17 May 2021

Proposed Demerger of Clean TeQ Water

Sunrise Energy Metals Limited ('Sunrise Energy Metals' or 'Company') is pleased to announce the attached Demerger Booklet which provides detailed information regarding the proposed demerger of the Company's Water Business into a stand-alone ASX listed company: Clean TeQ Water Limited.

The Demerger Booklet contains a Notice of General Meeting which is scheduled for 18 June 2021 at which the Company will seek approval from Sunrise Energy Metals shareholders for a Capital Reduction which is required to implement the Demerger.

The Demerger Booklet, including personalised proxy forms for the General Meeting, is in the process of being despatched to shareholders.

For more information about Sunrise Energy Metals contact:
Ben Stockdale, CFO and Investor Relations +61 3 9797 6700

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

About Sunrise Energy Metals Limited (ASX:SRL) – Based in Melbourne, Australia, Sunrise Energy Metals is a global leader in metals recovery and industrial water treatment through the application of its proprietary Clean-iX® continuous ion exchange technology. For more information about Sunrise Energy Metals please visit the Company's website **www.sunriseem.com**

About the Sunrise Project – Sunrise Energy Metals is the 100% owner of the Sunrise Project, located in New South Wales. The Sunrise Project is one of the largest cobalt deposits outside of Africa, and one of the largest and highest-grade accumulations of scandium ever discovered.

About Clean TeQ Water – Through its wholly owned subsidiary, Clean TeQ Water, Sunrise Energy Metals provides innovative water treatment solutions for removing hardness, desalination, nutrient removal and zero liquid discharge. The sectors of focus include municipal wastewater, surface water, industrial waste water and mining waste water. For more information about Clean TeQ Water please visit **www.cleanteqwater.com.**

Demerger of Clean TeQ Water Limited by Sunrise Energy Metals Limited

DEMERGER BOOKLET

Vote in favour – Each Sunrise Energy Metals director recommends that Sunrise Energy Metals shareholders vote in favour of the demerger resolution to give effect to the demerger of Clean TeQ Water.

The Independent Expert has concluded that the demerger is in the best interests of Sunrise Energy Metals shareholders.

THIS DOCUMENT IS IMPORTANT

If you do not understand this document or are in doubt as to how you should vote, you should consult your stockbroker, solicitor, accountant or other professional advisor.

Financial advisor

GRANT SAMUEL

Legal advisor

Baker McKenzie.

IMPORTANT INFORMATION

Purpose of document

This document sets out information in relation to the Demerger, the effects of the Demerger and other information known to the Sunrise Energy Metals Directors that is material to the decision of Sunrise Energy Metals Shareholders in relation to voting on the Demerger Resolution as required by section 256C(4) of the Corporations Act, other than information previously disclosed to Sunrise Energy Metals Shareholders and, as such, it would be unreasonable for Sunrise Energy Metals to disclose. This document includes the explanatory statement in relation to the Demerger, and forms part of the Notice of General Meeting.

This document does not in any way constitute an offer to issue or sell securities or a solicitation of an offer to subscribe for or buy securities.

This document is not a prospectus or any other disclosure document under chapter 6D of the Corporations Act. This document does not include all information material to a decision to buy, sell or otherwise trade in Clean TeQ Water Shares.

ASX Listing of Clean TeQ Water

Clean TeQ Water is applying for admission of its ordinary shares to the ASX Official List. It is expected that Clean TeQ Water Shares will commence trading on a normal settlement basis on the ASX on or about 2 July 2021, if the Demerger is approved by Sunrise Energy Metals Shareholders and implemented as described in this document. It is the responsibility of Eligible Shareholders to determine their entitlement to Clean TeQ Water Shares before trading in Clean TeQ Water Shares.

Preparation of and responsibility for this Demerger Booklet

(i) Sunrise Energy Metals has prepared and is responsible for the content of this Demerger Booklet (other than Appendices 4 and 5).

(ii) KPMG FAS has prepared the Investigating Accountant's Report and takes responsibility for that report. A copy of that report is set out in Appendix 4.

(iii) Lonergan Edwards has prepared the Independent Expert's Report and takes responsibility for that report. A copy of that report is set out in Appendix 5.

(iv) KPMG has reviewed and agrees with Section 9 relating to the description given of the tax implications of the Demerger.

Role of ASIC and ASX

A copy of this Demerger Booklet has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this Demerger Booklet.

Clean TeQ Water will apply for admission to the Official List and for official quotation of Clean TeQ Water Shares on the ASX on or shortly after the date of this Demerger Booklet, conditional on approval of the Demerger. Neither ASX nor any of its officers takes any responsibility for the contents of this Demerger Booklet. The fact that ASX may admit Clean TeQ Water to the Official List does not make any statement regarding, and should not be taken in any way as an indication of, the merits of an investment in Clean TeQ Water.

Foreign jurisdictions and shareholders

Sunrise Energy Metals Shareholders who are Ineligible Foreign Shareholders will not receive Clean TeQ Water Shares under the Demerger. Clean TeQ Water Shares that would otherwise be transferred to these Sunrise Energy Metals Shareholders under the Demerger will be transferred to the Sale Agent to be sold, with the net proceeds of such sale to be paid to Ineligible Foreign Shareholders. See Section 8.6.2 for more information.

Forward looking statements

Certain statements in this document relate to the future, including forward looking statements relating to Sunrise Energy Metals and Clean TeQ Water's financial position and strategy. Forward looking statements can be identified by use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or other similar words. These statements discuss future expectations concerning the results of operations or financial condition or provide other forward looking statements.

These forward looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, including the risk factors set out in Section 3.4, many of which are beyond the control of Sunrise Energy Metals and Clean TeQ Water, and which may cause the actual results to differ materially from those expressed in the statements contained in this document.

Other than as required by law, none of Sunrise Energy Metals or Clean TeQ Water, their directors, officers or their advisors or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statement in this document will actually occur, in part or in whole.

Additionally, statements of the intentions of the Sunrise Energy Metals Board or the Clean TeQ Water Board reflect the present intentions of the Sunrise Energy Metals Directors and Clean TeQ Water Directors respectively as at the date of this document and may be subject to change as the composition of the Sunrise Energy Metals Board and Clean TeQ Water Board alters, or as circumstances require. Except as required by law, Sunrise Energy Metals and Clean TeQ Water disclaim any obligation or undertaking to update or revise any forward looking statement in this Demerger Booklet.

Presentation of financial information

Financial information contained in this document has been prepared in accordance with the recognition and measurement principles prescribed in the AAS as issued by the AASB, which is consistent with the IFRS and interpretations as issued by the IASB.

Investment decisions

This document does not take into account the investment objectives, financial situation or particular needs of any Sunrise Energy Metals Shareholder, Clean TeQ Water Shareholder or any other person. This document should not be relied upon as the sole basis for any investment decision in relation to Clean TeQ Water Shares or any other securities, and you should consult your financial, legal, tax or other professional advisor before making any such investment decision.

Interpretation

For the purpose of this Demerger Booklet, capitalised terms used in this Demerger Booklet have the meaning set out in Section 12, unless the context otherwise requires.

Figures, amounts, percentages, prices, estimates, calculation of values and fractions in this document are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this document.

Privacy and personal information

The collection of certain personal information is required or authorised by the Corporations Act in Australia.

Sunrise Energy Metals, Clean TeQ Water and the Registries may collect personal information in the process of implementing the Demerger. The personal information may include the names, addresses, other contact details and the details of the shareholdings of Sunrise Energy Metals Shareholders and Clean TeQ Water Shareholders, and the names of individuals appointed by Sunrise Energy Metals Shareholders and Clean TeQ Water Shareholders as their respective proxies, corporate representatives or attorneys at relevant shareholder meetings.

The personal information collected may be disclosed in relation to the implementation and administration of holdings of securities arising from the Demerger. For example, Sunrise Energy Metals or its share registry may provide to Clean TeQ Water or its share registry details of Sunrise Energy Metals Shareholders including their name, address and any binding instructions they have made (payment instructions, eComms elections, email addresses, etc.), but not their tax file number, for the purposes of creating the new Clean TeQ Water share register. Such personal information may also be disclosed to the Sale Agent for the purposes of operating the Sale Facility.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information that is held by, or on behalf of, Sunrise Energy Metals or Clean TeQ Water. You can request access to your personal information or obtain further information about Sunrise Energy Metals' or Clean TeQ Water's privacy practices by contacting Sunrise Energy Metals, Clean TeQ Water or the Registries, details of which are set out elsewhere in this Demerger Booklet.

Sunrise Energy Metals and Clean TeQ Water aim to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact Sunrise Energy Metals, Clean TeQ Water or the Registries if any of the details you have provided change.

The main consequence of not collecting the personal information referred to above would be that Sunrise Energy Metals may be hindered in, or prevented from, conducting the General Meeting and implementing the Demerger.

Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the General Meeting, should inform such individuals of the matters outlined above.

Date of this document

This document is dated 17 May 2021.

Contents

Co-Chairman's letter

17 May 2021

Dear Sunrise Energy Metals Shareholder

The Directors are pleased to present this document, which contains important information about the proposed separation and Demerger of the water and technology business and assets operated by Clean TeQ Water Limited from the remainder of Sunrise Energy Metals Limited.

If the proposed Demerger is approved and implemented, your investment in Sunrise Energy Metals will be divided into separate investments, both of which will be listed on the ASX, namely:

- Clean TeQ Water, a newly listed company which will own and operate the Water Business and related technology. Clean TeQ Water is focused on rapidly growing sales of its innovative proprietary ion exchange water purification systems to the municipal, industrial and mining sectors as well as ongoing research and development into a number of high potential complementary value-adding technologies including graphene oxide membranes. Clean TeQ Water's technology portfolio allows it to deliver tailored water treatment solutions to customers in a wide range of applications; and
- Sunrise Energy Metals which will remain listed and continue to own and operate the Metals Business, principally comprising the Sunrise Project. The Sunrise Project is a long-life development project located in central-west New South Wales and is one of the largest and most cobalt-rich nickel laterite deposits in the world. In addition to the Sunrise Project, Sunrise Energy Metals will also continue to own a range of other mineral exploration tenements in New South Wales which are prospective for base and precious metals.

As a Sunrise Energy Metals Shareholder, you will retain your existing shareholding in Sunrise Energy Metals, and Eligible Shareholders will also receive one share in Clean TeQ Water for every two Sunrise Energy Metals Shares held.

Background to the Demerger

The Demerger seeks to enhance value for Shareholders by recognising the distinct characteristics of the Metals Business and the Water Business which are both currently owned by Sunrise Energy Metals.

Development ready with all key permits in place, the Sunrise Project is a unique asset which is positioned to produce and supply critical cathode materials utilised in lithium-ion batteries for the rapidly growing electric vehicle industry, as well as providing scandium for production of the next generation of lightweight aluminium alloys for key transportation markets. The Sunrise Project requires significant capital investment over a number of years in order to progress its development into operations and profitability. Demand for its key products is likely to underpin Sunrise Energy Metals Shareholder returns.

The water and technology business of Sunrise Energy Metals, which has been a focus of the Company since listing on ASX, has made significant recent progress with the ion-exchange technology proven and commercialised and new projects of commercial scale now contracted to be delivered to customers in markets unrelated to the Sunrise Project. Further growth in the Water Business is anticipated and the Sunrise Energy Metals Board considers that now is an appropriate time for its management, operations and ownership to be fully separated from Sunrise Energy Metals.

The Demerger will enable Clean TeQ Water to benefit from the focus of a dedicated board and management team. Additionally, as a separately listed company, Clean TeQ Water's investment decisions will be assessed without the need to consider competing demands for capital from the Sunrise Project, and the Company's other mineral exploration assets.

Having assessed a number of alternatives, the Directors of Sunrise Energy Metals are of the view that the Demerger is the optimal approach to separating the businesses. It is intended that the Demerger will unlock value for shareholders by creating two distinct businesses, each with promising futures as standalone ASX-listed companies.

Co-Chairman's letter (continued)

Further information on Sunrise Energy Metals

Following the Demerger, Sunrise Energy Metals will continue to have an experienced board and management team, a cash balance of approximately $40 million[1] and no bank debt.

The Sunrise Energy Metals board composition will change as a result of the Demerger. Ian Knight and Judith Downes will resign as directors of Sunrise Energy Metals with effect from implementation of the Demerger. Sam Riggall will remain the Managing Director and Chief Executive Officer.

Further information on Clean TeQ Water

In preparation for the Demerger, Sunrise Energy Metals has transferred into Clean TeQ Water all the assets and liabilities associated with carrying out the water and technology business operations as well as $15 million cash. Sunrise Energy Metals is paying for the costs of the Demerger. Accordingly, Clean TeQ Water will be demerged with its cash reserves and no bank debt.

Clean TeQ Water will be focused on growing the Water Business which consists of the engineering design, procurement and commissioning of water and wastewater treatment plants for clients in the municipal, industrial and mining sectors. Clean TeQ Water will also be focussed on growing and enhancing its suite of proprietary intellectual property.

The Clean TeQ Water Board and senior management consists of existing Sunrise Energy Metals' directors and senior management. Peter Voigt is Executive Chairman. Ian Knight is Lead Independent Non-Executive Director and Stef Loader and Sam Riggall are Non-Executive directors. Following the Demerger the Board intends to seek to appoint at least one additional director to augment the skills and experience of the current Board. Willem Vriesendorp is Chief Executive Officer.

Board's recommendation

After considering the advantages, disadvantages and risks of the proposed Demerger, the Directors believe that separating Clean TeQ Water from Sunrise Energy Metals has the potential to enhance shareholder value and that the proposed Demerger is in the best interests of Sunrise Energy Metals Shareholders as a whole. The Directors commissioned an Independent Expert, Lonergan Edwards, which has concluded that the position of Sunrise Energy Metals Shareholders if the Demerger is approved is more advantageous than the position if the Demerger is not approved and as such is in the best interests of Sunrise Energy Metals Shareholders.

Each of your Directors intends to vote all Sunrise Energy Metals Shares that the Director owns or controls in favour of the Demerger Resolution.

General Meeting

For the proposed Demerger to be able to proceed, Sunrise Energy Metals Shareholder approval is required for the Capital Reduction needed to implement the Demerger.

The General Meeting is to be held on 18 June 2021 at 1pm.

The General Meeting will be held virtually via webinar and also at a physical location. Due to COVID-19 social distancing requirements, Sunrise Energy Metals Shareholders wishing to participate at the meeting are encouraged to do so virtually via the webinar. Sunrise Energy Metals Shareholders can attend and participate in the virtual General Meeting via the following link: https://web.lumiagm.com/337280528. Further information regarding the General Meeting is set out in the Notice of General Meeting attached as Appendix 1.

Voting on the Demerger Resolution

Consistent with ASIC's no-action position contained in its Media Release 21-061 dated 29 March 2021, voting at the meeting is occurring by way of a poll rather than a show of hands and each person entitled to vote is to be given the opportunity to vote in real time.

Voting on the Demerger Resolution at the General Meeting is important and the Sunrise Energy Metals Board encourages all Sunrise Energy Metals Shareholders to either vote at the General Meeting or nominate a proxy by providing the Proxy Form according to the instructions provided on the Proxy Form. Further information regarding how to vote is set out in the Notice of General Meeting attached as Appendix 1.

Next steps

If you have any questions about the Demerger, please contact the Sunrise Energy Metals Shareholder Information Line on:

Australia – 1300 850 505

Overseas Callers +61 3 9415 4000

Yours sincerely

Robert Friedland
Co-Chairman

Jiang Zhaobai
Co-Chairman

1. Based on internal Company cashflow forecast including the impact of the Sunrise Energy Metals share placements and share purchase plan completed in January 2021 as detailed in Section 7.14. The actual cash position upon the Demerger is subject to variation.

Important dates

If the conditions to the Demerger are satisfied, the Demerger is expected to take place in accordance with the following indicative timetable:

Event	Date
Sale Facility Record Date and Notice of General Meeting Record Date (being the time and date for determining which Sunrise Energy Metals Shareholders are entitled to receive a copy of the Sale Facility Form (if applicable) and Notice of General Meeting)	7pm, 14 May 2021
Date of the Demerger Booklet	**17 May 2021**
Last time and date by which proxy forms for the General Meeting must be received by the Sunrise Energy Metals Share Registry	1pm, 16 June 2021
Last time and date for determining eligibility to vote at the General Meeting	7pm, 16 June 2021
General Meeting to consider approving Capital Reduction and Demerger	**1pm, 18 June 2021**
Effective Date	21 June 2021
Last day of trading in Sunrise Energy Metals Shares on a "cum" basis	22 June 2021
Last date by which Sale Facility Forms must be received by the Sunrise Energy Metals Share Registry (for Small Shareholders)	5pm, 22 June 2021
Trading of Sunrise Energy Metals Shares on an "ex" basis commences	23 June 2021
Record Date (being the time and date for determining entitlements to Clean TeQ Water Shares under the Demerger)	7pm, 24 June 2021
Implementation Date, being the date of distribution of Clean TeQ Water Shares and share holding statements	**1 July 2021**
Commencement of normal trading in Clean TeQ Water Shares	2 July 2021
Completion of sale of Clean TeQ Water Shares under Sale Facility	30 July 2021
Dispatch of payment to Ineligible Foreign Shareholders and Selling Shareholders	On or before 13 August 2021

Actions for Sunrise Energy Metals Shareholders

1. Carefully read this Demerger Booklet

You should read this Demerger Booklet in full, including the advantages, disadvantages and risks of the Demerger set out in Section 3 and of an investment in Clean TeQ Water as set out in Section 10, before making any decision on how to vote on the Demerger Resolution.

There are answers to questions you may have about the Demerger in the 'Frequently asked questions' section.

If you have any additional questions in relation to this document or the Demerger, please call the Shareholder Information Line on:

Australia – 1300 850 505

Overseas Callers +61 3 9415 4000

2. Vote on the Capital Reduction

Sunrise Energy Metals Shareholders who are registered on the Sunrise Energy Metals Share Register at 7pm on 16 June 2021 are entitled to vote to determine whether or not the Capital Reduction proceeds.

Sunrise Energy Metals Shareholders can vote:

- online, by attending the virtual General Meeting, using a web browser or mobile device https://web.lumiagm.com/337280528 or by attending the meeting in person (subject to applicable COVID restrictions on attending);
- by submitting a proxy through the Computershare Investor Services Pty Limited website www.investorvote.com.au (Control Number 185164), and following the prompts and instructions provided;
- by mailing the enclosed Proxy Form to Computershare Investor Services Pty Limited at GPO Box 1282, Melbourne VIC 3001 (using the reply paid envelope provided);
- by faxing the enclosed Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or
- by using the mobile voting app, to access scan the QR Code on your Proxy Form and follow the prompts.

For a proxy to be valid, your proxy must be received by the Sunrise Energy Metals Share Registry by 1pm on 16 June 2021.

3. Choose whether to keep or sell the Clean TeQ Water Shares that you would receive as a result of the Demerger

If you are an Eligible Shareholder who individually holds less than 5,000 Sunrise Energy Metals Shares as at the Record Date, you may elect to have all the Clean TeQ Water Shares that you would otherwise receive under the Demerger sold by the Sale Agent and the proceeds remitted to you, free of any brokerage costs or stamp duty.

To make this election, complete and return the Sale Facility Form in accordance with the instructions on the form so that it is received by the Sunrise Energy Metals Share Registry by 5pm on 22 June 2021.

01 Summary of Demerger proposal

1.1 Background

On 14 September 2020 Sunrise Energy Metals announced that it was contemplating a corporate restructure to separate the Metals Business and the Water Business into two distinct ASX listed companies. Subsequent announcements by Sunrise Energy Metals have reiterated this proposal.

The Sunrise Energy Metals Board believes that the Demerger will enable both Sunrise Energy Metals and Clean TeQ Water to focus on their individual strategies, growth objectives and core competencies to a greater extent. Clean TeQ Water is expected to benefit from the establishment of its own dedicated board and management team.

The purpose of this document is to:

- outline the background to, and rationale for, the Demerger;
- outline the advantages, disadvantages and risks associated with the Demerger;
- explain the steps required to effect the Demerger;
- provide an overview of Sunrise Energy Metals and Clean TeQ Water following the Demerger; and
- outline other factors relevant to the Demerger.

1.2 Rationale for Demerger

Sunrise Energy Metals' strategy has historically been focused on development and commercialisation of its proprietary continuous ion exchange technology (**Clean-iX®**). Since 2000, the Company has invested in the development of the Clean-iX® technology as an innovative and cost-effective process for purifying industrial waste water and for recovery and refining of a range of valuable metals. During that time, scientific research has been conducted in developing these novel applications for the Clean-iX® process including extensive testwork, feasibility studies and running numerous pilot plant programs.

The Metals Business is seeking to develop its 100% owned Sunrise Project – a large scale long-life nickel, cobalt and scandium mining and mineral processing project in central-west New South Wales, which will utilise the Clean-iX® technology to produce lithium-ion battery cathode materials specifically targeting the electric vehicle market. The Sunrise Project is a large-scale, long-life minerals project requiring significant up-front capital investment. Securing a financing package in order to bring the project into development is currently the primary focus of the Company and its Board and senior management.

Clean TeQ Water is currently a wholly owned subsidiary of Sunrise Energy Metals focused on the engineering design, procurement and commissioning of water treatment plants for clients in the municipal, industrial and mining sectors. Clean TeQ Water is also actively engaged in research and development into complementary value adding new technologies including the development of a graphene oxide membrane for water filtration. The Water Business is focused on selling custom designed water treatment plants to customers in the municipal, industrial and mining sectors around the world via engineering, procurement and construction (**EPC**) contracts. The Company recently completed construction and delivery of three commercial scale water treatment plants, each with a different application. These three plants provide valuable confirmation of the Clean-iX® technology as an effective process for water treatment at commercial scale. The Company has now been awarded a further three EPC contracts to deliver commercial scale water purification plants and is actively working to convert a significant pipeline of further potential opportunities into revenue generating projects.

The two businesses are engaged in different activities, with different business models and funding requirements and are targeting different markets. The Directors are of the opinion that the introduction of separate corporate structures and dedicated boards and management teams to implement the agreed strategy for each of these businesses makes sense. The Demerger will provide shareholders with the opportunity to manage their investment in the Company where they may have interest investing in one part of the business but not the other, as well as potentially attracting new investors who may not have been willing or able to invest in the combined group. This has led the Directors to unanimously recommend that the two businesses will be best progressed through their separation into two separately listed entities. Eligible Shareholders will continue to maintain exposure to both businesses following the Demerger.

1.3 Key advantages of the Demerger

Key advantages of the Demerger include:

- Eligible Shareholders have the flexibility either to maintain their existing exposure to both the Water Business and the Metals Business, or to adjust their exposure;
- Sunrise Energy Metals and Clean TeQ Water can allocate capital to each of their own businesses without regard to competing capital requirements in the other business;
- Sunrise Energy Metals and Clean TeQ Water can raise funds separately, sourcing capital that is most appropriate to their underlying business and without impacting shareholder exposures to the other business;
- each of the Sunrise Energy Metals Board and the Clean TeQ Water Board will be able to focus on, and prioritise, the development of their respective businesses; and
- the ability to align executive remuneration with performance of the relevant businesses is enhanced.

