sunrise
energy metals

2022
Annual Report

Our mission is to deliver better solutions for a decarbonising planet

The Sunrise Nickel Cobalt project is sustainably designed to operate on 100% renewable power with industry-leading carbon footprint, water re-use and responsible waste management

Contents

Awarded Major Project Status

by the Australian Government

The Sunrise Project Economic Parameters

Strong Annual Production[1]
Nickel: 21.3 ktpa
Cobalt: 4.4 ktpa

Robust Economics
NPV_8: US$1.2 billion
IRR: 15.4%

1. Average over first decade of operation. Financial evaluation based on first 25 years of operation. Refer to ASX Release of 28 September 2020 for more details.

Conditional Financing Support of $400m

Rapid Payback
5.1 years

Exceptional Cash Flow
LOM EBITDA: US$10.8 billion
Avg FCF (post-tax): US$308 million pa

Long Mine Life
50 Year life supported by JORC Ore Reserves

Low Cash Cost
Negative US$0.80/lb Ni after by-product credits

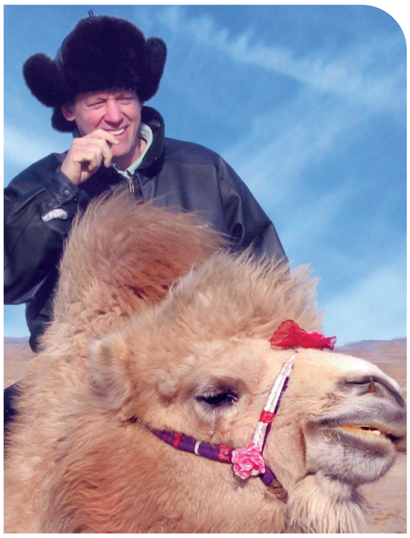
Sunrise Energy Metals is strongly positioned to be one of the largest and lowest cost suppliers of nickel and cobalt raw materials to the battery industry.

Nickel and cobalt are essential metals to fuel the transition to an all-electric future.

Sunrise remains firmly focussed on the successful delivery of one of the world's most exciting integrated battery materials projects.

Message from the Co-Chairmen

The world's transition to an energy mix that is clean, renewable and reliable continues to gather momentum. The need to look beyond traditional carbon intensive industries has never been greater. This transition will be highly metal-intensive.



The Sunrise Battery Materials Project is strongly positioned to play an important role in supporting this transition as the market for batteries and electric vehicles grows.

Resource and energy security remains an ever-increasing concern. Trade disputes and a war in Ukraine have forced a global reassessment of supply chain risk. Historically, Russia has been a major supplier of hydrocarbons, particularly to Europe. Russia is also a major producer of agricultural products and metals, including around 7% of world nickel production and around 20% of Class 1 nickel.

Nickel and cobalt are essential metals to fuel the switch to an all-electric future. Specifically, high-purity metal sulphates are required to manufacture the high-quality cathodes required in the lithium-ion batteries that will power our vehicles through the coming decades.

In addition to nickel and cobalt, the Sunrise Project hosts the world's largest scandium resource. We believe scandium will be a critical metal in the development of a new generation of high-performance aluminium alloys for the aerospace and automotive sectors, as well as a key ingredient in improving the efficiency and cost of hydrogen electrolysis.

Sunrise Energy Metals is strongly positioned to be one of the largest and lowest cost suppliers of nickel and cobalt raw materials to the battery industry. This will be done from a stable jurisdiction with low sovereign risk and an excellent reputation for maintaining the highest environmental, social and governance standards.

Our Company remains firmly focussed on the successful delivery of one of the world's most exciting, development ready integrated battery materials projects. As the world coordinates global action to tackle carbon emissions and air pollution, the Board and management team remain confident in your Company's capacity to deliver an important contribution to our shared future.

Robert Friedland
Co-Chairman

Jiang Zhaobai
Co-Chairman

Message from the Managing Director and Chief Executive Officer

Dear Shareholder,

We continued to advance the Sunrise Energy Metals over FY22 and achieved some significant milestones. Our priority remains financing, which is a necessary precondition to a final investment decision. Over the year we've seen an encouraging increase in both investment and offtake interest, no doubt a consequence of recent volatile metal markets.

With the significant work we've already undertaken on design, front-end engineering and permitting the Project is in good shape to move rapidly into construction when we secure financing.

As we evaluate investment and offtake options, I want to assure you that the management team remains committed to delivering value for shareholders.

Sunrise Energy Metals delivered several major milestones in the development of the Sunrise Battery Materials Project during the year. These included:

The award of Major Project Status by the Australian Government.

Receipt of conditional financing support from Export Finance Australia for up to $400m of debt funding.

New South Wales Government approval to modify the Project's Development Consent.

The temporary relocation of autoclaves and progress on the long-lead electrical transmission line ('ETL') work scope.

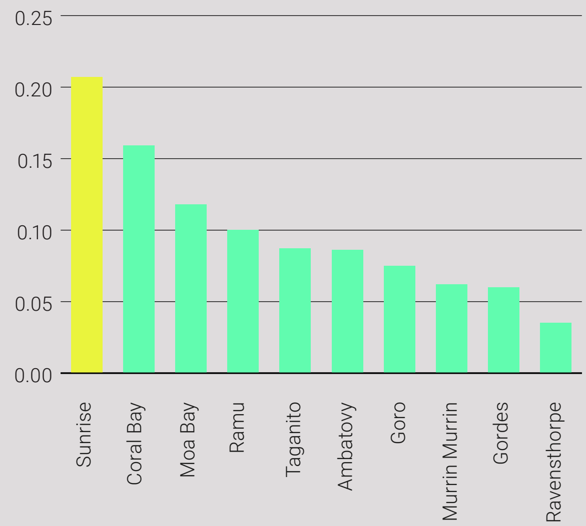
Ongoing discussions with major industrial partners to secure funding support and offtake commitments.

Advancing discussions with landowners, local councils and the state government for land access agreements required for key infrastructure, including the water pipeline and the ETL.

The Sunrise Battery Materials Project

The Sunrise Project is Australia's largest and most advanced battery materials project. Once constructed, Sunrise will be fully integrated from mine to battery chemicals, with average annual production of over 21,000 tonnes of nickel and 4,500 tonnes of cobalt.

Cobalt : Nickel Ratio in Nickel Hydromet Operations



Note: Sunrise data based on the average nickel and cobalt grades over the first decade of operation into the mill. Data from other operations is taken from public reports.

Sunrise has been designed to deliver low cost and sustainably produced battery cathode materials from a low-risk jurisdiction. Once constructed, Sunrise will:

Given the significant work we've already undertaken on design, front-end engineering and permitting, the Project is in good shape. Our cash burn is relatively modest and there are few comparable, development-ready projects anywhere in the world.

Our priority remains financing, which is a necessary precondition to a final investment decision. Over the year we've seen an encouraging increase in both investment and offtake interest, no doubt a consequence of recent volatile metal markets. As we evaluate investment and offtake options, I want to assure you that the management team remains committed to delivering value for shareholders.

- Operate in the lowest quartile of the industry cost curve, offering strong cashflow generation and a rapid payback.
- Contain sufficient Ore Reserves to sustain a 50-year operation.[2]
- Use a direct-to-sulphate processing route to produce battery-grade precursor feedstock at the mine site, avoiding the need for product rehandling or offshore refining.
- Operate on 100% renewable electricity to deliver an industry-leading carbon footprint, coupled with water re-use and responsible waste management.
- Provide an option to integrate with downstream precursor and cathode production to reduce processing, handling and logistics costs, as well as carbon emissions.
- Offer an option to recycle black mass in the refinery.
- Be the world's largest producer of scandium, a key rare earth element in the development of lighter and stronger aluminium alloys, as well as a critical metal in the production of hydrogen electrolysers.

Sunrise is not mining as usual. It is a project that has been designed with care and attention to the downstream markets it will service by not only delivering on customers' environmental, social and governance objectives, but also ensuring that emissions aren't shifted from tailpipe to shovel.

1. For full details, including JORC 2012 disclosures, see ASX announcement of 28 September 2020.

Message from the Managing Director and Chief Executive Officer (cont.)

How we see the battery materials market

There is a natural and observable bias in many markets for participants to forecast future conditions based on recent history. In metals, we believe this can be fatal. Instead, we do not profess to have any meaningful insights to future metal prices that are not already reflected in current market prices or forward curves. In fact, we believe metal price forecasting to be a somewhat unproductive exercise.

To us, it is much more important to understand industry cost structures and how projects stack on industry cost curves. There is little we can do to control metal prices, but there is much we can do, with the right asset, to deliver competitive cost outcomes.

Ownership of assets that continue to generate positive operating cash flow through the investment cycle will, for industrial end users, provide the most effective form of metal price hedging. This is why we believe Sunrise, with its low unit costs of production and scalability, will be such a powerful asset when fully integrated into a supply chain.

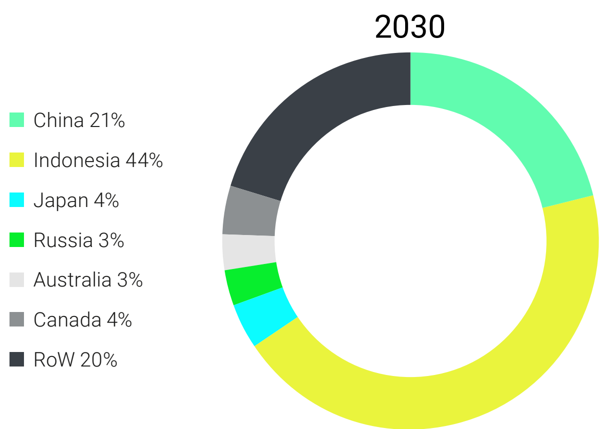
The geopolitical uncertainties that developed over the year – both COVID-19 and the war in Ukraine – have accentuated concerns that already existed in many metal markets about the reliability of supply. When these concerns are combined with the staggeringly large investments being made by the auto industry in new cell and battery capacity production, and China's dominance in many of these metal markets, there is one thing we can be relatively sure of: the future will look quite different to the past.

A lithium ion battery is a metals-intensive technology. This fact is already forcing a profound reassessment of metal supply and pricing risk by the car industry.

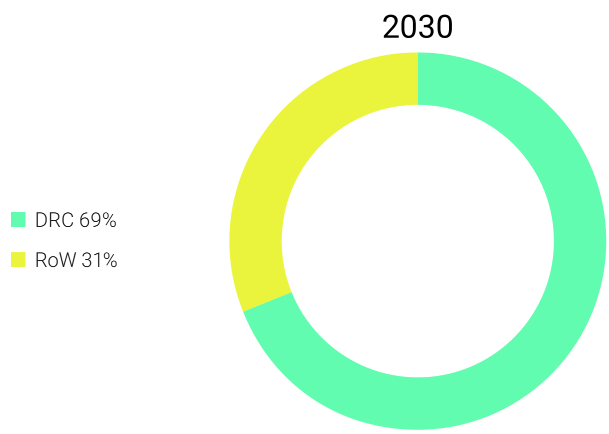
As we've stated publicly for many years, there must ultimately be a move to higher degrees of vertical integration across these supply chains if automakers are to execute on their all-electric strategies.

"Ownership of metal remains the only way to hedge both supply and price risk."

Over 50% of the world's forecast nickel supply is from Indonesia, China, and Russia



Cobalt supply is mainly sourced from the DRC



From well to wheel, we are now approaching metal to pedal.

Of course, the need for the auto industry to vertically integrate was not a popularly held view, even only a couple years ago. It was certainly not a view embraced by the car industry. However, I think time will prove the strength of our conviction on this point.

This new supply chain reality – requiring ownership and integration of assets from mining through to battery production – requires a very different mindset to current supply chain management, a mindset procurement professionals may find greatly discomforting.

When it comes to the critical metals we find in a high-performance lithium ion battery – lithium, nickel and cobalt – no longer will lean, just-in-time supply chain management, built around open book component pricing, be workable. Instead, we need a complete rethink of supply chains and where value is captured across those supply chains.

While the speed at which carmakers have moved to embrace an integrated supply chain solution may have been slower than some expected, there is little doubt that, for a few automakers, we have arrived at this point today.

The industry now understands that there is simply not enough metal to meet the short (and, possibly, medium) term needs of all carmakers.

Failure to recognise this new reality is not just about the losers being at a competitive disadvantage; it's about the very existence and viability of their business models. No metal, no battery. Adapt or perish.

For governments, the dilemma is possibly even more acute and the risks far higher. From petro-states to electro-states, China's control over battery metals far exceeds OPEC's share of global oil markets. A confronting thought to many who work in energy security policy.

A long-term focus on sustainable mining is critical

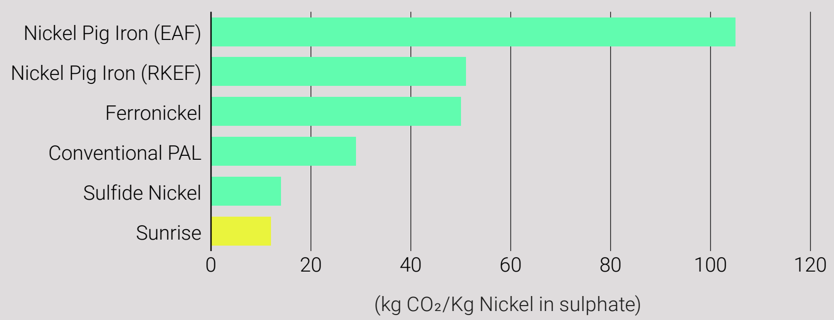
Few people outside the mining industry have an appreciation of how much new mine supply will be required to support the energy transition, and the bottlenecks that often limit the speed at which new capacity can be built.

As indicated earlier, batteries are metal intensive, and we face the prospect of unprecedented growth rates over coming decades. If we cannot find better and more efficient ways to mine and process metals, we run the risk of simply shifting emissions from the tailpipe to the shovel. At Sunrise this has forced us to embrace sustainability in project design and think more creatively about how capital is best allocated in these emerging supply chains.

We are committed to ensuring that the Sunrise Project is the gold-standard for sustainability by:

- Sourcing 100% renewable electricity for our operations to ensure our battery materials have an industry-leading carbon footprint.
- Ensuring that our commitments to health, safety, environment and community outcomes are in accordance with international best practice.
- Maximising water re-use from on-site water treatment facilities.
- Ensuring waste management adheres to ANCOLD standards and state legislative requirements.
- Continuing to work on options to integrate recycled metal products into our flowsheet to help our customers meet their recycling targets.

Carbon intensity of nickel production



Message from the Managing Director and Chief Executive Officer (cont.)

Exploration and metals development optionality

Over the past year we have continued to expand our exploration footprint. We have assembled a very large landholding in this highly prospective region in NSW.

During the year we completed the acquisition of the Hylea Project, undertook exploration drilling at Sunrise East and Boona Gap, and acquired new tenements at Burra Creek, Sunrise North and Nyngan. We also explored the limestone potential across several exploration targets (limestone being an important processing reagent for Sunrise).

Recent drilling has continued to intersect more nickel and cobalt mineralisation around Sunrise, demonstrating the optionality embedded in such a large resource once local processing capacity is constructed.

Our people

I am pleased to report that we kept all our people and contractors safe despite the ongoing challenges associated with the global pandemic. We recorded no environmental issues and received zero community complaints.

I would like to thank our staff and contractors for their hard work over the year. I would also like to pay special thanks to the communities affected by the Project, especially members of those communities who serve on the Sunrise Community Consultative Committee, as well as the local government bodies we work with – Lachlan, Forbes and Parkes Shire Councils.

Finally, I want to thank our shareholders for your ongoing support, as well as the hard-working members of the Sunrise Energy Metals team. For me, it's a true privilege to work in this Company with the incredible people we have, who are singularly dedicated to being part of an innovative and important solution.

Sam Riggall
Chief Executive Officer

"We recorded no environmental issues and received zero community complaints."

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Directors' Report

For the year ended 30 June 2022

The Directors present their report, together with the financial statements, for the consolidated entity consisting of Sunrise Energy Metals Limited (referred to hereafter as the 'Parent Entity', the 'Company' or 'Sunrise Energy Metals') and the entities it controlled (referred to hereafter as the 'Consolidated Entity'), for the financial year ended 30 June 2022 ('financial year'), and the auditor's report thereon.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Robert Friedland (Co-Chairman and Non-Executive Director)
Jiang Zhaobai (Co-Chairman and Non-Executive Director)
Sam Riggall (Managing Director and CEO)
Stefanie Loader (Lead Independent Non-Executive Director)
Eric Finlayson (Non-Executive Director)
Trevor Eton (Independent Non-Executive Director)

Directors' Profiles

Name:	**Mr Robert Friedland**
Title:	Co-Chairman and Non-Executive Director
Qualifications:	Bachelor of Arts in Political Science from Reed College, Oregon, USA
Experience and Expertise:	Mr. Friedland was appointed Co-Chairman of Sunrise Energy Metals on 8 September 2016. During the past 25 years of his career, Mr. Friedland has founded and led two prominent, international mining entities under the Ivanhoe Mines banner. He is Executive Co-Chairman and a director of Ivanhoe Mines Ltd., which has three major mine development projects and exploration underway in Southern Africa, including construction of three new mines, two of which are on world-scale mineral discoveries made by Ivanhoe Mines, in South Africa and the Democratic Republic of Congo. The company operated under the Ivanplats name after its founding in 1998 and assumed the Ivanhoe Mines name in 2013. The original Ivanhoe Mines, founded in 1994 and now named Turquoise Hill Resources, had extensive mining and exploration interests in the Asia Pacific Region. Mr. Friedland was Executive Chairman and Chief Executive Officer of the original Ivanhoe Mines until 2012, and was also President from 2003 to 2008. He directed Ivanhoe Mines' assembly of a portfolio of interests in several countries over 16 years and led the company's team that made the discoveries and initial development of the Oyu Tolgoi copper-gold-silver deposits in southern Mongolia. Rio Tinto acquired a controlling interest in the company in January 2012 and the company was renamed Turquoise Hill Resources in August 2012, which now is operating and continuing the development of Oyu Tolgoi. Before founding Ivanhoe Mines, Mr. Friedland was a co-founding principal investor in Diamond Fields Resources in late 1992. Assuming Co-Chairmanship in 1994 after company-funded exploration discovered high-grade nickel at Voisey's Bay in Canada, Mr. Friedland led negotiations for the subsequent sale of the tier-one discovery to INCO for C$4.3 billion in 1996. The mine began production in 2005. Now owned by Vale, it is the world's fourth-largest nickel producer. Mr. Friedland is also Chairman and President of Ivanhoe Capital Corporation, his family's private, Singapore-based company founded in 1987 that specialises in providing venture capital, project financing and related services for international business enterprises, predominantly in the minerals, energy and communications technologies sectors. He was inducted into the Canadian Mining Hall of Fame in 2016 and the American Mining Hall of Fame in 2021.

