

19 July 2021

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 and cashflow for the quarter ended 30 June 2021.

Key Highlights

- **Work streams to advance the fully integrated Sunrise Battery Materials Project continue with activities focussed on:**
 - **Progressing the long-lead electrical transmission line (ETL) work scope.**
 - **Advancing ongoing commercial discussions with landowners, local councils, the New South Wales state Government and other impacted parties required for land access agreements for key supporting infrastructure including the water pipeline and the ETL.**
 - **Submission of an application for a modification to the Sunrise Project Development Consent with the New South Wales Department of Planning, Industry and Environment. The modification submission covers some enhancements and changes made during the Sunrise Project Execution Plan.**
 - **Preliminary investigations to be undertaken on the Company's exploration licences for limestone resources, a key process reagent for which the Company currently has a supply contract in place with a third party.**
- **Sunrise Energy Metals is working with UACJ Corporation to develop a family of scandium containing alloys for advanced automotive applications. The Company's Nickel-Cobalt Sunrise Project in New South Wales can produce up to 200 tonnes per annum of scandium oxide suitable for use in the alloy market.**
- **Agreement to acquire the Hylea Project, located in New South Wales, from Lotus Resources Limited, targeting an expansion of the Company's nickel and cobalt inventory. The Hylea Project is located approximately 50km north of the Sunrise Project and exhibits similar geology to the Sunrise Project, with extremely encouraging nickel and cobalt grades from early drilling.**

- An initial 3-hole drilling campaign at the Phoenix Platinum Zone confirmed a high grade platinum intersection of 0.6m at 129g/t platinum at 255.9m downhole¹. The second phase of the drilling campaign at Phoenix has commenced and is expected to be completed by the end of July with assay results expected during the September quarter.
- The demerger of Clean TeQ Water Limited was implemented on 1 July 2021 in line with the timetable detailed in the Demerger Booklet released to the ASX on 17 May 2021.
- The Company had A\$54.7 million cash on hand as at 30 June 2021, of which A\$16.0 million was attributable to the Clean TeQ Water group of companies.

Managing Director and CEO, Sam Riggall said: *“The demerger of Clean TeQ Water allows Sunrise Energy Metals to focus on the advancement of the Sunrise Battery Materials Complex in New South Wales. The Sunrise Project is a long-life, low cost, development ready asset which can deliver significant amounts of sustainably generated nickel and cobalt to the global battery market. During the quarter, the Company continued to progress the Project via key work packages as well as maintaining our focus on securing the funding required to bring the project in to development. Our portfolio of exploration assets was expanded with the acquisition of Hylea and we now have interests in over 2,750km² of exploration tenements in the highly prospective Lachlan Fold Belt. The significant Platinum Group Metals intercepts from drilling at the Phoenix Platinum Zone were very encouraging in terms of the potential for what may lie below the Sunrise ore body. We look forward to updating the market on our exploration activities and further developments at the Sunrise Project in coming quarters.”*

SUNRISE BATTERY MATERIALS COMPLEX

During the quarter, the Company continued to advance the development of the Sunrise Battery Materials Complex (**Sunrise Project**) in New South Wales, Australia. The Sunrise Project is Australia’s largest and most advanced battery materials project (nickel and cobalt) and contains the world’s largest scandium resource. The project is fully integrated from mine to battery chemicals with annual forecast production of 21kt of nickel and 4.5kt of cobalt, with potential to produce up to 200 tonnes per annum of scandium oxide.