Further detail is provided in Section 3.2.

1.4 Key disadvantages and risks of the Demerger

Key disadvantages and risks of the Demerger include:

- increased costs for the Clean TeQ Water business arising from its separate ownership and ASX Listing;
- a smaller balance sheet may impact Clean TeQ Water's ability to undertake engineering, procurement and construction contracts for some customers;
- potential reduction in liquidity of Sunrise Energy Metals Shares and Clean TeQ Water shares.

Further detail is provided in Section 3.3 and 3.4.

1.5 If the Demerger does not proceed

If the Demerger does not proceed:

- Clean TeQ Water will continue to operate within the Sunrise Energy Metals group;
- Eligible Shareholders will not receive Clean TeQ Water Shares; and
- the advantages of the Demerger described in Section 3.2 may not be realised and the disadvantages and risks of the Demerger described in Sections 3.3 and 3.4 may not arise (except for the incurrence of certain costs, as described in Section 3.3).

1.6 How the Demerger will be implemented

Sunrise Energy Metals Shareholders will retain their Sunrise Energy Metals Shares and, if the Demerger Resolution is approved and other conditions to the Demerger are satisfied, Eligible Shareholders will be entitled to receive one Clean TeQ Water Share for every two Sunrise Energy Metals Shares held at the Record Date.

Eligible Shareholders will not need to take any action or pay any cash to receive Clean TeQ Water Shares.

Ineligible Foreign Shareholders will not receive Clean TeQ Water Shares under the Demerger. Clean TeQ Water Shares that would otherwise be transferred to these Sunrise Energy Metals Shareholders under the Demerger will be transferred to the Sale Agent to be sold, with the net proceeds of such sale to be paid to Ineligible Foreign Shareholders. See Section 8.6.2 for more information. Ineligible Foreign Shareholders will not need to take any action to receive the net proceeds of sale of the Clean TeQ Water Shares to which they would otherwise have been entitled.

1.7 Overview of Sunrise Energy Metals after the Demerger

1.7.1 Summary

Following the Demerger, Sunrise Energy Metals will be an energy metals company focused on developing the Sunrise Project and a portfolio of mineral exploration properties. Sunrise Energy Metals will retain exclusive ownership of the intellectual property which relates to the Sunrise Project. Clean TeQ Water will grant Sunrise Energy Metals a royalty free perpetual licence for it to use the current Clean TeQ Water intellectual property in the field of extraction, recovery and refining of metals. A more detailed description of the Sunrise Energy Metals business and strategy following the demerger is contained in Section 6.5.

1.7.2 Selected pro forma financial information of Sunrise Energy Metals excluding Clean TeQ Water

Selected pro forma financial information of Sunrise Energy Metals excluding Clean TeQ Water is set out in Section 7 of this Demerger Booklet.

1.7.3 Sunrise Energy Metals' governance

Sunrise Energy Metals' governance will remain essentially unchanged following the Demerger, however, Ian Knight and Judith Downes will resign as directors of Sunrise Energy Metals following implementation of the Demerger. Following the Demerger the Board intends to seek to appoint at least one additional director to augment the skills and experience of the current Board. The composition of the Sunrise Energy Metals Board will not otherwise be altered as a result of the Demerger.

1.7.4 Dividends and capital management

Historically, Sunrise Energy Metals has not paid any dividends. There is no short-term intention to declare dividends to shareholders from profits or otherwise.

1.8 Overview of Clean TeQ Water

1.8.1 Key assets

Clean TeQ Water holds the following:

- all physical assets associated with the Water Business including a pilot plant for graphene purification and membrane production and a facility in China for manufacturing encapsulated bacteria (**BIOCLENS**™), one of Clean TeQ Water's proprietary products;
- current (and future) contracts for the construction of water treatment facilities;

- technology and intellectual property including patents and "know-how" related to water treatment and processing; and
- various other assets and liabilities required for the day-to-day operations of the water and technology business.

In addition, Clean TeQ Water will hold approximately $15 million cash upon listing on ASX, providing it with a strong capital base.

1.8.2 Selected pro forma historical financial information on Clean TeQ Water

Clean TeQ Water pro forma historical financial information is set out in Section 5. Based on the pro forma historical financial information presented in Section 5, following the Demerger, Clean TeQ Water will have pro forma net assets of approximately $19.8 million, or $0.44 per share, and pro forma net tangible assets of approximately $16.5 million, or $0.37 per share. Sunrise Energy Metals has invested in research and development relating to Clean TeQ Water's intellectual property over a number of years. Some of that expenditure is not reflected in the pro-forma historical balance sheet because a significant proportion of those costs were expensed rather than being capitalised.

1.8.3 Strategy

Clean TeQ Water's strategy is to create value for shareholders by growing revenues from sales of innovative and cost effective water purification and recycling plants using Clean TeQ Water's extensive portfolio of intellectual property. Furthermore, Clean TeQ Water aims to substantially grow sales revenues related to maintenance services and supply of consumables, including ion exchange resins and BIOCLENS™ encapsulated bacteria. Clean TeQ Water also plans to continue to selectively invest in research, development and commercialisation of new high potential technologies for future value creation. In particular, Clean TeQ Water will continue to progress the development of its graphene oxide membranes as well as expanding its expertise in metals recovery technologies.

1.8.4 Governance

The Clean TeQ Water Directors are experienced and respected directors with a diverse range of skills, background and expertise, details of which are set out in Section 4.9.4.

Name	Title
Peter Voigt	Executive Chairman
Ian Knight	Lead Independent Non-Executive Director
Stefanie Loader	Non-Executive Director
Sam Riggall	Non-Executive Director

1.8.5 Dividends and capital management

The Clean TeQ Water dividend policy will be determined by the Clean TeQ Water Board in due course, having regard to the status of Clean TeQ Water's profitability, operations and balance sheet and forward-looking strategy. There is no short-term intention to declare dividends to shareholders from profits or otherwise.

1.9 Risk factors

Sunrise Energy Metals Shareholders should carefully consider the risk factors set out in Section 3.4, along with all other information set out in this document. If any, of these risks occur, the market price for Sunrise Energy Metals Shares and/or Clean TeQ Water Shares may be impacted.

1.10 Taxation

A guide to the general tax consequences of the Demerger for Sunrise Energy Metals Shareholders who are tax resident in Australia is set out in Section 9.

Sunrise Energy Metals Shareholders should read Section 9 of this document. If they are in any doubt as to their tax position, they should contact their professional advisor.

1.11 Eligibility of Sunrise Energy Metals Shareholders

Sunrise Energy Metals Shareholders whose registered address on the Sunrise Energy Metals Share Register on the Record Date is in:

- Australia, New Zealand, Canada, China, France, Germany, Netherlands, Hong Kong, Japan, Malaysia, Singapore, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom or the United States; or
- a jurisdiction in which Sunrise Energy Metals reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer the Clean TeQ Water Shares to the Sunrise Energy Metals Shareholder,

are Eligible Shareholders and will receive Clean TeQ Water Shares. Those Clean TeQ Water Shares to which Ineligible Foreign Shareholders would otherwise be entitled will be transferred to the Sale Agent and sold on the ASX, with the net proceeds remitted to them. For further information, see Section 8.6.2.

1.12 Shareholder meeting

For the Demerger to proceed, the Demerger Resolution must be approved by an ordinary resolution of Sunrise Energy Metals Shareholders.

The General Meeting is to be held on 18 June 2021 at 1pm. The General Meeting will be held virtually via webinar and also at a physical location.

Further details about the General Meeting is set out in the Notice of General Meeting attached as Appendix 1.

1.13 Trading in Clean TeQ Water Shares

If the Demerger is approved by Sunrise Energy Metals Shareholders at the General Meeting, Clean TeQ Water is admitted to quotation by the ASX and the Demerger proceeds, Sunrise Energy Metals Shares are expected to cease trading with an entitlement to Clean TeQ Water Shares from 5pm on 22 June 2021 on the ASX and are expected to resume trading on a normal settlement basis from 23 June 2021.

It is expected that Clean TeQ Water Shares will commence trading on the ASX on 2 July 2021.

1.14 Independent Expert's opinion

Sunrise Energy Metals engaged the Independent Expert to prepare a report on whether the position of Sunrise Energy Metals Shareholders if the Demerger is approved is more advantageous than the position if the Demerger is not approved and therefore, whether the Demerger is in the best interests of Sunrise Energy Metals Shareholders. The provision of such a report is customary for Australian demergers and the report is intended to assist Sunrise Energy Metals Shareholders in making an informed voting decision on the Demerger Resolution. The Independent Expert is Lonergan Edwards.

The Independent Expert has concluded that the position of Sunrise Energy Metals Shareholders if the Demerger is approved is more advantageous than the position if the Demerger is not approved and as such is in the best interests of Sunrise Energy Metals Shareholders.

A copy of the Independent Expert's Report is set out in Appendix 5.

1.15 Board recommendation

The Directors have carefully considered the potential advantages and disadvantages of the Demerger. The Directors consider the Demerger to be in the best interests of Sunrise Energy Metals Shareholders as a whole and, accordingly, unanimously recommend that Sunrise Energy Metals Shareholders vote in favour of the Demerger Resolution. Each of the Directors intend to vote any Sunrise Energy Metals Shares that they own or control in favour of the Demerger Resolution.

1.16 What Sunrise Energy Metals Shareholders need to do

The Directors unanimously recommend that Sunrise Energy Metals Shareholders vote 'for' the Demerger Resolution by:

- attending the virtual General Meeting and voting online or attending the General Meeting in person;
- appointing an attorney, or in the case of corporate shareholders, a corporate representative, to attend in person or online and vote on their behalf; or
- appointing a proxy to vote on their behalf.

A Proxy Form accompanies the Notice of General Meeting. Sunrise Energy Metals Shareholders are encouraged to read the instructions set out in the Proxy Form, and further details on how to vote on the Demerger Resolution are set out in the Notice of General Meeting attached as Appendix 1.

1.17 Provision of General Meeting materials

Generally, all Sunrise Energy Metals Shareholders will receive these materials by post.

However, any Sunrise Energy Metals Shareholders that have nominated an email address and have elected to receive electronic communications will receive an email to their nominated account with a link to an electronic copy of the meeting materials.

Sunrise Energy Metals has also provided the meeting materials on its ASX announcements page and these are therefore available through the ASX Market Announcements Platform by inserting Sunrise Energy Metals' ASX code (SRL) into the search function on https://www2.asx.com.au/markets/trade-our-cash-market/directory.

1.18 Participation at the General Meeting

The General Meeting will be held virtually via webinar and also at a physical location. This is due to the expiration of the Corporations (Coronavirus Economic Response) Determination (No. 3) 2020 which had permitted fully virtual meetings. Accordingly in addition to the virtual webinar, the Sunrise Energy Metals Directors have determined to conduct the meeting physically at the offices of Baker McKenzie, Level 19, 181 William Street, Melbourne. Shareholders attending virtually will be treated for all purposes as if they were physically in attendance at the meeting.

Due to COVID-19 social distancing requirements, Sunrise Energy Metals Shareholders wishing to participate at the meeting are encouraged to do so virtually via the webinar. Sunrise Energy Metals Shareholders attending virtually will be taken for all purposes to be in attendance as if they were physically there. COVID-19 rules regarding social distancing are subject to constant change, and limitations are likely to apply to the number of people who may attend physically.

Sunrise Energy Metals Shareholders can attend and participate in the General Meeting via the following link:

https://web.lumiagm.com/337280528

Further information on how to participate virtually is set out in the Notice of General Meeting attached as Appendix 1.

02 Frequently asked questions

Question	Answer
What is the Demerger?	If the Demerger is implemented, it will result in the formation of an independent listed company, Clean TeQ Water, which owns all of the Water Business. Clean TeQ Water is applying to be admitted to the official list of the ASX, and for Clean TeQ Water Shares to be admitted to quotation under the code "CNQ". Sunrise Energy Metals Shareholders will retain their Sunrise Energy Metals Shares and, if the Demerger proceeds, Eligible Shareholders will be entitled to receive one Clean TeQ Water Share for every two Sunrise Energy Metals Shares held at the Record Date. Eligible Shareholders will not need to take any action or pay any cash to receive Clean TeQ Water Shares.
What are the key advantages of the Demerger?	The key advantages of the Demerger are discussed in detail in Section 3.2.
What are the key disadvantages and risks of the Demerger?	The key disadvantages and risks of the Demerger are discussed in detail in Sections 3.3 and 3.4.
How does the Board recommend I vote?	The Directors unanimously recommend that you vote in favour of the Demerger Resolution to be considered at the General Meeting. Each Director intends to vote any Sunrise Energy Metals Shares that he or she owns or controls in favour of the Demerger Resolution.
What is the Independent Expert's opinion on the Demerger?	The Independent Expert has concluded that the position of Sunrise Energy Metals Shareholders if the Demerger is approved is more advantageous than the position if the Demerger is not approved and as such is in the best interests of Sunrise Energy Metals Shareholders. The Independent Expert's Report is set out in Appendix 5.
What are the key steps and conditions to implement the Demerger?	The key remaining steps to implement the Demerger are: › approval of the Demerger Resolution by Sunrise Energy Metals Shareholders by ordinary resolution at the General Meeting; › approval of admission of Clean TeQ Water to the Official List of ASX and official quotation of Clean TeQ Water Shares by ASX; and › in specie distribution and transfer of Clean TeQ Water Shares.
What happens if the Demerger does not proceed?	If the Demerger does not proceed: › Clean TeQ Water will continue to operate within the Sunrise Energy Metals Group; › Eligible Shareholders will not receive Clean TeQ Water Shares; and › the advantages of the Demerger described in Sections 3.2 may not be realised and the disadvantages and risks of the Demerger described in Sections 3.3 and 3.4 may not arise (except for the incurrence of certain costs as described in Section 3.3).

02 Frequently asked questions (continued)

Question	Answer
Which Sunrise Energy Metals Shareholders are eligible to participate in the Demerger?	Sunrise Energy Metals Shareholders whose registered address on the Sunrise Energy Metals Register on the Record Date is in: › Australia, New Zealand, Canada, China, France, Germany, Netherlands, Hong Kong, Japan, Malaysia, Singapore, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom or the United States; or › a jurisdiction in which Sunrise Energy Metals reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer the Clean TeQ Water Shares to the Sunrise Energy Metals Shareholder, are Eligible Shareholders and will receive Clean TeQ Water Shares. Sunrise Energy Metals Shareholders whose registered address on the Sunrise Energy Metals Register on the Record Date is outside the jurisdictions listed above will be Ineligible Foreign Shareholders and will not receive Clean TeQ Water Shares and should refer to Section 8.6.2 for further information.
What will Sunrise Energy Metals Shareholders receive if the Demerger proceeds?	Eligible Shareholders will receive one Clean TeQ Water Share for every two Sunrise Energy Metals Shares they hold at the applicable Record Date. See Section 1.6 for further information. Ineligible Foreign Shareholders will not be eligible to receive Clean TeQ Water Shares. Clean TeQ Water Shares that would otherwise be transferred to these Sunrise Energy Metals Shareholders under the Demerger will be transferred to the Sale Agent to be sold, with the net proceeds of such sale to be paid to Ineligible Foreign Shareholders. See Section 8.6.2 for further information.
Will I need to make any payments to participate in the Demerger?	No. The Capital Reduction on your Sunrise Energy Metals Shares will be effected by the in specie distribution of Clean TeQ Water Shares. You do not need to make any separate payment.
Can I elect to sell my Clean TeQ Water Shares?	Eligible Shareholders who hold less than 5,000 Sunrise Energy Metals Shares as at the Record Date (**Small Shareholders**) may elect to have the Clean TeQ Water Shares to which they are entitled sold on the ASX by the Sale Agent and the proceeds remitted to them under the Sale Facility, free of any brokerage costs or stamp duty. Small Shareholders who do not make an election to participate in the Sale Facility will receive Clean TeQ Water Shares.
Can I choose to keep or sell the Clean TeQ Water Shares I receive under the Demerger?	The Clean TeQ Water Shares you receive under the Demerger are expected to be quoted on the ASX and, generally, you should be able to trade them in the usual way if you do not wish to keep them.
Sunrise Energy Metals post-Demerger	
What is the impact of the Demerger on my Sunrise Energy Metals shareholding?	The number of Sunrise Energy Metals Shares you hold will not change as a result of the Demerger.
What will be Sunrise Energy Metals' strategy after the Demerger?	Following the Demerger, Sunrise Energy Metals will continue to be focused on the development of the Sunrise Project.
Who will be on the Sunrise Energy Metals Board after the Demerger?	Following the Demerger, Ian Knight and Judith Downes will resign as directors of Sunrise Energy Metals. The remaining composition of the Sunrise Energy Metals Board will be unchanged.
Will there be changes to Sunrise Energy Metals' senior management as a result of the Demerger?	No – other than employees who are solely focussed on Clean TeQ Water who will transition to the demerged company, the senior management of Sunrise Energy Metals will be unchanged.

Question	Answer
What will be the impact on the Sunrise Energy Metals Share price as a consequence of the Demerger?	The Sunrise Energy Metals Share price is expected to reduce as a consequence of the Demerger as it involves the Capital Reduction. There is no certainty as to the trading price of Sunrise Energy Metals Shares after the Demerger.
Clean TeQ Water	
What is Clean TeQ Water?	Clean TeQ Water is currently a wholly owned subsidiary of Sunrise Energy Metals focused on the engineering design, procurement and commissioning of water treatment plants for clients in the municipal, industrial and mining sectors. Clean TeQ Water is also actively engaged in research and development into complementary value adding new technologies.
Where will Clean TeQ Water be listed?	Clean TeQ Water is applying for admission to the Official List of ASX and official quotation of Clean TeQ Water Shares. It is expected that Clean TeQ Water Shares will trade under the ASX code "CNQ".
What will be the Clean TeQ Water share price?	There is no certainty as to the price of Clean TeQ Water Shares after the Demerger as the price will be determined by the market. Based on the pro forma historical financial information presented in Section 5, following the Demerger, Clean TeQ Water will have pro forma net assets of approximately $19.8 million, or $0.44 per share, and pro forma net tangible assets of approximately $16.5 million, or $0.37 per share. Sunrise Energy Metals has invested in research and development relating to Clean TeQ Water's intellectual property over a number of years. Some of that expenditure is not reflected in the pro-forma historical balance sheet because a significant proportion of those costs were expensed rather than being capitalised.
What will Clean TeQ Water's strategic priorities be after the Demerger?	Clean TeQ Water's strategic priorities are set out in Section 4.8. The Clean TeQ Water Board intends to focus on these strategic priorities following the Demerger however the future strategy of Clean TeQ Water will ultimately be a matter for the Clean TeQ Water Board and senior management to develop over time and is subject to change.
What will be Clean TeQ Water's capital structure?	Eligible Shareholders will receive one Clean TeQ Water Share for every two Sunrise Energy Metals Shares held.
Who will be on the Clean TeQ Water Board after the Demerger?	As from the Implementation Date, the Clean TeQ Water Board will comprise: › Peter Voigt (Executive Chairman) › Ian Knight (Lead Independent Non-Executive Director) › Stefanie Loader (Non-Executive Director) › Sam Riggall (Non-Executive Director) For more detail refer to Section 4.9.4.
What are the risks of holding Clean TeQ Water Shares?	Clean TeQ Water will be subject to a range of risks in respect of its activities and interests which may adversely affect the future operating or financial performance, prospects, investment returns or value of Clean TeQ Water. Relevantly, Clean TeQ Water is currently loss making and is cash flow negative. Many of these risks are risks to which the assets that form the Water Business are already exposed, while others arise out of, or increase, as a result of the Demerger. These risks are summarised in Section 3.4. Sunrise Energy Metals Shareholders should review these risks carefully before deciding how to vote in relation to the Demerger Resolution.
What will be Clean TeQ Water's relationship with Sunrise Energy Metals after the Demerger?	Subject to the successful implementation of the Demerger, Sunrise Energy Metals will not hold any shares in Clean TeQ Water. Certain contractual arrangements between Sunrise Energy Metals and Clean TeQ Water Group Members are in place. These comprise a Share Sale and Loan Agreement, Demerger Implementation Deed, Separation Deed, Services Agreement, IP Transfer Deed, Water IP Licence Deed and Metals IP Licence Deed. Summaries of these contracts are included in Section 8.9.

02 Frequently asked questions (continued)

Question	Answer
General Meeting	
Who can vote at the General Meeting?	All Sunrise Energy Metals Shareholders who are registered on the Sunrise Energy Metals Share Register at 7pm on 16 June 2021 are entitled to vote on the Demerger Resolution.
What is the voting threshold for the Demerger?	For the Demerger to proceed, the Demerger Resolution must be approved as an ordinary resolution of Sunrise Energy Metals Shareholders.
When is the General Meeting?	The General Meeting of Sunrise Energy Metals Shareholders will be held at 1pm on 18 June 2021.
How will the General Meeting be held?	The meeting will be held virtually via webinar and also at a physical location. This is due to the expiration of the Corporations (Coronavirus Economic Response) Determination (No. 3) 2020 which had permitted fully virtual meetings. Accordingly in addition to the virtual webinar, the Directors have determined to conduct the meeting physically at the offices of Baker McKenzie, Level 19, 181 William Street, Melbourne. Due to COVID-19 social distancing, shareholders are encouraged to attend virtually rather than physically attending. Sunrise Energy Metals Shareholders attending virtually will be treated for all purposes as if they were physically in attendance at the meeting. Further details on the General Meeting, including how to attend and how to vote are provided in Appendix 1.
What are the resolutions to be proposed at the General Meeting?	Sunrise Energy Metals Shareholders are only being asked to consider and vote on the Demerger Resolution.
What is the Demerger Resolution?	The Demerger Resolution is the ordinary resolution to be voted on by Sunrise Energy Metals Shareholders to approve the Demerger, including the Capital Reduction required for the Demerger, as set out in the Notice of General Meeting in Appendix 1.
What if I do not vote at the General Meeting or if I vote against the Demerger Resolution?	If Sunrise Energy Metals Shareholders who support the Demerger do not vote, there is a risk that the Demerger will not be approved. If you do not vote or vote against the Demerger Resolution but the Demerger Resolution is approved by the requisite majority of Sunrise Energy Metals Shareholders, then, subject to the other conditions to the Demerger being satisfied or waived, the Demerger will be implemented and binding on all Sunrise Energy Metals Shareholders including those who did not vote or voted against the Demerger Resolution.
Other	
What are the tax implications of the Demerger for Sunrise Energy Metals Shareholders?	The tax implications of the Demerger will depend on how you hold your Sunrise Energy Metals Shares and in which jurisdiction you are a resident for tax purposes. Section 9 sets out certain information on tax implications for Australian tax resident Sunrise Energy Metals Shareholders. The information is expressed in general terms and does not constitute tax advice in respect of the particular circumstances of any Sunrise Energy Metals Shareholders. It is recommended that you seek your own specific tax advice for your individual circumstances.
What are the costs of the Demerger?	Total transaction costs of the Demerger are estimated to be $1.7 million (pre-tax) and are expected to be incurred by Sunrise Energy Metals. The majority of these costs are expected to have been incurred prior to the General Meeting. All of the one-off costs will be incurred by Sunrise Energy Metals.
If you have further questions	If you have any further questions, it is recommended that you either: › contact your stockbroker, solicitor, accountant and/or other independent professional advisor; or › call the Sunrise Energy Metals Shareholder Information Line (Australia "1300 850 505" or Overseas Callers "+61 3 9415 4000)".