Other current directorships:	Founder and Executive Co-Chairman, Ivanhoe Mines Ltd. Chairman & President, Ivanhoe Capital Corporation (private) Chairman & Co-Founder, I-Pulse Inc. (private) Chairman, High Power Exploration Inc. (private) Chairman, VRB Energy (private) Co-Chairman, SK Global Entertainment (private) Co-Founder and Chairman, Ivanhoe Pictures (private) Chairman and CEO, Ivanhoe Capital Acquisition Corp. Chairman and CEO, Ivanhoe Electric Inc.
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	11,977,801 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	**Mr Jiang Zhaobai**
Title:	Co-Chairman and Non-Executive Director
Qualifications:	EMBA, China Europe International Business School
Experience and Expertise:	Mr Jiang took part in numerous engineering and construction projects following graduation from university in the 1980's. He later founded his own real estate development company in 1988. In 1997, Shanghai Pengxin Group Co., Ltd. was established with Mr Jiang as founding Chairman and he remains in that role to this date. Under Mr Jiang's leadership, Shanghai Pengxin Group has successfully developed a number of significant property projects, amounting to a total of twenty million square meters. Starting from real estate development including both residential and commercial as well as hotel industry, the group has diversified into a range of other sectors including modern agriculture, mining, environmental science and technology and financial investment. The group is now a diversified conglomerate with controlling interests in four listed companies in China. He was appointed a Director of Sunrise Energy Metals on 24 April 2017.
Other current directorships:	Chairman of Shanghai Pengxin Group Executive Chairman of Shanghai Entrepreneurs Association (private) Vice President of the China-Latin America and the Caribbean Friendship Association (private)
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	10,451,888 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	**Mr Sam Riggall**
Title:	Managing Director & Chief Executive Officer
Qualifications:	LLB (Hons), B.Com., MBA
Experience and Expertise:	Mr Riggall has spent his career in the mining and technology industries as a company director, senior executive, adviser and investor. He has worked extensively in specialty minerals, initially as mining executive for the Rio Tinto Group's portfolio of industrial minerals businesses, and over the past decade in battery materials. Mr Riggall has worked in exploration, evaluation, development and operations, having served as a director on several public and private boards in Australia and overseas. He brings deep and extensive insight to the interface between emerging technologies and raw material markets and is an active advocate for reforming supply chains to accelerate innovation and better manage risk. Prior to Sunrise Energy Metals, Mr Riggall was head of strategy and planning at Ivanhoe Mines, where he worked actively in Central Asia, Africa and Australia. In his roles at both Rio Tinto and Ivanhoe, Mr Riggall was responsible for review of capital allocation decisions and new project generation. He has led negotiations with national governments and parliaments to secure long-term mine development agreements, as well as actively defending nationalisation and expropriation cases in many parts the world. Mr Riggall holds law and economics degrees from the University of Melbourne, and a MBA from Melbourne Business School. He is a Fellow of the Australian Institute of Mining and Metallurgy, was a member of the taskforce responsible for the Australian Government's Modern Manufacturing Strategy on Resources Technology and Critical Minerals Processing and is a Steering Committee member of the World Materials Forum based in Europe. In 2009 Mr Riggall was awarded the Honour Medal of Economic and Financial Service by the Government of Mongolia for his contribution to Mongolia's economic and social development. Mr Riggall was appointed to the Sunrise Energy Metals Board on 4 June 2013.
Other current directorships:	Clean TeQ Water Limited
Former directorships (last 3 years):	Syrah Resources Limited (resigned 22 May 2020)
Special responsibilities:	Nil
Interests in shares:	2,613,147 fully paid ordinary shares
Interests in options:	100,000 expiring 9 August 2023 with a strike of $4.97
Interests in rights:	760,882

Name:	**Ms Stefanie Loader**
Title:	Lead Independent Non-Executive Director
Qualifications:	Bachelor of Science with Honours (Geology), University of Western Australia, Graduate Certificate in Applied Statistics, Murdoch University; MAIG; GAICD.
Experience and Expertise:	Ms Stefanie (Stef) Loader is a mining industry executive with experience in exploration, project evaluation and development, mining and corporate roles across seven countries and four continents. Residing in Central West NSW, Ms Loader was most recently Managing Director of Northparkes Copper and Gold Mine for CMOC International. Ms Loader began her career with Rio Tinto as an exploration geologist in Australia and was part of the discovery team for the Khanong copper deposit at Sepon in Laos. After exploration and evaluation roles in the Americas, Ms Loader was assigned to the office of the Rio Tinto Chief Executive in London. Ms Loader also led the development of the Bunder diamond project in India. Ms Loader was appointed a Director of Sunrise Energy Metals on 28 June 2017, with effect from 1 July 2017.
Other current directorships:	St Barbara Limited
Former directorships (last 3 years):	Clean TeQ Water Limited (resigned 10 March 2022)
Special responsibilities:	Chair of the People, Governance and Sustainability Committee and member of the Audit, Finance and Risk Committee
Interests in shares:	22,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	**Mr Eric Finlayson**
Title:	Non-Executive Director
Qualifications:	BSc (Honours) in Applied Geology
Experience and Expertise:	Mr Finlayson is a geologist with over thirty-five years of experience in Australia and overseas. In 24 years with Rio Tinto, Mr Finlayson held a number of key executive roles including regional exploration manager for Canada, Director of Exploration for the Australasian region and 5 years as Global Head of Exploration based in London. Mr Finlayson also served as CEO of Rio Tinto Coal Mozambique following Rio Tinto's takeover of Riversdale Mining in 2011. Mr Finlayson is currently President and CEO of High Power Exploration, a private US company, President of Ivanhoe Electric, newly listed on the NYSE and TSX, and is Interim Chairman, President and CEO of TSX-V listed Kaizen Discovery. Mr Finlayson was appointed a Director of Sunrise Energy Metals on 16 September 2015.
Other current directorships:	Kaizen Discovery Inc. Sama Resources Inc.
Former directorships (last 3 years):	Cordoba Minerals Corp. (resigned 10 October 2021)
Special responsibilities:	Member of the People, Governance and Sustainability Committee and the Audit, Finance and Risk Committee
Interests in shares:	75,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	**Mr Trevor Eton**
Title:	Non-Executive Director
Qualifications:	Bachelor of Arts (Hons.) degree majoring in Economics from Victoria University of Wellington, New Zealand, a Post Graduate Diploma in Management from the Melbourne Business School and is an Associate Fellow of the Australian Institute of Management (AFAIM).
Experience and Expertise:	Mr Eton is a well-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. Prior to Panoramic, he held corporate finance roles with various other resource companies, including diversified metal producers, MPI Mines Limited and Australian Consolidated Minerals Limited (ACM). Mr Eton was appointed a Director of Sunrise Energy Metals on 1 July 2021.
Other current directorships:	Auroch Minerals Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Audit, Finance and Risk Committee and member of the People, Governance and Sustainability Committee
Interests in shares:	12,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Other current directorships quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships' quoted above are directorships held in the last three years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company Secretary

Ms Melanie Leydin was appointed to the position of Company Secretary on 7 July 2011. Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and from February 2000 to October 2021 was the principal of Leydin Freyer. In November 2021 Vistra acquired Leydin Freyer and Melanie is now Vistra Australia's Managing Director. Vistra is a prominent provider of specialised consulting and administrative services to clients in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Ms Leydin has over 25 years' experience in the accounting profession and over 15 years' experience holding Board positions including Company Secretary of ASX listed entities. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies, initial public offerings, secondary raisings and shareholder relations.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board subcommittee held during the financial year, and the number of meetings attended by each Director are tabled below:

	Board		Audit, Finance and Risk Committee		People, Governance and Sustainability Committee	
Director	Held	Attended	Held	Attended	Held	Attended
Total meetings	4		4		3	
Robert Friedland	4	2	–	–	–	–
Jiang Zhaobai	4	3	–	–	–	–
Stef Loader	4	4	4	4	3	3
Sam Riggall	4	4	–	–	–	–
Trevor Eton	4	4	4	4	3	3
Eric Finlayson	4	2	4	2	3	1

Chair Member

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Attended: indicates the number of meetings attended by each Director during the time the Director held office or was a member of the relevant committee.

The Company values a Board with a diverse mix of skills and experience. Co-Chair, Jiang Zhaobai, is not a fluent English speaker, and the Company has taken a number of steps to ensure that Mr Jiang understands and can contribute to the business of the Board and can discharge his duties effectively. Specifically, papers are distributed well in advance of Board meetings to allow time for review and comment. Further, Mr Jiang attends Board meetings with his bilingual Executive Assistant who assists with translation and communication. To the extent that Mr Jiang, or any Director, is unable to attend meetings, the Co-Chair or the Lead Independent Non-Executive Director ensure that their views are represented to the Board.

Principal Activities

During the financial year the principal continuing activities of the Consolidated Entity consisted of the development of the Sunrise Battery Materials Complex ('Sunrise Project') in New South Wales ('NSW') utilising the Consolidated Entity's Clean-iX® resin technology for extraction and purification of a range of metals as well as progressing exploration activities at the Company's other mineral tenements ('Metals Division').

During the financial year the Consolidated Entity undertook a reorganisation of its water purification business which is focused on the engineering design, procurement and commissioning of water treatment plants for clients in the municipal, industrial and mining sectors as well as being actively engaged in research and development into complementary value-adding new technologies including the development of a graphene oxide membrane for water filtration ('Water Business'). During the financial year ended 30 June 2021 the assets and liabilities associated with carrying out the business of the Water Business were transferred into a new entity, Clean TeQ Water Limited ('Clean TeQ Water'). On 1 July 2021 the Consolidated Entity disposed of its interest in the Water Business when it undertook a capital reduction by way of an in-specie distribution to Sunrise Energy Metals shareholders of all of the shares in Clean TeQ Water. As such, the Water Business is presented in the comparative year herein as a discontinued operation.

There have been no other significant changes in the nature of the Consolidated Entity's activities during the financial year.

Review of Operations

During the financial year ended 30 June 2022, the loss after tax for the Consolidated Entity's continuing operations amounted to $15,306,000 (2021: loss after tax of $17,084,000).

The Consolidated Entity's revenue and other income from continuing operations decreased to $948,000 (2021: $1,058,000) due primarily to reduced government grant income.

The ongoing development of the Sunrise Project resulted in $8,111,000 of exploration and evaluation expenditure during the financial year. This expenditure was financed largely by existing cash reserves.

The Consolidated Entity's net assets increased during the financial year by $1,909,000 to $24,397,000 (2021: $22,488,000). Working capital, being current assets less current liabilities, amounted to a surplus of $24,123,000 (2021: $22,458,000), with cash and cash equivalents reducing from $38,652,000 to $24,908,000 during the financial year.

Sunrise Battery Materials Complex

The Consolidated Entity continued to advance the development of its wholly owned Sunrise Battery Materials Complex ('Sunrise Project') during the financial year ended 30 June 2022. A range of workstreams remain ongoing to progress a number of value-adding deliverables aimed at minimising project start times once funding is secured.

Conditional finance support from Export Finance Australia

During the financial year a letter of conditional finance support was received from Export Finance Australia ('EFA') for up to A$400 million of debt funding for the Sunrise Project.

EFA is Australia's export credit agency and provides financial solutions to support Australian exporters through loans, guarantees, bonds and insurance. EFA also manages the Australian Government's A$2 billion Critical Minerals Facility which was established in 2021 to support projects that are aligned with the Australian Government's Critical Minerals Strategy and are otherwise in Australia's national interest.

As outlined in EFA's non-binding letter of support, a successful outcome from the EFA assessment and due diligence process is contingent on several conditions including:

- Satisfactory independent technical review of the Sunrise Project;
- An acceptable contracting strategy for the engineering, construction and commissioning of the Sunrise Project;
- Finalising a comprehensive funding plan for the Sunrise Project including equity investment and securing debt funding from other lenders;
- Meeting eligibility criteria, credit and risk requirements including but not limited to EFA's "know your customer" and anti-bribery requirements and checks; and
- The Sunrise Project complying with EFA's environmental and social risk policies, including receiving the required regulatory and environmental approvals.

For personal use only

Major Project Status award

The Australian Minister for Industry, Energy and Emissions Reduction, the Honourable Angus Taylor MP, awarded Commonwealth Government Major Project Status to the Sunrise Project. The award of Major Project Status formally recognises the significance of the Sunrise Project to the Australian economy and regional communities in NSW. Key Sunrise Project benefits and economics include:

- Fully integrated from mine to battery chemicals with an average annual metal-equivalent production of 21.3kt of nickel and 4.4kt of cobalt over the first decade of a 50-year resource life;
- Sustainably designed to operate on 100% renewable power with industry-leading carbon footprint, water re-use and responsible waste management;
- Exceptional project economics with Life of Mine ('LOM') revenue of US$16.3 billion, LOM EBITDA of US$10.8 billion, average free post-tax cash flow of US$308 million pa and NPV8 of US$1.2 billion;
- Construction-ready with approximately A$250M invested in pre-development capex and with all key permits and land secured; and
- Creation of over 1,800 direct jobs during construction with an estimated 400 ongoing full-time jobs created.

Permitting and approvals

The Consolidated Entity completed a Project Execution Plan ('PEP') in late 2020. Undertaken by an integrated Sunrise Energy Metals and Fluor Australia Pty Ltd ('Fluor') team, the PEP updated the 2018 Definitive Feasibility Study, incorporating revised cost estimates, updated design and engineering work as well as a revised master schedule for the engineering, procurement, construction, commissioning and ramp-up of the Project. The PEP resulted in several enhancements to the Project layout and design, requiring a handful of modifications to be made to the Sunrise Project Development Consent – the key NSW State Government approval. During the quarter the Company progressed the process for approval of these modifications. Final approval of these (Mod 7) was received in January 2022.

Progress continues on the long-lead electrical transmission line ('ETL') work scope. The application to connect to the NSW electrical grid is currently in progress and will continue through calendar year 2022. Connection to the NSW electrical grid is a key enabler of the Consolidated Entity's commitment to procure renewable energy to supply 100% of the Project's external power requirements.

The Consolidated Entity has also continued 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.

Initial discussions were held with the National Heavy Vehicle Regulator ('NHVR') on the planning and approvals required for the oversized transport route from Port Pirie to Sunrise. Work is progressing on the design and scoping of civil and overhead services modifications required for the transportation of major equipment packages along the route.

Project financing

The Consolidated Entity continues to engage proactively with a range of participants in the electric vehicle ('EV') industry with a view to securing an offtake and equity investment partner for the Project. Recent global developments, including surging nickel, cobalt and lithium prices, have highlighted the risks associated with critical minerals in EV supply chains. The Consolidated Entity remains optimistic on the outlook for demand growth in the EV and lithium-ion battery sectors, and in particular the strategic importance of Sunrise as one of the largest suppliers of battery-grade nickel and cobalt into the global EV supply chain.

While demand fundamentals continue to strengthen, the supply outlook for nickel and cobalt battery materials remains particularly challenging. Given the strong outlook for nickel and cobalt demand, the Consolidated Entity remains committed to developing the Project once funding has been secured. As such, the partnering process will continue, however the targeted timing for completion of any transaction is not possible to forecast.

Directors' Report continued

Autoclaves

The Consolidated Entity owns two autoclaves – the major component of the hydrometallurgical leaching circuit for the Sunrise processing plant – which were being stored at Port Pirie. Due to significant port maintenance works to be undertaken at Port Pirie, the autoclaves were relocated to an alternate storage location.

The autoclaves and their associated equipment are unused, in excellent condition and are ideally sized for the Sunrise Project. Manufactured with steel shells and an explosively bonded titanium lining, they are designed to withstand the operating conditions required for the effective leaching of nickel, cobalt and scandium from the Sunrise ore.

Offtake

In 2017 the Consolidated Entity entered into a binding offtake contract with Beijing Easpring Material Technology Co Ltd ('Easpring') under which the Consolidated Entity committed to sell tonnages representing approximately 20% of the nickel and cobalt sulphate production for the first five years of operation of the Sunrise Project. During the financial year the Consolidated Entity (with the mutual agreement of Easpring) terminated the offtake contract.

As a result of this, the Consolidated Entity now has all the production of battery materials from the Sunrise Project available for sale to strategic partners who may want product offtake as a condition of investment in the Project.

Test Work Programs

The Consolidated Entity is progressing a number of research and development workstreams aimed at demonstrating the capability of the Sunrise Project to diversify further downstream into production of precursor cathode active material as well as processing of the lithium-ion battery recycling intermediate product, 'black mass'. Part of this work scope will be undertaken through the Future Battery Industries Co-operative Research Centres Program, of which Sunrise Energy Metals is an associate member of the independently managed government-industry partnership to build an Australian battery industry.

Scandium Development

The Consolidated Entity continues to advance its scandium research, development and marketing activities. The Consolidated Entity has developed a portfolio of world-class research and development partners focussing on the advancement of scandium across a range of alloys and applications.

The utilisation of scandium in aluminium and other alloys will create lighter, stronger and more thermally resistant alloys that are potentially suitable for use in a range of temperature-sensitive applications. These collaboration programs are consistent with the Consolidated Entity's long-term strategy to assist industry players to investigate and develop new applications for scandium-aluminium alloys. The Consolidated Entity's aim is to stimulate growth in demand for the material which will be converted into sales of scandium from the Sunrise Project once it is in operation.