Significant project work and technical studies have identified the key development pathways and workstreams associated with the construction of the project, with approximately A\$250M invested in pre-development capex to date. All key permits are in place, the Company owns all the freehold land, and has land access agreements in place for Crown land, for the main Project site. The Project displays exceptional project economics with life of mine revenue of over US\$16.3 billion, average annual post-tax free cash flow of US\$308 million and an NPV8 of US\$1.2 billion.²

A range of workstreams remain ongoing to progress a number of value-adding deliverables aimed at minimising Project start time once funding is secured. Key work programs include:

¹ For full details including JORC disclosures refer to ASX announcement of 3 May 2021

² Financial evaluation based on first 25 years of operation. Refer to ASX Release of 28 Sep 2020 for more details

- Progression on the long-lead electrical transmission line (ETL) work scope. The ETL application to connect to the New South Wales electrical grid is currently in progress and will continue through CY21. The Sunrise Project will obtain all of its electricity requirements from renewable sources via the New South Wales electrical grid;
- Advancing ongoing commercial discussions with landowners, local councils, the New South Wales state government and other impacted parties required for land access agreements for key infrastructure including the water pipeline and the ETL;
- Surveying and planning for autoclave and oversize equipment transport routes to site;
- Preliminary investigations to be undertaken on our exploration licences for limestone resources, a key process reagent for which the Company currently has a supply contract in place with a third party;
- Test work and process development work assessing opportunities for potential further downstream processing of sulphates into cathode precursor and recycling of spent battery materials;
- Ongoing environmental work including monitoring and compliance reporting;
- Continuation of the Sunrise Community Consultative Committee as a stakeholder forum, along with a number of local community engagement/support programs;
- Progressing an application for a modification to the Sunrise Project Development Consent that covers various enhancements identified as part of the Sunrise Project Execution Plan; and
- A range of scandium alloy development programs will 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-containing alloys.

EXPLORATION ACTIVITIES

The Company continues to advance activities across its range of exploration assets in New South Wales.

Phoenix Platinum Zone

During the quarter, the Company announced significant drilling and assay results from the Company's platinum development activities at the Sunrise Project in New South Wales, Australia.

The Sunrise laterite hosts a significant resource of 103.1 Mt @ 0.33 g/t Pt for 1,076,170 ounces of platinum, using a 0.15 g/t Pt cut-off grade, making it one of the largest platinum resources in Australia.³

³ For full details see the ASX announcement of 9 October 2017

The first hole (SDD022) of a planned six-hole diamond core drill program has returned an extraordinarily high grade intersection of 0.6m at 129g/t platinum at 255.9m downhole. The intersection also includes significant grades of palladium, rhodium, iridium, osmium and ruthenium. The drill program intersected structurally controlled mineralisation hosting chromite and Platinum Group Metals (PGM). The dunitic host structure is many kilometres in extent and is considered to be the source of much of the near-surface platinum mineralisation in the Sunrise laterite.