03 Advantages, disadvantages and risks of the Demerger

This section summarises the material advantages and disadvantages of the Demerger that Sunrise Energy Metals Shareholders should consider when deciding whether or not to vote in favour of the Demerger Resolution required to implement the Demerger. Section 3.1 below also summarises the alternatives to the Demerger that were considered by Sunrise Energy Metals.

The Directors are of the view that the advantages of the Demerger outweigh the disadvantages and risks of the Demerger. Each Director recommends that Sunrise Energy Metals Shareholders vote in favour of the Demerger Resolution at the General Meeting, and intends to vote, or cause to be voted, all Sunrise Energy Metals Shares held or controlled by them in favour of the Demerger Resolution. The number of Sunrise Energy Metals Shares held by or on behalf of each Director as at the date of this Demerger Booklet is set out in Section 11.2.

Sunrise Energy Metals Shareholders should carefully consider the following advantages and disadvantages of the Demerger, together with the potential risks associated with the Demerger and investments in Clean TeQ Water and Sunrise Energy Metals after the Demerger when deciding whether or not to vote in favour of the Demerger Resolution required to implement the Demerger.

3.1 Background and alternatives considered

Sunrise Energy Metals has operated the Water Business since its inception. The Water Business has since progressed significant research and development and commercialisation of a suite of proprietary technologies for application in the purification and recycling of water, and recovery of associated resources, for the municipal, industrial and mining sectors.

In addition, Sunrise Energy Metals operates the Metals Business, comprising the Sunrise Project in central west New South Wales and certain other mineral exploration tenements in New South Wales. The Metals Business was established in 2014 with a focus on the direct investment or acquisition of geologically derisked mining assets that would benefit from Sunrise Energy Metals' hydrometallurgical process innovations. The business was formed to leverage Sunrise Energy Metals' intellectual property and expertise for the cost effective and efficient extraction and refining of metals. The Metals Business first mineral project acquisition was the Syerston Project, later renamed the Sunrise Project. Once developed, the Sunrise Project will be a significant producer of nickel sulphate and cobalt sulphate, key materials for the electric vehicle battery market. It is estimated that the Sunrise Project drives a significant component of Sunrise Energy Metals' total market value and its contribution to that value has meaningfully increased as stages through to production have progressed.

Since its inception, the Water Business has expanded its suite of proprietary technology and has achieved considerable success in the commercialisation of those technologies at commercial scale. The Metals Business has completed a definitive feasibility study and a project execution plan in preparation for development of the Sunrise Project. While these activities have been progressed, Sunrise Energy Metals has recognised that there may be benefits for Sunrise Energy Metals and Sunrise Energy Metals Shareholders if the Water Business pursues its activities, as an independent separately listed entity. Sunrise Energy Metals has formed the view that there is limited overlap between the Metals Business and the Water Business and as such no strong rationale for holding businesses with vastly different operating focuses.

With the activities and strategic goals of both business units clarified, the Directors commenced active consideration of a potential separation of the businesses. This included the investigation of several transaction structure alternatives to the Demerger. Potential divestment scenarios were also considered.

3.1.1 Status quo

The Sunrise Energy Metals Board considered proceeding without a material corporate restructure. It was determined that the Water Business and the Metals Business are different in terms of risk profile, strategic focus and geographic exposure. The priorities of the Water Business are different from the priorities of the Metals Business and the Sunrise Energy Metals Board is of the view that the Demerger will enhance Sunrise Energy Metals Shareholder value by enabling each of the Water Business and the Metals Business to better pursue their own growth agendas and strategic priorities as separate, ASX-listed companies.

3.1.2 Divestment of the Water Business

The Directors considered the merits of the sale of all of or parts of the Water Business to a third party. In the Directors' view, a divestment of the Water Business would be unlikely to realise the full underlying value of Clean TeQ Water for Sunrise Energy Metals Shareholders and would involve additional transaction uncertainty. In the event of a divestment of the Water Business, Sunrise Energy Metals Shareholders would not retain an interest in the Water Business and would not benefit from any further upside or growth opportunities.

3.1.3 Demerger

The Sunrise Energy Metals Board selected the Demerger over the other available alternatives described above. The Demerger allows eligible Sunrise Energy Metals Shareholders to retain an interest in the Water Business, benefit from future growth opportunities and make their own decisions to continue to hold their investment in one, both or neither of Sunrise Energy Metals and Clean TeQ Water. The Demerger also does not preclude other interested parties from increasing their investment in Sunrise Energy Metals or Clean TeQ Water after the Demerger.

The other advantages of the Demerger are described in Section 3.2. Key areas of focus for the Directors include ensuring that Clean TeQ Water has an experienced and focussed board and senior management team considered capable of growing the Water Business and executing on the business' short and medium term plans.

After considering alternatives for Sunrise Energy Metals and the advantages and disadvantages of the Demerger, the Directors unanimously consider that the Demerger is in the best interests of Sunrise Energy Metals Shareholders.

3.2 Advantages of the Demerger

3.2.1 Investor choice

Following the Demerger, Eligible Shareholders will retain their existing exposure to Clean TeQ Water and Sunrise Energy Metals.

Creating a separate listed entity will allow existing and prospective investors seeking exposure solely to the Metals Business to invest directly in that business without exposure to the Water Business. Likewise, existing and prospective investors seeking exposure to the Water Business will be able to invest directly in Clean TeQ Water without having exposure to the Metals Business. These businesses have different funding requirements, industry exposures and risk factors. The establishment of simple and transparent separate businesses with specific focuses and strategies will likely allow investors to better understand and manage their investments.

3.2.2 Capital allocation

Following the Demerger, Sunrise Energy Metals and Clean TeQ Water will be able to adopt independent capital structures and financial policies appropriate for their respective operational requirements and strategic objectives.

Details of the proposed capital structures of Clean TeQ Water and Sunrise Energy Metals upon Demerger are set out in Sections 4.6 and 6.3 respectively. The capital structure and financial policies of Sunrise Energy Metals and Clean TeQ Water will be at the discretion of their respective boards and are subject to change or alteration as circumstances require.

3.2.3 Greater flexibility in financing

Following the Demerger Clean TeQ Water will have approximately $15 million in cash and no bank debt. Sunrise Energy Metals will hold the remainder of the Sunrise Energy Metals Group's cash of approximately $40m[2] and have no bank debt.

The Demerger will position each of Sunrise Energy Metals and Clean TeQ Water to seek finance for its own operations and growth strategies in the future.

Sunrise Energy Metals will be able to seek investment from financiers and investors including those with a specialist battery metals focus who do not wish to have exposure to the Water Business, including both debt and equity investors.

The Sunrise Energy Metals Directors believe that Clean TeQ Water will be in a position to more clearly articulate the merits of the Water Business as a compelling water technology business which could prove more attractive than when integrated with the Metals Business. Clean TeQ Water will also have greater flexibility to pursue a broader scope of partnerships and funding structures in order to support its future growth.

3.2.4 Greater management focus

The separation of Sunrise Energy Metals and Clean TeQ Water will allow each entity to better pursue the targeted strategies of its business. The Sunrise Energy Metals senior management team will be able to focus on realising the value of the Sunrise Project through the execution of the strategy for that business as articulated in recent investor presentations and shareholder announcements. Similarly, Clean TeQ Water's senior management team will focus on securing new contracts, revenue growth and profitability.

3.2.5 Increased flexibility to align compensation and incentive plans to shareholder value generation

The Demerger will provide Sunrise Energy Metals and Clean TeQ Water with increased flexibility to determine their respective compensation and incentive plans for employees and management, enabling closer alignment between such plans and the business performance and shareholder value generation of each company. For example, a primary input to Sunrise Energy Metals' long term incentive plan for senior executives is the total shareholder return of the combined entity, as measured by reference to changes in Sunrise Energy Metals' share price. The Demerger will provide the opportunity to implement separate long term incentive plans for Sunrise Energy Metals and Clean TeQ Water which are based on the total shareholder return for each company.

2. Based on internal Company cashflow forecast including the impact of the Sunrise Energy Metals share placements and share purchase plan completed in January 2021 as detailed in Section 7.14. The actual cash position upon the Demerger is subject to variation.

3.3 Disadvantages of the Demerger

3.3.1 Increased costs

There will be additional costs relating to two separate listed entities. Each company will have to bear its own head office costs (e.g., board fees, listing fees, auditing fees, etc.). The annual overhead cost for Clean TeQ Water is estimated to be an incremental $1.8 million – see section 5.12 for further information. However, Sunrise Energy Metals is expected to achieve approximately $0.8 million of annual corporate cost savings due to reduced scale following the Demerger.

There are also one-off transaction execution costs and costs associated with establishing Clean TeQ Water as a standalone company that is listed on the ASX. Most of these costs will be incurred regardless of whether Sunrise Energy Metals Shareholders approve the Demerger. Further information is set out in Section 7.12.

Nevertheless, the Sunrise Energy Metals Board believes that the initial and ongoing costs of the Demerger will be outweighed by the benefits (short term and long term) for Sunrise Energy Metals Shareholders in having Clean TeQ Water as a separate company.

3.3.2 Liquidity of Clean TeQ Water Shares

There is a risk that there may be lower liquidity of Clean TeQ Water Shares traded on the ASX compared with the level of liquidity of Sunrise Energy Metals Shares. This may make it more difficult for shareholders to buy and sell shares in Clean TeQ Water than it currently is to trade Sunrise Energy Metals Shares.

Some investors, particularly institutional investors, may not be attracted to holding Clean TeQ Water Shares, which may have reduced scale and liquidity compared to Sunrise Energy Metals before the Demerger. This may trigger selling by some investors, potentially placing downward share price pressure in Clean TeQ Water.

3.3.3 Smaller scale and scope of operations of separate businesses

Sunrise Energy Metals will be less diversified, having separated out its Water Business into Clean TeQ Water. Fixed costs and administrative costs will form a higher proportion of overall costs for the separate businesses. A smaller balance sheet for Clean TeQ Water may also impact on its ability to fund working capital for larger or additional water treatment projects.

3.3.4 Disposal of Sunrise Energy Metals Shares and Clean TeQ Water Shares

Sunrise Energy Metals Shareholders and Clean TeQ Water Shareholders who dispose of their shares following the Demerger may incur brokerage and other transaction costs associated with the disposal of these shares.

3.4 Risks relating to the Demerger

3.4.1 Introduction

If the Demerger is implemented, Sunrise Energy Metals Shareholders, who previously had an indirect interest in the Water Business through their shareholding in Sunrise Energy Metals, will have a direct interest in Clean TeQ Water and, accordingly, will be directly subject to a number of risks affecting Clean TeQ Water, the Water Business, its operations and its financial condition.

Most of the risks currently faced by Sunrise Energy Metals will continue to be faced by Sunrise Energy Metals after the Demerger. Sunrise Energy Metals Shareholders are already exposed to these risks through their shareholding in Sunrise Energy Metals. However, Sunrise Energy Metals' risk profile will change after implementation of the Demerger of the Water Business as Sunrise Energy Metals' operations will be focussed on the Sunrise Project and will be less diversified. Any Sunrise Energy Metals Shareholders who do not retain their Clean TeQ Water Shares will have a similar reduction in diversification and concentration of their exposure to the Metals Business.

3.4.2 Demerger may not complete

Completion of the Demerger is subject to the passing of the Demerger Resolution by Sunrise Energy Metals Shareholders at the General Meeting as well as the satisfaction or waiver of a number of other conditions precedent as described in Section 8.7. If Sunrise Energy Metals Shareholders do not approve the Demerger Resolution or any of the other conditions precedent are not satisfied or waived, the Demerger will not proceed.

If the Demerger is delayed or does not proceed, Sunrise Energy Metals Shareholders may not receive all of the strategic benefits of the Demerger. There are also one-off transaction execution costs that will be incurred regardless. Further information is set out in Section 7.12.

3.4.3 Uncertainty around the share prices of Sunrise Energy Metals and Clean TeQ Water

While the Directors believe that the Demerger is in the best interests of Sunrise Energy Metals Shareholders, it is not possible to predict the market value of Sunrise Energy Metals Shares or Clean TeQ Water Shares following the Demerger.

There can be no assurance that an active market will develop in Clean TeQ Water Shares after the Demerger, or that Clean TeQ Water Shares will trade on ASX at any particular price subsequent to Clean TeQ Water's listing. Following the Demerger some shareholders may adjust their holdings in Sunrise Energy Metals or Clean TeQ Water. There is a risk that the combined market value of Sunrise Energy Metals and Clean TeQ Water after the Demerger will be less than the market value of Sunrise Energy Metals immediately before the Demerger, particularly while the shareholder base of each company evolves. Volatility in equity markets may heighten uncertainty regarding the future combined value of Sunrise Energy Metals and Clean TeQ Water.

The share prices of Sunrise Energy Metals and Clean TeQ Water may be affected by a range of factors, including market sentiment, commodity prices and foreign exchange rates.

3.4.4 The Demerger may fail to realise anticipated benefits

Sunrise Energy Metals or Clean TeQ Water may fail to realise any or all of the anticipated benefits of the Demerger, either in a timely manner or at all. Some of the potential benefits of the Demerger may not be achieved as a result of circumstances outside the control of Sunrise Energy Metals or Clean TeQ Water.

3.4.5 Process in establishing Clean TeQ Water as a standalone entity

Clean TeQ Water's business is currently supported by Sunrise Energy Metals' corporate services infrastructure, including group accounting, treasury, taxation, superannuation, legal, insurance administration, information management, certain group purchasing services, general human resources and other services. As part of the Demerger implementation, Clean TeQ Water will replace these support services with internal capability or with third party contracts and arrangements appropriate for it as a standalone entity. There is a risk that the performance of these functions will be negatively affected during Clean TeQ Water's period of transition to being a standalone entity as systems and processes are implemented. Clean TeQ Water may incur one-off costs to implement these processes and, although support will initially be provided by Sunrise Energy Metals under a Services Agreement (see Section 8.9.4), it may take some time to ensure that all processes are operating fully and efficiently.

3.4.6 Demerger taxation relief

Sunrise Energy Metals has applied for a class ruling seeking confirmation from the Australian Commissioner of Taxation that the Demerger will qualify for Demerger tax relief (as described in Section 9). Broadly, where Demerger tax relief is available and Australian resident Sunrise Energy Metals Shareholders, who hold their Sunrise Energy Metals Shares on capital account, make the choice to apply such relief, they will not realise any capital gain or loss from the Demerger and the cost base in respect of their Sunrise Energy Metals Shares will be allocated between their Sunrise Energy Metals Shares and the Clean TeQ Water Shares. A further consequence is that the transfer of shares in Clean TeQ Water to Sunrise Energy Metals Shareholders under the Demerger will not be regarded as an assessable dividend for Sunrise Energy Metals Shareholders.

Sunrise Energy Metals anticipates that the class ruling will confirm the above taxation treatment for Australian resident Sunrise Energy Metals Shareholders who hold their Sunrise Energy Metals Shares on capital account. However, if the Commissioner of Taxation concludes that Demerger tax relief is not available or seeks to apply the anti-avoidance rules applicable to Demergers, then Australian resident Sunrise Energy Metals Shareholders may make a taxable capital gain on the Demerger, and/or the transfer of Clean TeQ Water Shares to Sunrise Energy Metals Shareholders may be taxable as an unfranked dividend in the hands of Sunrise Energy Metals Shareholders.

Section 9 provides further information on the general income tax implications for Sunrise Energy Metals Shareholders who are Australian resident individuals or companies, including information on the implications if the class ruling is not issued consistent with the above expectations.

This information is not applicable to all Sunrise Energy Metals Shareholders, and in particular those Sunrise Energy Metals Shareholders who are not residents of Australia for taxation purposes. This Demerger Booklet also does not take into account Sunrise Energy Metals Shareholders' individual investment objectives, financial situation or needs. The information in this Demerger Booklet should not be relied upon as the sole basis for any investment decision. Sunrise Energy Metals Shareholders should seek independent legal, financial, taxation and other professional advice before making any investment decision.

3.5 Risks specific to an investment in Clean TeQ Water

There are a number of risk factors specific to Clean TeQ Water and of a more general nature which may, either individually or in combination, affect the future operating and financial performance, or financial position of Clean TeQ Water or the value of Clean TeQ Water Shares.

Section 10 describes various risks and uncertainties which Sunrise Energy Metals considers to be the most significant as at the date of this Demerger Booklet. The risks described in Section 10 should be read in conjunction with Sections 3.1, 3.2 and 3.3, which set out (among other things) the background to and rationale for, and the advantages and disadvantages of, the Demerger, and Section 3.4, which sets out the risks relating to the Demerger.

04 Overview of Clean TeQ Water

4.1 Background

Over the past two decades, Sunrise Energy Metals' strategy has been focused on the development and commercialisation of its proprietary continuous ion exchange technology (**Clean-iX®**). Since 2000, the Company has invested in the development of the Clean-iX® technology as an innovative and cost effective process for treatment and recycling of industrial waste water and for recovery and refining of a range of valuable metals. During that time, Sunrise Energy Metals has conducted scientific research in developing these novel applications for the Clean-iX® process including extensive testwork, feasibility studies and running numerous pilot plant programs.

The Water Business is focused on selling custom designed water treatment plants to industrial customers around the world via engineering, procurement and construction (**EPC**) contracts. These plants leverage Clean TeQ Water's unique portfolio of technologies providing the end-user with tailored benefits compared to regular water treatment techniques. The Water Business recently completed construction and delivery of three commercial scale water treatment plants, each with a different application. These three plants provide valuable confirmation of the Clean-iX® technology as an effective process for water treatment at commercial scale. The Water Business has been awarded a further three EPC contracts to deliver commercial scale water treatment plants and is actively working to convert a significant pipeline of further potential opportunities into revenue generating projects.

The Water Business continues the development of its existing technology portfolio for both metals and non-metals as well as research, development, and commercialisation of new technologies. The Water Business owns an encapsulated bacteria technology (**BIOCLENS™**). BIOCLENS™ offers significant opportunities in water treatment application given the encapsulated bacteria technology's ability to efficiently break down and remove harmful nitrates and ammonia from wastewater. The Water Business wholly owns NematiQ Pty Ltd (**NematiQ**) which is focussed on the development of graphene oxide (**GO**) membranes for water treatment applications. NetmatiQ has developed a process to manufacture high-purity GO that can be applied to a membrane support to create a graphene nanofiltration membrane (**GO-Membrane**). The benefits of graphene oxide nanofiltration membranes when compared to conventional nanofiltration membrane include higher flux (flow rates), lower energy use and lower propensity for fouling. This is expected to lead to lower operating costs, longer membrane life and lower maintenance costs.

The Water Business has progressed the commercialisation of its suite of proprietary technologies for application in water treatment for the municipal, industrial and mining sectors by:

- designing, procuring, constructing and commissioning commercial scale water treatment plants for customers which have demonstrated the viability of the technology;
- establishing a dedicated business development function to identify and secure additional projects;
- expanding the useful application of its existing technology portfolio to service large high growth sectors and regions that demand advanced water treatment solutions;
- investing in research to continually improve existing solutions and to develop additional solutions that address the high priority demands of targeted customers; and
- building and commissioning a BIOCLENS™ encapsulated bacteria production facility (described in more detail in Section 4.4).

An important feature of the Water Business' technology portfolio is the accompanying know-how it has developed over two decades of investment in the field of ion exchange and the broader water treatment industry. This know-how comprises an understanding of the design, engineering, and operation of the technologies' mechanical systems and also a fundamental understanding of the chemical and functional characteristics of the extraction and purification process.

The Water Business' technology development team continues to advance work in the development of graphene oxide nanofiltration membranes, ion exchange applications for water treatment and metal recovery and biological technologies for water treatment applications. Collectively, the Water Business' portfolio of water treatment technology provides cost-effective solutions for water treatment and resource recovery across a broad range of industries.

4.2 Business overview

The Water Business seeks to generate earnings through the provision of innovative water treatment and resource recovery services, maintenance services, sales of equipment and consumables and through the licencing of proprietary technology. The Water Business' portfolio of technologies provides water treatment and resource recovery solutions for the municipal, industrial and mining sectors. Municipal applications include the treatment of ground, surface and grey water for re-use in industry and agriculture or upgrading into drinking water. Major industrial sectors targeted by the Water Business include power generation and steel making. Mining solutions have been developed for recovery and processing of various base and precious metals including copper and gold and treatment of acid mine drainage wastewater, processing wastewater, produced water and coal mining wastewater.

The Water Business' unique technologies lower the cost and complexity of water recycling and resource recovery for its clients. The adaptability of Clean TeQ Water's products allows the Water Business to service specific targeted industries which have substantial demand for effective technologies. The issues faced by these targeted industries are often poorly addressed by solutions provided by existing water treatment companies.

The Water Business is primarily focused on selling custom designed water treatment plants to customers around the world via EPC contracts. Over time, Clean TeQ Water will seek to expand its revenues from after-sales inspection and maintenance services, sales of ion exchange resins, BIOCLENS™ and other consumables and technology licence fees. Furthermore, additional revenues are targeted through the commercialisation of graphene oxide nanofiltration membrane technology.

4.2.1 Geographic footprint

The Water Business has a global presence, with offices and research and development facilities in Melbourne, Beijing and Tianjin. In addition, the Water Business has commercial partnerships with companies that promote and build Clean TeQ Water technology in Africa, the Middle East and South America. Mining services company Multotec is Clean TeQ Water's commercial partner for the African and the Middle East regions. The Water Business has also signed a Memorandum of Understanding (MoU) with National Energy Services Reunited Corp. (NASDAQ:NESR) (**NESR**) pursuant to which NESR will work with the Water Business to seek to bring innovative water technologies to the oil and gas industry in the Middle East and North African (MENA) and Asia Pacific regions. NESR is one of the largest oilfield services providers in the MENA and Asia Pacific regions.

The Water Business has successfully delivered projects in Australia, Oman and the Democratic Republic of Congo (DRC) and was recently awarded additional contracts to install and expand water treatment plants in Australia, China and Oman. The Oman and Democratic Republic of Congo projects originated through Clean TeQ Water's commercial partnership with Multotec.

Clean TeQ Water's Global Reach

Clean TeQ Water plant installation at Fosterville Gold Mine, Victoria

4.2.2 Delivered projects

The Water Business has constructed three water treatment plants for customers in Australia, Oman and the DRC.

DESALX® plant in Victoria, Australia

The solution for water treatment at the Fosterville Gold Mine in Victoria, Australia was initially piloted on-site in 2016. The successful outcomes of the pilot resulted in a major works agreement for final execution of the project being signed at the end of 2017.