Sunrise Energy Metals, with its significant scandium deposit, is well positioned to provide scandium into a rapidly growing market. Importantly Sunrise's premier location in Australia will ultimately provide a safe and dependable supply chain of scandium to sensitive industries such as defence and telecommunications across North America and Europe.

During the financial year the Consolidated Entity entered into a binding agreement for the development of aluminium-scandium alloys with UACJ Corporation ('UACJ'). The Agreement with UACJ, Japan's largest aluminium producer, will focus on the research and future development of aluminium-scandium alloys for use in transportation parts and equipment. Under the Agreement UACJ and Sunrise will develop a range of aluminium-scandium alloys for material characterisation testing in specific components. Sunrise will contribute its technical expertise and, over time, provide the scandium needed by UACJ for use in the alloys.

The Consolidated Entity has also entered into a Joint Cooperation Agreement with Kurt J. Lesker Company and Metalysis Ltd to develop processes for the production of scandium-containing aluminium alloys that are integral to 5G cellular telephones and other radio communications equipment.

Exploration

The Consolidated Entity continues to advance activities across its range of exploration assets in NSW.

Sunrise East (EL4573)

EL4573 comprises two title blocks located to the east and west of the Sunrise Project mining lease ML1770. During the financial year a drill program was completed at Sunrise East over the western half of the intrusive complex discovered in a previous three-hole diamond drill program[1] located within the permit. The recent program comprised a 50-hole reverse circulation ('RC') drill program totalling 2,660m, with the holes targeting potential cobalt-bearing laterite developed over ultramafic rocks. A number of the drill holes intersected laterite that is similar in its physical characteristics to previous intersections in diamond drill hole SDD029. Cobalt grades in SDD029 included 11m @ 829ppm Co from 1.8 to 12.8m and 5.8m at 1,120ppm Co from 7.0 to 12.8m.

Sample analysis results were received during the June 2022 quarter for all RC drilling completed at Sunrise East. The results confirmed the discovery of a new composite intrusion which has been named "Tout East".

A number of drillholes returned encouraging cobalt and scandium results reflecting laterite development over ultramafic intrusive bedrock lithologies including[2]:

- SERC024 returned 11m @ 653ppm cobalt from 19 to 30m, and 32m @ 411ppm scandium from surface to a depth of 32m; and
- SERC24A returned 36m @ 403ppm scandium from surface to 36m, and 7m @ 633ppm cobalt from 24 to 31m.

The wide-spaced scout drilling program was effective at detecting cobalt and scandium-bearing laterite developed over an extensive area, providing opportunities for infill and step-out drilling.

Phoenix Platinum (ML1770)

Sunrise Energy Metals launched a drilling campaign in calendar year 2020 to target the Phoenix platinum anomaly at the Sunrise Project. The first hole (SDD022) of an initial three-hole campaign returned an extraordinarily high-grade intersection of 0.6m at 129g/t platinum at 255.9m downhole. The intersection included significant grades of palladium, rhodium, iridium, osmium and ruthenium.

Phase 2 of the drilling program at Phoenix was completed during the financial year. Four diamond holes (totalling 1605 metres) targeted potential down-dip, up-dip and along-strike platinum mineralisation intersected in Phase 1 drilling.

SDD025 tested the up-dip extension of platinum mineralisation intersected in SDD022, however platinum grades were lower compared to SDD022, with several other shallower and deeper narrow intervals encountered. SDD026 tested the down-dip extension of platinum mineralisation in SDD022 and intersected multiple intervals of platinum mineralisation including 109.07-109.50m @ 2.19g/t platinum and 392.70-393.45m @ 3.29g/t platinum. Several intervals of +1g/t platinum were also intersected. SDD027 and SDD028 intersected multiple intervals with platinum grades of 0.2-0.7g/t. Several wide intervals of low-grade platinum mineralisation associated with +1g/t intervals were intersected in SDD026, which suggests mineralisation may broaden to the south and at depth.

The Phase 2 diamond drilling program intersected many wide zones of coarse-grained pyroxenite dykes associated with strong serpentinisation and platinum intercepts. Platinum was also found to be associated with chromite veins and shear zones. It is interpreted that platinum was remobilised into permeable zones within the dunite core and potentially along its contacts with surrounding pyroxenite. Research is continuing on the timing and controls to platinum mineralisation. Results so far suggest that the platinum is magmatic in origin.

1. For full details, including JORC 2012 disclosures, see ASX announcement of 20 January 2022.
2. For full details, including JORC 2012 disclosures, see ASX announcement of 22 July 2022.

Hylea Project (EL8641, EL8520 and EL8801)

The Hylea Project is located approximately 50km north of the Sunrise Project on the western side of the Lachlan Orogen. Its geology exhibits late-stage post-orogenic zoned Alaskan-Ural style intrusives covering an area of some 25 square kilometres and exhibits similar structural geology to the Sunrise Project, where the weathered surface expression of the intrusive hosts nickel, cobalt and scandium mineralisation.

A total of 58 RC drillholes were completed over the Hylea Project during the financial year. This program was designed to test for potential economic nickel-cobalt-scandium laterite mineralisation, as well as hard rock platinum and copper potential, over the Hylea Intrusive Complex using 500m-spaced drill holes. The Hylea Project contains significant potential for high grade cobalt mineralisation from historic intercepts at the Tigers Creek Prospect. In 2018, Lotus Resources completed a 54-hole drill program for 3,995m at Tigers Creek that intersected a well-developed, shallow laterite profile developed over ultramafic rock types including dunite, pyroxenites and peridotites with encouraging cobalt results.

During the financial year, assay results were received for a portion of the drilling completed at the Hylea Project and they included significant cobalt and scandium intervals, as well as encouraging nickel and platinum results[3]. Highlights include SHRC018A with 5m @ 746ppm cobalt from 28 to 33m, and 4m @ 0.50% nickel from 29 to 33m. SHRC034 returned 25m @ 623ppm cobalt from 5 to 30m, and 25m @ 540ppm scandium from 5 to 30m. SHRC036 returned 8m @ 749ppm cobalt from 19 to 27m, and 19m @ 308ppm scandium from 6 to 25m. These holes were drilled in the vicinity of the Tiger's Creek laterite. Drill collar SHRC069 was drilled approximately 3.5km to the north of Tiger's Creek and returned 6m @ 1,013ppm cobalt from 4 to 10m, and 5m @ 0.43% nickel from 4 to 9m. Hole SHRC069 gives strong encouragement that additional cobalt-nickel-scandium laterite bodies will be identified over the Hylea intrusion in future programs (see Table 2 and Figure 4).

Approximately 50% of all assay results were received from the Hylea Project drill program, with the remaining results expected to be received in the September 2022 quarter.

Burra Creek (EL9317)

A new exploration licence, Burra Creek EL9317, was granted to the Consolidated Entity during the financial year. The licence is located to the north of the Sunrise Project and is prospective for tin, precious and battery metals. The tenement contains the Burra Creek tin alluvial workings, the Tresylva ultramafic intrusive complex and some of the largest historic hard rock gold workings in the area.

A high-level data review commenced during the June 2022 quarter. This work will further define and add to preliminary target generation completed by the Consolidated Entity during the quarter. Land access negotiations commenced, with a number of access agreements to be signed during the September 2022 quarter. Exploration focus across the tenement will include nickel-cobalt deposits located within close trucking distance of the Sunrise Project, as well as gold and tin deposits within the project area.

Sunrise North (EL9259)

During the financial year, the Consolidated Entity was granted a 1,230 square kilometre licence (EL9259) 20km north of the Sunrise project. Sunrise North abuts several large gravity and 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 ultramafic intrusions and may hold additional laterite nickel, cobalt and scandium mineralisation as well as platinum.

The main magnetic anomaly was drilled by a single historic RC drill hole to a depth of 135m but was terminated in siltstone cover rocks due to excessive water. Six historic 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 assess the nature of the high gravity and magnetic anomalies observed in the government data.

3. For full details, including JORC 2012 disclosures, see ASX announcement of 22 July 2022.

Nyngan (EL9211)

The Consolidated Entity was granted a licence (EL19211) 160km north of the Sunrise Project during the financial year. 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 stretch 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 Consolidated Entity's exploration strategy is 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 overlie the complex with the Macquarie River on the eastern edge of the licence area.

Minore Project (EL8961 and EL9031)

Historic data compilation and a review of prior target generation was completed during the financial year for the Minore Project. Land access agreements were also signed during the year. Reconnaissance field work and sampling have commenced, with targets including rare earth and copper-gold systems.

Field work began during the June 2022 quarter, which included field mapping and rock chip sampling of significant U-Th radiometric anomalies. First pass exploration detected elevated rare earth elements ('REE') in newly identified trachyte lavas using a portable XRF ('pXRF') instrument, with results to be confirmed by laboratory analysis. The detection of similar rock types to the nearby Dubbo Project has given the Consolidated Entity encouragement to expand its exploration for REE. A total of 21 rock chip samples were submitted for analysis from several radiometric targets during the quarter. A further 39 rock chip samples were also collected from radiometric anomalies associated with identified skarn mineralisation. Results are expected during the September 2022 quarter.

Reconnaissance work has been completed over the Minore polymetallic skarn and the Tantitha porphyry prospects. Extensive areas of hornfelsing and garnet-pyroxene skarns (carrying elevated pyrite, base metals and uranium) have been identified at the Minore Prospect using pXRF. At the Tantitha Prospect, extensive fracture-controlled endoskarn alteration with disseminated pyrite has been observed in Ordovician intrusive rocks. A proximal Devonian granite has also been identified. A total of 38 rock chip samples were also collected from radiometric anomalies associated with previously identified skarn mineralisation. Results are expected during the September 2022 quarter.

Boona Gap (EL8833), Ezy Lime (EL8928) and Gleninga (EL8882)

During the financial year additional limestone targets were identified across EL8833, EL8928 and EL8882 with land access negotiations commencing. Investigation and surface sampling across several limestone target areas will be undertaken during the September 2022 quarter.

Limestone is a key reagent used in the Sunrise Project's process plant. The Consolidated Entity has a long-term contractual arrangement in place with a local quarry for the supply of limestone for the project. Despite this, the Consolidated Entity seeks to define alternative limestone resources which may in future augment those existing supply arrangements.

Corporate

Demerger of Clean TeQ Water Limited

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

Hylea Project acquisition completion

During the financial year, the Consolidated Entity's acquisition of the Hylea Project was completed. The Hylea Project is located approximately 50km north of the Sunrise Project with a similar geological setting to the Sunrise Project and hosts nickel, cobalt and scandium mineralisation. The Consolidated Entity acquired a 100% interest in Exploration Licences EL8520, EL8641 and EL8801 for A$2.5 million, with A$1.0 million paid in cash and A$1.5 million paid in SRL shares (724,086 shares).

Risk

The Consolidated Entity is exposed to environmental (including climate change), social and governance ('ESG') risks which may affect the Consolidated Entity's ability to achieve the financial performance or outcomes disclosed herein.

Environmental Risks (including climate change)

The Consolidated Entity must comply with a range of environmental performance and reporting requirements which are conditions of its mineral exploration and mining activities. There is a risk that the Consolidated Entity may not be able to achieve the financial performance or outcomes disclosed herein if it fails to comply with those environmental performance and reporting requirements or if the requirements change in the future and the Consolidated Entity is no longer able to comply with the requirements or must incur material unplanned expenditure in order to remain compliant. There is also a risk that future business partners and customers may seek to have the Consolidated Entity comply with additional environmental performance and reporting requirements which the Consolidated Entity may not be able to comply with or must incur material unplanned expenditure in order to be compliant. The Consolidated Entity seeks to manage and minimise this risk through its existing risk management framework and through detailed environmental management plans and systems.

Social Risks

The Consolidated Entity is exposed to social risks as a result of the many stakeholders who are involved in its operations including but not limited to employees, contractors, local community members residing in areas where the Consolidated Entity operates, governments and government agencies (local, state and federal) as well as customers and suppliers. The Consolidated Entity is subject to reputational damage as well as potential claims for damages as a result of any harm or loss sustained by any stakeholder as a result of the operations of the Consolidated Entity and its representatives. There is a risk that the Consolidated Entity may not be able to achieve the financial performance or outcomes disclosed herein if it incurs reputational damage or claims for damages. The Consolidated Entity seeks to manage and minimise this risk through its existing risk management framework, including Board approved policies on stakeholder management and through established stakeholder consultation processes.

Governance Risks

The Consolidated Entity must comply with a range of governance requirements which are conditions of its listing on the ASX and of its mineral exploration and mining activities. There is a risk that the Consolidated Entity may not be able to achieve the financial performance or outcomes disclosed herein if it fails to comply with those governance requirements or if the requirements change in the future and the Consolidated Entity is no longer able to comply with the requirements or must incur material unplanned expenditure in order to remain compliant. The Consolidated Entity seeks to manage and minimise this risk through its existing risk management framework including Board-approved governance policies which are subject to regular review.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Consolidated Entity will continue to pursue its objectives of development of the Sunrise Project utilising the Company's Clean-iX® resin technology for extraction and purification of a range of metals as well as progressing exploration activities at the Consolidated Entity's other mineral tenements.

The Consolidated Entity intends to fund its development through debt finance, equity partnerships and capital raisings.

Further information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity has an interest in the mineral licences disclosed in note 12. The authorities responsible for the granting of these licences require the tenement holder to comply with the terms and conditions of the licences and all directions given to it by those authorities.

The terms and conditions of any mineral licence typically include certain environmental conditions, covering such matters as Aboriginal cultural heritage, threatened species, habitat, heritage items, trees and vegetation, roads and tracks, groundwater, streams and watercourses, erosion and sediment controls, preventing and monitoring pollution, refuse, chemicals, fuels and waste materials, transmission lines and pipelines, drilling, rehabilitation of the land, environmental reporting, and site security. The People, Governance and Sustainability Committee ('PGSC') is responsible for monitoring compliance with the terms and conditions of the licences. There have been no known breaches of the Consolidated Entity's licence conditions or any other environmental regulation during the financial year or up until the date of this report.

Dividends

There were no dividends paid or declared during the current or previous financial year.

Corporate Governance Statement

The Company's 2022 Corporate Governance Statement was released to the ASX on 23 August 2022 and is available at www.sunriseem.com.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred in their capacity as a Director or executive for which they may be held personally liable, except where there is a lack of good faith.

During the financial year the Company paid premia in respect of contracts to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 45 and forms part of the Directors' Report for the financial year ended 30 June 2022.

Auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the Directors

Sam Riggall
Managing Director

23 August 2022
Melbourne

Remuneration Report (Audited)

The Directors of Sunrise Energy Metals present this Remuneration Report, which has been audited, for the financial year ended 30 June 2022.

The Remuneration Report provides information about the remuneration of Sunrise Energy Metals' key management personnel ('KMP'), being those executives with authority and responsibility for planning, directing, and controlling the activities of the Consolidated Entity, and its non-executive directors. The Remuneration Report has been prepared in accordance with the requirements of the *Corporations Act 2001* and contains the following sections:

Section 1 Remuneration at Sunrise Energy Metals	This section of the Remuneration Report provides an overview of Sunrise Energy Metals' remuneration principles and the structure of remuneration for KMP.
Section 2 Performance and Executive Remuneration Outcomes	This section details the remuneration outcomes for Sunrise Energy Metals' KMP in the financial year. It also demonstrates how the components of remuneration at Sunrise Energy Metals are aligned with value-creation by being linked to the Company's performance.
Section 3 Non-Executive Director Remuneration	This section outlines the remuneration structure and fees paid to Sunrise Energy Metals' non-executive directors.
Section 4 Statutory Remuneration Disclosures	This section includes statutorily required remuneration disclosures for the financial year, including details of equity awards and KMP and non-executive director interests in equity instruments of Sunrise Energy Metals.

Non-executive Directors for the purposes of this report are as follows:

- Robert Friedland (Co-Chairman and Non-Executive Director)
- Jiang Zhaobai (Co-Chairman and Non-Executive Director)
- Stefanie Loader (Lead Independent Non-Executive Director)
- Eric Finlayson (Non-Executive Director)
- Trevor Eton (Independent Non-Executive Director)

KMP as identified for the purposes of this report by the criteria set out above are as follows:

- Sam Riggall – Managing Director and Chief Executive Officer
- Ben Stockdale – Chief Financial Officer

There were no other employees in the Consolidated Entity that met the definition of key management personnel in accordance with the *Corporations Act 2001* or Australian Accounting Standards.

Section 1: Remuneration at Sunrise Energy Metals

The Board of Directors is responsible for approving the compensation arrangements for the Directors and KMP following recommendations received from the People, Governance and Sustainability Committee ('PGSC'). The Board, in conjunction with the PGSC, regularly assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

Compensation levels are set to attract and retain appropriately qualified and experienced directors and executives. As and when required the PGSC has access to independent advice on the appropriateness of compensation packages given trends in comparative companies and the objectives of the compensation strategy.

Non-executive director remuneration consists of fixed directors' fees only. KMP remuneration is structured to consist of fixed and variable remuneration. The KMP compensation structures explained below are designed to reward the achievement of strategic objectives, align performance with shareholder interests and create the broader outcome of creating value for shareholders.

The compensation structures take into account:

- the capability and experience of a KMP;
- a KMP's ability to control the relevant business unit's performance;
- the Consolidated Entity's performance including:
  - (i) the Company's market capitalisation;
  - (ii) the Consolidated Entity's earnings; and
  - (iii) the growth in share price and achievement of shareholder returns.

KMP remuneration and incentive policies and practices are performance based and aligned to the Consolidated Entity's vision, values and overall business objectives. They are designed to motivate KMP to pursue the Consolidated Entity's long-term growth and success. Compensation packages include a mix of fixed and variable compensation and short and long-term performance-based incentives.

In addition to salaries, the Consolidated Entity may also provide non-cash benefits to its directors and key management personnel and contributes to post-employment superannuation plans on their behalf.

Fixed remuneration

Total Fixed Remuneration ('TFR') consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), as well as leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed at least annually by the PGSC through a process that considers individual, segment and overall performance of the Consolidated Entity.

