvals

The Sunrise Project development plan includes a proposal to connect to the electrical grid at Parkes. Connection to the NSW electrical grid is a key enabler of the Company's commitment to procure renewable energy to supply 100% of the Project's external power requirements. Progress continues on the long-lead ETL work scope. The application to connect to the NSW electrical grid is currently in progress and will continue through FY23.

The Company continues to progress commercial discussions with landowners, local councils, the NSW State Government and other impacted parties required for land access agreements for key infrastructure including the water pipeline and the ETL. During the quarter the Company secured long-term lease agreements with the Forbes Shire Council and the Lachlan Shire Council over the council administered crown land which comprises almost all the planned water pipeline route. This is an important milestone for the Project.

An Oversize Transportation Corridor Study commenced during the quarter. The study comprises a detailed scope of work being coordinated by GHD to survey, engineer and produce detailed plans/designs of the modifications that are required to be made to existing road transport infrastructure (roads, bridges, power lines and rail crossings) to establish an oversize transportation corridor from Port Pirie, SA to the Sunrise Project site at Fifield, NSW. The Company's two autoclaves (very large pressure vessels required for the operation of the Project) are currently located at Port Pirie, and Port Pirie will also be used by the Company to bring in approximately 100 additional oversize loads during the construction stage of the Project. This study will continue through FY23.



One of the Sunrise Project's two autoclaves

An oversized over-mass permit application has been lodged with the National Heavy Vehicle Regulator to progress the applications for the required permits and stakeholder approvals for the proposed oversize transport route.

In November, the Company was advised by the Department of Regional NSW that its application for a \$500,000 grant in support of the Oversize Transportation Corridor Study was approved. The grant is being made pursuant to Stream 1 (Project Activation Studies) of the NSW Government's Critical Minerals and High-Tech Metals Activation Fund, which aims to support activities which will activate the critical minerals and high-tech metals sector in New South Wales.

Project Financing

The Company continues to engage proactively with a range of participants in the electric vehicle (EV) industry with a view to securing project-level equity funding, in conjunction with offtake, to underpin a complete financing package for Sunrise. The engagement with potential partners, primarily within EV supply chains, continues to be positive. The discussions remain subject to confidentiality agreements, and the Company will update the market as soon as it is able to do so.

The Company remains optimistic on the outlook for demand growth in the EV and lithium-ion battery sectors, and in particular on the strategic importance of Sunrise as one of the largest suppliers of battery-grade nickel and cobalt into the global EV supply chain.

The partnering process will continue, however the targeted timing for completion of any transaction is not possible to forecast.

NSW Critical Minerals and High-Tech Metals Activation Fund

The Company was advised in December by the Department of Regional NSW that its application for a \$10 million grant in support of the ongoing development of the Sunrise Battery Materials Project had been conditionally approved.

The \$10 million grant is being made pursuant to Stream 2 (Enabling Project Infrastructure) of the NSW Government's Critical Minerals and High-Tech Metals Activation Fund, which supports key infrastructure projects needed to accelerate the critical minerals and high-tech metals sector in NSW.

Subject to satisfying the conditions of the offer, the Company will apply the grant proceeds towards the engineering, procurement, construction and connection to the NSW electricity grid at Parkes of the 77km 132kV ETL from the Sunrise Project site at Fifield. The ETL is required to connect the Project to the NSW electrical grid and Central West Orana Renewable Energy Zone, which is a critical enabler of the Company's pledge to procure 100% renewable electricity for the Project. The total construction cost of the ETL, which is included in the full capital development cost estimate for the Project¹, is approximately \$34 million.

Receipt of the grant proceeds is subject to satisfaction within agreed timeframes of a number of conditions including demonstrating funding is available for the Company's share of the ETL construction cost (i.e. upon the Company securing a comprehensive funding package and making a final investment decision for the Project) and entering into a funding deed with the Department of Regional NSW. The funding deed will outline progress payments to be made against mutually agreed performance milestones.

¹ For details see the 'Sunrise Project Execution Plan' ASX Announcement dated 28 September 2020

EXPLORATION ACTIVITIES

The Company continues to advance activities across its range of exploration assets in New South Wales. Field exploration activities were restricted during the quarter due to the combination of ongoing wet weather and the holiday period.

Sunrise Project (ML1770)

Exploration activity was limited during the quarter with work focussing on preparing for future grade control drilling, inhouse sample preparation, and preparing reference standard material suitable for Sunrise Project ore types. A number of split samples have been prepared for submission to the laboratory to produce inhouse certified reference material. It is important that site-specific reference material be used as certified standards for future resource infill and grade control drilling.

Work across the remainder of FY23 will include setting up the sample shed for all on-site preparation allowing full and effective use of equipment including the PXRF and spectral analyser.