In August 2020, the Water Business announced successful customer acceptance of commissioning and handover of a DESALX® plant in Victoria, Australia. The Water Business was engaged by Kirkland Lake Gold Ltd. (TSX/NYSE KL & ASX:KLA) to design, supply and commission a two million litre-per-day DESALX® mine water treatment plant for Kirkland's Fosterville Gold Mine. The plant is designed to deliver a sustainable water management solution by treating mine process water for reuse in the mine operations.

The equipment provided by the Water Business includes a precipitation package to remove antimony and arsenic. The effluent from the clarifiers is treated by the DESALX® plant to remove sulphate, calcium and magnesium with gypsum as the only by-product. The DESALX® effluent is then further treated by reverse osmosis to produce water for reuse. The system is a key enabling component of the customer's overall water management strategy which includes true 'zero liquid discharge'.

CIF® plant in Oman

In November 2019, the Water Business announced successful customer acceptance of commissioning and handover of a CIF® plant in Oman. The Water Business was engaged by Multotec, Clean TeQ Water's sales and delivery partner in Africa, under a design, procure and construct contract to deliver a wastewater treatment system at an antimony processing facility in Oman. The CIF® plant utilises the Water Business' proprietary continuous ion-exchange technology and is designed to remove a range of deleterious elements from up to 200 tons of wastewater per day. By treating the waste, the customer is able to recycle a significant proportion of the water for re-use in their processing plant, rather than disposing of it. This provides a valuable cost saving for the customer in a geographic location where water is relatively scarce. Recycling water also results in environmental benefits by significantly reducing the volume of waste which would otherwise need to be disposed.

The plant consists of a number of precipitation steps to remove antimony, arsenic and hardness, followed by the Water Business' proprietary two stage CIF® system to extract calcium and magnesium sulphate plus any remaining heavy metals, followed by reverse osmosis to desalinate the water and prepare it for reuse. The plant was custom designed by the Water Business' engineers in Melbourne, Australia, to meet the water treatment specifications required by the customer. CIF® plant fabrication, procurement and delivery was undertaken by the Water Business personnel primarily based in Beijing. Equipment erection and installation was undertaken by a local construction contractor under supervision of the Water Business and Multotec.

04 Overview of Clean TeQ Water (continued)

Clean TeQ Water CIF® plant in Oman

Clean-iX® plant in DR Congo (DRC)

In the DRC, the Water Business designed and constructed a continuous ion exchange plant to treat up to twenty million litres per day of a raffinate stream, removing contaminant metals and improving the quality and environmental rank of the raffinate, prior to further processing. All construction was completed during 2019 with hot commissioning commencing shortly thereafter. Initial tests showed that the Clean-iX® plant was performing well, exceeding design expectations. However, an accidental uncontrolled release of very high-pressure water from the main plant into the Clean-iX® system damaged the plant, taking it offline. Repairs, as well as some other changes to the plant and process, have now been completed. A restart of the plant commenced during April 2021 and performance testing of the Clean-iX® system is scheduled to follow thereafter.

4.2.3 Active contracts

Recently, the Water Business has been awarded three new contracts for the provision of water treatment plants. The contract awarded to the Water Business for the Oman project is an upgrade of a previously installed CIF® treatment plant.

Treatment plant in Queensland, Australia

In 2021, the Water Business was awarded a contract valued at over $2 million by Mackay Regional Council for the upgrade of a bore water treatment plant at Koumala, near Mackay in Queensland.

The Water Business will design, supply, and install an ion exchange treatment plant plus a package gas chlorination system to remove hardness and lower the salinity of an existing bore water supply to reduce the scaling of pipes and improve taste for use in the potable water supply of Koumala, Queensland. The Water Business will manage the full design, procurement, construction and commissioning of the plant including subcontracting of civil works. The program of works has commenced and will continue through FY22.

BIONEX™ Water Treatment Plant in China

In March 2021, the Water Business announced the award of a contract to design, procure, deliver and install a BIONEX™ water treatment plant for a coal mine located in Ordos, Inner Mongolia, China. BIONEX™ is a combination of the Water Business' ion exchange (**CIF®**) technology and BIOCLENS™ (encapsulated bacteria lens) technology. The ion exchange process selectively removes nitrates from the water, and the brine containing the concentrated nitrates is treated by the BIOCLENS™ technology, turning the nitrates into nitrogen gas.

Nitrate removal from effluent water is a significant challenge throughout China. This market is growing rapidly due to increasingly strict regulation and increasing safety concerns over the disposal of waste waters with even low levels of nitrate.

The contract, valued at approximately $2 million was awarded to the Water Business by Beijing Beihua Zhongqing Environment Engineering Technology Co., Ltd. (**BHZQ**). BHZQ is a subsidiary of listed water company, Beijing Enterprise Water Group which has a market capitalisation of approximately HK$30bn (~$5bn). The plant has been designed to treat and reduce nitrate to below one part per million from 12,000 cubic metres per day of coal mine in pit ground water to comply with local regulations governing the disposal of mine water. The contract is the Water Business' first large scale contract in the Chinese market.

Clean TeQ Water Clean-iX® plant in DRC

CIF® Phase II plant in Oman

In January 2021, the Water Business was awarded a contract to undertake the detailed design for an upgrade of the Oman water treatment plant. Changes in the upstream antimony processing facility have resulted in a higher salt load and increased arsenic, antimony and selenium concentrations in the wastewater. The upgrade will focus on neutralising the waste liquors and precipitating contaminants for easier recovery, as well as upgrading the existing ion exchange circuit using the Water Business' CIF® technology and adding additional pre-treatment for the reverse osmosis plant in order to maximise recovery and generate reduced brine for disposal.

The Water Business has been awarded a further contract to undertake the procurement of the plant and equipment required for the upgrade. The contract is valued in excess of $1 million. There is potential for the Water Business to expand its scope to include construction oversight and commissioning support.

4.2.4 Contract pipeline

The Water Business is well positioned for growth with an established business development function seeking to convert a strong pipeline of potential project opportunities into secured contracts to grow revenues in the near term. The Water Business is currently actively engaged in running a number of pilot scale trials to demonstrate the efficacy of the Clean TeQ Water systems. Each pilot is directly linked to one or more large scale projects..

Clean TeQ designs for the Ordos water treatment plant in Inner Mongolia, China

Water Business Pilot Programs as at May 2021

	Product	Location/Customer	Application	Status
PILOT 1	› CIF® – Continuous Ionic Filtration	› Fujian Gold	› Copper removal and recovery from copper/gold mining waste water	› Preparing resin testing at customer site
PILOT 2	› BIONEX™ – Nutrient Removal	› Taiping	› Municipal waste water polishing of nitrate	› Successfully completed (resulted in the Ordos project)
PILOT 3	› BIONEX™ – Nutrient Removal	› Tianjin Steel	› Steel waste water polishing of nitrate	› Hot commissioning
PILOT 4	› BIOCLENS™ – Encapsulated Bacteria Lenses	› Tianjin Aquaculture	› Aquaculture nitrate removal for water recycling	› Operation (first successful results, running for another month integrated into operations)
PILOT 5	› HIROX® – Ultra High Recovery Reverse Osmosis	› South Australia	› Sewage effluent reuse	› Preparing pilot

Aiming to achieve strong near-term revenue growth, the Water Business is committed to further investing in its business development and sales function, improving its ability to identify and secure water treatment projects.

HIROX® plant in Queensland, Australia

The Water Business announced in March 2020 that strong progress was being made towards securing an engineering, procurement and construction contract with Townsville City Council for a large-scale water recycling plant utilising the HIROX® process and BIOCLENS™ encapsulated bacteria. HIROX® is an ultra-high recovery water treatment process which combines the Water Business' CIF® technology with reverse osmosis. The Water Business has been advised that it is the preferred contractor to deliver a recycled water re-use plant at the Cleveland Bay Purification Plant in Townsville. However, final award of an EPC contract is subject to a range of conditions including agreement on commercial terms, construction schedule and pricing. Townsville engaged the Water Business for an initial $920,000 scope of work for detailed design and procurement of long-lead items for the plant. Contract negotiations remain ongoing, with The Water Business targeting award of this contract in the September quarter of 2021.

4.3 Technology development

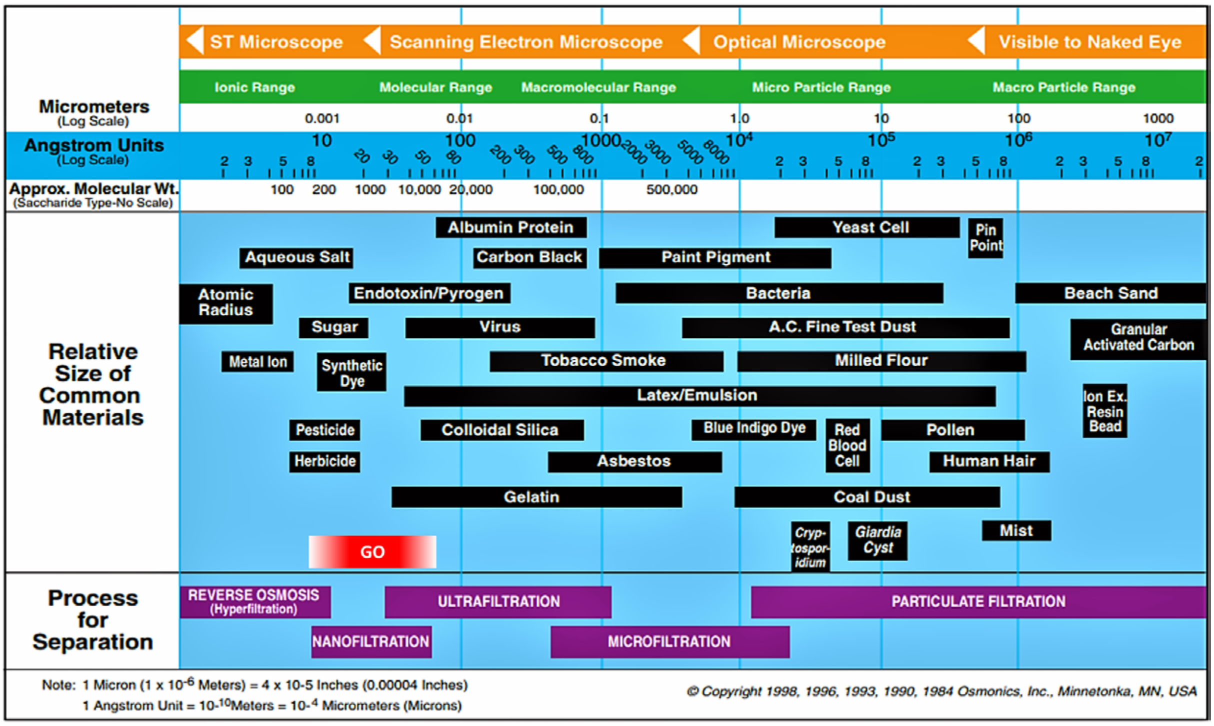
The Water Business' technology and innovation team continues to advance its work in the development of graphene oxide nanofiltration membranes and adsorbents, as well as ongoing development of the core ion exchange technology for water treatment applications.

In late 2018, Clean TeQ Water and Ionic Industries established a joint venture company called NematiQ Pty Ltd (**NematiQ**) to pursue in partnership the development of graphene oxide (**GO**) membranes for water treatment applications. NematiQ has developed a process to manufacture high-purity GO that can be applied to a membrane support to create a graphene nanofiltration membrane (**GO-Membrane**). Significantly, the GO-Membrane manufacturing process has been demonstrated on commercial scale industrial equipment.

NematiQ was initially established as an incorporated joint venture between Clean TeQ Water (75%) and Ionic Industries (25%). Throughout 2020 Clean TeQ Water's equity interest in NematiQ increased to 83.2% as a result of Clean TeQ Water making a number of funding contributions to NematiQ in addition to its existing obligations under the joint venture agreement. In May 2021 Clean TeQ Water acquired Ionic Industries' remaining 16.8% interest in NematiQ for approximately $2 million worth of shares in Sunrise Energy Metals. As such, NematiQ is now a wholly owned subsidiary of Clean TeQ Water.

In water purification applications, graphene oxide membranes have the potential to offer distinct operational advantages over the current polymer nanofiltration membranes, providing a significant commercial opportunity should the technology prove successful.

04 Overview of Clean TeQ Water (continued)



Hierarchy of water filtration applications: Graphene oxide membranes have the potential to offer distinct operational advantages over the current polymer nanofiltration membranes

The benefits of graphene oxide nanofiltration membranes when compared to conventional nanofiltration membranes include higher flux (flow rates), lower energy requirements and lower propensity to fouling. These benefits have the potential to deliver lower operating costs, longer membrane life and lower maintenance costs.

NematiQ has established a factory and office premises in Notting Hill, adjacent to the existing Sunrise Energy Metals head office and laboratory. From this facility, NematiQ is focused on optimising its proprietary process for refining graphite oxide raw material into graphene oxide, which is used to form the filtration layer of the GO-Membrane. A pilot plant for the manufacture of high purity graphene oxide has been designed and installed at NematiQ's premises, with graphene oxide produced by the facility to be used for larger scale manufacture of graphene oxide membranes.

The development of the membrane has now progressed to a stage where NematiQ has produced at pilot scale a graphene oxide-based membrane with a molecular weight cut-off of 1,000 Daltons (commercial target molecular weight for nanofiltration) and with a flux rate that is superior to the currently available polymer based nanofiltration membranes.

GO-Membrane printing trials were undertaken during 2020 using a specialised commercial printing press in the USA. The trials confirmed that a GO-Membrane, meeting flux and molecular weight cut-off targets, can be produced on commercial equipment at economic printing speeds. The work programs currently underway are aimed at:

- eliminating intermittent membrane defects by improving the GO-Membrane robustness;
- enhancing the durability and performance of the membrane in chemical conditions typically encountered in a number of different proposed applications, including enhancing chlorine resistance; and
- reducing the cost of the base membrane on which the GO-Membrane is supported.

The applications for GO-Membranes are numerous and include many large-scale market segments such as removal of organics from drinking water and from wastewater effluents along with more niche markets in value-added industries such as food and pharmaceutical.

4.4 Trademarked treatment processes

The Water Business proprietary technology is at the core of its trademarked products. The Water Business has developed and commercialised a range of branded trademarked products based on the core Clean-iX® technology. The products leverage the Water Business' innovative engineering as well as more conventional treatment processes. The Water Business' products can be utilised to respond to a wide spectrum of water contaminant problems. The Water Business' portfolio of products and services is described in more detail below.

CIF® – Continuous Ionic Filtration

CIF® technology combines continuous ion exchange and physical filtration to remove contaminants from water. This technology is proven and built on the foundations of ion exchange, a process that has been used in the water industry for over 50 years, and extensively used globally for hydrometallurgical recovery in mining. CIF® uses a moving bed of charged resin beads to attract and remove ionic species from water whilst filtering the water of suspended solids, ensuring optimum efficiency and continual high performance. The product can be used

for the removal of mineral content, excess nutrients in water and for metal recovery.

HIROX® – Ultra High Recovery Reverse Osmosis

HIROX® combines CIF® with reverse osmosis (RO) to provide a low cost, highly effective water treatment process. HIROX® uses ion exchange to remove di- and tri-valent cations such as calcium, magnesium and heavy metals from wastewaters. These ions are primarily responsible for the precipitation (scaling) that occurs on the RO membranes when operating at high recoveries. With this scaling potential removed, the RO process can be more efficient with higher recoveries, resulting in lower brine volumes. The brine produced by the RO membranes is subsequently used to regenerate the resins in the CIF® system thus reducing or eliminating the need for chemical additions, reducing cost and further minimising total brine volumes. HIROX® produces high purity water that can be used for drinking and industrial applications.

DESALX® – Membrane Free Desalination

DESALX® consists of two CIF® modules in series removing multivalent cations (such as calcium and magnesium), and then multivalent anions (such as sulphate) present in the water through complementary processes. Each CIF® module in DESALX® comprises a series of four columns, each designed for a specific function – ionic filtration, resin cleaning, resin regeneration and resin washing. CIF® uses a moving bed of charged beads to attract and remove ionic species through ion exchange from water whilst filtering the water of suspended solids. The DESALX® product is most effective for the removal of mineral content and sulphate from water.

BIOCLENS™ – Encapsulated Bacteria Lenses

BIOCLENS™ uses lens encapsulated bacteria to enhance and accelerate natural biological processes which break down organic matter, nitrate and ammonia in water. The lenses contain living bacteria immobilised in a stable, porous PVA gel matrix. As these are stirred in a reactor, water and dissolved impurities diffuse through the lenses and come in contact with the bacteria, causing targeted reactions to occur. BIOCLENS™ offers significant opportunities in water treatment applications as the encapsulation increases the effectiveness and efficiency of the bacteria and protects it against the harsh environments typically encountered in these applications. The product is currently utilised for the removal of excess nitrate and ammonia in water. The Water Business is developing further applications such as the targeted removal of various types of deleterious organics.

BIONEX™ – Nutrient Removal

BIONEX™ is a combination of ion exchange (**CIF®**) technology and BIOCLENS™ (encapsulated bacteria lens) technology. The ion exchange process selectively removes nitrates from the water, and the brine containing the concentrated nitrates is treated by the BIOCLENS™ technology, turning the nitrates into nitrogen gas. This combination further enhances efficiency, thus reducing cost, in certain applications.

EVAPX™ – Evaporation and Crystallisation

EVAPX™ is an evaporation and crystallisation technology which uses dry air to evaporate wastewater, resembling water's natural evaporation into the atmosphere. Water enters the evaporation chamber where it is evaporated using the dry air stream. The solids settle at the bottom of the evaporation chamber and are separated out. The humidified air moves to the condensation chamber where it condenses as distilled water, and the heat is recovered. The process is useful for the evaporation of highly polluted wastewater.

4.5 Water treatment industry

Water treatment more broadly refers to the process of calibrating water for a specific end-use such as human consumption or industrial applications and its return to the environment. The industry consists of participants, such as Fluence Corporation Limited (ASX:FLC) and BQE Water Inc. (TSXV:BQE), that offer products as solutions for wastewater problems. Participants differ in respect to specific processes, equipment and or chemicals utilised to address customers' wastewater needs.

Water has historically been perceived as an economic commodity of limitless supply and has been priced as such in the marketplace. However, this is changing as a result of the pollution of freshwater sources by industrial, agricultural and population pressures. Freshwater for drinking and industrial use is now becoming a scarce resource, increasing the cost of water. There are also concerns about the impact of trace concentrations of certain pollutants (such as nitrate, sulphate, heavy metals, PFAS) on rivers, lakes and coastal ecosystems and subsequent risks for human health.

Historically, countries with chronically inadequate water supplies have been world leaders in terms of water reuse per inhabitant. However, government bodies are now introducing more water treatment and reuse initiatives. For example, the Government of Western Australia, whose main industry is water intensive mining, has committed to achieving 30% wastewater recycling in key cities by 2030 and 60 percent by 2060.

Most global industrial and municipal wastewater is released into the environment without treatment. A substantial market opportunity exists for the Water Business as water and wastewater treatment becomes more prevalent.

To support public pressure for water preservation, Government's globally have more actively championed stringent wastewater treatment regulation. Public pressure coupled with Government regulatory support is providing a strong signal to industrial users to adequately treat wastewater by-product.

An important consequence of these trends is increased pressure on industry to change the way it uses and recycles water. Governments and the public now expect industry to:

- use water that has been recycled from wastewater treatment plants;
- recycle its own industrial water for reuse in industry; and
- more thoroughly remove certain pollutants from wastewater treatment plant effluents.

The mining and minerals processing industry provides the Water Business with significant opportunities across the globe. As a result of tightening environmental regulations and increasing social and environmental awareness, other water stressed areas in parts of Latin America, the Middle East, Africa, China, India, and Australia, are expected to see increased investment into water management technologies, with a strong focus on water recovery and recycling, zero liquid discharge and additional focus on driving lower levels of trace pollutants such as nitrate in wastewater.

One of Clean TeQ Water's main target market is the global mining water and wastewater treatment market. This market is substantial and is expected to increase. With a demonstrable track record of successfully delivering customised water treatment solutions for a range of mining and mineral processing customers, the Water Business is well positioned to capitalise on this growing market.

4.6 Clean TeQ Water capital structure

As part of the implementation of the Demerger, it is necessary to establish an appropriate, standalone capital structure for the Water Business. Accordingly, all intercompany loans between the Clean TeQ Water Group and Sunrise Energy Metals has been repaid, eliminated or discharged.

Clean TeQ Water has not issued any capital for the three months before the date of this Demerger Booklet and does not expect that it will need to raise any capital in the three months after the date of this Demerger Booklet.

The number of shares to be distributed pro rata to Sunrise Energy Metals Shareholders will be based on the existing shareholding in Sunrise Energy Metals. Based on a 1:2 share issue ratio Clean TeQ Water is expected to have up to 44,666,896 shares on issue. The exact number of shares will be determined following the rounding down of fractional entitlements as described below.

At present, Clean TeQ Water only has a nominal number of shares on issue. Prior to implementation of the Demerger, these shares will be subdivided into the appropriate number of shares on issue as contemplated above. Having regard to the initial $15 million of cash at listing, this represents cash backing of approximately 34 cents per share.

The entitlement to Clean TeQ Water Shares is based on holdings in Sunrise Energy Metals Shares on the Record Date. In the case of a fractional entitlement, the fraction will be rounded down.

No formal ASX restriction applies to any of the Clean TeQ Water Shares. 370,370 Clean TeQ Water Shares are to be held subject to voluntary escrow for the period ending 30 September 2021, but all other Clean TeQ Water Shares are to be freely tradeable. Accordingly, Clean TeQ Water's free float at the time of listing will be over 99%.