Performance-linked remuneration

Sunrise Energy Metals' approach to remuneration is to ensure that remuneration received by KMP is closely linked to the Consolidated Entity's performance and the returns generated for shareholders. Performance-linked compensation, as outlined in the Consolidated Entity's Employee Incentive Plan ('EIP'), includes both short-term and long-term incentives, and is designed to incentivise and reward employees for meeting or exceeding Company-wide and individual objectives. The short-term incentive ('STI') is an "at risk" bonus provided in the form of cash and/or shares, while the long-term incentive ('LTI') is provided as options and performance rights over ordinary shares of the Company. The STI and LTI plans provide for the Board to be able to exercise discretion on the award of cash bonuses, options and performance rights.

Within the established remuneration framework, each employee is assigned a level which reflects the seniority and responsibility associated with their role. This level determines an employee's participation in the STI and LTI, and therefore, the proportion of their total remuneration which is linked to performance. Senior executives of the Company have a higher proportion of their total potential remuneration 'at risk'. The applicable annual EIP metrics, which were implemented with effect from 1 July 2020, are detailed below.

Percentage of TFR	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
STI – bonus	20%	20%	20%	20%	20%
LTI – performance rights	150%	100%	20%	10%	5%

Total Remuneration Breakdown	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
TFR	37%	45%	72%	77%	80%
STI – bonus	7%	9%	14%	15%	16%
LTI – performance rights	56%	46%	14%	8%	4%
Total at risk	**63%**	**55%**	**28%**	**23%**	**20%**

The Board considers that the performance-linked compensation structure outlined in the EIP will generate the desired outcome in respect of attracting and retaining high calibre employees and aligning employee performance with shareholder interests. Refer to Section 2 of this Remuneration Report for an analysis of the Consolidated Entity's performance in the financial year ended 30 June 2022 and link to overall remuneration.

Short Term Incentive

The STI has been adopted to link employee remuneration to key business outcomes which drive value creation in the short to medium term.

Each year, all employees have individual key performance indicators ('KPI's') agreed with their manager. The Board approves the individual KPI's for the CEO based on the recommendation of the PGSC. The CEO approves the individual KPI's for the KMP with endorsement from the PGSC. The individual performance objectives are designed to focus employees on goals and objectives specific to their roles and typically include financial performance compared to budgeted amounts as well as non-financial metrics which vary with position and responsibility and include measures such as completion of specific tasks and projects as well as health, safety and environment outcomes and staff development.

KPI's for the Consolidated Entity are also set by the Board each year. KPI's for the Consolidated Entity are designed to focus employees on the key goals and objectives of the business as a whole, such as the financing and development of the Sunrise Project.

At the end of the financial year, each employee's performance is assessed against their individual KPI's and a score is assigned. The Board approves the KPI assessments for the CEO based on the recommendation of the PGSC. The PGSC approves the assessments of the individual KPI's for the KMP based on the recommendation of the CEO.

The Board assesses the performance of the Consolidated Entity against the Consolidated Entity KPI's and a score is assigned. An employee's overall KPI score will be a combination of their individual KPI score and the Consolidated Entity KPI score, with higher level employees having a higher weighting of the Company KPI score vs the individual KPI score. The weighting applicable for each employee level is tabled below. The KPI score determines the STI outcome for each employee, subject ultimately to Board approval of the overall amount of the STI cash bonus pool to be awarded each year, if any.

STI Weighting	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
Company KPI's	70%	50%	25%	0%	0%
Individual KPI's	30%	50%	75%	100%	100%

There are also a number of defined disqualifying events which, if triggered, result in no STI being awarded for a financial year. These disqualifying events comprise a small number of severely adverse health, safety, environment and community related occurrences.

Long Term Incentive

The LTI has been adopted to align employees' interests directly with shareholders by linking employee remuneration to the Company's share price performance over the medium to longer term. The LTI comprises grants of performance rights to all employees, and options to certain senior executives, pursuant to the Company's EIP Rules which were approved by shareholders on 15 October 2020.

Performance rights are granted at the discretion of the Board to employees by way of issue at nil cost both at the time of grant and vesting. Performance rights are granted on a semi-annual basis, with the at-risk value of the annual grant over the vesting period, typically three years, representing a percentage of the employee's TFR, and priced based on the Company's share price at the time of grant. Vesting is contingent on the Company meeting or exceeding defined performance hurdles over the performance period. The performance hurdles involve an assessment of the Company's total shareholder returns in absolute terms and relative to the S&P/ASX 300 Metals & Mining Index. The Metals & Mining Index is selected on the basis that it presents the best fit for Sunrise Energy Metals over the coming years and is an established and 'live' index.

The EIP also provides for certain key executives to receive, for no consideration, options over ordinary shares of the Company at specified exercise prices as determined by the Board. The grant of options is intended to align the interests of senior executives with other owners of the Company over the medium to longer term and to increase those senior executives' proportion of 'at risk' remuneration. The ability to exercise the options is conditional upon each key executive's ongoing employment by the Company and other applicable vesting hurdles determined by the Board from time to time.

Section 2: Performance and Executive Remuneration Outcomes

During the financial year ended 30 June 2022 the Consolidated Entity made good progress towards achieving some of its operational targets, however, a number of those operational targets were not achieved and financial results remained loss-making due to the fact that the Sunrise Project remains at the pre-production development phase.

STI Performance and Outcomes

The Consolidated Entity's KPI's for FY22 are tabled below, along with the annual performance assessment undertaken by the PGSC. The Consolidated Entity KPI targets are intentionally challenging, and stretch targets are defined to deliver enhanced remuneration outcomes up to 125% grading for outstanding performance. As such, STI bonus payments are capped at an absolute maximum of 125% of TFR. While the precise terms of those objectives and progress made is in some cases commercially sensitive, a summary of the FY22 key strategic objectives and progress made against those objectives is set out below.

Measure	KPI	Weight	Result	Score
Sunrise Project	Delivery of a financing package for the Sunrise Project.	100%	0%	0%

Disclosure of disqualifying events is tabled below.

Measure	Event	Occurrence
Health and Safety	Workplace fatality	No
Environment	Category four environmental incident	No
Community	Event resulting in material community or reputational damage	No

The following provides details on the factors which were considered by the Board in relation to the Consolidated Entity's performance against its KPI's in the financial year ended 30 June 2022, as well as the rationale for inclusion of the particular metric.

Financing and development of the Sunrise Project (100% weighting)

The Board considers that the financing and development of the Sunrise Project will create significant long-term value for shareholders. Accordingly, this objective remains the key focus of the Board and senior executives and this metric is allocated the highest weighting in the KPI's for the Consolidated Entity.

During the financial year the target of delivering a financing solution for the Sunrise Project was not achieved. Accordingly, the KPI is assessed as zero.

Disqualifying Events

Providing a safe workplace for all employees and ensuring that the impact of the Consolidated Entity's activities on the environment and local community stakeholders is managed appropriately is integral to Sunrise Energy Metal's corporate objectives and values.

No disqualifying events occurred during the financial year.

Remuneration Report (Audited) continued

STI Outcome for the Consolidated Entity

In considering the Consolidated Entity's performance, the Board also has due regard to profit or loss after tax in the current and previous financial years, along with the market capitalisation and movement in the share price.

The earnings of the Consolidated Entity for the five years to 30 June 2022 are summarised below:

	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000
Profit/(Loss) after income tax	(16,012)	(18,013)	(197,676)	(21,154)	72

Note: Figures up to and including 2022 include the impact of the Water Division operations which were discontinued with effect from 1 July 2021.

The factors that affect total shareholder returns are summarised below:

	2018	2019	2020	2021	2022
Share price at financial year end ($)	8.10	3.80	1.40	1.79	2.25
Movement in share price ($)	1.40	(4.30)	(2.40)	0.39	0.46
Dividends or capital returns paid ($)	–	–	–	–	0.39
Market Capitalisation Undiluted ($M)	598	284	105	160	203

Note: The Company undertook a one for ten share consolidation on 29 March 2021. All share and share price figures, including comparative years, are quoted herein on a post consolidation basis.

Dividends and changes in share price are included in the total shareholder return calculation, which is the key performance criterion assessed for the long-term incentives.

KMP Individual STI Outcomes for 2022

Sam Riggall – Managing Director and Chief Executive Officer

Mr Riggall's performance against his individual objectives is summarised below:

Category	KPI
Exploration	Increase Company value through mineral exploration
Markets	Manage investor relations and communications to effectively promote the Company to a broad range of stakeholders

The Board, based on the recommendation of the PGSC, assessed Mr Riggall's performance against his individual objectives as 90% of target, resulting in the STI outcome tabled below.

STI	Weighting	Result	Weighted Result
Consolidated Entity KPI's	70%	0%	0%
Individual KPI's	30%	90%	27%
Total			27%
STI outcome as a percentage of TFR			5%
STI award as a percentage of maximum STI			0%

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Notwithstanding Mr Riggall's STI outcome for the financial year, the Company determined that no payments would be made in respect of FY22 pursuant to the STI Plan. As such, the actual amount of STI awarded pursuant to the STI Plan is 0% of the theoretical maximum.

With a view to maximising the cash reserves of the Consolidated Entity during the period of uncertainty resulting from the impacts of the COVID-19 pandemic, effective 1 July 2020, Mr Riggall volunteered to reduce his TFR by 20%. With the worst impacts of the pandemic behind us, effective 1 January 2022 the Directors restored Mr Riggall's fixed remuneration to its pre-pandemic equivalent level of $488,233. Effective 1 July 2022 the Board approved an increase in total fixed remuneration for all employees, including Mr Riggall, of 5.1% (equal to the movement in the Australian Consumer Price Index for the year to March 2022), inclusive of the 0.5% increase to the statutory superannuation guarantee rate.

During the financial year Mr Riggall was granted 198,694 Performance Rights which vest on 1 July 2024. Mr Riggall was also granted 109,955 Performance Rights as compensation for the diminution in value of existing classes of Performance Rights resulting from the demerger of Clean TeQ Water Limited. All Performance Rights vest subject to defined performance criteria (see below for further details of the performance criteria).

Ben Stockdale – Chief Financial Officer

Mr Stockdale's performance against his individual objectives is summarised below:

Category	KPI
Finance	Manage the group finance function including financial reporting, tax, insurance, compliance, administration and IT within budget parameters
Funding	Formulate and implement funding strategy including debt finance facility for Sunrise
Risk Management	Oversee group risk management framework
Commercial	Oversee group commercial and marketing functions
Investor Relations	Enhance communication with markets and investors

The PGSC, based on the recommendation of the CEO, assessed Mr Stockdale's performance against his individual objectives as 74% of target, resulting in the STI outcome tabled below.

STI	Weighting	Result	Weighted Result
Consolidated Entity KPI's	50%	0%	0%
Individual KPI's	50%	74%	37%
Total			37%
STI outcome as a percentage of TFR			7%
STI award as a percentage of maximum STI			0%

Notwithstanding Mr Stockdale's STI outcome for the financial year, the Company determined that no payments would be made in respect of FY22 pursuant to the STI Plan. As such, the actual amount of STI awarded pursuant to the STI Plan is 0% of the theoretical maximum.

Remuneration Report (Audited) continued

With a view to maximising the cash reserves of the Consolidated Entity during the period of uncertainty resulting from the impacts of the COVID-19 pandemic, effective 1 July 2020, Mr Stockdale volunteered to reduce his TFR by 20%. With the worst impacts of the pandemic behind us, effective 1 January 2022 the Directors restored Mr Stockdale's fixed remuneration to its pre-pandemic equivalent level of $404,055. Effective 1 July 2022 the Board approved an increase in total fixed remuneration for all employees, including Mr Stockdale, of 5.1% (equal to the movement in the Australian Consumer Price Index for the year to March 2022), inclusive of the 0.5% increase to the statutory superannuation guarantee rate.

During the financial year Mr Stockdale was granted 108,134 Performance Rights which vest on 1 July 2024 and 112,982 Performance Rights which vest on 1 January 2025. Mr Stockdale was also granted 61,147 Performance Rights as compensation for the diminution in value of existing classes of Performance Rights resulting from the demerger of Clean TeQ Water Limited. All Performance Rights vest subject to defined performance criteria (see below for further details of the performance criteria).

LTI Performance and Outcomes

During the financial year the grants of Performance Rights vesting 1 July 2021 and 1 January 2022 completed their three-year performance periods. Neither of those tranches of Performance Rights met any of the performance hurdles and so all of those instruments lapsed.

After the end of the financial year the grant of Performance Rights vesting 1 July 2022 completed their three-year performance periods. Those Performance Rights did not meet any of the performance hurdles and so all of those instruments lapsed.

Performance Criteria for Performance Rights

The performance criteria are based on the total shareholder return ('TSR') applicable to the ordinary shares of the Company ('SRL') over the vesting period. The performance criteria for the tranches of new performance rights granted to KMP during the financial year are detailed below. The performance criteria for the tranches of new performance rights granted to KMP during the financial year are consistent with the performance criteria for performance rights granted to KMP in the comparative year.

The performance criteria for the Performance Rights granted as compensation for the diminution in value of existing classes of performance rights resulting from the demerger of Clean TeQ Water Limited remain as per the initial grant of each class of Performance Right.

Performance Hurdle 1 – 50% vesting conditional on SRL's absolute TSR performance

SRL TSR over measurement period:	Percentage of Performance Rights vesting
12.5% pa compounding annually or greater	100%
7.5% pa compounding annually	50%^
Less than 7.5% pa compounding	0%

^ Straight line pro-rata vesting between 7.5% and 12.5%.

Performance Hurdle 2: 50% vesting conditional on SRL's TSR performance compared to the S&P/ASX 300 Metals & Mining Index (ASX:XMM) ('Index')

Performance Level	SRL performance relative to Index over measurement period	Percentage of Performance Rights vesting^^
Stretch	≥ Index movement +15%	100%
Between Target & Stretch	> Index movement + 5% & <15%	Pro-rata
Target	**Index movement +5%**	**50%**
Between Threshold & Target	> Index movement & <5%	Pro-rata
Threshold	= Index movement	25%
Below Threshold	< Index movement	0%

^^ Provided that zero performance rights will vest if the SRL TSR is negative over the measurement period.

KMP Employment Agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Sam Riggall
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	1 July 2015
Term of agreement:	No fixed term
Termination:	The Company may terminate the agreement upon three months' notice or payment in lieu of notice. Mr Riggall can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.

Name:	Mr Ben Stockdale
Title:	Chief Financial Officer
Agreement commenced:	2 February 2015
Term of agreement:	No fixed term
Termination:	The Company may terminate the agreement upon six months' notice or payment in lieu of notice. Mr Stockdale can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.

The service contracts outline the components of compensation paid to the KMP. The service contracts of the KMP prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Section 3: Non-Executive Director Remuneration

The Company Constitution provides for Non-Executive Directors to be paid or provided remuneration for their services, the total amount or value of which must not exceed an aggregate maximum of $1,000,000 per annum (as approved by shareholders on 19 July 2017) or such other maximum amount determined from time to time by the Company in a general meeting.

The aggregate maximum sum will be apportioned among them in such manner as the Directors in their absolute discretion determine. Non-Executive Directors' fees are set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies. Non-Executive Directors do not receive performance-related remuneration. Directors' fees include base fees for Board participation and fees for subcommittee roles and responsibilities. The structure of Non-Executive Director fees is tabled below.

Non-Executive Director Base Fees	
Board Co-Chairman	70,000
Lead Independent Non-Executive Director	60,000
Board Member	50,000
Board Subcommittee Fees	
Audit, Finance and Risk Committee Chair	12,500
Audit, Finance and Risk Committee Member	5,000
People, Governance and Sustainability Committee Chair	12,500
People, Governance and Sustainability Committee Member	5,000

Non-Executive Directors are entitled to be reimbursed for travelling and other expenses properly incurred by them in attending Directors' or general meetings of the Company or otherwise in connection with the business of the Consolidated Entity. No retirement benefits are to be paid to Non-Executive Directors, however, Director remuneration figures quoted herein are inclusive of superannuation where applicable. The Company determines the maximum amount for remuneration for Directors, including thresholds for share-based remuneration, by resolution.

Section 4: Statutory Remuneration Disclosures

Details of the remuneration and holdings in the securities of the Company of the KMP and Non-Executive Directors, prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards, are set out in the following tables.

2022	Cash Salary and Fees[1]	Cash Bonus[2]	Non-Monetary	Termination Benefits[3]	Post-Employment Benefits	Long-Term Benefits[3]	Share Based Payments[4]	Total
Non-Executive Directors								
Robert Friedland	70,000	–	–	–	–	–	–	70,000
Jiang Zhaobai	70,000	–	–	–	–	–	–	70,000
Trevor Eton	61,364	–	–	–	6,136	–		67,500
Eric Finlayson	54,545	–	–	–	5,455	–	–	60,000
Stefanie Loader	77,500	–	–	–	–	–	–	77,500
Executive Director:								
Sam Riggall	411,910	–	–	–	27,500	32,266	536,578	1,008,254
KMP:								
Ben Stockdale	336,150	–	–	–	27,500	27,996	144,073	535,719
Total	**1,081,469**	**–**	**–**	**–**	**66,591**	**60,262**	**680,651**	**1,888,973**

1. Includes director fees and salary.
2. Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments.
3. Includes cessation of employment entitlements relating to redundancy, payment in lieu of notice and accrued leave entitlements.
4. Amounts relate to the fair value of grants options and performance rights made pursuant to the LTI Plan attributable to the financial year measured in accordance with AASB 2 *Share Based Payments*.