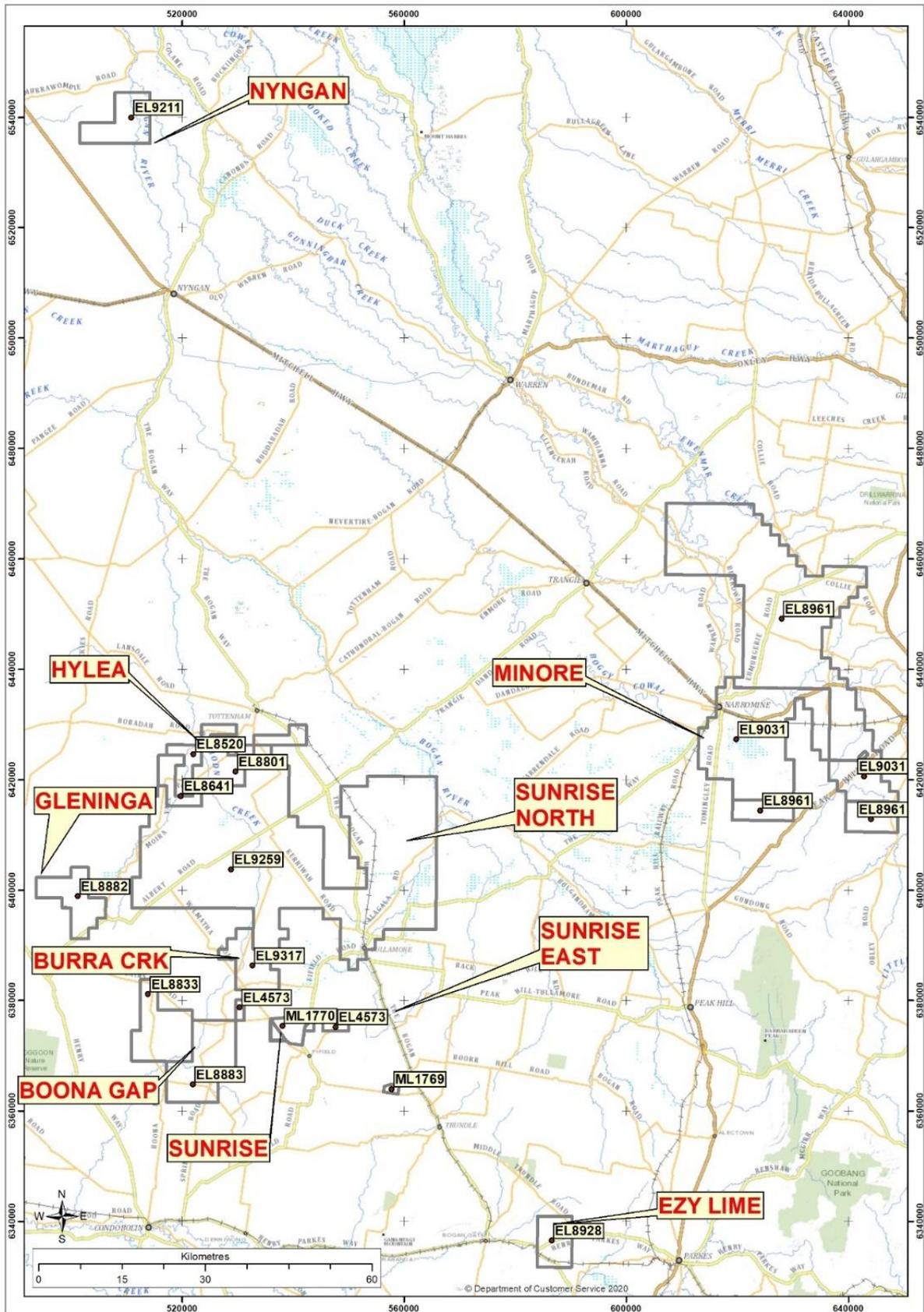
Sunrise East (EL4573)

No fieldwork or desktop activities was undertaken for EL4573 Sunrise East during the period. Activities were focussed on the rehabilitation of reverse circulation (**RC**) drill holes from the past drilling campaign.

Burra Creek (EL9317)

A detailed data review and target generation report was completed during the quarter which highlighted potential ultramafic and gold targets at the Burra Creek prospect.

Initial field sampling commenced during the quarter, however, access was limited to roadside sampling of bedrock outcrops. Samples will be submitted to the laboratory for analysis pending internal review by the exploration team.



Sunrise Energy Metals' Tenement Holdings in New South Wales

Minore Project (EL8961 and EL9031)

Rock chip sampling undertaken in the previous quarter returned anomalous results for rare earth elements (REE)² which confirms the targeting work done to date and the potential for the Minore Project to host REE mineralisation.

Further rock chip sampling, multi element geochemistry and petrography are planned to be undertaken at the Minore tenements in coming quarters to assess if the belt of magnetic rocks that extends north through the Minore Project is prospective for copper systems. Much of this belt of magnetic rocks is covered by younger sediments and has not been tested by drilling.