In addition, it is proposed that Clean TeQ Water officers and employees who hold Sunrise Energy Metals performance rights will have those performance rights cancelled and instead Clean TeQ Water performance rights will be issued upon implementation of the Demerger having regard to the following:

Sunrise Energy Metals performance rights holders who are also Clean TeQ Water officers and employees	Sunrise Energy Metals performance rights currently on issue
Peter Voigt	213,202
Willem Vriesendorp	216,212
Others	372,359
Total	**801,773**

Set out below is the vesting schedule for the Sunrise Energy Metals performance rights:

Vesting	1 Jul 21	1 Jan 22	1 Jul 22	1 Jan 23	1 Jul 23	1 Jan 24	Total
Peter Voigt	6,777	14,945	16,890	27,790	89,937	56,863	213,202
Willem Vriesendorp	6,777	15,163	17,136	28,196	91,248	57,692	216,212
Others	8,243	34,443	43,582	94,357	119,201	72,533	372,359
Total	**21,797**	**64,551**	**77,608**	**150,343**	**300,386**	**187,088**	**801,773**

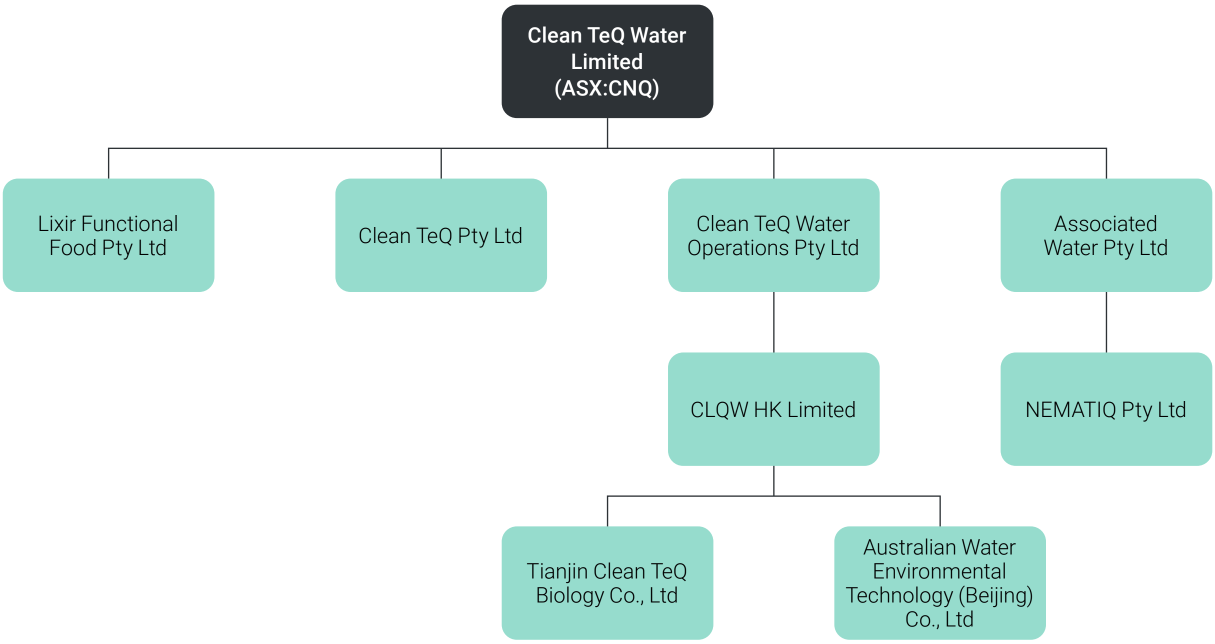
The quantum of Clean TeQ Water performance rights which will be issued to the holders above will be based on the relative market values of the two entities in ASX trading over the five days following implementation of the Demerger. The net effect of this is that holders of performance rights will not obtain an economic benefit arising from the Demerger as the Clean TeQ Water performance rights will effectively replace the Sunrise Energy Metals performance rights on substantially similar terms. ASX has provided a waiver from Listing Rule 6.23.2 accordingly as summarised in Section 11.5.2.

Each performance right, once vested, gives the recipient the right to receive one fully paid ordinary share. The issue price for each performance right is $nil and no amount will be payable on the vesting of a performance right. Shares issued upon vesting of the performance rights will rank equally with all existing shares from the date of issue. Performance rights are issued subject to the employee incentive plan. Vesting is contingent on the performance of total shareholder return (**TSR**) over a (generally) 3 year performance period. It is not expected that the performance rights which may potentially vest on 1 July 2021 will in fact vest. The number of performance rights that vest is determined by assessing the performance as measured by the TSR relative to a number of performance hurdles, at the performance date. For details of the Clean TeQ Water incentive plans, see Section 4.14.

4.7 Corporate structure of Clean TeQ Water Group

Clean TeQ Water was incorporated in Australia and is intended to be the ASX-listed parent entity of the Water Business group of companies.

Below is a corporate structure diagram of Clean TeQ Water and its subsidiaries as proposed immediately after the Demerger is implemented:



Further details in relation to Clean TeQ Water's material subsidiaries (each of which are wholly owned by Clean TeQ Water) are as follows:

- **Clean TeQ Water Operations Pty Ltd** (incorporated in Australia) – This is the main operating entity within the Water Business and it employs the majority of Australian based employees, acts as the counterparty for all non-Chinese water treatment plant sales contracts and the majority of all non-Chinese procurement/services contracts.
- **Clean TeQ Pty Ltd** (incorporated in Australia) – This entity will own all the intellectual property of the Water Business except the NematiQ technology.
- **NematiQ Pty Ltd** (incorporated in Australia) – This entity is focused on the development of graphene oxide membranes. It employs a small number of personnel and acts as the counterparty for its own procurement/services contracts.
- **Australian Water Environmental Technology (Beijing) Co., Ltd** (incorporated in Beijing, China) – This is the principal Chinese operating entity within the Water Business and it employs all Beijing based employees, acts as the counterparty for Chinese water treatment plant contracts and the majority of Chinese procurement/services contracts.
- **Tianjin Clean TeQ Biology Co., Ltd** (incorporated in Tianjin, China) – This entity is focused on the development and manufacturing of the BIOCLENS™ lenses. It employs all Tianjin based employees and owns and operates the BIOCLENS™ production facility in Tianjin.

4.8 Clean TeQ Water's objectives, funding and strategy

Clean TeQ Water intends to maximise value for shareholders by becoming a globally renowned and respected designer and provider of cost effective water treatment plants and equipment based on its proprietary portfolio of innovative technologies to customers around the world. Clean TeQ Water has a proven track record in the successful commercialisation of new technologies as demonstrated by the delivery of commercial scale, proprietary designed, water treatment plants. Clean TeQ Water is focused on growing sales revenue by winning new customers with the aim that sustainable corporate profitability and positive cashflow is achieved within the next two years.

Clean TeQ Water intends to meet these objectives by pursuing the following strategic priorities:

- Focus on efficient delivery of high quality water treatment plants under the existing contracts;
- Convert near term potential opportunities into new contracts to generate additional revenues;
- Continue to invest in capability. Over the past 6-12 months, Clean TeQ Water has recruited additional technical and sales and marketing personnel in order to ramp up marketing activities and to be able to participate in a larger number of tenders for water purification and resource recovery projects. Through these efforts, Clean TeQ Water has recently won a number of new contracts and also developed a strong pipeline of potential future customer projects which it will seek to win and thereby generate additional revenues;
- Pursue and develop partnerships with companies globally who can support Clean TeQ Water in identifying and securing additional contract opportunities;
- Seek to optimise the technology portfolio. Clean TeQ Water intends to continually develop new applications and enhancements for existing technology as well as explore new innovative solutions;
- Establish a distinctive, powerful culture and identity. Clean TeQ Water is proud of its Sunrise Energy Metals heritage but will create a new and independent culture and identity suited to its scale and requirements. This approach will seek to foster a culture of innovation and continuous improvement; and
- Diligently manage costs and improve productivity. Clean TeQ Water will be demerged with approximately $15 million cash which is expected to sufficiently fund the Water Business following the Demerger.

4.9 Corporate governance

4.9.1 Corporate governance overview

This section explains how the Clean TeQ Water Board will oversee the management of the company and the approach Clean TeQ Water will take to corporate governance following implementation of the Demerger.

The Clean TeQ Water Board is responsible for the overall corporate governance of Clean TeQ Water. Details of Clean TeQ Water's key policies and practices and the charters for the Clean TeQ Water Board and each of its committees are available on the Clean TeQ Water website at www.cleanteqwater.com.

The Clean TeQ Water Board will monitor the financial position and corporate performance of Clean TeQ Water and oversee its business strategy. The Clean TeQ Water Board will seek to optimise performance and building sustainable value for Clean TeQ Water Shareholders, as well as promoting a good corporate culture within the organisation. In conducting the Water Business with these objectives, the Clean TeQ Water Board will seek to ensure that Clean TeQ Water is properly managed to protect and enhance Clean TeQ Water Shareholder interests and that Clean TeQ Water and Clean TeQ Water Directors, officers and team members operate in an environment of strong corporate governance.

Accordingly, the Clean TeQ Water Board has created a framework for managing Clean TeQ Water, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the Water Business and that are designed to promote the responsible management and conduct of Clean TeQ Water.

The main policies and practices adopted by Clean TeQ Water, which will take effect from the implementation of the Demerger, are available on the Clean TeQ Water website in due course. In addition, many governance elements are contained in the Clean TeQ Water Constitution, which is summarised in Section 11.4.

4.9.2 ASX Corporate Governance Council's corporate governance principles and recommendations

The ASX Corporate Governance Council has developed the fourth edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**) for entities listed on ASX in order to promote investor confidence and to assist companies in meeting stakeholder expectation.

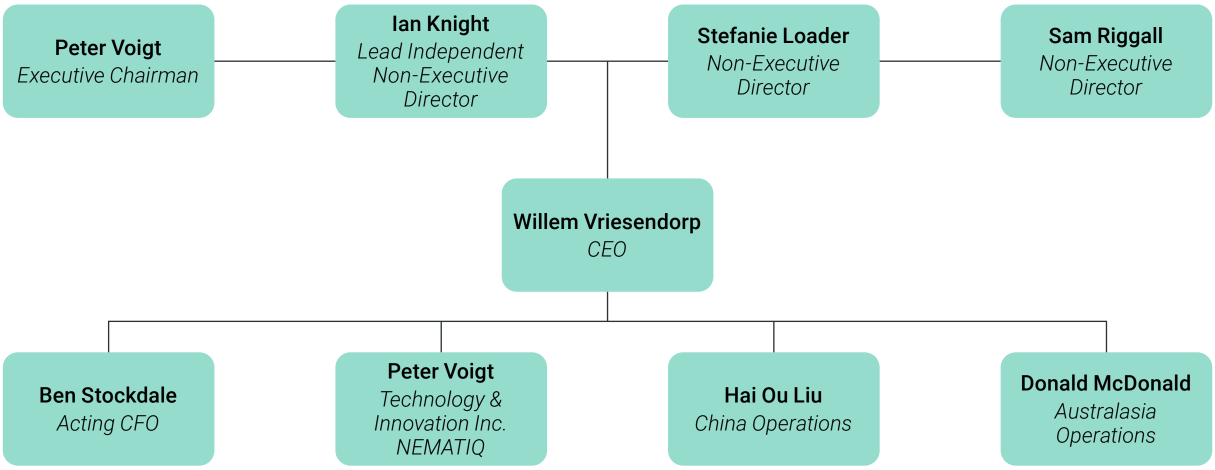
The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, Clean TeQ Water will be required to provide a corporate governance statement in its annual report disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Clean TeQ Water does not follow an ASX Recommendation, it must identity the recommendation that has not been followed and give reasons for not following it.

Clean TeQ Water intends to comply with all of the ASX Recommendations applicable to it from the time of listing except for the following:

- Recommendation 1.5(b) – setting up measurable objectives for achieving gender diversity – The workforce is relatively small and as such the Clean TeQ Water Board does not believe it is appropriate to establish formal diversity objectives at this stage and therefore does not comply with Recommendation 1.5 in its entirety. Clean TeQ Water will schedule annual reviews of all its employees. These reviews not only examine remuneration and benefits against the relevant market rates but also calibrates internal 'like for like' roles, ensuring any pay gap that exists between employees with comparable skills and experience, regardless of gender, is addressed and corrected in an appropriate manner.
- Recommendation 1.6 – Board/Committees/Individual Directors performance evaluation – The Clean TeQ Water Board is committed to formally evaluating its own performance, the performance of its committees and individual directors, as well as the governance processes supporting the Clean TeQ Water Board. The Clean TeQ Water Board will ensure that a performance evaluation is conducted annually in accordance with its performance evaluation process as may be determined by the Clean TeQ Water Board. Clean TeQ Water intends to disclose the matters contemplated by ASX Recommendation 1.6 (b) in future annual corporate governance statements.
- Recommendation 1.7(b) – Performance of senior executives – The Executive Chairman and CEO performance reviews will be collated by the Nomination & Remuneration Committee Chair and the results will be reported to the Clean TeQ Water Board. The Executive Chairman and CEO have specific Key Performance Indicators (KPIs) (financial and non-financial aspects) which will be reviewed annually, and their performance will be evaluated against those KPIs. The Executive Chairman and CEO performance will be evaluated annually, and Clean TeQ Water will disclose in its corporate governance statement whether such performance evaluation has been undertaken. Other senior executives are appointed by the CEO and their KPIs also contain specific financial and non-financial objectives. These KPI's will be reviewed annually by the CEO. The performance of each senior executive against these objectives is evaluated annually by the Nomination & Remuneration Committee and on an ongoing basis by the CEO. Clean TeQ Water intends to disclose the matters contemplated by ASX Recommendation 1.7 (b) in future annual corporate governance statements.
- Recommendations 2.1(a)(5) and 8.1(a)(5) – Report the number of times the Nomination/Remuneration Committee met throughout the period and the individual attendances of the members – Clean TeQ Water has established a Nomination & Remuneration Committee, with the Committee expected to take on its role after Clean TeQ Water's listing on ASX. Clean TeQ Water intends to disclose the matters contemplated by ASX Recommendations 2.1(a)(5) and 8.1(a)(5) in future annual reports.
- Recommendations 4.1(a)(5) and 7.1(a)(5) – Report the number of times the Audit/Risk Committee met throughout the period and the individual attendances of the members – Clean TeQ Water has established an Audit & Risk Committee, with the committee expected to take on its role after Clean TeQ Water's listing on ASX. Clean TeQ Water intends to disclose the matters contemplated by ASX Recommendations 4.1(a)(5) and 7.1(a)(5) in future annual reports.

4.9.3 Clean TeQ Water organisation chart

Below is an organisational chart diagram of Clean TeQ Water as proposed immediately after the Demerger is implemented:



Note: The Board and the more senior (level 1 – level 3) employees are listed only.

Clean TeQ Water has more than 30 professional associates working in Australia and China. The majority of its employees are qualified scientists and engineers with PhDs, Masters and Bachelor qualifications with extensive experience in water purification and hydrometallurgy.

4.9.4 Clean TeQ Water Board

The Clean TeQ Water Board comprises four directors, including three independent non-executive directors. The Clean TeQ Water Board consists of Peter Voigt (Executive Chairman), Stefanie Loader (Non-Executive Director), Sam Riggall (Non-Executive Director) and Ian Knight (Lead Independent Non-Executive Director).

In due course the Clean TeQ Water Board will look to expand the number of independent directors, although this is not expected prior to listing. Information about these directors is set out below.

Name	Profile
Peter Voigt ***Executive Chairman and Chief Technology Officer***	Mr Voigt founded Sunrise Energy Metals and is the Executive Chairman and Chief Technology Officer of Clean TeQ Water. Mr Voigt is focused on product development and technology commercialisation and is responsible for all research and development activities. Prior to founding Sunrise Energy Metals in 1990, Mr Voigt held product and technology development roles with leading Australian industrial companies. Mr Voigt resides in Australia and works full time at Clean TeQ Water's Notting Hill facility where he provides support for Clean TeQ Water's Australian Water operations team as well managing Clean TeQ Water's technology and innovation function.
Ian Knight ***Lead Independent Non-Executive Director***	Mr Knight is a graduate in Business Studies and is also a fellow of the Institute of Chartered Accountants, an Associate Fellow of the Australian Institute of Managers & Leaders and a member of the Institute of Company Directors. His experience includes presenting to and working with Boards of public, private and private equity ownership, Not-for-Profit, State and Federal Governments and extensive experience in strategising and implementing mergers, acquisitions, divestments and capital raising initiatives. Mr Knight was formerly a Partner of KPMG where he held the position of Head of Mergers and Acquisitions and Head of Private Equity for KPMG Corporate Finance.

Name	Profile
Stefanie Loader ***Non-Executive Director***	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. 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 Rio Tinto Chief Executive in London. Ms Loader also led the development of the Bunder diamond project in India. Ms Loader was appointed a Non-Executive Director of Sunrise Energy Metals 1 July 2017. Ms Loader is also a Non-Executive Director of St Barbara Limited and Chairperson of Port Waratah Coal Services.
Sam Riggall ***Non-Executive Director***	Mr Riggall has spent his career in the mining and technology industries as a company director, senior executive, advisor 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. Mr Riggall is the Chief Executive Officer of Sunrise Energy Metals. Mr Riggall was formerly 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 an MBA from Melbourne Business School. He is also a Fellow of the Australian Institute of Mining and Metallurgy and 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.

The Clean TeQ Water Board has adopted a definition of independence that is based on the ASX Recommendations. The Clean TeQ Water Board considers a Clean TeQ Water Director to be independent where he or she is free of any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgment to bear on issues before the Clean TeQ Water Board and to act in the best interests of Clean TeQ Water as a whole rather than in the interests of an individual Clean TeQ Water Shareholder or other party. The Clean TeQ Water Board will regularly assess the independence of each Clean TeQ Water Director in light of information disclosed to the Clean TeQ Water Board.

The Clean TeQ Water Board considers that each of Stefanie Loader and Ian Knight are independent Non-Executive Directors. Ian Knight has been nominated to act as lead Independent Non-Executive Director.

4.9.5 Clean TeQ Water Board charter

The Clean TeQ Water Board has adopted a charter to provide a framework for the effective operation of the Clean TeQ Water Board which sets out the:

- Clean TeQ Water Board's size, composition and independence;
- Clean TeQ Water Board's role and the responsibilities and processes of the Clean TeQ Water Board;
- authority delegated by the Clean TeQ Water Board to management and Clean TeQ Water Board committees; and
- membership and operation of the Board.

The management function is the responsibility of the Clean TeQ Water Executive Chairman and Chief Executive Officer, supported by their direct reports. Management must supply the Clean TeQ Water Board with information in a form, timeframe and quality that will enable the Clean TeQ Water Board to discharge its duties effectively.

Each Clean TeQ Water Director, with the written consent of the Chair, may seek independent professional advice at Clean TeQ Water's expense on any matter connected with the discharge of their responsibilities.

4.9.6 Clean TeQ Water Board committees

The Clean TeQ Water Board may from time to time establish and delegate powers to committees, in accordance with the Clean TeQ Water Constitution, to assist in the discharge of its responsibilities. The Clean TeQ Water Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee. Other committees may be established by the Clean TeQ Water Board as and when required.

4.9.7 Audit and Risk Committee

The Audit and Risk Committee initially comprises Ian Knight (Chair), Stefanie Loader and Sam Riggall.

The role of the Audit and Risk Committee includes to:

- assess the appropriateness of Clean TeQ Water's accounting policies and principles and any changes to them;
- ensure that Clean TeQ Water and the Clean TeQ Water Group's financial statements reflect a true and fair view of the financial position and performance of Clean TeQ Water/the Clean TeQ Water Group while also ensuring that they adhere to the current legislations in place in regards thereto;
- oversee the establishment and implementation of risk management and internal compliance and control systems and ensure there is a mechanism for assessing the efficiency and effectiveness of those systems; and
- assess and recommend to the Board for adoption the scope, cover and cost of insurance, including insurance relating to directors and officers liability, company reimbursement, professional indemnity, crime, special accident and trustees liability.

4.9.8 Nomination and Remuneration Committee

The Nomination and Remuneration Committee initially comprises Ian Knight (Chair), Stefanie Loader and Sam Riggall.

The Role of the Nomination and Remuneration Committee is to assist the Clean TeQ Water Board by:

- ensuring that the Clean TeQ Water Board is of the right size and composition, and that the right person is nominated as CEO in order to ensure that the Board and Clean TeQ Water remain effective;
- ensuring that appropriate and unbiased remuneration policies and practices are in place to attract, retain and reward Directors and Executives who will pursue the Clean TeQ Water Group's long term growth and success;
- ensuring that the most appropriate corporate policies and practices are in place for good governance, oversight of matters, and regards to matters related to sustainability, and ensuring that Clean TeQ Water operates within the boundaries set therein; and
- reporting to the Clean TeQ Water Board on material non-compliance with legislation and regulations across the company.

4.9.9 Corporate governance policies and standards

Details of Clean TeQ Water's key corporate governance policies and practices are available on Clean TeQ Water's website. Each of these policies having been prepared having regard to the ASX Recommendations.

4.10 Clean TeQ Water Directors' interests and remuneration

4.10.1 Clean TeQ Water Executive Chairman

Refer to Section 4.13 for a description of the Executive Chairman and Chief Executive Officer's remuneration.

4.10.2 Non-Executive Director arrangements

In accordance with Clean TeQ Water's Constitution, the Clean TeQ Water Board decides the total amount paid to each Director as remuneration for his or her services as a Clean TeQ Water Director. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors (NEDs) for their services must not exceed in aggregate in any financial year the amount fixed by Clean TeQ Water in a general meeting. The maximum aggregate amount is currently $500,000, inclusive of superannuation and exclusive of reimbursement of expenses. This remuneration may be divided among the Clean TeQ Water NEDs in such proportions as they decide. The maximum aggregate remuneration amount has been set so as to enable the appointment of additional Clean TeQ Water NEDs if required.

The Executive Chairman of Clean TeQ Water (on implementation of the Demerger) will be remunerated outside of this maximum aggregate fee 'cap'. The employment terms for the Executive Chairman are summarised in Section 4.13 below.

The Clean TeQ Water Board proposes the fees payable will initially be as follows:

Position	Base fees payable
Executive Chairman	See Section 4.13
Lead Independent Non-Executive Director	$60,000 per annum
Non-Executive Director	$50,000 per annum
Committee Member	$5,000 per annum
Committee Chair	$12,500 per annum

4.10.3 Other information about Clean TeQ Water Directors' interests and benefits

Clean TeQ Water NEDs may be reimbursed for travel and other expenses incurred in attending to Clean TeQ Water affairs, including attending and returning from meetings of Clean TeQ Water Directors or Clean TeQ Water Board committees or general meetings. Any Clean TeQ Water NED who devotes special attention to the business of Clean TeQ Water or who performs services which, in the opinion of the Clean TeQ Water Board, are outside the scope of ordinary duties of a Clean TeQ Water Director, may be remunerated for the services (as determined by the Clean TeQ Water Board) out of the funds of Clean TeQ Water. There are no retirement benefits paid to Clean TeQ Water NEDs, other than statutory entitlements.

4.10.4 Directors' deeds of indemnity, insurance and access

Clean TeQ Water has entered into deeds of indemnity, insurance and access with each of the Clean TeQ Water Directors.

In summary, each deed provides the Clean TeQ Water Directors right of access to Clean TeQ Water Board papers and requires Clean TeQ Water to indemnify the Clean TeQ Water Director, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Clean TeQ Water Director as an officer of Clean TeQ Water or of a related body corporate on the terms set out in the deed.

Under the deeds of indemnity, insurance and access, Clean TeQ Water must maintain a directors and officers insurance policy insuring a Clean TeQ Water Director (amongst others) against liability as a director and officer of Clean TeQ Water and its related bodies corporate from the appointment date until the later of seven years after a Clean TeQ Water Director ceases to hold office as a director of Clean TeQ Water or a director of a related body corporate or the date any relevant proceedings commenced (and notified by the director to Clean TeQ Water) during the seven year period have been finally resolved.

Sunrise Energy Metals' D&O insurance policy will cover Clean TeQ Water until the Implementation Date. Clean TeQ Water intends to arrange appropriate D&O insurance cover arrange at the appropriate time.