2021	Cash Salary and Fees[1]	Cash Bonus	Non-Monetary	Termination Benefits[3]	Post-Employment Benefits	Long-Term Benefits	Share Based Payments[4]	Total
Non-Executive Directors								
Robert Friedland	70,000	–	–	–	–	–	–	70,000
Jiang Zhaobai	70,000	–	–	–	–	–	–	70,000
Judith Downes[5]	62,500	–	–	–	5,422	–	–	67,922
Eric Finlayson	55,000	–	–	–	4,772	–	–	59,772
Ian Knight[5]	60,000	–	–	–	–	–	–	60,000
Stefanie Loader	77,500	–	–	–	–	–	–	77,500
Executive Director:								
Sam Riggall	351,676	50,000	–	–	25,000	4,384	472,183	903,243
KMP:								
Tim Kindred[6]	212,477	–	–	112,151	16,667	–	137,010	478,305
Ben Stockdale	285,883	125,000	–	–	25,000	4,477	165,619	605,979
Total	**1,245,036**	**175,000**	**–**	**112,151**	**76,861**	**8,861**	**774,812**	**2,392,721**

1. Includes director fees and salary.
2. Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments.
3. Includes cessation of employment entitlements relating to redundancy, payment in lieu of notice and accrued leave entitlements.
4. Amounts relate to the fair value of grants options and performance rights made pursuant to the LTI Plan attributable to the financial year measured in accordance with AASB 2 *Share Based Payments*.
5. Judith Downes and Ian Knight resigned as Non-Executive Directors effective 30 June 2021.
6. Tim Kindred ceased employment effective 19 February 2021.

Remuneration Report (Audited) continued

The following tables sets out the proportion of fixed and 'at risk' performance-based remuneration for Directors and KMP for the current and previous financial period:

2022	Proportion of remuneration that is fixed	Proportion of remuneration at risk as cash settled STI	Proportion of remuneration at risk as equity settled LTI
Non-Executive Directors:			
Robert Friedland	100%	–	–
Jiang Zhaobai	100%	–	–
Eric Finlayson	100%	–	–
Stefanie Loader	100%	–	–
Trevor Eton	100%	–	–
Executive Director:			
Sam Riggall	47%	0%	53%
KMP:			
Ben Stockdale	73%	0%	27%

2021	Proportion of remuneration that is fixed	Proportion of remuneration at risk as cash settled STI	Proportion of remuneration at risk as equity settled LTI
Non-Executive Directors:			
Robert Friedland	100%	–	–
Jiang Zhaobai	100%	–	–
Eric Finlayson	100%	–	–
Judith Downes[1]	100%	–	–
Ian Knight[1]	100%	–	–
Stefanie Loader	100%	–	–
Executive Director:			
Sam Riggall	42%	6%	52%
KMP:			
Tim Kindred[2]	71%	–	29%
Ben Stockdale	52%	21%	27%

1. Judith Downes and Ian Knight resigned as Non-Executive Directors effective 30 June 2021.
2. Tim Kindred ceased employment effective 19 February 2021.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of KMP in the financial year ended 30 June 2022 are as follows:

Grantee	Options Granted	Grant Date	Exercisable Date	Expiry Date	Exercise Price	Fair Value Per Option at Grant Date
Sam Riggall	50,000	1-Nov-19	12-Aug-20	9-Aug-23	$4.97	$1.969
Sam Riggall	50,000	1-Nov-19	12-Aug-21	9-Aug-23	$4.97	$1.969
Ben Stockdale	50,000	12-Aug-19	12-Aug-20	9-Aug-23	$4.97	$1.969
Ben Stockdale	50,000	12-Aug-19	12-Aug-21	9-Aug-23	$4.97	$1.969

The exercise price of the options was adjusted down during the financial year as compensation for the diminution in value of the options resulting from the demerger of Clean TeQ Water Limited. The adjustment took effect on 1 July 2021 upon completion of the demerger of Clean TeQ Water Limited. The closing price of the Company's shares on ASX on 1 July 2021 was $1.85 per share. The exercise price of the options was adjusted from $5.30 to $4.97 per share. There was no material change to the fair value of the options as a result of the adjustment.

Options carry no dividend or voting rights.

No options over ordinary shares were granted to KMP as part of compensation during the financial year ended 30 June 2022 or the comparative year.

Performance Rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of KMP in the financial year ended 30 June 2022 are as follows:

Grantee	Rights Granted	Grant Date	Vesting and Expiry Date	Exercise Price	Fair value per Performance Right at Grant	% Rights Vested	% Rights Lapsed
Sam Riggall	14,234	22-Nov-18	01-Jul-21	Nil	$3.00	–	100
Sam Riggall	34,874	01-Nov-19	01-Jan-22	Nil	$1.39	–	100
Sam Riggall	40,811	01-Nov-19	01-Jul-22	Nil	$1.64	N/A	N/A
Sam Riggall	67,151	15-Oct-20	01-Jan-23	Nil	$2.78	N/A	N/A
Sam Riggall	217,319	15-Oct-20	01-Jul-23	Nil	$3.01	N/A	N/A
Sam Riggall	134,701	24-Mar-21	01-Jan-24	Nil	$2.00	N/A	N/A
Sam Riggall	198,694	22-Oct-21	01-Jul-24	Nil	$1.42	N/A	N/A
Ben Stockdale	8,132	06-Sep-18	01-Jul-21	Nil	$1.50	–	100
Ben Stockdale	19,923	06-Feb-19	01-Jan-22	Nil	$1.47	–	100
Ben Stockdale	22,516	16-Aug-19	01-Jul-22	Nil	$1.41	N/A	N/A
Ben Stockdale	37,048	12-Mar-20	01-Jan-23	Nil	$0.53	N/A	N/A
Ben Stockdale	119,900	17-Jul-20	01-Jul-23	Nil	$1.50	N/A	N/A
Ben Stockdale	75,807	03-Feb-21	01-Jan-24	Nil	$1.10	N/A	N/A
Ben Stockdale	108,134	09-Sep-21	01-Jul-24	Nil	$1.17	N/A	N/A
Ben Stockdale	112,982	08-Mar-22	01-Jan-25	Nil	$1.17	N/A	N/A

Note: Performance Rights with a vesting and expiry date of 1 July 2022 all lapsed as performance conditions were not met.

Performance rights carry no dividend or voting rights.

Additional performance rights were granted to holders during the financial year as compensation for the diminution in value of existing classes of performance rights resulting from the demerger of Clean TeQ Water Limited ('Gross-Up Rights'). The number of Gross-Up Rights was determined in accordance with the plans detailed in the Demerger Booklet dated 17 May 2021. The gross up factor (dividing the number of performance rights by 81.82%) was determined with reference to the relative market capitalisations of SRL and Clean TeQ Water in the first 5 days of trading of Clean TeQ Water on the ASX. The table above details the number of performance rights and their fair values as at their original grant date, exclusive of the Gross-Up Rights. The performance criteria for the Performance Rights granted as compensation for the diminution in value of existing classes of performance rights resulting from the demerger of Clean TeQ Water Limited remain as per the initial grant of each class of Performance Rights. The fair value of the Gross-Up Rights granted to each KMP was $1.67.

The table below details the Gross-Up Rights granted to each KMP during the financial year.

Grantee	Grant Date	Vesting and Expiry Date	Performance Rights Initial Grant	Gross-Up Rights	Total
Sam Riggall	01-Nov-19	01-Jan-22	34,874	7,749	42,623
Sam Riggall	01-Nov-19	01-Jul-22	40,811	9,068	49,879
Sam Riggall	15-Oct-20	01-Jan-23	67,151	14,921	82,072
Sam Riggall	15-Oct-20	01-Jul-23	217,319	48,287	265,606
Sam Riggall	24-Mar-21	01-Jan-24	134,701	29,930	164,631
Ben Stockdale	06-Feb-19	01-Jan-22	19,923	4,427	24,350
Ben Stockdale	16-Aug-19	01-Jul-22	22,516	5,003	27,519
Ben Stockdale	12-Mar-20	01-Jan-23	37,048	8,232	45,280
Ben Stockdale	17-Jul-20	01-Jul-23	119,900	26,641	146,541
Ben Stockdale	03-Feb-21	01-Jan-24	75,807	16,844	92,651

The number of performance rights over ordinary shares granted to each KMP as part of remuneration, exclusive of Gross-Up Rights, is set out below:

	Number of rights granted during the financial year	Number of rights granted during the financial year	Number of rights vested during the financial year	Number of rights vested during the financial year
	2022	2021	2022	2021
Sam Riggall	198,694	419,171	–	–
Ben Stockdale	221,116	195,707	–	–

Values of performance rights over ordinary shares (as at date of grant) granted, exercised and lapsed to key management personnel as part of compensation are set out below:

	$ Value of rights granted during the financial year	$ Value of rights granted during the financial year	$ Value of rights vesting during the financial year	$ Value of rights vesting during the financial year
Name	2022	2021	2022	2021
Sam Riggall	281,717	922,803	–	–
Ben Stockdale	130,720	263,470	–	–

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Director and KMP interests in equity instruments of the Company

Movement in shares held

The number of ordinary shares in the Company held during the financial year ended 30 June 2022 by each Director and KMP of the Consolidated Entity, including their related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Non-Executive Directors:					
Robert Friedland	11,977,801	–	–	–	11,977,801
Jiang Zhaobai	10,451,888	–	–	–	10,451,888
Stefanie Loader	22,000	–	–	–	22,000
Trevor Eton	–	–	12,000	–	12,000
Eric Finlayson	75,000	–	–	–	75,000
Executive Director:					
Sam Riggall	2,693,147	–	–	(80,000)	2,613,147
KMP:					
Ben Stockdale	170,000	–	–	–	170,000
	25,389,836	**–**	**12,000**	**(80,000)**	**25,321,836**

Movement in options held

The number of options over ordinary shares in the Company held during the financial year by each Director and KMP of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	Exercised	Expired/ forfeited/other	Balance at the end of the year
Executive Director:					
Sam Riggall	100,000^	–	–	–	100,000*
KMP:					
Ben Stockdale	100,000^	–	–	–	100,000*
	200,000	**–**	**–**	**–**	**200,000**

^ 50,000 vested and exercisable at the start of the year.

* Vested and exercisable at the end of the year (50,000 vested during the year).

Movement in performance rights held

The number of performance rights over ordinary shares in the Company held during the financial year by each KMP of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	Gross-Up Rights	Vested	Expired/ forfeited/other	Balance at the end of the year
Sam Riggall	509,090	198,694	109,955	–	(56,857)	760,882
Ben Stockdale	283,326	221,116	61,147	–	(32,482)	533,107
	792,416	**419,810**	**171,102**		**(89,339)**	**1,293,989**

Remuneration Report (Audited) continued

Shares under option

Unissued ordinary shares of the Company under option as at 30 June 2022 are as follows:

Grant Date	Expiry Date	Exercise Price	Number under Option
12-Aug-19	09-Aug-23	$4.97	574,656
01-Nov-19	09-Aug-23	$4.97	100,000
			674,656

The exercise price of the options was adjusted down during the financial year as compensation for the diminution in value of the options resulting from the demerger of Clean TeQ Water Limited.

No option holder has any right by virtue of the option to participate in any share issue of the Company or of any other of its related bodies corporate.

Shares subject to performance rights

Unissued ordinary shares of the Company subject to performance rights as at 30 June 2022 are as follows:

Grant Date	Vest Date	Exercise Price	Number
16-Aug-19	1-Jul-22	Nil	92,767
1-Nov-19	1-Jul-22	Nil	49,879
12-Mar-20	1-Jan-23	Nil	101,390
15-Oct-20	1-Jan-23	Nil	82,072
17-Jul-20	1-Jul-23	Nil	219,025
15-Oct-20	1-Jul-23	Nil	265,606
3-Feb-21	1-Jan-24	Nil	117,382
24-Mar-21	1-Jan-24	Nil	164,631
09-Sep-21	01-Jul-24	Nil	156,778
22-Oct-21	01-Jul-24	Nil	198,694
08-Mar-22	01-Jan-25	Nil	176,780
			1,625,004

Shares issued on the exercise of options or performance rights

During the year, the Company did not issue any shares as a result of option holders exercising their options or vesting of performance rights.

Voting and comments made at the Company's 2020 and 2021 Annual General Meetings

The Company received 27,339,535 votes 'for' (97.77% of votes cast) and 623,680 votes 'against' (2.23% of votes cast) the remuneration report for the year ended 30 June 2020.

The Company received 20,907,973 votes 'for' (97.73% of votes cast) and 484,763 votes 'against' (2.27% of votes cast) the remuneration report for the year ended 30 June 2021.

This concludes the Remuneration Report which has been audited.

Auditor's Independence Declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Sunrise Energy Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sunrise Energy Metals Limited for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG	Tony Romeo
	Partner
	Melbourne
	23 August 2022

Statement of Profit or Loss & Other Comprehensive Income

For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Continuing Operations			
Revenue and other income	5	835	877
Interest income		113	181
Expenses			
Employee benefits expenses	6	(3,544)	(7,149)
Depreciation and amortisation expenses	6	(393)	(763)
Exploration and evaluation expenses		(8,111)	(4,097)
Research and development test work		(494)	(54)
Legal and professional expenses		(1,599)	(2,406)
Occupancy expenses		(1,045)	(1,361)
Marketing expenses		(45)	(125)
Travel expenses		(176)	(39)
Other expenses		(831)	(2,111)
Finance costs		(16)	(37)
Loss before income tax benefit from continuing operations		**(15,306)**	**(17,084)**
Income tax benefit	7	–	–
Loss after income tax benefit for the year from continuing operations attributable to the owners of Sunrise Energy Metals Limited		**(15,306)**	**(17,084)**
Profit/(Loss) after income tax benefit for the year from discontinued operations	8	15,378	(4,070)
Profit/(Loss) after income tax benefit for the year attributable to the owners of Sunrise Energy Metals Limited		**72**	**(21,154)**
Profit/(Loss) after income tax benefit for the year is attributable to:			
Owners of the company		72	(21,065)
Non-controlling interests		–	(89)
		72	(21,154)
Total comprehensive income/(loss) for the year		**72**	**(21,154)**
Total comprehensive income/(loss) for the year is attributable to:			
Owners of the Company		72	(21,065)
Non-controlling interests		–	(89)
		72	(21,154)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	Consolidated 2022 $	2021 $
Earnings/(loss) per share – continued operations			
Basic earnings per share	32	(0.17)	(0.21)
Diluted earnings per share	32	(0.17)	(0.21)
Earnings/(loss) per share – discontinued operations			
Basic earnings per share	32	0.17	(0.05)
Diluted earnings per share	32	0.17	(0.05)
Earnings/(loss) per share			
Basic earnings per share	32	0.00	(0.26)
Diluted earnings per share	32	0.00	(0.26)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets			
Cash and cash equivalents	9	24,908	38,652
Trade and other receivables		263	429
Research and development incentive receivable	10	132	201
Assets of disposal group classified as held for distribution to owners	8	–	21,250
Total current assets		**25,303**	**60,531**
Non-current assets			
Other financial assets		107	146
Right of use assets		346	420
Property, plant and equipment	11	195	177
Total non-current assets		**648**	**743**
Total assets		**25,951**	**61,275**
Current liabilities			
Trade and other payables	13	690	924
Employee benefits		291	198
Provisions	14	–	35,121
Lease liabilities		199	277
Deferred revenue		–	47
Liabilities associated with assets of disposal group classified as held for distribution to owners	8	–	1,506
Total current liabilities		**1,180**	**38,073**
Non-current liabilities			
Deferred revenue		–	355
Employee benefits		123	63
Provisions		156	152
Lease liabilities		95	144
Total non-current liabilities		**374**	**714**
Total liabilities		**1,554**	**38,787**
Net assets		**24,397**	**22,488**
Equity			
Issued capital	16	298,091	326,428
Reserves	17	16,578	(18,773)
Accumulated losses	18	(290,272)	(285,167)
Total equity		**24,397**	**22,488**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2022

Consolidated	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Non-Controlling Interests $'000	Total Equity $'000
Balance at 1 July 2020	289,637	(264,102)	16,835	(286)	42,084
Loss after income tax benefit for the financial year	–	(21,065)	–	(89)	(21,154)
Total comprehensive loss for the financial year	–	(21,065)	–	(89)	(21,154)
Transactions with owners in their capacity as owners:					
Equity contributions, net of transaction costs	36,791	–	–	–	36,791
Demerger of Clean TeQ Water	–	–	(35,121)	–	(35,121)
Acquisition of non-controlling interest	–	–	(1,928)	375	(1,553)
Share-based payments (note 33)	–	–	1,441	–	1,441
Total contribution and distribution:	36,791	(21,065)	(35,608)	286	(19,596)
Balance at 30 June 2021	326,428	(285,167)	(18,773)	–	22,488
Balance at 1 July 2021	326,428	(285,167)	(18,773)	–	22,488
Profit after income tax benefit for the financial year	–	72	–	–	72
Total comprehensive income for the financial year	–	72	–	–	72
Transactions with owners in their capacity as owners:					
Equity contributions, net of transaction costs	1,500	–	–	–	1,500
Demerger of Clean TeQ Water	(29,837)	(5,177)	35,014	–	–
Acquisition of non-controlling interest	–	–	–	–	–
Share-based payments (note 33)	–	–	337	–	337
Total contribution and distribution:	(28,337)	(5,105)	35,351	–	1,909
Balance at 30 June 2022	298,091	(290,272)	16,578	–	24,397

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2022

		Consolidated	
	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		–	2,012
Payments to suppliers and employees (inclusive of GST)		(14,180)	(22,661)
Cash used in operating activities		(14,180)	(20,649)
Interest received		89	201
Payments of interest on leases		(16)	(41)
Research and development tax incentive received		357	2,006
Net cash used in operating activities	31	(13,750)	(18,483)
Cash flows from investing activities			
Payments for property, plant and equipment		(142)	–
Rental income		152	–
Proceeds from wind up of joint venture		–	92
Proceeds from sale of plant & equipment		6	7
Demerger of Clean TeQ Water		(16,005)	–
Demerger Costs		–	(1,084)
Net cash used in investing activities		(15,989)	(985)
Cash flows from financing activities			
Proceeds from issue of shares, net of issuance costs		–	34,791
Payments of principal for rental leases		(276)	(984)
Cash on deposit for security over bank guarantees		266	235
Net cash from/(used in) financing activities		(10)	34,042
Net increase/(decrease) in cash and cash equivalents		(29,749)	14,574
Cash and cash equivalents at the beginning of the financial year		54,657	40,083
Cash and cash equivalents at the end of the financial year	9	24,908	54,657

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 1. General information

The financial statements cover the Sunrise Energy Metals Limited group as a Consolidated Entity consisting of Sunrise Energy Metals Limited ('Company') and its subsidiaries ('Consolidated Entity'). The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

Sunrise Energy Metals Limited is a for-profit ASX listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6, 350 Collins St
Melbourne VIC 3000
Australia

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 August 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Going Concern, Basis of Preparation and Significant accounting policies

(a) Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity reported a net loss after tax from continuing operations for the financial year of $15,306,000 (30 June 2021: loss of $17,084,000). Working capital, being current assets less current liabilities, amounts to a $24,123,000 surplus (30 June 2021: $22,458,000 surplus), with cash reserves decreasing from $38,652,000 to $24,908,000 during the financial year. Net cash outflow from operating activities was $13,750,000 for the financial year (30 June 2021: $18,483,000).