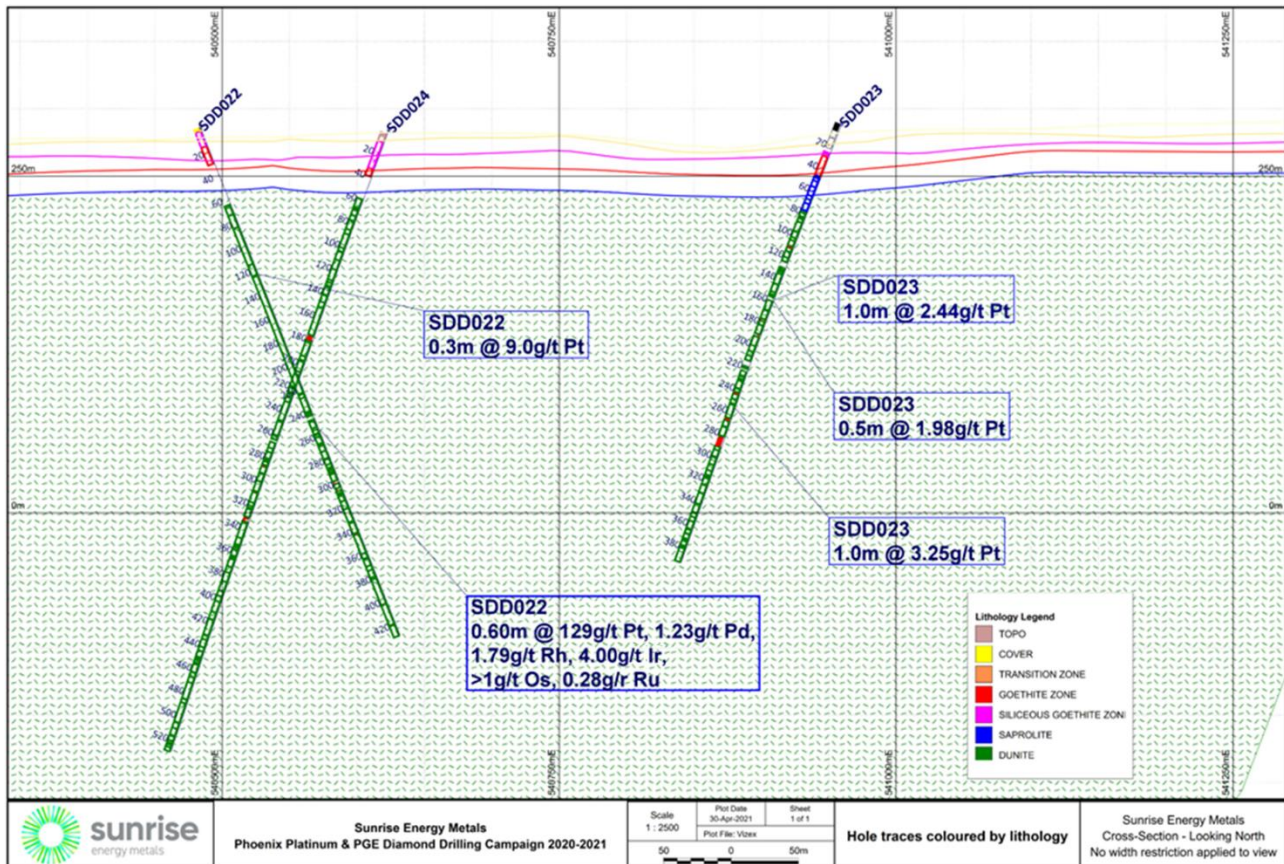


Figure 1: The initial diamond drill hole (SDD022) intersected the targeted area around 120m below surface which was identified in historic drilling undertaken by Ivanplats (SRC1257)

Other intercepts from the program above 1g/t Pt are listed in the table below.

Intercepts										
Prospect	Hole	From	To	Interval	Pt ppm	Pd ppm	Rh ppb	Ir ppb	Os ppb	Ru ppb
ML1770	SDD022	124.3	124.6	0.3	9.00	0.08	92	106	16	20
ML1770	SDD022	254.9	255.2	0.3	1.24	0.01	Not Sampled			
ML1770	SDD022	255.9	256.5	0.6	129	1.23	1785	4000	888	277
ML1770	SDD023	156.0	157.0	1.0	3.25	0.03	16	11	2	3
ML1770	SDD023	158.0	159.0	1.0	2.44	0.06	24	16	1	3
ML1770	SDD023	160.0	160.5	0.5	1.98	0.05	32	20	5	4
ML1770	SDD023	256.0	257.0	1.0	3.25	0.03	17	12	1	3

The Company has launched the next phase of the drilling campaign which will see a further three holes targeting high grade PGM mineralization within the chromite bearing structures. The program is expected to be completed by the end of July with assay results expected during the September quarter.

Sunrise North Project

During the quarter, the Company applied for a 1,230 square kilometre tenement (ELA6246) 20km north of the Sunrise Project. Sunrise North abuts several large magnetic anomalies to the southwest of the lease and includes what is interpreted to be the edge of the western limb of the Macquarie Arc. The magnetic anomalies are most likely Alaskan-style ultramafics and may hold additional laterite nickel, cobalt and scandium mineralisation as well as platinum.