4.11 Directors' interests in Clean TeQ Water Shares

Clean TeQ Water Directors' shareholdings will be notified to the ASX on the ASX Listing. On implementation of the Demerger, the Clean TeQ Water Directors will hold (either personally or through entities associated with the Clean TeQ Water Director) one Clean TeQ Water Share for every two Sunrise Energy Metals Shares they hold as at the Record Date. Further details are provided in Section 11.2.

4.12 Clean TeQ Water's senior management and company secretary

Biographical information about the key management personnel and other executives of Clean TeQ Water and its company secretary following the Demerger is set out below:

Name	Profile
Peter Voigt ***Executive Chairman and Chief Technology Officer***	› See Section 4.9.4 above
Willem Vriesendorp ***Chief Executive Officer***	› Mr Vriesendorp is currently General Manager of the Water Business. Mr Vriesendorp has worked as the CFO and Head of Strategy at a carbon trading and clean energy focused venture capital fund. › In 2012, he founded a wastewater treatment company in Beijing. Mr Vriesendorp has worked at McKinsey in Europe, the US, and Asia, primarily focusing on clients in the energy and clean technology sector. › Mr Vriesendorp has a Master's Degree in Applied Physics from Groningen University in the Netherlands, and an MBA from INSEAD in Paris. › Although Mr Vriesendorp spends a significant proportion of his time in Australia, he resides in China where he is able to oversee the Beijing engineering and procurement office and the Tianjin BIOCLENS™ manufacturing operations as well as leading the Water Business' sales and marketing activities in the highly prospective Chinese region.

Name	Profile
Ben Stockdale ***Acting Chief Financial Officer***	› Mr Stockdale has been appointed as Acting CFO of Clean TeQ Water. Mr Stockdale has been the CFO of Sunrise Energy Metals since 2015 and will continue in that role with the Metals Business following completion of the Demerger. An executive recruitment process is currently underway to appoint a permanent CFO for Clean TeQ Water. Mr Stockdale is a financial and commercial executive with extensive mining industry experience including project and corporate debt and equity financing, mergers and acquisitions and metals and concentrates marketing and logistics. Over the past +20 years Mr Stockdale has held a number of executive roles at public and private minerals companies including MPI Mines Limited, Oxiana Limited, Citadel Resource Group Limited and Unity Mines Limited. Mr Stockdale is a graduate in commerce from Melbourne University and completed a post graduate diploma in applied finance and investment.
Anita Addorisio ***Company Secretary***	› Ms Addorisio is an experienced finance professional with 20 years' experience in senior finance roles within public and private entities across IT technology, mining, industrial and public practice sectors, including 5+ years ASX listed company secretary experience. Ms Addorisio specialises in corporate governance, secretarial support and statutory financial reporting. She has experience in capital raisings, acquisitions, takeovers and restructures. Ms Addorisio is also Company Secretary of Investigator Resources Limited. Ms Addorisio holds a Masters in Accounting and is a Fellow of CPA and Governance Institute of Australia.

4.13 Executive Remuneration

4.13.1 Executive Chairman and Chief Technology Officer

Term	Description
Contract	Peter Voigt is employed as Executive Chairman and Chief Technology Officer by Clean TeQ Water.
Fixed Remuneration	Mr Voigt is entitled to total annual fixed remuneration, inclusive of salary and statutory superannuation, of $295,688 per annum.
Variable Remuneration	Mr Voigt is eligible to participate in the Clean TeQ Water Long Term Incentive Plan and Short Term Incentive Plan detailed in Section 4.14.
Termination	Mr Voigt's employment with Clean TeQ Water may be terminated: › by Clean TeQ Water giving 3 months' written notice to Mr Voigt; › by Clean TeQ Water without notice in circumstances including, *inter alia*, serious or persistent misconduct or wilful neglect in discharge of his duties; or › by Mr Voigt by giving 3 months' written notice.
Legacy Sunrise Energy Metals incentive awards	Mr Voigt holds a number of incentive awards under the existing Sunrise Energy Metals Long Term Incentive Plan. Details regarding how those awards will be dealt with upon implementation of the demerger are set out in Sections 4.6 and 6.6.

4.13.2 Chief Executive Officer

Term	Description
Contract	An entity controlled by Mr Willem Vriesendorp has agreed with a Clean TeQ Water Group Member to provide the services of Mr Vriesendorp as Chief Executive Officer of Clean TeQ Water.
Fixed Remuneration	Under the terms of this contract, Mr Vriesendorp's company is entitled to total annual fixed remuneration of $340,000 per annum.
Variable Remuneration	Mr Vriesendorp will be eligible to participate in the Clean TeQ Water Long Term Incentive Plan and a Short Term Incentive Plan detailed in Section 4.14. Under the terms of this contract, Mr Vriesendorp will have an annual maximum participation in the Short Term Incentive Plan of 50% of Total Fixed Remuneration, being $170,000, and an annual maximum in the Long Term Incentive Plan of 75% of Total Fixed Remuneration, being $255,000. Details in this regard are expected to be determined during the year ending 30 June 2022.
Termination	During an initial 6 month period through to the end of the calendar year (Probation Period), the contract may be terminated: › By the Clean TeQ Water Group Member giving 1 months' written notice to Mr Vriesendorp. › By the Clean TeQ Water Group Member without notice in circumstances including, *inter alia*, serious or persistent misconduct or wilful neglect in discharge of his duties. › By Mr Vriesendorp by giving 1 months' written notice. Following completion of the Probation Period, the contract may be terminated: › By the Clean TeQ Water Group Member giving 3 months' written notice to Mr Vriesendorp. › By the Clean TeQ Water Group Member without notice in circumstances including, *inter alia*, serious or persistent misconduct or wilful neglect in discharge of his duties. › By Mr Vriesendorp by giving 3 months' written notice.
Options	Subject to completing the Probation Period, Mr Vriesendorp will be granted 1,500,000 options over fully paid ordinary shares of Clean TeQ Water (subject to the company being listed on ASX at the time). The options shall have a strike price equivalent to a 10% premium to the 20 day volume weighted average price of Clean TeQ Water on ASX up to and including the last day of the Probationary Period. Half of the options shall vest on the date which is 2 years after the date of grant and the other half shall vest on the date which is 4 years after the date of grant. The options shall expire on the date which is six years after the date of grant. The options will be issued pursuant to Clean TeQ Water's Employee Incentive Plan Rules.
Legacy Sunrise Energy Metals incentive awards	Mr Vriesendorp holds a number of incentive awards under the existing Sunrise Energy Metals Long Term Incentive Plan. Details regarding how those awards will be dealt with upon implementation of the demerger are set out in Sections 4.6 and 6.6.

4.14 Summary of Clean TeQ Water employee incentive plans

The Clean TeQ Water Board has established a Long Term Incentive (**LTI**) Plan and a Short Term Incentive (**STI**) Plan to grant incentives to eligible Clean TeQ Water employees. The Clean TeQ Water LTI and STI Plans are summarised below.

- 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 Nomination and Remuneration Committee. The CEO approves the individual KPI's for the key management personnel with endorsement from the Nomination and Remuneration Committee. 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 Clean TeQ Water Group are also set each year by the Board. KPI's for the Clean TeQ Water Group are designed to focus employees on the key goals and objectives of the business as a whole and include metrics relating to the growth and financial performance of the Water Business.
- 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 Nomination and Remuneration Committee. The Nomination and Remuneration Committee approves the assessments of the individual KPI's for the key management personnel based on the recommendation of the CEO.
- The Board assesses the performance of the Clean TeQ Water Group against the Clean TeQ Water Group KPI's and a score is assigned. An employee's overall KPI score will be a combination of their individual KPI score and the Clean TeQ Water Group 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 and environment related occurrences.
- The LTI has been adopted to align employees' interests directly with shareholders by linking employee remuneration to Clean TeQ Water'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 Clean TeQ Water's Employee Incentive Plan Rules.
- 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 Clean TeQ Water share price at the time of grant. Vesting is contingent on Clean TeQ Water meeting or exceeding performance hurdles over the performance period. The performance hurdles involve an assessment of Clean TeQ Water's total shareholder returns in absolute terms and relative to Comparator Peer Group of companies. The Comparator Peer Group is selected on the basis that it presents the best fit for Clean TeQ Water over the coming years and is an established and 'live' index. The Comparator Peer Group is reviewed for each tranche of performance rights to ensure the group maintains ongoing relevance.
- The Employee Incentive Plan also provides for certain key executives to receive, for no consideration, options over ordinary shares of Clean TeQ Water 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 Clean TeQ Water 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 Clean TeQ Water and other applicable vesting hurdles determined by the Board from time to time.

4.15 Clean TeQ Water performance rights

Subject to shareholder approval of the Demerger and of the treatment proposed below, upon implementation of the Demerger it is proposed that unvested performance rights will be adjusted as follows:

- The respective values of each of the separate businesses will be established based on their post Demerger market capitalisations (based on the first five day VWAPs). In this way, the market will determine the proportion of pre-Demerger value attributable to each company.
- The number of performance rights held by each employee will be grossed up and adjusted for the 1:2 share issue ratio, and its performance hurdle benchmark adjusted, to reflect the disaggregation of value into the two separate companies.
- Clean TeQ Water employees with Sunrise Energy Metals performance rights prior to the Demerger will be issued replacement Clean TeQ Water performance rights upon implementation of the Demerger. The number of Clean TeQ Water performance rights issued and corresponding performance hurdle share price will be determined in reference to the original terms of the award, but amended in a manner consistent to that described above.

4.16 Selected pro forma financial information

Clean TeQ Water pro forma financial information is set out in Section 5 of this Demerger Booklet.

4.17 Material contracts

Various contractual arrangements are in place between Clean TeQ Water and Sunrise Energy Metals which are summarised in Section 8.9. Clean TeQ Water has no other material contracts which have not already been disclosed elsewhere in this Demerger Booklet.

4.18 Health, safety, environment and community

Clean TeQ Water intends to retain and build on the corporate culture and ethos created at Sunrise Energy Metals, namely, to optimise effectiveness and efficiency by growing the water technology business.

Clean TeQ Water is committed to:

- ensuring a safe workplace for its employees and contractors, wherever it operates;
- complying with all environmental requirements and minimising the impact of its activities in the areas in which it operates; and
- engaging with the local communities to ensure its activities are compatible with expectations.

4.19 Litigation

As at the date of this Demerger Booklet, there is no material litigation involving Clean TeQ Water.

05 Financial information of Clean TeQ Water

5.1 Purpose

The financial information contained in this section has been prepared by Sunrise Energy Metals in connection with the Demerger to assist Sunrise Energy Metals Shareholders in understanding the potential effects of the Demerger.

This section contains the pro forma historical financial information of Clean TeQ Water following the Demerger (hereafter the **Clean TeQ Water Pro Forma Historical Financial Information**) comprising:

- the pro forma historical income statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020;
- the pro forma historical balance sheet as at 31 December 2020; and
- the pro forma historical free cash flow statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020.

In this Demerger Booklet (including in this section), references to Clean TeQ Water Pro Forma Historical Financial Information are references to the pro forma historical financial information of Clean TeQ Water during the relevant period or at the relevant time, being the corporate group that is being restructured to form Clean TeQ Water as it will exist immediately following implementation of the Demerger.

References to Clean TeQ Water Pro Forma Historical Financial Information refers to Clean TeQ Water on a consolidated basis.

The financial information in this section is presented in an abbreviated form and does not contain all presentation, comparatives and disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act. The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Clean TeQ Water Pro Forma Historical Financial Information, a copy of which is included in Appendix 4.

The financial information in this section should be read in conjunction with the risk factors set out in Section 3.4 and other information in this Demerger Booklet. Investors should note that past results are not a guarantee of future performance.

All amounts disclosed in this section are presented in Australian dollars.

5.2 Basis of preparation and presentation of the Clean TeQ Water financial information

The Sunrise Energy Metals Directors are responsible for the preparation and presentation of the Clean TeQ Water Pro Forma Historical Financial Information. The Clean TeQ Water Pro Forma Historical Financial Information included in this Demerger Booklet is intended to present potential investors with information to assist them in understanding the financial position of Clean TeQ Water pre-Demerger and post-Demerger.

The Clean TeQ Water Pro Forma Historical Financial Information has been prepared for illustrative purposes, to assist Sunrise Energy Metals Shareholders to understand the financial position, financial performance and cash flows of Clean TeQ Water. By its nature, pro forma historical financial information is illustrative only. Consequently, the pro forma historical financial information does not purport to reflect the actual financial performance, financial position and cash flows that would have occurred if Clean TeQ Water had operated as a standalone entity for the relevant periods. Past performance is not a guide to future performance.

The Clean TeQ Water Pro Forma Historical Balance Sheet has been derived from the historical financial information extracted from Sunrise Energy Metals' accounting records and adjusted for the effects of the pro forma adjustments described below. These accounting records were used to generate Sunrise Energy Metals' financial statements for the years ended 30 June 2019 and 30 June 2020, and half years ended 31 December 2019, and 31 December 2020. The Sunrise Energy Metals financial statements for these periods are available from Sunrise Energy Metals' website (www.sunriseem.com) or the ASX website (www.asx.com.au).

The Sunrise Energy Metals full year financial statements and interim half year financial statements have been audited or reviewed respectively by KPMG in accordance with Australian Auditing Standards and Interpretations. KPMG issued unqualified audit or review opinions on these financial statements.

The Clean TeQ Water Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the AAS (including Australian Accounting Interpretations) adopted by the AASB, which comply with the recognition and measurement principles of the International Accounting Standards Board and interpretations adopted by the International Accounting Standards Board.

The Clean TeQ Water Pro Forma Historical Financial Information has been prepared on a consistent basis with the accounting policies set out in Sunrise Energy Metals' financial statements for the year ended 30 June 2020 and the half year ended 31 December 2020.

The Clean TeQ Water Pro Forma Historical Information includes pro forma adjustments to reflect the impact of certain transactions as if they occurred as at 31 December 2020 in the pro forma historical balance sheet and immediately prior to 1 July 2018 in the pro forma historical income statements and pro forma historical cash flows.

Pro forma adjustments have been made to the Clean TeQ Water pro forma historical income statements and pro forma historical cash flow statements to reflect:

- additional standalone corporate costs of Clean TeQ Water. This includes management remuneration, company secretarial costs, ASX Listing fees, share registry costs, audit fees, insurance and the costs of a separate board of directors;
- the expected tax effects of the pro forma adjustments outlined in the pro forma historical income statements; and
- the retrospective application of AASB16 Leases to the year ended 30 June 2019, as if it had been adopted effective 1 July 2018. AASB16 Leases was adopted effective 1 July 2019. AASB16 requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the income statement will reflect 'lease expenses' as depreciation relating to the right of use asset and interest relating to the lease liability rather than rental expense being shown as an operating expense. For effective comparison, the historical and pro forma financial statements have restated the results for the Year Ended 30 June 2019 as if AASB16 had been adopted effective 1 July 2018.

Pro forma adjustments have been made to the Clean TeQ Water pro forma historical balance sheet to reflect the transfer of all the Water Business entities, assets and liabilities into Clean TeQ Water, the forgiveness of all intercompany loans and the transfer of $15 million of working capital into Clean TeQ Water prior to the Implementation Date.

The Clean TeQ Water Pro Forma Historical Cash Flow Statements set out in Section 5.7 are presented as free cash flows (as defined in Section 5).

Following the Demerger, Clean TeQ Water will prepare its general purpose financial statements in accordance with AAS and the Corporations Act. The AAS are subject to amendments from time to time, and any such changes may impact on the balance sheet or income statement of Clean TeQ Water post Demerger. In addition, following the Demerger, Clean TeQ Water may be impacted by accounting policies adopted which are different to existing policies, and differences in interpretations of AAS.

5.3 Explanation of certain non-IFRS financial measures

This document uses non-IFRS financial information which is used to measure operational performance. Non-IFRS measures are unaudited but derived from audited accounts. The principal non-IFRS financial measures referred to in this section are as follows:

- EBIT is reported earnings before the following:
  - Interest income, interest expense and finance costs; and
  - Income tax expense.
- EBITDA is reported earnings before the following:
  - Interest income, interest expense and finance costs;
  - Income tax expense; and
  - Depreciation and amortisation.

Free cash flow is net cash flow before refinance costs and proceeds/repayment of borrowings.

5.4 Clean TeQ Water pro forma historical income statements

Set out below are the Clean TeQ Water pro forma consolidated historical income statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020.

Clean TeQ Water pro forma historical income statements

A$'000	Note	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Year Ended 30 June 2019	Year Ended 30 June 2020
Sales Revenue	1	367	1,243	3,816	(24)
Other Revenue	2,3	455	233	391	745
Expenses	3,4,5,6	(5,205)	(3,520)	(10,069)	(9,965)
EBITDA		(4,383)	(2,044)	(5,862)	(9,244)
Depreciation and amortisation expense	6	(218)	(374)	(537)	(538)
EBIT		(4,601)	(2,418)	(6,399)	(9,782)
Net interest and finance charges	6	(3)	(2)	(13)	(5)
Loss before income tax		(4,604)	(2,420)	(6,412)	(9,787)
Income tax expense		–	–	–	–
Loss after income tax		**(4,604)**	**(2,420)**	**(6,412)**	**(9,787)**
Loss after income tax attributable to:					
Owners of the company		(4,437)	(2,328)	(6,320)	(9,593)
Non-controlling interest		(167)	(92)	(92)	(194)
		(4,604)	**(2,420)**	**(6,412)**	**(9,787)**

Notes:

(1) Sales revenue from external customers for water treatment plants. The negative balance in the year ended 30 June 2020 resulted from a credit note issued to a customer.

(2) Other revenue consists mainly of research and development rebates from the Australian tax office.

(3) In the Sunrise Energy Metals historical financial statements reproduced herein, certain intercompany services charges paid by NematiQ to the Clean TeQ Water business were not eliminated on consolidation. The Clean TeQ Water pro-forma historical income statements have been adjusted to reflect the elimination of the revenue recognised by Clean TeQ Water and the expense occurred by NematiQ as they eliminate within Clean TeQ Water. As such, although there is no impact on the Sunrise Energy Metals historical loss after income tax, the sum of the pro forma revenues of Sunrise Energy Metals and Clean TeQ Water do not sum to the consolidated revenues in the Sunrise Energy Metals historical financial statements and similarly the sum of the pro forma expenses of Sunrise Energy Metals and Clean TeQ Water do not sum to the consolidated expenses in the Sunrise Energy Metals historical financial statements. The pro forma adjustment to eliminate the service fee income and expense is set out below:

A$'000	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Year Ended 30 June 2019	Year Ended 30 June 2020
Service Fee Income	(246)	(54)	(246)	(402)
Service Fee Expenses	246	54	246	402

(4) Includes the expenses of the historical water segment including costs of goods sold plus expenses of the technology division, NematiQ and the China operations which will all be part of Clean TeQ Water upon the Demerger taking place.

(5) Includes additional pro forma corporate costs of $1.8 million per annum Further information on incremental corporate costs is set out in Section 5.12.

(6) AASB16: The Company first adopted AASB16 Leases effective 1 July 2019. AASB16 requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the income statement will reflect lease cost as depreciation relating to the right of use asset and interest relating to the lease liability rather than rental expense being shown as an operating expense. For effective comparison, the Clean TeQ Water pro forma income statement has restated the results for the year ended 30 June 2019 as if AASB16 had been adopted effective 1 July 2018. The impact of this adjustment is that in the year ended 30 June 2019, expenses are reduced by $162,000, depreciation and amortisation expense is increased by $148,000 and Interest and finance charges is increased by $14,000 compare to what would have otherwise been the case.

Reconciliation of Clean TeQ Water historical water segment results, as derived from the financial statements of Sunrise Energy Metals, to Clean TeQ Water pro forma historical loss after tax

A$'000	Note	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Year Ended 30 June 2019	Year Ended 30 June 2020
Historical Water Segment results (post-tax)	7	(2,228)	(615)	(450)	(5,174)
Historical NematiQ and Technology results (post-tax)	8	(1,630)	(984)	(4,228)	(2,981)
Pro forma standalone operating costs	9	(913)	(913)	(1,826)	(1,826)
Pro forma share of (profits)/losses of associates		167	92	92	194
Pro forma historical loss after tax		**(4,604)**	**(2,420)**	**(6,412)**	**(9,787)**

Notes:

(7) Represents the reported Water segment result prior to the Demerger, as derived from the Water segment information contained within the financial statements of Sunrise Energy Metals.

(8) Represents the operating expenses of the technology division, NematiQ and the China operations which will all be part of Clean TeQ Water upon the Demerger.

(9) Following the Demerger, Clean TeQ Water will be a standalone entity listed on the ASX. As a standalone entity, Clean TeQ Water is expected to incur net additional operating costs of approximately $1.8 million per annum. These costs include management remuneration costs, company secretarial costs, ASX Listing fees, share registry costs, audit fees, insurance and board of directors costs.

5.5 Management commentary on historical results

Revenues from continuing operations were low during the disclosed periods since Clean TeQ Water technologies remain at the early stages of commercialisation. Revenue between periods decreased primarily due to a decrease in contract income and expenditure was financed largely by existing cash reserves.

During the year ended 30 June 2019, Clean TeQ Water delivered multiple water treatment plants. The company completed the engineering, delivery and construction of a plant in Oman, a contract that was valued in excess of US$400,000. The final commissioning phase commenced at the end of 2019. At the Fosterville Gold Mine in Victoria, Clean TeQ Water was engaged to design, supply and commission a mine water treatment plant. Construction of the plant was completed in the first quarter of calendar year 2019 with commencement of commissioning taking place during the second quarter. In the Democratic Republic of Congo, Clean TeQ Water delivered a contract to design, supply and commission a metals processing plant valued in excess of $2 million. All construction was completed during the first quarter of 2019 with hot commissioning commencing shortly thereafter. These three Clean TeQ Water systems are the first of their type anywhere in the world and have been deployed to treat three different technical solutions.

Two of the three water treatment plants were successfully handed over to customers during the year ended 30 June 2020. Customer acceptance of commissioning and handover of the water treatment plant in Oman occurred in November 2019. As at the end of June 2020, operation of the water treatment plant in Fosterville had been handed over to the customer. In the Democratic Republic of Congo, an accidental uncontrolled release of high-pressure water resulted in some damage being caused to the plant, taking it offline. Repairs as well as some changes to the plant and process were made, with re-commissioning occurring in the year ended 30 June 2021.

Clean TeQ Water announced in February 2020 that strong progress was being made towards securing an engineering, procurement and construction contract with Townsville City Council for a large-scale water recycling plant utilizing the HIROX® process and BIOCLENS™ encapsulated bacteria. Townsville engaged Clean TeQ Water for an initial $920,000 scope of work for detailed design and procurement of long-lead items for the plant. However, final award of an EPC contract is subject to a range of conditions including agreement on commercial terms, construction schedule and pricing. No other contracts were awarded during the 2020 financial year.

5.6 Clean TeQ Water pro forma historical balance sheet as at 31 December 2020

Set out below is Clean TeQ Water's pro forma consolidated historical balance sheet as at 31 December 2020. For the purposes of presenting the pro forma historical balance sheet, it has been assumed that the Demerger was effected and completed on 31 December 2020.