During the financial year the following events have taken place to support the going concern basis of preparation for the Consolidated Entity:

- The Consolidated Entity has attributable available cash on hand as at 30 June 2022 of $24,908,000;
- The Consolidated Entity received a cash rebate totalling $357,000 from the Australian Tax Office for eligible research and development expenditure relating to the financial year ended 30 June 2021. The Consolidated Entity anticipates that a proportion of the 2022 financial year's research and development expenditure will also be eligible for the refundable tax offset. The Consolidated Entity has booked a $132,000 receivable for the estimated refund due to it for expenditure incurred during the 2022 financial year;
- The Consolidated Entity is able to defer major development expenditure at the Sunrise Project until a funding package is secured; and
- The forecast cash flows for the Consolidated Entity indicate that, based on current cash on hand, the Consolidated Entity is able to maintain a positive cash position for at least the period of 12 months to August 2023.

The Consolidated Entity expects that relationships with its major investors will also assist in widening the Consolidated Entity's opportunities for profitable commercialisation of its technologies in addition to assisting in securing further funding required.

As set out in the financial report, during the financial year the Consolidated Entity made good progress in respect of the ongoing development of the Sunrise Project. The Consolidated Entity will continue working towards securing a financing package to enable commencement of construction of the Sunrise Project and anticipates that it will, once in production, produce substantial revenues in the future.

Notes to the Financial Statements continued

The Directors are confident that the Consolidated Entity can continue to access debt and equity funding to meet medium term working capital requirements and has a history of securing such funding as required in the past to support their confidence.

The Directors note that there are a number of prevailing global factors which are beyond the control of the Consolidated Entity including the ongoing measures implemented to mitigate the impacts of COVID-19, the general inflationary environment, rising interest rates, war in Ukraine, political and trade disputes and disruption to supply chains. None of these factors has materially impacted on the ability of the Consolidated Entity to undertake its activities. Although there is a risk that these factors, or other new unforeseeable factors, may impact on the Consolidated Entity's performance and ability to operate in the future, the Directors are not currently aware of any factor that they believe will materially impact on the Consolidated Entity's performance and ability to operate in the future.

On the basis of cash and cash equivalents available as at 30 June 2022, cashflow forecasts to 31 August 2023, and that sufficient funding is expected to be raised to meet the Consolidated Entity's medium to long term expenditure forecasts, the Directors consider that the Consolidated Entity remains a going concern and these financial statements have been prepared on this basis.

(b) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards ('AASBs') and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention unless otherwise described in the accounting policies.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(c) Parent Entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Consolidated Entity only.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sunrise Energy Metals Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended. Sunrise Energy Metals Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Transactions eliminated on consolidation

Intercompany transactions, balances and any unrealised gains and losses on transactions between entities in the Consolidated Entity are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Consolidated Entity's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Parent.

Loss of control

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(e) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(f) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from contracted services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the completion of key milestones in the contracts.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract expenses are recognised as they are incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

Sales of non-current assets

Gains or losses on sale of non-current assets are included as income or expenses at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

Gains or losses on disposal are calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Notes to the Financial Statements continued

Government grants

Grants that compensate the Consolidated Entity for expenses incurred (including research and development tax incentive rebates) are recognised in profit or loss or other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Consolidated Entity for expenditure capitalised (including research and development tax incentive rebates) are recognised as a reduction in the carrying value of the asset and grants that compensate the Consolidated Entity for expenditure recognised in profit or loss is recognised as government grant income.

(g) Exploration and evaluation assets

Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure is capitalised and carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. Capitalised costs are deferred until commercial production commences from the relevant area of interest, at which time they are amortised on a unit of production basis. Exploration and evaluation expenditure consists of an accumulation of acquisition costs and direct exploration and evaluation costs incurred.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment policy, note 2(o)). For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

From 1 July 2020, Sunrise Project exploration and evaluation expenditure was expensed in the statement of profit or loss and other comprehensive income until such time as a final investment decision is made. Subsequent to this decision being made, project engineering and construction expenditure will be capitalised.

When an area of interest is abandoned, or the Directors determine it is not commercially viable to pursue, accumulated costs in respect of that area are written off in the period the decision is made.

(h) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the profit or loss except to the extent that it relates to business combinations, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Entity is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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 Consolidated Entity makes this assessment at each reporting date. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Sunrise Energy Metals Limited (the 'Head Entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The Head Entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Head Entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the Head Entity to the subsidiaries nor a distribution by the subsidiaries to the Head Entity.

(i) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model. The expected credit loss model requires the Consolidated Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Consolidated Entity to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost;
- Lease receivables;
- Trade receivables and contract assets; and
- Financial guarantee contracts to which the impairment requirements of AASB 9 apply.

In particular, AASB 9 requires the Consolidated Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses ('ECL') if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Consolidated Entity has recognised no credit losses in this financial year, or the previous financial year.

Other receivables are recognised at amortised cost, less any provision for impairment.

(l) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Entity. Ongoing repairs and maintenance are expensed as incurred. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. The estimated useful lives of property, plant and equipment are as follows for the current and preceding financial year:

Mining equipment	2.5 to 20 years (straight line and diminishing value)
Office furniture and equipment	2.5 to 20 years (straight line and diminishing value)
Leasehold improvements	3 to 7 years (diminishing value)
Motor vehicles	5 to 6 years (diminishing value)
Land	Indefinite

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(m) Other financial assets

Cash on deposit used as security for bank guarantees maturing within twelve months of each reporting period is disclosed as a current other financial asset. Those deposits that mature in excess of twelve months are disclosed as non-current other financial assets.

(n) Intangibles

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

The method of determining useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Capitalised development costs

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be an economic success considering its commercial and technical feasibility; the Consolidated Entity is able to use or sell the asset; the Consolidated Entity has sufficient resources and intent to complete the development and its costs can be measured reliably. Otherwise they are recognised in the profit or loss as incurred. Capitalised development costs are amortised on a straight-line basis over the period of their expected economic benefit, being between 4 and 20 years dependent on the project.

Mineral Licence Rights

Licence rights relating to mining tenements are amortised in the consolidated statement of profit or loss and comprehensive income over the life of the relevant area of interest from the commencement of commercial production. The mineral licence rights intangible asset is subject to impairment testing in accordance with the Consolidated Entity's accounting policy for impairment of non-financial assets as set out in note 2(o).

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being between 4 and 20 years.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(o) Impairment of non-financial assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill (including mining rights acquired via business combination) is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ('CGUs'). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Leases

The Consolidated Entity adopted AASB 16 *Leases* from 1 July 2019. The standard replaced AASB 117 and for lessees eliminates the classification of operating and finance leases. Except for short term and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. The right-of-use asset is depreciated over the short of the asset's useful life and the lease term on a straight-line basis, while the lease liability is reduced by an allocation of each lease payment.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition. The Consolidated Entity derecognises the liability when its contractual obligations are discharged, cancelled or expired.

(r) Finance income and costs

The Consolidated Entity's finance income and finance costs include, as applicable:

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Interest expense is recognised using the effective interest method. Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings; and
- interest on hire purchases.

(s) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities 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.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian Corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees. There were no cash settled share-based payments during the financial year.

Equity-settled transactions are awards of shares, or options and performance rights over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date.

The fair values of options are determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the strike price of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option

The fair value of performance rights is determined by an independent third party using a Geometric Brownian Motion Model and a Monte Carlo simulation that takes into account the term of the performance rights, the underlying share price and benchmark share price values at grant date, the expected volatility of the underlying share and benchmark shares, the expected dividend yield of the underlying share and benchmark shares and the risk-free interest rate for the term of the performance right, together with an estimation of the number of performance rights expected to lapse due to failure of employees to remain in employment.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining grant date fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

(t) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(u) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Consolidated Entity by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(x) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) New standards and interpretations not yet adopted

There are no new standards and interpretations that have been early adopted.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 4. Operating segments

Identification of reportable operating segments

Following the demerger of Clean TeQ Water from the Consolidated Entity on 1 July 2021 there is only one operating segment and the Metals and Unallocated segments from the comparative period have been combined.

Prior to the demerger of Clean TeQ Water the Consolidated Entity was organised into two operating segments: Water and Metals. These operating segments offered different products and services and were managed separately because they required different technology and marketing strategies. For each segment internal reports were produced for review and use by the Managing Director who is the Consolidated Entity's chief operating decision maker ('CODM') in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The information reported to the CODM is on at least a monthly basis.

The CODM reviews gross profit for each operating division. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Information regarding the results of each reportable segment is included below. Performance is measured based on the net result before interest, depreciation, amortisation and tax, as included in the internal management reports that are reviewed by the Consolidated Entity's Managing Director. Each segment's net result before interest, depreciation, amortisation and tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The information relating to the performance of the identified segments includes revenues and directly attributable costs and materials. The assets attributed to each division relates to revenue generating assets. All other assets and liabilities are not allocated to specific segments.

As a result of the demerger of the Water Business on 1 July 2021, the business that was previously reported in the Water segment has been accounted for as Discontinued Operations. Information about this discontinued segment is contained in note 8.

Geographical segments

Geographically, the Consolidated Entity operates wholly in Australia.

Major customers

Revenue from continuing operations for the year ended 30 June 2022 is derived from interest income and government grants.

Operating segment information

Consolidated – 2022	Metals $'000	Total $'000
Revenue and other income		
Sales to external customers	–	–
Rental income	139	139
Interest income	113	113
Other revenue	696	696
Total revenue and other income	**948**	**948**
Reportable segment loss before interest, depreciation and tax	(14,897)	(14,897)
Depreciation and amortisation	(393)	(393)
Finance costs	(16)	(16)
Loss before income tax benefit	**(15,306)**	**(15,306)**
Income tax benefit	–	–
Loss after income tax benefit	**(15,306)**	**(15,306)**
Gain on discontinued operation	15,378	15,378
Profit after Tax	**721**	**72**

Consolidated – 2022	Metals $'000	Total $'000
Assets		
Segment assets	25,951	25,951
Total assets	**25,951**	**25,951**
Total assets includes:		
Additions of non-current assets (including those acquired in a business combination)	130	130
Liabilities		
Segment liabilities	1,554	1,554
Total liabilities	**1,554**	**1,554**

Notes to the Financial Statements continued

Consolidated – 2021	Metals $'000	Water (Discontinued Operation – see note 8) $'000	Total $'000
Revenue and other income			
Sales to external customers	–	2,174	2,174
Rental income	10	–	10
Interest income	181	1	182
Other revenue	867	421	1,288
Total revenue and other income	**1,058**	**2,596**	**3,654**
Reportable loss before interest, depreciation and tax	**(16,284)**	**(3,395)**	**(19,679)**
Depreciation and amortisation	(763)	(672)	(1,435)
Finance costs	(37)	(3)	(40)
Loss before income tax benefit	**(17,084)**	**(4,070)**	**(21,154)**
Income tax benefit	–	–	–
Loss after income tax benefit	**–**	**–**	**–**

Consolidated – 2021	Metals $'000	Water $'000	Total $'000
Assets			
Segment assets	40,025	21,250	61,275
Total assets	**40,025**	**21,250**	**61,275**
Total assets includes:			
Additions of non-current assets (including those acquired in a business combination)	–	–	–
Liabilities			
Segment liabilities	37,281	1,506	37,787
Total liabilities	**37,281**	**1,506**	**37,787**

Reconciliation of information on reportable segments to the amounts reported in the financial statements

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenues			
Total revenue for reportable segments		948	3,654
Elimination of discontinued operation	8	–	(2,596)
Revenue from continuing operations		**948**	**1,058**
Profit/(Loss) before income tax benefit			
Total profit/(Loss) before income tax benefit for reportable segments		72	(21,154)
Elimination of profit/(loss) on discontinued operation	8	15,378	(4,070)
Loss before income tax for continuing operations		**(15,306)**	**(17,084)**

Note 5. Revenue and other income from continuing operations

	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenue and other income		
Government grants	691	845
Other revenue	144	32
	835	**877**

Note 6. Expenses

	Consolidated	
	2022 $'000	2021 $'000
Profit/(Loss) before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Right of use assets	280	562
Office equipment and furniture	113	167
Total depreciation	393	729
Amortisation		
Patents and trademarks	–	35
Total amortisation	–	35
Total depreciation and amortisation	393	763
Employee benefit expenses		
Wages and salaries	(2,479)	(3,990)
Employee entitlements expense including movements in provisions for employee entitlements	(290)	(376)
Superannuation	(215)	(287)
Equity settled share-based payments	(337)	(1,441)
Other costs	(223)	(1,055)
Total employee benefit expenses	**(3,544)**	**(7,149)**

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Note 7. Income tax benefit

	Consolidated	
	2022 $'000	2021 $'000
Income tax benefit:		
Current tax	–	–
Deferred tax – origination and reversal of temporary differences	–	–
Aggregate income tax benefit on continuing operations	–	–
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 15)	–	–
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax (expense)/benefit from continuing operations	**(15,306)**	**(17,083)**
Tax at the statutory tax rate of 25.0% (2021: 27.5%)	(3,827)	(4,698)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	84	396
Tax losses (reinstated)/not brought to account	3,815	4,302
Non-assessable government grant income	(72)	(100)
Non-deductible amortisation expense	–	100
Income tax benefit	**–**	**–**

The gain on disposal of the discontinued operation is not taxable income for the Consolidated Entity, as such, there is no tax impact.

	Consolidated	
	2022 $'000	2021 $'000
Tax losses not recognised:		
Unused tax losses for which no deferred tax asset has been recognised, including tax losses arising from a business combination	90,992	92,434
Potential tax benefit @ 25.0% (2021: 27.5%)	22,748	25,419
Plus: Unrecognised benefit of carry forward non-refundable R&D tax offset for which no deferred tax asset has been recognised, arising from a business combination	589	589
Total potential tax benefit of carry forward tax losses and R&D tax offset for which no deferred tax asset has been recognised	23,337	26,008
Temporary differences not brought to account	**903**	**903**

The above potential tax benefits for tax losses and R&D tax offset have not been recognised in the statement of financial position. The tax losses can only be utilised in the future if the Consolidated Entity generates taxable profits and if the continuity of ownership test is passed, or failing that, the same business test is passed. The R&D tax offset can only be utilised in the future if sufficient tax liabilities can be generated against which the carry forward R&D tax offset can be credited.

Note 8. Discontinued Operations,

On 18 June 2021 the shareholders of the Company approved a resolution to demerge the Consolidated Entity's Water Business into a new ASX listed company – Clean TeQ Water Limited ('Clean TeQ Water'). The demerger was undertaken as a capital return by way of an in-specie distribution on a one for two basis of Clean TeQ Water shares to the Company's shareholders on 1 July 2021. Clean TeQ Water was listed on ASX on 2 July 2021 and will operate the Water Business. Sunrise Energy Metals will continue to operate the Metals Business including the Sunrise Project.

Clean TeQ Water was demerged with $16,005,000 in cash reserves and no bank debt, as well as all of the assets of the Consolidated Entity which are required for the operation of the Water Business.

The net assets of Clean TeQ Water were measured at the lower of carrying amount and fair value. The net assets of Clean TeQ Water are detailed below in the table: Carrying amounts of asset and liabilities held for distribution to the owners.

Upon completion of the demerger of Clean TeQ Water on 1 July 2021, the Consolidated Entity recorded a profit after income tax benefit from discontinued operations of $15,378,000, which was the difference between the fair value of Clean TeQ Water represented by its market capitalisation upon its listing on the ASX ($35,121,000) and the value of the Clean TeQ Water net assets held for distribution ($19,743,000).

The gain on disposal of the discontinued operation is not taxable income for the Consolidated Entity, as such, there is no tax impact.

Accounting policy for discontinued operations

A discontinued operation is a component of the Consolidated Entity that has been disposed of or is held for distribution to the owners and that represents a separate major line of business or a separate geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations or is a subsidiary acquired exclusively with a view to resale. The results of the discontinued operations are presented separately on the face of the statement of profit or loss.

Financial Performance Information

	2022 $'000	2021 $'000
Discontinued operation sales revenue	–	2,174
Discontinued operation other income	–	422
Raw materials and other direct costs	–	(1,081)
Employee benefits expense	–	(3,032)
Depreciation and amortisation	–	(672)
Legal and professional	–	(715)
Occupancy expenses	–	(1,170)
Net interest and finance charges	–	(3)
Other expenses (incl WIP movement)	–	7
Profit upon demerger of discontinued operation	15,378	–
Profit/(loss) before tax from discontinued operations	**15,378**	**–**
Income tax expense/(benefit)	**–**	**–**
Profit/(loss) after before tax from discontinued operations	**15,378**	**(4,070)**

Carrying amounts of asset and liabilities held for distribution to the owners

	2022 $'000	2021 $'000
Cash and cash equivalents	–	16,005
Trade and other receivables	–	1,155
Research and development incentive receivable	–	162
Lease assets	–	229
Property, plant and equipment	–	563
Intangibles	–	3,136
Total assets	–	21,250
Trade and other payables	–	732
Employee benefits	–	481
Provisions	–	60
Lease liabilities	–	233
Total liabilities	–	1,506
Net assets	**–**	**19,744**

Cashflow of Water Business

	2022 $'000	2021 $'000
Operating	–	(1,703)
Investing	–	(516)
Financing	(16,005)	17,412
Net cash movement	(16,005)	15,193
Cash at beginning of period	16,005	812
Net cash at end of period	**–**	**16,005**

Note 9. Current assets – cash and cash equivalents

	Consolidated	
	2022 $'000	2021 $'000
Cash at bank	24,908	38,652
Reconciliation to cash and cash equivalents at the end of the financial year		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	24,908	38,652
Cash and cash equivalents – classified as held for distribution for owners	–	16,005
Balance as per statement of cash flows	24,908	54,657

The average interest rate on short-term bank deposits at 30 June 2022 was 0.53% (2021: 0.27%). These deposits have a maximum maturity of three months from year end. Any balances with maturities exceeding this have been disclosed as other financial assets.