The main magnetic anomaly was drilled by a single historic reverse circulation drill hole to a depth of 135m but was terminated in siltstone due to excessive water. Six rotary air blast holes were also drilled to a maximum depth of 56m further east on the less prominent magnetic anomalies and were terminated in schist.

Exploration will initially focus on analysis and interpretation of existing government geophysical surveys, including gravity and magnetic surveys, to better resolve the nature of the high gravity anomalies observed in the government data.

Nyngan Project

During the quarter, Sunrise Energy Exploration Pty Ltd applied for an area (ELA6261) 160 km north of the Sunrise project. The 80 square kilometre lease area was previously unpegged ground. The lease area covers the Horton Park Igneous Complex, a continuation of the Alaskan-style ultramafic complexes that stretches along the western boundary of the Macquarie Arc system within the Lachlan Fold Belt. The application area has had no previous drilling undertaken on it.

The exploration strategy would be to undertake preliminary reconnaissance exploration including soil and grab sampling to establish a geological framework from which to advance the next phase of exploration work. Variable thicknesses of Quaternary sediment cover overlies the complex with the Macquarie River on the eastern edge of the lease area.

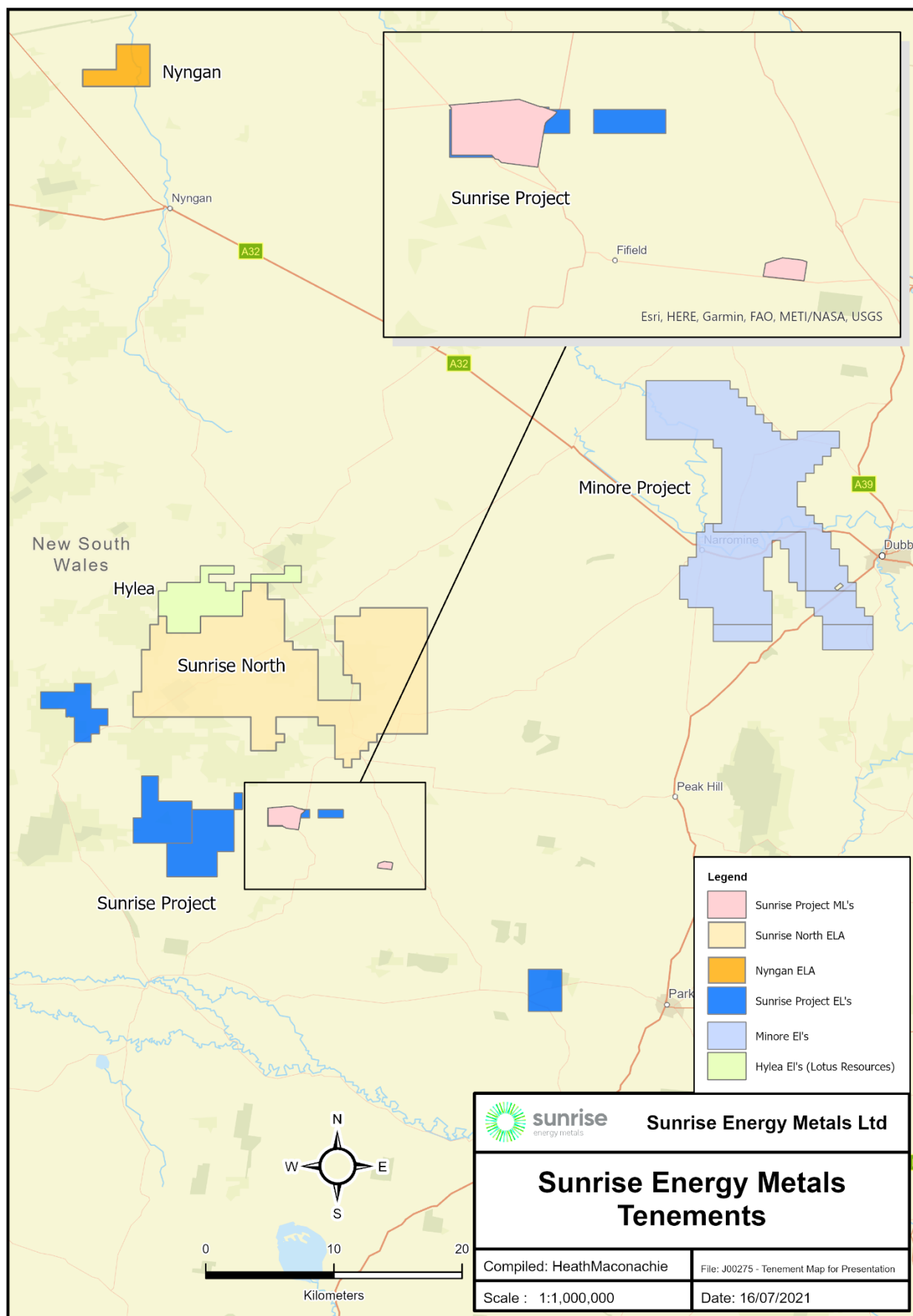


Figure 2: Sunrise Energy Metals' Mineral Tenements

OCCUPATIONAL HEALTH AND SAFETY

The Company had no lost time injuries or reportable environmental incidents recorded during the quarter. There have been no COVID-19 cases during the quarter, and the Company continues to maintain appropriate protocols across all locations to minimise the potential transmission of COVID-19.

CORPORATE

The Company had A\$54.7 million cash on hand as at 30 June 2021, of which A\$16.0 million was attributable to Clean TeQ Water which was demerged from Sunrise Energy Metals on 1 July 2021.

Agreement for the development of aluminium-scandium alloys

Sunrise Energy Metals has entered into an agreement (**Agreement**) for the development of aluminium-scandium alloys with UACJ Corporation (**UACJ**). The Agreement with UACJ will focus on the research and future development of aluminium-scandium alloys for the use in advanced automotive applications. Under the agreement, UACJ will develop test pieces of aluminium-scandium and test the material characteristics. Sunrise will advise on the research plan and over time provide the scandium for use in the alloys.