The Clean TeQ Water pro forma historical balance sheet has been prepared in order to give Sunrise Energy Metals Shareholders an indication of the Clean TeQ Water pro forma historical balance sheet in the circumstances noted in this section and does not reflect the actual or prospective financial position of Clean TeQ Water at the time of the Demerger.

Clean TeQ Water pro forma historical balance sheet

A$'000	Half Year Ended 31 December 2020[10]	NematiQ and Technology[11]	Demerger transactions[12]	Pro forma historical as at 31 December 2020
Current Assets				
Cash and cash equivalents	490	332	15,000	15,822
Trade and other receivables[13]	531	864	–	1,395
Research and development incentive receivable	–	334	–	334
Total current assets	**1,021**	**1,529**	**15,000**	**17,550**
Non-current assets				
Lease assets	–	145	–	145
Property, plant and equipment	510	47	–	557
Intangibles	3,336	–	–	3,336
Investment in Controlled Entities	309	–	–	309
Total non-current assets	**4,155**	**192**	**–**	**4,347**
Total assets	**5,176**	**1,721**	**15,000**	**21,897**
Current liabilities				
Trade and other payables[13]	421	52	–	473
Employee benefits	–	252	–	252
Provisions	667	–	–	667
Lease liabilities	–	126	–	126
Total current liabilities	**1,088**	**430**	**–**	**1,517**
Non-current liabilities				
Employee benefits	–	116	–	116
Provisions	–	59	–	59
Lease liabilities	–	48	–	48
Sunrise Energy Metals loan	–	16,880	(16,880)	–
Shareholder loans	–	340	–	340
Total non-current liabilities	**–**	**17,443**	**(16,880)**	**563**
Total liabilities	**1,088**	**17,872**	**(16,880)**	**2,080**
Net assets	**4,088**	**(16,151)**	**31,880**	**19,817**
Equity				
Issued capital	–	–	–	–
Reserves	–	–	–	–
Retained Earnings	4,088	(15,773)	31,880	20,195
Non-controlling interest	–	(378)	–	(378)
Total Equity	**4,088**	**(16,151)**	**31,880**	**19,817**

Notes:

(10) Represents the reported Water segment (including reclassification of trade receivable and trade payables as per note 14) result prior to the Demerger, as derived from the Water segment information contained within the financial statements of Sunrise Energy Metals.

(11) Represents the assets and liabilities of the technology division and NematiQ.

(12) Prior to the Demerger, Sunrise Energy Metals has forgiven the intercompany loans owed by the Water Business and provided Clean TeQ Water with $15 million in cash for working capital.

(13) In the Sunrise Energy Metals historical financial statements reproduced herein, certain intercompany payables from NematiQ to Clean TeQ Water were not eliminated on consolidation. The Clean TeQ Water pro forma historical balance sheet has been adjusted to reflect the elimination of $647,000 of trade and other receivables against trade and other payables As such, although there is no impact on net assets, the sum of the Sunrise Energy Metals and Clean TeQ Water pro forma trade and other receivables and trade and other payables do not sum to the trade and other receivables and trade and other payables in the Sunrise Energy Metals historical balance sheet.

5.7 Clean TeQ Water pro forma historical cash flow statements (represented as net cash flow from operating activities)

Set out below are Clean TeQ Water's pro forma consolidated historical cash flow statements (represented as net cash flow from operating activities) for the years ended 30 June 2019 and 30 June 2020 and half years ended 31 December 2019 and 31 December 2020.

Clean TeQ Water pro forma historical cash flow statements (represented as net cash flow from operating activities)

A$'000	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Year Ended 30 June 2019	Year Ended 30 June 2020
Loss after income tax expense for the year	(4,604)	(2,420)	(6,412)	(9,787)
Adjustments for:				
Depreciation and amortisation	218	374	537	538
Non-cash finance costs	3	2	13	5
Change in operating assets and liabilities				
Decrease/(increase) in trade and other receivables	(428)	(232)	(1,412)	602
Increase/(decrease) in deferred revenue	–	(920)	–	–
Increase/(decrease) in shareholder loans	76	–	–	–
Increase/(decrease) in provisions	–	–	667	–
Increase/(decrease) in trade and other payables	(71)	(11)	500	112
Net cash used in operating activities	**(4,806)**	**(3,207)**	**(6,107)**	**(8,530)**

5.8 Liquidity and capital resources

Following the Demerger, Clean TeQ Water's principal source of funds is expected to be the pro forma cash presented in the pro forma historical balance sheet.

Following the Demerger, Clean TeQ Water will have sufficient working capital to carry out its stated objectives, including to meet its operational requirements and planned capital investment in the business.

Clean TeQ Water's ability to generate sufficient cash flow depends on its future performance, which is subject to a number of other factors beyond its control including general economic, financial and competitive conditions.

As part of its normal course operations, Clean TeQ Water is currently exploring financing mechanisms to fund future working capital requirements arising from underlying growth.

5.9 Contingent liabilities and capital commitments

Clean TeQ Water has no contingent liabilities estimated as at 31 December 2020.

Clean TeQ Water has no capital commitments as at 31 December 2020. All leases are recorded as finance leases on balance sheet, for more detail refer to Section 5.6.

5.10 Forecast expenditure

Clean TeQ Water's estimated forecast expenditure on certain key activities during the first twelve months after the Demerger are:

Expenditure Item[1]	A$m
General overheads (including sales, marketing and corporate costs)	1.8
Project delivery costs[2]	3.4
Research and development[3]	1.7
Graphene oxide membrane development[4]	1.1
Total	**8.0**

Notes:

(1) Note that the list above is not exhaustive and the estimates above represent Clean TeQ Water's intended expenditure on these particular activities, which is subject to change.

(2) Estimated costs of goods sold during the period for committed water treatment contracts which is expected to be offset by revenues from customers. For further details on the Water Business' active contracts and contract pipeline refer to Sections 4.2.3 and 4.2.4.

(3) Includes the cost of technology services to be provided to Sunrise Energy Metals at agreed rates pursuant to the Services Agreement. For further details on the Services Agreement see Section 8.9.4.

(4) Estimated expenditure on the ongoing development of graphene oxide nanofiltration membranes within NematiQ. For further details see Section 4.3.

5.11 Going concern

The Clean TeQ Water pro forma historical financial information has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Clean TeQ Water is a technology manufacturing business which is in the process of securing additional projects. At this early stage of Clean TeQ Water's lifecycle it is essential that it has sufficient capital to fund the ongoing operations of the business and achieve profitability.

Based on an estimated cash balance after the Demerger of approximately $15 million, Clean TeQ Water will have sufficient funds to meet its stated objectives at least over the next twelve months from the date of the Demerger Booklet. Further, at the date of the Demerger Booklet, the Directors are confident Clean TeQ Water will be able to continue as a going concern and therefore the Clean TeQ Water pro forma historical financial information has been prepared on the going concern basis.

The Financial Information does not include any adjustments relating to the recoverability and classification of recorded asset values or to the amounts and classification of liabilities that might be necessary should Clean TeQ Water be unable to continue as a going concern.

5.12 Ongoing costs arising from the Demerger

Following the Demerger, Clean TeQ Water will incur additional corporate and operating costs to reflect the fact it will now be a separate ASX listed company. It is estimated that, if the Demerger had been effected for the full year ended 30 June 2021, the aggregate annual corporate and operating costs for Clean TeQ Water in that year would have been approximately $1.8 million higher than those reported by Sunrise Energy Metals under its existing structure.

Increased costs arising from additional employees (Board, CEO, CFO, etc.) represent $0.8 million of the estimated increase in corporate and operating costs noted above.

The remaining $1.0 million of these additional costs relate to:

- Insurance;
- Legal, accounting, secretarial and regulatory fees;
- Rental expenses; and
- IT related expenditure.

5.13 Critical accounting judgements, estimates and assumptions

The preparation of the financial information requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management also needs to exercise judgement in applying Clean TeQ Water's accounting policies. 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 within the next financial year are discussed below.

5.14 Material changes in financial position since most recent balance sheet

The most recent published financial statements of Sunrise Energy Metals are provided in the financial report for the half year ended 31 December 2020, which was released to the ASX on 25 February 2021.

In May 2021 Clean TeQ Water acquired Ionic Industries' remaining 16.8% interest in the NematiQ joint venture for approximately $2 million worth of shares in Sunrise Energy Metals. As such, NematiQ is now a wholly owned subsidiary of Clean TeQ Water and in future periods there will no longer be a non-controlling interest in the Clean TeQ Water financial statements.

In January 2021, Sunrise Energy Metals successfully raised $18.9 million via a combined Share Purchase Plan (**SPP**) and private placement. Under the SPP, 51.7 million shares were issued at a price of $0.25 per share to raise proceeds of A$12.9 million. The private placement consisted of two tranches of 12 million shares, issued at a price of $0.25 per share to raise $6 million. The private placements were made to Co-Chairman and Non-Executive Director Mr Robert Friedland and Pengxin International Group Limited, an entity associated with Mr Jiang Zhaobai, Co-Chairman and Non-Executive Director.

To the knowledge of Sunrise Energy Metals Directors, there has not been any other material change in the financial position of Sunrise Energy Metals since 31 December 2020, except as disclosed in this Demerger Booklet or otherwise in announcements to the ASX. A copy of the most recent financial report is available on Sunrise Energy Metals' website, www.sunriseem.com.

5.15 Shareholder equity

At the time of the Demerger, Clean TeQ Water will have up to 44,666,896 ordinary shares on issue. The exact number of shares will be determined following the rounding down of fractional entitlements as described in section 4.6.

5.16 Taxation

Clean TeQ Water is currently part of Sunrise Energy Metals' group taxation arrangements. At the time of implementation of the Demerger, Clean TeQ Water (and its subsidiaries) will exit Sunrise Energy Metals' Australian income tax consolidated group in a manner that achieves a "clear exit" for any past or future tax obligations that may arise in respect of periods that Clean TeQ Water was a member of the Sunrise Energy Metals Australian income tax consolidated group.

Sunrise Energy Metals' carried forward tax losses as at the Demerger date will remain with the Sunrise Energy Metals tax consolidated group.

06 Overview of Sunrise Energy Metals after the Demerger

6.1 Principal effect of the Demerger on Sunrise Energy Metals

The principal impact of the Demerger will be to remove the activities relating to the businesses held by Clean TeQ Water, and its direct employees, from the Sunrise Energy Metals Group. This, together with the cash held by Clean TeQ Water, will reduce the net assets of Sunrise Energy Metals. Sunrise Energy Metals Shareholders will no longer have exposure to the Water Business through their Sunrise Energy Metals Shares but Eligible Shareholders who do not subsequently dispose of their Clean TeQ Water Shares will instead continue to have exposure to these businesses directly as shareholders in both Sunrise Energy Metals and Clean TeQ Water Shareholders.

This separation will be effected in accordance with certain principles as agreed between Sunrise Energy Metals and Clean TeQ Water under the Separation Deed (Demerger Principle). In particular, following the Implementation Date, Sunrise Energy Metals and Clean TeQ Water intend, as a fundamental principle of the Demerger that, as between the Sunrise Energy Metals Group on the one hand and the Clean TeQ Water Group on the other:

- the Sunrise Energy Metals Group will have the entire economic and commercial benefit of the businesses conducted by the Sunrise Energy Metals Group together with the entire economic and commercial risks and liabilities of those businesses but none of the economic and commercial benefit of the businesses conducted by the Clean TeQ Water Group nor any of the economic and commercial risks and liabilities of those businesses;
- the Clean TeQ Water Group will have the entire economic and commercial benefit of the businesses conducted by the Clean TeQ Water Group together with the entire economic and commercial risks and liabilities of those businesses but none of the economic and commercial benefit of the businesses conducted by the Sunrise Energy Metals Group nor any of the economic and commercial risks and liabilities of those businesses;
- if there are any assets with the Sunrise Energy Metals Group which were owned by, or solely or primarily used by, the Clean TeQ Water Group (and not used in the conduct or operations of the businesses conducted by the Sunrise Energy Metals Group) prior to the Demerger Implementation Date, that the Clean TeQ Water Group is entitled to the ownership and/or use of those assets; and
- if there are any assets with the Clean TeQ Water Group which were owned by, or solely or primarily used by, the Sunrise Energy Metals Group (and not used in the conduct or operations of the businesses conducted by the Clean TeQ Water Group) prior to the Implementation Date, that the Sunrise Energy Metals Group is entitled to the ownership and/or use of those assets.

A summary of the Separation Deed is included at Section 8.9.3 below.

6.2 Sunrise Energy Metals Board structure following Demerger

Ian Knight and Judith Downes will resign as directors of Sunrise Energy Metals following the implementation of the Demerger. The composition of the Sunrise Energy Metals Board will not otherwise be altered as a result of the Demerger.

6.3 Impact of the Demerger on Sunrise Energy Metals capital structure

As at the date of this Demerger Booklet, Sunrise Energy Metals has 89,333,793 ordinary shares on issue. Assuming no Sunrise Energy Metals Shares are issued prior to the Record Date, the number of ordinary shares on issue in Sunrise Energy Metals will remain the same, immediately following the Demerger, and Sunrise Energy Metals will have a capital structure as follows:

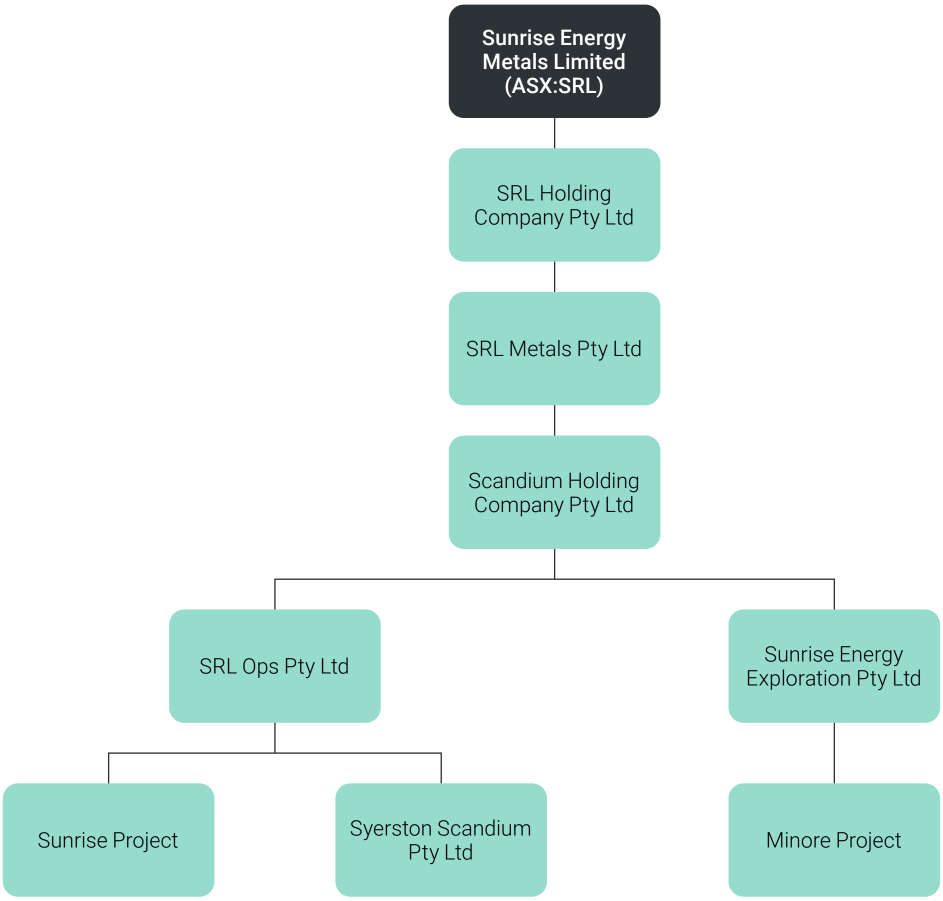
Capital Structure	Pre-Demerger Number	Post-Demerger Number
Sunrise Energy Metals Shares on issue:	89,333,793	89,333,793
Sunrise Energy Metals performance rights:	2,044,405	Subject to the market capitalisation of both the Water and Metals businesses as described in Section 6.6.1
Sunrise Energy Metals options	674,656	674,656

6.4 Sunrise Energy Metals post-Demerger strategy

Following the Demerger, Sunrise Energy Metals' strategy will continue to be focused on developing and securing funding for the Sunrise Project. Whilst Sunrise Energy Metals secures funding for the project, a range of work-streams will continue in order to progress a number of value-adding deliverables aimed at minimising project restart time once funding is secured.

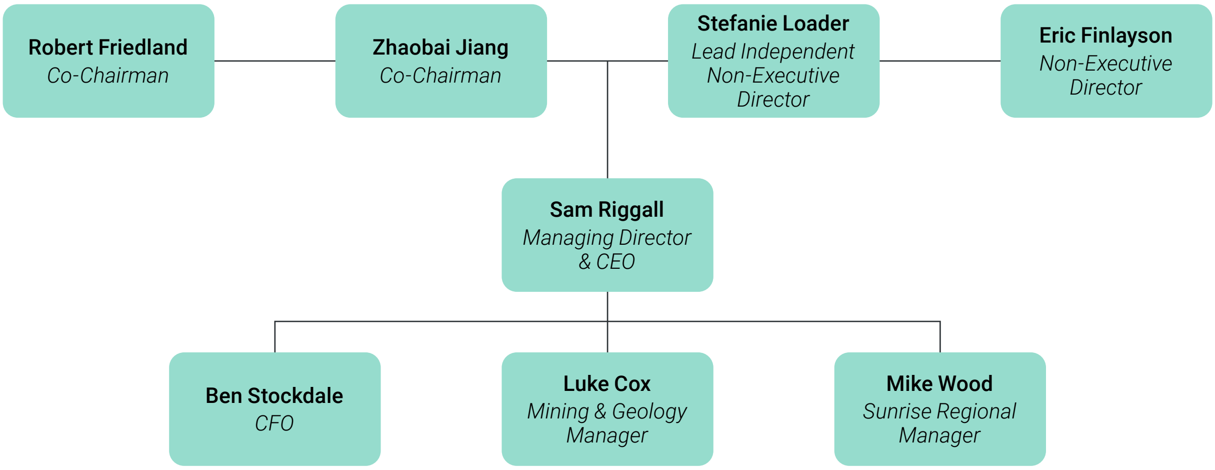
6.4.1 Sunrise Energy Metals corporate structure

Below is a corporate structure diagram of Sunrise Energy Metals and its subsidiaries as proposed immediately after the Demerger is implemented[3]:



3. 100% ownership unless otherwise indicated.

6.4.2 Sunrise Energy Metals organisational structure following the Demerger



Note: The Board and the more senior (level 1 – level 2) employees are listed only.

6.5 Assets and operation of Sunrise Energy Metals post-Demerger

6.5.1 Sunrise Project reserves and resource estimates

The principal continuing activity of the Sunrise Energy Metals Group will consist of the development of the Sunrise Project. The Sunrise Project is one of the largest and most cobalt-rich nickel laterite deposits in the world. The Sunrise Project is at the pre-production development phase with all key permits and approvals in place. Development activities continue to be focused on project engineering and design as well as ongoing work toward securing financing required prior to a final investment decision.

The Sunrise Project has the following Reserves and Resources[4].

Category	Quantity (Mt)	Nickel Grade (%)	Cobalt Grade (%)	Scandium Grade (ppm)
Proven	65.4	0.67	0.11	55
Probable	77.9	0.52	0.09	41
Proven and Probable	143.2	0.59	0.10	47

Sunrise Project nickel, cobalt and scandium 2020 mineral resource estimate (at a 0.35% nickel equivalent cut-off)

Category	Tonnes (Mt)	Grade Ni (%)	Grade Co (%)	Grade Sc (ppm)	Ni Metal (g/t)	Ni Metal (t)	Co Metal (t)	Sc Metal (t)	Sc Oxide (t)	Pt (oz)
Measured	69	0.65	0.11	61	0.23	450,000	73,000	4,200	6,400	500,000
Indicated	89	0.49	0.09	79	0.19	440,000	76,000	7,000	11,000	540,000
Measured and Indicated	160	0.56	0.09	71	0.21	890,000	150,000	11,000	17,000	1,000,000
Inferred	17	0.26	0.1	289	0.15	45,000	18,000	5,000	7,700	84,000

Sunrise Energy Metals is not in possession of any new information or data relating to the information in the tables above that materially impacts on the reliability of the estimates in accordance with the JORC Code. In particular, Sunrise Energy Metals confirms that the supporting information in its 28 September 2020 announcement continues to apply and has not materially changed.

Consistent with Listing Rule 5.12.9 and having regard to the paragraph above:

- the estimates in the tables above are historical estimates as at 28 September 2020 and are not reported in full here in accordance with the JORC Code; and
- accordingly, the Competent Person has not repeated its previous work to confirm its classification of these estimates in accordance with the JORC Code.

4. All reported tonnages are rounded to account for the relative precision of the estimate. Some figures may not add to the totals due to rounding. For full details and JORC disclosures please see the ASX announcement 'Sunrise Project Execution Plan' dated 28 September 2020.

6.5.2 Sunrise Project key assumptions and project economics

Following the release of the Sunrise Project Definitive Feasibility Study (**DFS**) in 2018 (refer to ASX announcement "Clean TeQ Sunrise Definitive Feasibility Study completed" on 25 June 2018), Sunrise Energy Metals confirmed the engagement of Fluor Australia Pty Ltd (**Fluor**) as Sunrise Project Management Contractor.

Since this time, an integrated Fluor and Sunrise Energy Metals team has completed a comprehensive Project Execution Plan (**PEP**) that sets up the Project for future delivery on an engineering, procurement and construction management basis. The principal deliverables of the PEP include an update to the 2018 DFS outputs including the production forecast, resources, reserves and operating cost estimates for the Project as well as a revised master schedule. The PEP work scope also includes a detailed re-estimation of the Project's capital development cost, incorporating the latest engineering and design work. Updated vendor pricing for key equipment packages was obtained for virtually all major equipment packages. Materials and labour costs were being re-estimated based on updated quantities and current market rates.