Note 10. Current assets – Research and development incentive receivable

	Consolidated	
	2022 $'000	2021 $'000
Research and development incentive receivable	132	201

The research and development incentive receivable represents the estimated refund due to the Consolidated Entity on expenditure incurred during the current or previous financial years which is eligible for research and development tax concessions.

Note 11. Non-current assets – property, plant and equipment

	Consolidated 2022 $'000	Consolidated 2021 $'000
Office furniture and equipment – at cost	476	476
Less: Accumulated depreciation	(445)	(392)
	31	84
Motor vehicles – at cost	246	116
Less: Accumulated depreciation	(120)	(86)
	126	30
Leasehold improvements – at cost	177	177
Less: Accumulated depreciation	(139)	(114)
	38	63
	195	177

Reconciliations of carrying amount

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Office Furniture & Equipment $'000	Leasehold Improvements $'000	Motor Vehicles $'000	Total $'000
Balance as at 1 July 2020	550	282	85	917
Additions	–	–	–	–
Transfer to held for distribution to owners	(427)	(109)	(27)	(563)
Depreciation expense	(40)	(110)	(28)	(177)
Balance as at 30 June 2021	84	63	30	177
Balance as at 1 July 2021	84	63	30	177
Additions	–	–	130	130
Transfer to held for distribution to owners	–	–	–	–
Depreciation expense	(53)	(25)	(34)	(113)
Balance as at 30 June 2022	31	38	126	195

Notes to the Financial Statements continued

Reconciliation of carrying amount

Reconciliations of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

Consolidated	Capitalised Development Costs $'000	Licence Rights $'000	Patents and Trademarks $'000	Total $'000
Balance as at 30 June 2020	3,379	20	136	3,535
Transfer to held for distribution to owners	(3,014)	(20)	(102)	(3,136)
Amortisation expense	(364)	–	(34)	(399)
Balance as at 30 June 2021	–	–	–	–
Additions	–	–	–	–
Amortisation expense	–	–	–	–
Balance as at 30 June 2022	–	–	–	–

Allocation of Intangible Assets to Cash Generating Units (CGUs)	Capitalised Development Costs $'000	Licence Rights $'000	Patents and Trademarks $'000	Total $'000
As at 30 June 2021:				
Water	3,014	20	102	3,136
Metals	–	–	–	–
	3,014	20	102	3,136
As at 30 June 2022:				
Metals	–	–	–	–
	–	–	–	–

Amortisation

The amortisation of patents and trademarks, licence rights and development costs are allocated to expenses within the statement of profit or loss and other comprehensive income.

Note 12. Mineral tenement summary

Licence Number	Project Name	Location	Equity Interest 2022	Equity Interest 2021
EL8961	Minore	NSW	100%	100%
EL9031	Minore	NSW	100%	100%
EL8520	Hylea	NSW	100%	0%
EL8641	Hylea	NSW	100%	0%
EL8801	Hylea	NSW	100%	0%
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%	0%
EL9211	Nyngan	NSW	100%	0%
EL9317	Burra Creek	NSW	100%	0%
ML1770	Sunrise	NSW	100%	100%
ML1769	Sunrise	NSW	100%	100%

Note 13. Current liabilities – trade and other payables

	Consolidated	
	2022 $'000	2021 $'000
Trade payables	498	426
Other payables	192	498
	690	924

Notes to the Financial Statements continued

Note 14. Provisions

	Consolidated	
	2022 $'000	2021 $'000
Provision for capital return (demerger of Clean TeQ Water)	–	35,121
	–	35,121

On 18 June 2021 the shareholders of the Company approved a resolution to demerge the Consolidated Entity's Water Business into a new ASX listed company – Clean TeQ Water Limited ('Clean TeQ Water'). The demerger was undertaken as a capital return by way of an in-specie distribution on a one for two basis of Clean TeQ Water shares to the Company's shareholders on 1 July 2021. A provision for the capital return is recorded in the financial statements at the fair value of the net assets to be distributed, which is represented by the market capitalisation of Clean TeQ Water based on its volume weighted average price during the first five days of trading on ASX.

Note 15. Non-current liabilities/assets – deferred tax

				Consolidated Balance as at 30 June 2022	
	Net Balance 1 July 2021 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
Deferred tax asset (liability) comprises temporary differences attributable to:					
Amounts recognised in:					
• Unearned interest	31	8	–	39	–
• Accrued expenses	(413)	(4)	–	–	(417)
• Employee benefits	242	38	–	280	–
• Transaction costs on share issues	(916)	–	(300)	–	(1,216)
• Legal and consulting fees	15	–	–	15	–
• Plant & equipment	(22)	98	–	76	–
• Unused tax losses	1,063	160	–	1,223	–
				1,633	(1,633)
Tax liabilities (assets) before set-off	–			(1,633)	1,633
Set off deferred tax assets/liabilities	–			–	–
Net tax liabilities (assets)	–			–	–
Movements 2022					
Opening balance	–				
Charges to profit or loss	–				
Closing balance	–				

Note 16. Equity – issued capital

			Consolidated	
	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares – fully paid	90,057,879	89,333,793	298,091	326,428

Movements in ordinary share capital

Details	Date	Shares	Issue Price	$'000
Balance	1 Jul 2021	89,333,793		326,428
Demerger of Clean TeQ Water	1 Jul 2021			(29,837)
Share Issue	13 Aug 2021	724,086	$2.07	1,500
Balance	30 Jun 2022	90,057,879		298,091

The share issue on 13 August 2021 related to the acquisition by the Consolidated Entity of a 100% interest in the Hylea Project (Exploration Licences EL8520, EL8641 and EL8801) for $1.0 million in cash and $1.5 million Sunrise Energy Metals shares.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. All ordinary shares rank equally with regard to the Consolidated Entity's residual assets. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Consolidated Entity defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends likely to be proposed and paid to ordinary shareholders.

The Board ultimately seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, new share issues and the issuing of convertible notes and the advantages and security afforded by a sound capital position. The Consolidated Entity may increase its debt levels if and when required in order to achieve increased returns for shareholders.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 17. Equity – reserves

	Consolidated	
	2022 $'000	2021 $'000
Demerger reserve	–	(35,121)
Other reserves	(2,035)	(1,928)
Share based payments reserve	18,613	18,276
	16,578	(18,773)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share Based Payments $'000	Other $'000	Demerger $'000	Total $'000
Balance as at 1 July 2020	16,835	–	–	16,835
Demerger of Clean TeQ Water	–	–	(35,121)	(35,121)
Acquisition of NCI	–	(1,928)	–	(1,928)
Share based payments	1,441	–	–	1,441
Balance as at 30 June 2021	18,276	(1,928)	(35,121)	(18,773)
Demerger of Clean TeQ Water	–	–	35,121	35,121
Other Reserves	–	(107)	–	(107)
Share based payments	337	–	–	337
Balance as at 30 June 2022	18,613	(2,035)	–	16,578

Note 18. Equity – accumulated losses

	Consolidated	
	2022 $'000	2021 $'000
Accumulated losses at the beginning of the financial year	(285,167)	(264,102)
Demerger of Clean TeQ Water	(5,177)	–
Loss after income tax benefit for the year	72	(21,065)
	(290,272)	(285,167)

Note 19. Equity – non-controlling interest (NCI)

	Consolidated	
	2022 $'000	2021 $'000
Balance as start of financial year	–	(286)
Loss after income tax benefit for the year attributable to non-controlling interest	–	(89)
Acquisition of non-controlling interest	–	375
	–	–

Note 20. Equity – dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	Consolidated	
	2022 $'000	2021 $'000
Franking credits available for future years based on a tax rate of 25% (2021: 27.5%)	–	–

Note 21. Financial instruments

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by senior finance executives under policies approved by the Board of Directors. These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and manages financial risks within the Consolidated Entity's operating units. The Company's finance department reports to the Board on a monthly basis.

The Consolidated Entity has exposure to the following risks from their use of financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

Notes to the Financial Statements continued

This note presents information about the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. There is no current material exposure to foreign exchange risk.

Interest rate risk

The Consolidated Entity has term deposits for surplus cash holdings and as security for bank guarantees and credit card debts as well as at call deposit facilities with variable interest rates. The Consolidated Entity currently has no debt. Accordingly, the Consolidated Entity has limited exposure to interest rate movements and as such, has no material exposure to interest rate risk.

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Consolidated Entity's exposure to credit risk relating to trade and other receivables of $263,000 (2021: $429,000) is influenced mainly by the individual characteristics of each debtor. Debtors include government entities (grants and GST) and farm property lessees, all based in Australia.

Guarantees

The Consolidated Entity's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at the reporting date, there are no outstanding guarantees.

Cash and cash equivalents

The Consolidated Entity held cash and cash equivalents of $24,908,000 as at 30 June 2022 (2021: $54,657,000). The cash and cash equivalents are held with top tier banks in accordance with a board approved credit risk management policy.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its obligations associated with its financial liabilities as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity adopts milestone and progress invoicing, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically, the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of not less than 90 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Exposure to liquidity risk

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

	Contractual cash flows					
Consolidated – 2022	Carrying amount $'000	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Non–derivatives						
Non-interest bearing						
Trade payables	498	498	–	–	–	498
Other payables	192	192	–	–	–	192
Lease liabilities	294	199	86	9	–	294
Total non-derivatives	984	889	86	9	–	984

	Contractual cash flows					
Consolidated – 2021	Carrying amount $'000	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Non–derivatives						
Non-interest bearing						
Trade payables	426	426	–	–	–	426
Other payables	498	498	–	–	–	498
Lease liabilities	421	277	135	9	–	421
Total non-derivatives	1,345	1,201	135	9	–	1,345

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Trade and other payables are measured at fair value on recognition and at amortised cost using the effective interest rate method subsequently. Due to their short-term nature neither trade and other receivables nor trade and other payables are discounted.

Note 22. Fair value measurement

Fair value hierarchy

The following tables show the carrying amounts and fair values of the Consolidated Entity's financial assets and financial liabilities, measured or disclosed at fair value, using a three level hierarchy, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Financial assets and financial liabilities classified as held for distribution are not included in the table below. Their carrying amount is a reasonable approximation of fair value.

		Fair value			
Consolidated – 2022	Carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets not measured at fair value					
Cash and cash equivalents	24,908	–	–	–	24,908
Trade and other receivables	263	–	–	–	263
Research and development incentive receivable	132	–	–	–	132
	25,303	–	–	–	25,303
Financial liabilities not measured at fair value					
Trade and other payables	(690)	–	–	–	(690)
Lease liabilities	(294)	–	–	–	(294)
	(984)	–	–	–	(984)

Consolidated – 2021	Carrying amount $'000	Fair value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets not measured at fair value					
Cash and cash equivalents	38,652	–	–	–	38,652
Trade and other receivables	429	–	–	–	429
Research and development incentive receivable	201	–	–	–	201
	39,282	–	–	–	39,282
Financial liabilities not measured at fair value					
Trade and other payables	(924)	–	–	–	(924)
Lease liabilities	(421)	–	–	–	(421)
	(1,345)	–	–	–	(1,345)
Liability measured at fair value					
Provision for capital return – demerger	(35,121)	(35,121)	–	–	(35,121)
	(35,121)	(35,121)	–	–	(35,121)

There were no transfers between levels during the financial year.

Financial instruments measured at fair value – valuation technique

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of cash and cash equivalents, trade and other receivables and other financial assets and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 23. Key management personnel disclosures

Directors

The following persons were Directors of Sunrise Energy Metals Limited during the financial year:

Robert Friedland (Co-Chairman and Non-Executive Director)
Jiang Zhaobai (Co-Chairman and Non-Executive Director)
Sam Riggall (Managing Director and CEO)
Stefanie Loader (Lead Independent Non-Executive Director)
Eric Finlayson (Non-Executive Director)
Trevor Eton (Independent Non-Executive Director)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Ben Stockdale (Chief Financial Officer)

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	2022 $	2021 $
Cash Director fees and salary inclusive of superannuation and accrued leave entitlements	1,208,322	1,330,758
Cash Bonus	–	175,000
Termination benefits	–	112,151
Share-based payments	680,651	774,812
	1,888,973	2,392,721

Note 24. Remuneration of auditor

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company:

	Consolidated	
	2022 $	2021 $
Audit services – KPMG		
Audit or review of the financial statements	70,380	76,590
Audit-related services	–	–
	70,380	76,590
Other services – KPMG		
Assurance Services	59,240	129,375
Taxation services	11,385	145,851
	70,625	275,226
	141,005	351,816

Note 25. Contingent liabilities

The Consolidated Entity has a contingent liability, incurred in the financial year ended 30 June 2015, to pay a 2.5% gross revenue royalty on output mined from the Sunrise Project. This royalty is payable to Ivanhoe Mines Ltd. and is payable by SRL Ops Pty Ltd, a company within the Consolidated Entity. This royalty was part of the consideration paid for the acquisition of the Sunrise Project from Ivanhoe Mines Ltd. on 31 March 2015. The royalty is uncapped and has no expiry date.

The Consolidated Entity has a contingent liability to pay a 1.5% gross revenue royalty on output mined from EL8520 and EL8641 (Hylea Project). This royalty is payable to Providence Gold and Minerals Pty Ltd by Sunrise Energy Exploration Pty Ltd, a company within the Consolidated Entity. This royalty was attached to those exploration licences prior to their acquisition by the Consolidated Entity in August 2021. The royalty is uncapped and has no expiry date.

Note 26. Related party disclosures

Parent Entity

Sunrise Energy Metals Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to KMP are set out in note 23.

Transactions with related parties

No transactions occurred with related parties during the financial year ended 30 June 2022 or the previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans outstanding at the reporting date owed to related parties.

Note 27. Parent entity information

Set out below is the supplementary information about the Parent Entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022 $'000	2021 $'000
Loss after income tax	(339)	(1,442)
Total comprehensive loss	(339)	(1,442)

Statement of financial position

	Parent	
	2022 $'000	2021 $'000
Total current assets	–	–
Total assets	322,981	324,430
Total current liabilities	–	–
Total liabilities	(45,190)	(46,102)
Equity		
Issued capital	298,091	326,428
Demerger reserve	–	(35,121)
Other reserves	(2,035)	–
Share based payments reserve	18,613	18,276
Accumulated losses	(36,878)	(31,255)
Total equity	277,791	278,328

Guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries

The Parent Entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021, other than the cross guarantee referred to elsewhere in these financial statements.

Contingent liabilities

The Parent Entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments – Property, plant and equipment

The Parent Entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021, or since the end of the financial year.

Significant accounting policies

The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the Parent Entity;
- Investments in associates are accounted for at cost, less any impairment, in the Parent Entity; and
- Dividends received from subsidiaries are recognised as other income by the Parent Entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Interests in subsidiaries

The Consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business/Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
SRL Holding Company Pty Ltd	Australia	100%	100%
SRL Metals Pty Ltd	Australia	100%	100%
Scandium Holding Company Pty Ltd	Australia	100%	100%
SRL Ops Pty Ltd	Australia	100%	100%
Sunrise Energy Exploration Pty Ltd	Australia	100%	100%
Syerston Scandium Pty Ltd	Australia	100%	100%
Clean TeQ Water Limited	Australia	0%	100%
Clean TeQ Water Operations Pty Ltd	Australia	0%	100%
LiXiR Functional Foods Pty Ltd	Australia	0%	100%
Associated Water Pty Ltd	Australia	0%	100%
CLQW HK Limited	Hong Kong	0%	100%
Clean TeQ Environmental Protection Technology (Beijing) co., Ltd	China	0%	100%
Tianjin Clean TeQ Biology Co., Ltd	China	0%	100%
Shanyi Hoyo Sunrise Energy Metals Environmental Co Ltd*	China	0%	0%
NematiQ Pty Ltd	Australia	0%	100%

* Accounted for as investment in equity accounted trustee

Note 29. Deed of cross guarantee

The following entities were party to a Deed of Cross Guarantee dated 21 February 2008 ('Deed of Cross Guarantee') under which each company guaranteed the debts of the others:

- Sunrise Energy Metals Limited; and
- SRL Holding Company Pty Ltd.

A Revocation Deed was executed by Sunrise Energy Metals Limited (in its capacity as the Holding Entity, the Trustee and a Group Entity) and Group Entity, SRL Holding Company Pty Ltd on 23 June 2021 and lodged with the Australian Securities and Investments Commission on 24 June 2021 in accordance with clause 4.5 of the Deed of Cross Guarantee. Pursuant to the execution and lodgement of the Revocation Deed with ASIC, during the financial year the Deed of Cross Guarantee ceased to apply to the Group Entitles which were previously party to the Deed of Cross Guarantee (noting that Resix Pty Ltd ACN 106 222 502 which was previously a Group Entity has been deregistered) from 24 January 2022.

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 31. Reconciliation of cash used in operating activities

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Profit/(Loss) after income tax expense for the year		72	(21,154)
Adjustments for:			
Depreciation and amortisation		393	1,436
Share-based payments	6	337	1,441
Profit upon demerger of discontinued operation	8	(15,378)	–
Non-cash exploration expense		1,500	–
Non-cash finance costs		16	41
Foreign exchange gain/(loss)		(33)	–
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		218	(384)
Decrease/(increase) in other financial asset		(38)	–
Increase/(decrease) in deferred revenue		(402)	48
Increase/(decrease) in shareholder loans		–	340
Increase/(decrease) in provisions		3	(5)
Increase/(decrease) in trade and other payables		(285)	(290)
Increase/(decrease) in employee benefits		(153)	44
Net cash used in operating activities		(13,750)	(18,483)

Note 32. Earnings per share

	Consolidated	
	2022 $'000	2021 $'000
Loss per share from continuing operations		
Loss after income tax attributable to the owners of Sunrise Energy Metals Limited	(15,306)	(17,084)

	2022 Number	2021 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	89,972,341	81,825,031
Weighted average number of ordinary shares used in calculating diluted earnings per share	89,972,341	81,825,031

	2022 $	2021 $
Basic loss per share	(0.17)	(0.21)
Diluted loss per share	(0.17)	(0.21)

	Consolidated	
	2022 $'000	2021 $'000
Earnings per share for loss attributable to ordinary shareholders		
Profit/(loss) after income tax attributable to the owners of Sunrise Energy Metals Limited	72	(21,065)

	2022 Number	2021 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	89,972,341	81,825,031
Weighted average number of ordinary shares used in calculating diluted earnings per share	89,972,341	81,825,031

	2022 $	2021 $
Basic earnings per share	0.00	(0.26)
Diluted earnings per share	0.00	(0.26)

The options on issue throughout the current financial year are not dilutive in effect, as the Consolidated Entity recorded a net break-even result in the financial year.