The Company's Sunrise Project in New South Wales, Australia, is being developed as one of the world's largest integrated producers of nickel sulphate and cobalt sulphate – key battery cathode materials for the electric vehicle market. However, it also hosts one of the largest and highest-grade scandium deposits ever discovered, positioning the Company to be a major supplier of low-cost scandium for production of next-generation lightweight aluminium alloys for use in a variety of industries, including aerospace, automotive and consumer products. The commercial utilisation of scandium from the Sunrise project will significantly increase revenues and commercial returns.

Board of directors

Mr Trevor Eton has been appointed as Non-Executive Director, effective 1 July 2021. Mr Eton is a highly respected finance executive with over 35 years' experience in corporate finance within the minerals industry. His previous full-time executive role was as CFO and Company Secretary of sulphide nickel producer, Panoramic Resources Limited (ASX:PAN) (**Panoramic**) from 2003 to 2020 where he was instrumental in the financing, construction and development of the Savannah Nickel Project and the acquisition and subsequent development of the Lanfranchi Nickel Project, which saw Panoramic reach a market capitalisation exceeding \$1 billion in 2007.

As flagged in the Demerger Booklet on 17 May 2021, Non-Executive Directors Mr Ian Knight and Mrs Judith Downes retired from the Sunrise Energy Metals Board effective 30 June 2021.

Demerger of Clean TeQ Water

The Company announced that the demerger of Clean TeQ Water Limited was implemented on 1 July 2021 in line with the timetable detailed in the Demerger Booklet released to the ASX on 17 May 2021.

Clean TeQ Water has now been allocated the ticker code 'CNQQF' for trading on the US OTC market. SREMF contract holders should contact their custodian/nominee share broker to ensure the share broker has a mechanism in place to register the interest each SREMF contract holder may have in the new shares of Clean TeQ Water.