Boona Gap (EL8833)

During the quarter, work identified additional limestone targets across EL8833. Investigation and surface sampling across several limestone target areas are scheduled to be undertaken during the March 2023 quarter.

Drilling at Boona Gap of approximately 10 x 50m-deep RC holes is planned to commence in late January 2023.

Limestone is a key reagent used in the Sunrise Project's process plant. The Company has a contract in place to secure limestone from a quarry near Parkes which is sufficient for the operations of the mine. The purpose of the current limestone exploration programs is to determine if an additional source of limestone can be delineated which is closer to the mine site in order to supplement the supply from the third-party quarry, as well as reducing trucking distances for this important bulk reagent.

Ezy Lime (EL8928)

Field work was completed on the Company's Ezy Lime exploration licence around the existing operational limestone quarry (Mining Lease ML1568) which highlighted the potential for limestone extensions to dip at a shallow to moderate angle under cover sequences to the west of the existing limestone deposit.

An initial scout RC drilling program was approved during the quarter. This drill program of approximately 30 x 50m-deep RC holes is planned to commence in early January 2023. Additional limestone targets were also investigated to the south of ML1568 with some high-quality limestone observed.

² For details see the September 2022 Quarterly Report announced on ASX on 31 October 2022

Sunrise Energy Metals – Interests in Mineral Tenements

Licence Number	Project Name	Location	Equity Interest Current Quarter	Equity Interest Prior Quarter
EL8961	Minore	NSW	100%	100%
EL9031	Minore	NSW	100%	100%
EL8520	Hylea	NSW	100%	100%
EL8641	Hylea	NSW	100%	100%
EL8801	Hylea	NSW	100%	100%
EL9211	Nyngan	NSW	100%	100%
EL4573	Sunrise	NSW	100%	100%
EL8928	Sunrise	NSW	100%	100%
EL8833	Sunrise	NSW	100%	100%
EL8882	Sunrise	NSW	100%	100%
EL8883	Sunrise	NSW	100%	100%
EL9259	Sunrise	NSW	100%	100%
EL9317	Sunrise	NSW	100%	100%
ML1770	Sunrise	NSW	100%	100%
ML1769	Sunrise	NSW	100%	100%

CORPORATE

Payments to related parties during the quarter as outlined in Section 6 of the accompanying Appendix 5B to this quarter's activities report totalled \$208,000. These payments are related to salaries, superannuation, advisory and consultancy fees paid to directors and/or director-related entities during the quarter.

This announcement is authorised for release to the market by the Board of Directors of Sunrise Energy Metals Limited.

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About Sunrise Energy Metals Limited

Sunrise Energy Metals Limited (ASX:SRL) is progressing its world-class Sunrise Battery Materials Complex in New South Wales. The Sunrise Project is one of the largest and most cobalt-rich nickel laterite deposits in the world and is development-ready, with all key permits and approvals in place. Sunrise is also one of the largest and highest-grade scandium deposits globally.

Forward Looking Statements

Certain statements in this news release may constitute “forward-looking statements or “forward- looking information” within the meaning of applicable securities laws. Such statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements of the Company or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as “may”, “would”, “could”, “will”, “intend”, “expect”, “believe”, “plan”, “anticipate”, “estimate”, “scheduled”, “forecast”, “predict” and other similar terminology, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. These statements reflect the Company’s current expectations regarding future events, performance and results, and speak only as of the date of this new release. Readers are cautioned not to place undue reliance on forward-looking information or statements.

Although the forward-looking statements contained in this news release are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this news release and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this news release. For more information about Sunrise Energy Metals please visit the Company’s website www.sunriseem.com.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

SUNRISE ENERGY METALS LIMITED

ABN

34 127 457 916

Quarter ended ("current quarter")

31 DECEMBER 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	25	61
1.2	Payments for		
	(a) exploration & evaluation	(166)	(676)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(704)	(1,434)
	(e) administration and corporate costs	(366)	(1,450)
	(f) research and development	(117)	(206)
	(g) Sunrise Project expenditure	(297)	(679)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	156	236
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,469)	(4,148)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(3)	(44)
	(d) exploration & evaluation	-	-
	(e) investments	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(3)	(44)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings/payment of principal for rental leases	(61)	(122)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material):		
	(a) Cash backing of security bonds	-	(10)
3.10	Net cash from / (used in) financing activities	(61)	(132)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	22,117	24,908
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,469)	(4,148)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(44)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(61)	(132)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	20,584	20,584

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	20,584	20,584
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	20,584	20,584

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	208
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,469)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,469)
8.4 Cash and cash equivalents at quarter end (item 4.6)	20,584
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	20,584
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	14
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

This announcement is authorised for release to the market by the Board of Directors of Sunrise Energy Metals Limited.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.