Note 33. Share-based payments

On 24 September 2007 the Company introduced a share option plan for employees, directors and service providers of the Consolidated Entity ('the Plan'). The Plan entitles KMP, service providers and employees to receive shares and options in the Company.

Set out below are summaries of options granted under the Plan:

Grant date	Expiry date	Exercise from date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Exercisable at the end of the year
12-Aug-19	09-Aug-23	12-Aug-20	$4.97	324,316	–	–	–	324,316
12-Aug-19	09-Aug-23	12-Aug-21^	$4.97	250,340	–	–	–	250,340
01-Nov-19	09-Aug-23	12-Aug-20	$4.97	50,000	–	–	–	100,000
01-Nov-19	09-Aug-23	12-Aug-21^	$4.97	50,000	–	–	–	50,000
				674,656	–	–	–	674,656
	Weighted average exercise price:			$4.97	–	–	–	$4.97

^ Vested and exercisable during the year.

The weighted average remaining duration of share options issued under the Plan is 1.11 years (30 June 2021: 2.11 years). The options had service conditions attached to them and are vested and exercisable at the end of the year.

The exercise price of the options was adjusted down during the financial year as compensation for the diminution in value of the options resulting from the demerger of Clean TeQ Water Limited. The adjustment took effect on 1 July 2021 upon completion of the demerger of Clean TeQ Water Limited. The exercise price of the options was adjusted from $5.30 to $4.97 per share. There was no material change to the fair value of the options as a result of the adjustment.

Notes to the Financial Statements continued

Set out below are summaries of performance rights granted under the Plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted^	Vested	Expired/ forfeited/ Other*	Balance at the end of the year
06-Sep-18	01-Jul-21	$0.00	57,157	0	0	(57,157)	0
22-Nov-18	01-Jul-21	$0.00	14,234	0	0	(14,234)	0
06-Feb-19	01-Jan-22	$0.00	140,103	18,330	0	(158,433)	0
01-Nov-19	01-Jan-22	$0.00	34,874	7,749	0	(42,623)	0
16-Aug-19	01-Jul-22	$0.00	164,073	19,114	0	(90,420)	92,767
01-Nov-19	01-Jul-22	$0.00	40,811	9,068	0	0	49,879
12-Mar-20	01-Jan-23	$0.00	240,752	22,222	0	(161,584)	101,390
15-Oct-20	01-Jan-23	$0.00	67,151	14,921	0	0	82,072
17-Jul-20	01-Jul-23	$0.00	493,539	44,222	0	(318,736)	219,025
15-Oct-20	01-Jul-23	$0.00	217,319	48,287	0	0	265,606
03-Feb-21	01-Jan-24	$0.00	295,223	24,123	0	(201,964)	117,382
24-Mar-21	01-Jan-24	$0.00	134,701	29,930	0	0	164,631
09-Sep-21	01-Jul-24	$0.00	0	235,845		(79,067)	156,778
22-Oct-21	01-Jul-24	$0.00	0	198,694	0	0	198,694
08-Mar-22	01-Jan-25	$0.00	0	176,780	0	0	176,780
			1,899,937	849,285	0	(1,124,218)	1,625,004

^ Additional performance rights were granted to holders during the financial year as compensation for the diminution in value of existing classes of performance rights resulting from the demerger of Clean TeQ Water Limited.

* Performance rights forfeited as they did not meet the vesting conditions prior to the expiry date or due to the employee ceasing employment, including where employees ceased employment with the Consolidated Entity as a result of the demerger of Clean TeQ Water.

Vesting of performance rights is contingent on the performance of the Company's total shareholder return (**TSR**) over a three year performance period relative to pre-determined performance hurdles, as assessed at the vesting date.

The performance hurdles for the performance rights expiring 1 July 2022, 1 January 2023, 1 July 2023 and 1 January 2024 are as follows:

Performance Hurdle 1 – 50% vesting conditional on SRL's absolute TSR performance

SRL TSR over measurement period:	Percentage of Performance Rights vesting
12.5% pa compounding annually or greater	100%
7.5% pa compounding annually	50%^
Less than 7.5% pa compounding	0%

^ Straight line pro-rata vesting between 7.5% and 12.5%

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Performance Hurdle 2: 50% vesting conditional on SRL's TSR performance compared to a comparator peer group of companies

SRL performance relative to Peer Group performance	Percentage of Performance Rights vesting
At or above 75th Percentile	100%
At median	50%^^
Below median	0%

^^ Straight line pro-rata conversion between the median and 75th percentile performance.

The Comparator Peer Group companies for the performance rights expiring 1 July 2022, 1 January 2023, 1 July 2023 and 1 January 2024 are tabled below:

Tranche Expiry Date	Comparator Peer Group
01-Jul-22	Altura Mining Limited (ASX:AJM), Galaxy Resources Limited (ASX:GXY), Global Geoscience (ASX:GSC), Lynas Corporation Limited (ASX:LYC), Magnis Resources Limited (ASX:MNS), Metals X Limited (ASX:MLX), Mineral Resources Limited (ASX:MIN), New Century Resource (ASX:NCZ), Nickel Mines Ltd (ASX:NIC), Orocobre Limited (ASX:ORE), Pilbara Minerals Limited (ASX:PLS), Sandfire Resources (ASX:SFR), Syrah Resources Limited (ASX:SYR) and Western Areas Ltd (ASX:WSA).
01-Jan-23	Altura Mining Limited (ASX:AJM), Galaxy Resources Limited (ASX:GXY), Ioneer Ltd (ASX:INR), Lynas Corporation Limited (ASX:LYC), Magnis Resources Limited (ASX:MNS), Metals X Limited (ASX:MLX), Mineral Resources Limited (ASX:MIN), New Century Resource (ASX:NCZ), Nickel Mines Ltd (ASX:NIC), Orocobre Limited (ASX:ORE), Pilbara Minerals Limited (ASX:PLS), Sandfire Resources (ASX:SFR), Syrah Resources Limited (ASX:SYR) and Western Areas Ltd (ASX:WSA).
01-Jul-23	Altura Mining Limited (ASX:AJM), Australian Mines Limited (ASX:AUZ), Fluence Corporation (ASX:FLC), (Ioneer Ltd (ASX:INR), Jervois Mining Limited (ASX:JRV), Metals X Limited (ASX:MLX), Mincor Resources NL (ASX:MIN), New Century Resource (ASX:NCZ), Niocorp Developments Ltd (TSX:NB), Phoslock Environmental Technology Ltd (ASX:PET), Purifloh Limited (ASX:PO3), Pilbara Minerals Limited (ASX:PLS), Scandium International Mining Corp (TSX:SCY) and Syrah Resources Limited (ASX:SYR).
01-Jan-24	Arafura Resources Limited (ASX:ARU), Ardea Resources Limited (ASX:ARL), Australian Mines Limited (ASX:AUZ), Calix Limited (ASX:CXL), Cobalt Blue Holdings Limited (ASX:COB), Fluence Corporation (ASX:FLC), Greenland Minerals Limited (ASX:GGG), Hastings Technology Metals Limited (ASX:HAS), Highfield Resources Limited (ASX:HFR), Jervois Mining Limited (ASX:JRV), Magnis Energy Technologies Ltd (ASX:MNS), Metals X Limited (ASX:MLX), Niocorp Developments Ltd (TSX:NB), Poseidon Nickel Limited (ASX:POS), Purifloh Limited (ASX:PO3), Scandium International Mining Corp (TSX:SCY) and SciDev Ltd (ASX:SDV).

The performance hurdles for the performance rights expiring 1 July 2024 and 1 January 2025 are as follows:

Performance Hurdle 1 – 50% vesting conditional on SRL's absolute TSR performance

SRL TSR over measurement period:	Percentage of Performance Rights vesting
12.5% pa compounding annually or greater	100%
7.5% pa compounding annually	50%^
Less than 7.5% pa compounding	0%

^ Straight line pro-rata vesting between 7.5% and 12.5%

Performance Hurdle 2: 50% vesting conditional on SRL's TSR performance compared to the S&P/ASX 300 Metals & Mining Index (ASX:XMM) ('Index')

Performance Level	SRL performance relative to Index over measurement period	Percentage of Performance Rights vesting^^
Stretch	> Index movement +15%	100%
Between Target & Stretch	> Index movement + 5% & <15%	Pro-rata
Target	**Index movement +5%**	**50%**
Between Threshold & Target	> Index movement & <5%	Pro-rata
Threshold	= Index movement	25%
Below Threshold	< Index movement	0%

^^ Provided that zero performance rights will vest if the SRL TSR is negative over the measurement period

Each performance right, once vested, entitles the performance right holder to receive one fully paid ordinary share in the Company for zero consideration. The fair value of performance rights is determined by an independent third party using a Geometric Brownian Motion Model and a Monte Carlo simulation that takes into account the term of the performance rights, the underlying share price and benchmark share price values at grant date, the expected volatility of the underlying share and benchmark shares, the expected dividend yield of the underlying share and benchmark shares and the risk free interest rate for the term of the performance right.

The valuation model inputs used to determine the fair value the performance rights granted during the current financial period and the comparative period at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Volatility	Dividend Yield	Fair value at grant date
15-Oct-20	01-Jan-23	$3.40	74.89%	–%	$2.779
17-Jul-20	01-Jul-23	$1.35	75.07%	–%	$1.504
15-Oct-20	01-Jul-23	$3.40	75.07%	–%	$3.009
03-Feb-21	01-Jan-24	$2.80	81.14%	–%	$2.194
24-Mar-21	01-Jan-24	$2.60	81.14%	–%	$0.999
09-Sep-21	01-Jul-24	$1.70	80.39%	–%	$1.17
22-Oct-21	01-Jul-24	$1.97	80.39%	–%	$1.42
08-Mar-22	01-Jan-25	$1.84	77.09%	–%	$1.19

Directors' Declaration

In the Directors' opinion:

- the attached Consolidated financial statements and notes thereto, and the Remuneration report in the Directors' report, comply with the *Corporations Act 2001*, the Australian Accounting Standards, and the *Corporations Regulations 2001*;
- the attached Consolidated financial statements and notes thereto, comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2(b) to the financial statements;
- the attached Consolidated financial statements and notes thereto and the Remuneration report in the Directors' reports, give a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Sam Riggall
Managing Director

23 August 2022
Melbourne

Independent Auditor's Report

To the members of Sunrise Energy Metals Limited

KPMG

Independent Auditor's Report

To the shareholders of Sunrise Energy Metals Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Sunrise Energy Metals Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Demerger of Clean TeQ Water (Profit after income tax upon disposal of discontinued operation - $15.4m)

Refer to Note 8 *Discontinued operations*

The key audit matter	How the matter was addressed in our audit
The demerger of the Clean TeQ Water business on 1 July 2021 is considered a key audit matter due to: • the demerger being significant to the understanding of the financial performance and financial position of the Group; and • the size of the profit on demerger. These factors and the complexity of the demerger required significant audit effort and involvement of senior audit team members in assessing this key audit matter.	Our procedures included: • reading the demerger booklet to understand the terms and conditions relevant to the demerger. • evaluating the substance of the demerger using the terms and conditions of the demerger booklet against the criteria for discontinued operations in accounting standards. • checking the carrying value of the attributable demerger assets and liabilities to the audited trial balance. • evaluating the fair value of the attributable demerger assets and liabilities obtained by reference to the market capitalisation of Clean TeQ Water shares, industry practice and the relevant accounting standards. • checking the profit on demerger by re-performing a comparison of the carrying value of the attributable demerger assets and liabilities from the trial balance amounts to their fair value determined with reference to the accounting standards. • evaluating the associated tax implications of the demerger against the requirements of the tax legislation; • evaluating the disclosures in the financial report using our understanding obtained from our testing and against the criteria in accounting standards.

KPMG

Other Information

Other Information is financial and non-financial information in Sunrise Energy Metals Limited’s annual reporting which is provided in addition to the Financial Report and the Auditor’s Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor’s Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor’s Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Sunrise Energy Metals Limited for the year ended 30 June 2022, complies with *Section 300A of the Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in sections 1 to 4 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Tony Romeo

Partner

Melbourne

23 August 2022

Shareholder Information

The information below is current as at 1 August 2022.

Distribution of equity securities

The number of shareholders by size of holding of ordinary shares is:

Range	Total Holders	Units	% Units
1 to 1,000	3,341	1,380,166	1.53
1,001 to 5,000	1,906	4,796,378	5.33
5,001 to 10,000	505	3,905,806	4.34
10,001 to 100,000	523	13,623,686	15.13
100,001 and over	53	66,351,843	73.68
Rounding			-0.01
Total	**6,328**	**90,057,879**	**100.00**

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
The number of shareholders holding less than a marketable ($500.00) parcel of shares at $2.74 per unit	183	890	77,340

The number of holders by size of holding of unquoted options over ordinary shares is:

Range	Total Holders	Units	% Units
1 to 1,000	0	0	0.00
1,001 to 5,000	0	0	0.00
5,001 to 10,000	0	0	0.00
10,001 to 100,000	8	674,656	100.00
100,001 and over	0	0	0
Rounding			0.00
Total	**8**	**674,656**	**100.00**

The number of holders by size of holding of unquoted performance rights is:

Range	Total Holders	Units	% Units
1 to 1,000	5	1,805	0.12
1,001 to 5,000	6	16,973	1.15
5,001 to 10,000	0	0	0.00
10,001 to 100,000	9	246,989	16.66
100,001 and over	2	1,216,591	82.07
Rounding			0.00
Total	**22**	**1,482,358**	**100.00**

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of fully paid ordinary shares as at 1 August 2022 are listed below:

Rank	Name of Share Holder	Number of Shares Held	% of Total Shares Issued
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,465,961	16.06
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,698,400	14.10
3	PENGXIN INTERNATIONAL GROUP LIMITED	10,451,888	11.61
4	CITICORP NOMINEES PTY LIMITED	9,642,144	10.71
5	BNP PARIBAS NOMS PTY LTD <DRP>	2,043,685	2.27
6	THIERVILLE PTY LTD <THE STAR SUPER FUND A/C>	1,861,046	2.07
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,640,619	1.82
8	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,628,458	1.81
9	SALITTER PTY LTD <SALITTER A/C>	1,408,446	1.56
10	MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL <TOLL S/F A/C>	900,000	1.00
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	737,825	0.82
12	MAL CLARKE & ASSOCIATES PTY LTD <MAL CLARK FAMILY A/C>	615,244	0.68
13	APRICITY PTY LTD <THE JTM FOUNDATION A/C>	547,015	0.61
14	MR SAM RIGGALL	487,993	0.54
15	JEREMY'S HAVEN PTY LTD	469,031	0.52
16	XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	428,533	0.48
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	427,631	0.47
18	JAMPLAT PTY LTD	355,000	0.39
19	MR PETER PALAN + MRS CLARE PALAN <NAPLA PROVIDENT FUND A/C>	328,334	0.36
20	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	289,570	0.32
Total Top 20 holders of Ordinary Fully Paid Shares		**61,426,823**	**68.21**
Total Remaining holders		**28,631,056**	**31.79**
Total Shares Issued		**90,057,879**	**100.00**

Shareholder Information continued

Substantial holders

Substantial holders in the Company as detailed in the most recent public filings of Form 604 Notice of Change of Interests of Substantial Holder or Appendix 3Y Change of Director's Interest Notice are set out below. Percentage of total shares issued is based on the total shares on issue as at 1 August 2022 of 90,057,879.

	Ordinary Shares	
Name of Share Holder	Number held	% of total shares issued
Robert Martin Friedland	11,977,801	13.30%
Pengxin International Group Limited	10,451,888	11.61%
FMR LLC	5,848,911	6.49%
Grantham, Mayo, Van Otterloo & Co. LLC	4,519,340	5.01%

Voting rights

The voting rights attached to ordinary shares are set out below. Other classes of equity securities do not have voting rights.

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Annual General Meeting

The 2022 Annual General Meeting will be held on 21 October 2022 at 1.00pm (Melbourne time).

In accordance with clause 19.6 of the Company's constitution, the closing date for nomination of a director is 2 September 2022.

Corporate Directory

Directors

Robert Friedland (Co-Chairman and Non-Executive Director)

Jiang Zhaobai (Co-Chairman and Non-Executive Director)

Sam Riggall (Managing Director and CEO)

Stefanie Loader (Lead Independent Non-Executive Director)

Eric Finlayson (Non-Executive Director)

Trevor Eton (Independent Non-Executive Director)

Company Secretary

Melanie Leydin
Vistra
Level 4, 100 Albert Road
South Melbourne, Victoria 3205

Principal Place of Business & Registered Office

Level 6, 350 Collins Street
Melbourne, Victoria 3000
Telephone: +61 (03) 9797 6777

Share Register

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnson Street
Abbottsford, Victoria 3067
Telephone: +61 (03) 9415 5000
Facsimile: +61 (03) 9473 2500

Auditors

KPMG

Tower Two, Collins Place
727 Collins Street
Melbourne, Victoria 3008

Legal Advisors

Baker & McKenzie

Level 19, 181 William Street
Melbourne, Victoria 3000

Stock Exchange Listing

Sunrise Energy Metals Limited shares are listed on
the Australian Securities Exchange (ASX:CLQ) and
the OTCQX Market in the United States (OTCQX:SREMF)

Website

www.sunriseem.com

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energy metals