Hylea Acquisition

During the quarter, the Company reached agreement to acquire the Hylea Project, located in New South Wales, from Lotus Resources Limited (ASX:LOT) (**Lotus**) to expand the Company's footprint in the highly prospective Lachlan Fold Belt. The Hylea Project is located approximately 50 kilometres north of the Sunrise Project on the western side of the Lachlan Orogen. It exhibits late-stage post-orogenic Alaskan-Ural style zoned intrusion covering an area of some 25 square kilometres and therefore exhibits similar geology to the Sunrise Project. The weathered surfaces of the intrusions at both Sunrise and Hylea host laterite nickel, cobalt and scandium mineralisation. Sunrise Energy Metals has agreed to acquire, subject to Ministerial consent, a 100% interest in Exploration Licences EL8520, EL8641 and EL8801 for \$2.5 million, with \$1.0 million payable in cash and \$1.5 million payable in cash and/or SRL shares, at the Company's election, at completion. Once the acquisition has completed, the Company will undertake a detailed desktop review of the existing data to map out future exploration plans.

Sunrise Energy Metals acquires full ownership of NematiQ Joint Venture

Sunrise Energy Metals reached agreement with Ionic Industries Limited (**Ionic**) to move to full ownership of the Company's graphene oxide membrane development joint venture company NematiQ Pty Ltd (**NematiQ**). Under the terms of the agreement, Sunrise Energy Metals acquired the remaining 16.8% (116,667 shares) of NematiQ that it did not currently own as well as the shareholder loan of \$340,000 owed by NematiQ to Ionic. As part of the asset swap, the Company will issue to Ionic 740,741 fully paid ordinary shares of Sunrise Energy Metals. Ionic has agreed to a voluntary escrow of the Sunrise Energy Metals shares (and any shares in Clean TeQ Water Limited which it may receive pursuant to the proposed demerger of the Company's Water Business) until 30 September 2021. NeamatiQ was demerged as part of the Clean TeQ Water business.

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

For more information, please contact:

Corporate

Ben Stockdale (CFO)

+61 3 9797 6777

Investors

Craig Sainsbury (Market Eye)

craig.sainsbury@marketeye.com.au

About Sunrise Energy Metals

Sunrise Energy Metals Limited (SRL.ASX) is progressing its world-class Sunrise Battery Materials Complex in New South Wales, utilising its Clean-iX® technology. 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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SUNRISE ENERGY METALS LIMITED

ABN

34 127 457 916

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (12 months) A\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	933	1,569
1.2 Payments for		
(a) research and development	(304)	(856)
(b) product manufacturing and operating costs	(36)	(366)
(c) advertising and marketing	(305)	(835)
(d) leased assets	(194)	(828)
(e) staff costs	(1,790)	(6,674)
(f) administration and corporate costs	(2,013)	(6,021)
(g) exploration and evaluation	(1,279)	(8,372)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	173
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,955	2,002
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,015)	(20,209)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(62)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (12 months) A\$'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	19	35
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	19	(27)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	34,810
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	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	34,810

4.	Net increase / (decrease) in cash and cash equivalents for the period	(2,996)	14,574
4.1	Cash and cash equivalents at beginning of period	57,653	40,083
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,015)	(20,209)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	19	(27)

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (12 months) A\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	34,810
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	54,657	54,657

Note: On 1 July 2021 Clean TeQ Water Limited was demerged from Sunrise Energy Metals Limited. The cash and cash equivalents at item 4.6 includes A\$16 million which is attributable to Clean TeQ Water.

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	54,657	57,653
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)	54,657	57,653

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter A\$'000
-
-

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

7. Financing facilities

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end A\$'000	Amount drawn at quarter end A\$'000
-	-
-	-
-	-
-	-

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)

(3,015)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

54,657

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

54,657

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

18

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 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:

8.6.2 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:

8.6.3 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 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 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.

Date: 19 July 2021

Authorised 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 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 standard applies 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.