A summary of the key assumptions and project economics in the PEP is shown below:

Assumptions	
Mine life	25 years modelled
Long-term nickel sulphate price (USD/t NiSO4)	~$5,300
Long-term LME nickel metal equivalent price (USD/t Ni)	~$22,000
Long-term cobalt sulphate price (USD/t CoSO4)	~$12,100
Long-term LME cobalt metal equivalent price (USD/t Co)	~$59,200
Scandium oxide price (USD/kg)	$1,500
AUD/USD rate	0.70
Company tax rate	30%

Project Economics[5]	
Pre-production capital costs (including contingency)	A$2,609m
After-tax NPV (real 8% discount rate)	A$1,720m
Unlevered post-tax IRR	15.44%
Average LOM EBITDA	A$617m
Average LOM after-tax cashflow	A$318m
Average LOM revenue	A$934m
LOM EBITDA margin	66%

5. Project economics based on the PEP which modelled the first 25 years of production.

06 Overview of Sunrise Energy Metals after the Demerger (continued)

Mineral resource outcomes presented in the PEP indicate the Sunrise Ore Reserves are sufficient to deliver a mine life of approximately 50 years. The Sunrise Project's mineral resource, when combined with the ion-exchange extraction and purification processing technology, has the potential to meet a significant portion of global demand for the raw materials needed to help expand the lithium-ion battery industry, as well as providing scandium for production of the next generation of lightweight aluminium alloys for key transportation markets. Average production rates for years 2-11 and years 2-25 are estimated below:

Production and Sales	Average Annual (Years 2-11)	Average Annual (Years 2-25)
Nickel Sulphate (tonnes)	96,784	83,814
Cobalt Sulphate (tonnes)	20,992	15,286
Nickel metal content (tonnes)	21,293	18,439
Cobalt metal content (tonnes)	4,366	3,179
Scandium oxide recovered as Sc(OH)3 (kg)	18,000	19,167
Scandium oxide sold (kg)	9,600	15,667
Ammonium sulphate (tonnes)	60,365	50,594

The estimated pre-production capital development cost of the Sunrise Project is approximately US$1.66bn, excluding a provisioned US$168m contingency. The current estimate of capital intensity for the Project has been benchmarked, using publicly available data, against construction cost and actual production capacity of a number of operating nickel/cobalt plants of similar scale in Australia, Philippines, Cuba and Papua New Guinea. The PEP capital cost estimate is tabled below:

Capital Cost	A$m	US$m
Site Development Costs	28	20
Mining Costs	35	25
Ore Leach Costs	413	289
Refinery Costs	271	190
Reagents Costs	252	176
Services and Infrastructure Costs	424	297
Offsite Operations Costs	84	59
Total Direct Costs	**1,507**	**1,055**
Engineering Procurement and Construction Management costs	264	185
Owners Costs	157	110
Other Indirect Costs	441	309
Contingency	241	168
Total	**2,609**	**1,826**

The Sunrise Project is designed to deliver some of the lowest cost metal units into the global battery supply chain. Supported by an integrated mining and refining operation and strong by-product credits, the Project will maintain first quartile average nickel production costs over its initial 25-year mine life. The PEP estimate of the Project's operating costs are tabled below:

Operating Cost	US$/lb Ni Years 2-11	US$/lb Ni Years 2-25
Mining Costs	0.84	0.76
Processing Costs	3.14	3.47
General, Admin & Other Site Overheads	0.18	0.21
Haulage & Port	0.15	0.14
C1 Operating Costs (pre by-products)	**4.31**	**4.58**
By-product credits		
Cobalt credits	(5.81)	(4.64)
Scandium Credits	(0.31)	(0.58)
Ammonium Sulphate Credits	(0.17)	(0.16)
Total By-product credits	**(6.28)**	**(5.38)**
Total C1 cost net of by-product credits	**(1.97)**	**(0.80)**

Based on the estimated production, costs and economic assumptions, total project revenue and EBITDA over the first 25 years of production are estimated to be approximately US$16.35bn and US$10.79bn respectively. A financial evaluation of the Project was conducted using a discounted cash flow methodology over an initial 25-year mine life. The analysis returned a net present value of US$1.21bn.

Upon completion of the PEP, a range of workstreams commenced in order to progress a number of value-adding deliverables aimed at minimising Project restart time once funding is secured:

- Work will be progressed on the long-lead electrical transmission line (**ETL**) work scope. The ETL application to connect to the NSW electrical grid is currently in progress.
- Progressing ongoing 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.
- Surveying and planning for autoclave and oversize equipment transport routes to site.
- Preliminary investigations to be undertaken on our exploration licences for limestone resources, a key process reagent for which Sunrise Energy Metals currently has a supply contract in place with a third party.
- Testwork and engineering assessing opportunities for potential further downstream processing of sulphates into battery precursor materials and recycling of battery materials.
- Ongoing environmental work including monitoring and compliance reporting.
- The Sunrise Community Consultative Committee will be maintained along with a number of local community engagement/support programs.

A range of scandium alloy development programs will continue to be progressed, consistent with Sunrise Energy Metals' long term strategy to work with, and assist, industry players to investigate and develop new applications for scandium-aluminium alloys.

6.5.3 Minore Project

In 2020, Sunrise Energy Metals was granted Exploration Licence 8961 (Mining Act 1992) for Group 1 metals (including base and precious metals) located near Dubbo and Narromine. Sunrise Energy Metals has also applied for an adjacent area subject to the existing Dubbo Mineral Allocation Area (**MAA**). The MAA system is a mineral exploration stimulus initiative by the NSW Government pursuant to which new exploration licence applications may not be lodged without Ministerial consent.

The area has been subject to limited mineral exploration, but there have been a number of shallow historic exploration drilling intercepts. The drilling targeted an outcropping north-west striking skarn, known as Minore. Over the course of 2020 Sunrise Energy Metals' geologists further interpreted this data to better understand mineralisation target opportunities.

6.5.4 Mineral tenement summary

A summary of Sunrise Energy Metals' mineral tenements is shown below:

Licence Number	Project Name	Location	Equity Interest
EL8961	Minore	NSW	100%
EL4573	Sunrise	NSW	100%
EL8833	Sunrise	NSW	100%
EL8882	Sunrise	NSW	100%
EL8883	Sunrise	NSW	100%
EL8928	Sunrise	NSW	100%
ML1770	Sunrise	NSW	100%

6.5.5 Hylea Project

On 20 April 2021, Sunrise Energy Metals announced it had reached agreement to acquire the Hylea Project, located in New South Wales, from Lotus Resources Limited (ASX:LOT) to expand the Company's footprint in the highly prospective Lachlan Fold Belt.

The Hylea Project is located approximately 50 kilometres north of the Sunrise Project on the western side of the Lachlan Orogen. Its geology exhibits similar structural geology to the Sunrise Project, where the weathered surface expression of the intrusive hosts nickel, cobalt and scandium mineralisation.

Sunrise Energy Metals will acquire a 100% interest in Exploration Licences EL8520, EL8641 and EL8801 for $2.5 million, with $1.0 million payable in cash and $1.5 million payable in cash and/or Sunrise Energy Metals' shares, at Sunrise Energy Metals' election, at completion. If settled in shares, the number of Sunrise Energy Metals shares issued will be determined based on the volume weighted average price for the five trading days preceding completion.

Completion is subject to receipt of Ministerial Approval for the transfer of the above Exploration Licences.

6.6 Treatment of legacy Sunrise Energy Metals employee incentive arrangements

Sunrise Energy Metals has employee incentive awards which will be impacted by the Demerger. The employee incentive arrangements at the time of the Demerger include long-term incentives awarded under Sunrise Energy Metals' Employee Incentive Plan. Long-term incentives have been provided as options and performance rights over ordinary shares of Sunrise Energy Metals. Awarded options and unvested performance rights do not carry a right to participate in the Demerger.

In connection with the Demerger, the Sunrise Energy Metals Board proposes certain changes to the long-term incentives. The changes have been determined in order to preserve the overall value of the incentives following the Demerger, and to ensure that participants are not disadvantaged by the Demerger.

6.6.1 Sunrise Energy Metals Performance Rights

Subject to shareholder approval of the Demerger and of the treatment proposed below, upon implementation of the Demerger it is proposed that unvested performance rights will be adjusted as follows:

- The respective values of each of the separate businesses will be established based on their post Demerger market capitalisations (based on the first five day VWAPs). In this way, the market will determine the proportion of pre-Demerger value attributable to each company.
- The number of performance rights held by each employee will be grossed up, and its performance hurdle benchmark adjusted, to reflect the disaggregation of value into the two separate companies.

6.6.2 Sunrise Energy Metals Options

Subject to shareholder approval of the Demerger and of the treatment proposed below, upon implementation of the Demerger it is proposed that unexercised options will be adjusted such that the number of Options will remain the same and the exercise price will be reduced by the same amount as the amount of the Capital Reduction.

Clean TeQ Water employees holding Sunrise Energy Metals options will continue to hold their Sunrise Energy Metals options. No replacement Clean TeQ Water options will be issued upon the Demerger.

07 Financial information of Sunrise Energy Metals

7.1 Purpose

The financial information contained in this section has been prepared by Sunrise Energy Metals in connection with the Demerger to assist Sunrise Energy Metals Shareholders in understanding the potential effects of the Demerger.

This section contains the following information:

(a) the historical financial information of Sunrise Energy Metals (hereafter the **Sunrise Energy Metals Historical Financial Information**), comprising:

- the historical income statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020;
- the historical balance sheet as at 31 December 2020; and
- the historical cash flow statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020; and

(b) the pro forma historical financial information of Sunrise Energy Metals following the Demerger (hereafter the **Sunrise Energy Metals Pro Forma Historical Financial Information**), comprising:

- the pro forma historical income statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020;
- the pro forma historical balance sheet as at 31 December 2020; and
- the pro forma historical cash flows statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020.

The Sunrise Energy Metals Historical Financial Information and the Sunrise Energy Metals Pro Forma Historical Financial Information together form the **Sunrise Energy Metals Financial Information**.

The financial information in this section is presented in an abbreviated form and does not contain all presentation, comparatives and disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act. The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Sunrise Energy Metals Financial Information, a copy of which is included in Appendix 4.

The Sunrise Energy Metals Financial Information presented in this Section 7 should be read in conjunction with the risk factors set out in Section 3.4 and other information in this Demerger Booklet. Investors should note that past results are not a guarantee of future performance.

All amounts disclosed in this section are presented in Australian dollars.

7.2 Basis of preparation and presentation of the Sunrise Energy Metals Financial Information

(a) Overview

The Sunrise Energy Metals Directors are responsible for the preparation and presentation of the Sunrise Energy Metals Financial Information. The Sunrise Energy Metals Financial Information included in this Demerger Booklet is intended to present potential investors with information to assist them in understanding the financial position of Sunrise Energy Metals pre-Demerger and post-Demerger.

The Sunrise Energy Metals Financial Information is presented in an abbreviated form and does not include all of the presentation, disclosures, statements and comparative information as required by the Australian Accounting Standard (**AAS**) applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Sunrise Energy Metals pro forma historical balance sheet, shown in Section 7.7.

Figures, amounts, percentages, estimates and calculations are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding. The financial information in this section should be read in conjunction with the risk factors set out in Section 3.4.

The AAS are subject to amendments from time to time. Sunrise Energy Metals first adopted AASB16 Leases effective 1 July 2019. AASB16 requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the income statement will reflect 'lease expense' as depreciation relating to the right of use asset and interest relating to the lease liability rather than rental expense being shown as an operating expense. For effective comparison, the Sunrise Energy Metals Historical Financial Information and the Sunrise Energy Metals Pro Forma Historical Financial Information have restated the results for the year ended 30 June 2019 as if AASB16 had been adopted effective 1 July 2018.

(b) Preparation of the Sunrise Energy Metals Historical Financial Information

The Sunrise Energy Metals Historical Financial Information has been derived from interim financial statements of Sunrise Energy Metals for the half years ended 31 December 2019 and 31 December 2020 and the full year financial statements of Sunrise Energy Metals for the financial years ended 30 June 2019 and 30 June 2020. The interim financial statements of Sunrise Energy Metals were reviewed by KPMG in accordance with the Australian Auditing Standards. KPMG issued an unqualified review opinion on these interim financial statements. The full year financial statements of Sunrise Energy Metals were audited by KPMG in accordance with the Australian Auditing Standards. KPMG issued an unqualified audit opinion on these full year financial statements. The financial statements are available from Sunrise Energy Metals' website (www.sunriseem.com) or the ASX website (www.asx.com.au).

The Sunrise Energy Metals Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the AAS (including Australian Accounting Interpretations) adopted by the AASB, which comply with the recognition and measurement principles of the IASB and interpretations adopted by the IASB.

AAS are subject to amendments from time to time, and any such changes may impact the balance sheet of Sunrise Energy Metals Post-Demerger. In addition, following the Demerger, Sunrise Energy Metals may be impacted by accounting policies adopted which are different to existing policies, and differences in interpretations of AAS.

In preparing the Sunrise Energy Metals Financial Information, the accounting policies of Sunrise Energy Metals have been applied.

(c) Preparation of the Sunrise Energy Metals Pro Forma Historical Financial Information

The Sunrise Energy Metals Pro Forma Historical Financial Information has been prepared for illustrative purposes, to assist Sunrise Energy Metals Shareholders to understand the impact of the Demerger and the financial performance, financial position and cash flows of Sunrise Energy Metals post-Demerger. By its nature, pro forma historical financial information is illustrative only. Consequently, the Sunrise Energy Metals Pro Forma Historical Financial Information does not purport to reflect the actual or future financial performance or cash flows for the relevant period, nor does it reflect the actual financial position of Sunrise Energy Metals Post-Demerger at the relevant time.

The Sunrise Energy Metals Pro Forma Historical Financial Information has been prepared in accordance with the AAS and has been prepared on a consistent basis to the accounting policies set out in Sunrise Energy Metals' interim financial statements for the half year ended 31 December 2020.

The Sunrise Energy Metals Pro Forma Historical Financial Information includes pro forma adjustments to reflect the impact of certain transactions as if they occurred as at 31 December 2020 in the pro forma historical balance sheet and immediately prior to 1 July 2018 in the pro forma historical income statements and pro forma historical cash flows.

Pro forma adjustments have been made to the Sunrise Energy Metals Pro Forma Historical Financial Information for the accounting impact of the Demerger including one-off Demerger costs.

The Sunrise Energy Metals pro forma historical cash flow statements set out in Section 7.10 are presented as cash flows after net capital expenditure, finance costs and tax.

Sunrise Energy Metals uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this section as non-IFRS financial measures pursuant to Regulatory Guide 230 *Disclosing non-IFRS financial information* published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business, and they are commonly used performance measures by the investor community. The principal non-IFRS measures referred to in this section are as follows:

- EBIT is the earnings of continuing operations before recognising:
  - interest revenue, interest expense or financing costs; and
  - income tax expense.
- EBITDA is earnings of continuing operations before recognising:
  - depreciation and amortisation expense;
  - interest revenue, interest expense or financing costs; and
  - income tax expense.
- Net capital expenditure represents capital and investment expenditure less proceeds from the sale of property, plant and equipment and intangibles.
- Net debt represents total loans and borrowings and bank overdrafts, less cash and cash equivalents.
- Net free cash flows is net operating cash flows after net capital expenditure, finance costs and taxation.
- Working capital represents inventories, trade and other receivables and trade and other payables.

7.3 Sunrise Energy Metals historical income statement

Set out below are Sunrise Energy Metals' historical income statements for the financial years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020.

Sunrise Energy Metals historical income statements

A$'000	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Restated Year Ended 30 June 2019[1]	Year Ended 30 June 2020
Revenue	666	1,557	4,732	1,168
Expenses	(10,906)	(11,005)	(24,497)	(19,114)
Impairment expense	–	–	–	(179,221)
EBITDA	(10,240)	(9,448)	(19,765)	(197,167)
Depreciation and amortisation expense	(656)	(750)	(1,199)	(1,404)
EBIT	(10,896)	(10,198)	(20,964)	(198,571)
Net interest and finance charges	616	67	2,951	895
Loss before income tax	(10,280)	(10,131)	(18,013)	(197,676)
Income tax expense	–	–	–	–
Loss after income tax	**(10,280)**	**(10,131)**	**(18,013)**	**(197,676)**
Loss after income tax is attributable to:				
Owners of the company	(10,113)	(10,039)	(17,921)	(197,482)
Non-controlling interest	(167)	(92)	(92)	(194)
Loss after income tax	**(10,280)**	**(10,131)**	**(18,013)**	**(197,676)**

Note:

(1) For effective comparison, the Sunrise Energy Metals historical income statement has restated the results for the Year Ended 30 June 2019 as if AASB16 had been adopted effective 1 July 2018. The impact of this adjustment is that in the applicable period, expenses are reduced by $408,000, depreciation and amortisation expense is increased by $370,000 and interest and finance charges is increased by $38,000. The Company first adopted AASB16 Leases effective 1 July 2019. AASB16 requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the income statement will reflect 'lease expense' as depreciation relating to the right of use asset and interest relating to the lease liability rather than rental expense being shown as an operating expense.

7.4 Management commentary on historical results

The Sunrise Project is at the development phase. Development activities continue to be focused on project engineering and design as well as ongoing work toward securing financing and offtake agreements required prior to a final investment decision. The continuing development of the Sunrise Project resulted in $41,880,000 of expenditure and $54,339,000 of expenditure being capitalised as an exploration and evaluation asset during the 2020 and 2019 financial years respectively.

An impairment expense totalling $179,221,000 was recognised during the 2020 financial year in relation to the Metals cash generating unit comprised primarily of the Sunrise Nickel-Cobalt-Scandium Project which materially impacted the Sunrise Energy Metals' loss after tax for the year ended 30 June 2020. $153,343,000 of this charge related to capitalised exploration and evaluation assets. The remainder pertained, amongst other things, to mining equipment, land, and mineral rights.

7.5 Sunrise Energy Metals pro forma historical income statements

Set out below are the Sunrise Energy Metals pro forma historical income statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020.

A$'000	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Restated Year Ended 30 June 2019[1]	Year Ended 30 June 2020
Revenue	(402)	27	279	45
Expenses	(6,368)	(8,344)	(16,008)	(10,573)
Impairment expense	–	–	–	(179,221)
EBITDA	(6,770)	(8,317)	(15,729)	(189,749)
Depreciation and amortisation expense	(438)	(376)	(662)	(866)
EBIT	(7,208)	(8,693)	(16,391)	(190,615)
Net interest and finance charges	619	69	2,964	900
Loss before income tax	(6,589)	(8,624)	(13,427)	(189,715)
Income tax expense	–	–	–	–
Loss after income tax attributable to owners of the company	**(6,589)**	**(8,624)**	**(13,427)**	**(189,715)**

Note:

(1) For effective comparison, the Sunrise Energy Metals pro forma historical income statement has restated the results for the year ended 30 June 2019 as if AASB16 had been adopted effective 1 July 2018. The impact of this adjustment is that in the applicable period, expenses are reduced by $246,000, Depreciation and amortisation expense is increased by $222,000 and Interest and finance charges is increased by $24,000. The Company first adopted AASB16 Leases effective 1 July 2019. AASB16 requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the income statement will reflect 'lease expense' as depreciation relating to the right of use asset and interest relating to the lease liability rather than rental expense being shown as an operating expense.

7.6 Reconciliation of Sunrise Energy Metals historical income statements to Sunrise Energy Metals pro forma historical income statements

Reconciliations of the Sunrise Energy Metals historical income statements to the Sunrise Energy Metals pro forma historical income statements for the years ended 30 June 2019 and 30 June 2020, and half years ended 31 December 2019 and 31 December 2020 are shown in the following tables.

Reconciliation of Sunrise Energy Metals historical loss after tax to Sunrise Energy Metals pro forma historical loss after tax

A$'000	Note	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Year Ended 30 June 2019	Year Ended 30 June 2020
Historical loss after tax	2	(10,280)	(10,131)	(18,013)	(197,676)
Pro forma decrease in water revenues	3	(822)	(1,476)	(4,207)	(721)
Pro forma decrease in expenses	4	4,292	2,607	8,243	8,139
Pro forma decease in depreciation and amortisation expense	4	218	374	537	538
Pro forma decease in interest and finance charges		3	2	13	5
Loss for the period attributable to owners		**(6,589)**	**(8,624)**	**(13,427)**	**(189,715)**

Notes:

(2) Represents the reported consolidated result of Sunrise Energy Metals prior to the Demerger.

(3) Represents the revenues of the Water Business which will be part of Clean TeQ Water upon the Demerger.

(4) Represents the operating expenses (excluding the $1.8 million of annualised pro forma operating costs) and depreciation and amortisation of the technology division, NematiQ and the China operations which will all be part of Clean TeQ Water upon the Demerger.

7.7 Sunrise Energy Metals historical balance sheet and Sunrise Energy Metals pro forma historical balance sheet as at 31 December 2020

(a) Preparation of the Sunrise Energy Metals pro forma historical balance sheet

The Sunrise Energy Metals pro forma historical balance sheet as at 31 December 2020 set out below is provided for illustrative purposes only and is prepared on the assumption that the Demerger was implemented at 31 December 2020. If approved, the Demerger is expected to be implemented in July 2021. The Sunrise Energy Metals Group comprises Sunrise Energy Metals and each of its subsidiaries. The Sunrise Energy Metals pro forma historical balance sheet does not illustrate the financial position that may be contained in future financial statements of Sunrise Energy Metals following the Demerger.

In preparing the Sunrise Energy Metals pro forma historical balance sheet, no adjustments have been made for potential changes in cost or operating structure resulting from the Demerger or to reflect the trading of Sunrise Energy Metals or Clean TeQ Water since 31 December 2020 or the fair value movements of financial assets post 31 December 2020, however adjustments have been made for capital restructures that will take place as a result of the Demerger.

Sunrise Energy Metals historical and Sunrise Energy Metals pro forma historical balance sheet

A$'000	Half Year Ended 31 December 2020	De-consolidation of Clean TeQ Water	Intercompany Settlement and Cash Drawdown	Demerger transaction costs[1]	Post Demerger pro forma historical as at 31 December 2020
Current Assets					
Cash and cash equivalents	44,030	(822)	(15,000)	(1,700)	26,508
Trade and other receivables	2,984	(2,041)	–	–	943
Research and development incentive receivable	1,319	(334)	–	–	985
Other financial assets	235	–	–	–	235
Total current assets	**48,568**	**(3,197)**	**(15,000)**	**(1,700)**	**28,671**
Non-current assets					
Other financial assets	146	–	–	–	146
Investment in equity accounted investee	310	(310)	–	–	–
Lease assets	552	(145)	–	–	407
Property, plant and equipment	858	(557)	–	–	301
Intangibles	3,336	(3,336)	–	–	–
Total non-current assets	**5,202**	**(4,348)**	**–**	**–**	**854**
Total assets	**53,770**	**(7,545)**	**(15,000)**	**(1,700)**	**29,525**
Current liabilities					
Trade and other payables	2,255	(1,120)	–	–	1,135
Employee benefits	526	(252)	–	–	274
Provisions	667	(667)	–	–	–
Deferred revenue	23	–	–	–	23
Lease liabilities	360	(126)	–		234
Total current liabilities	**3,831**	**(2,165)**	**–**	**–**	**1,666**
Non-current liabilities					
Deferred revenue	402	–	–	–	402
Employee benefits	122	(116)	–	–	6
Provisions	210	(59)	–	–	151
Lease liabilities	183	(48)	–	–	135
Intercompany Liabilities	–	(16,880)	16,880	–	–
Shareholder loans	340	(340)	–	–	–
Total non-current liabilities	**1,257**	**(17,443)**	**16,880**	**–**	**694**
Total liabilities	**5,088**	**(19,609)**	**16,880**	**–**	**2,360**
Net assets	**48,682**	**12,063**	**(31,880)**	**(1,700)**	**27,165**
Equity					
Issued capital[2]	305,593	(30,163)	–	–	275,430
Reserves	17,608	–	–	–	17,608
Accumulated losses[2]	(274,141)	41,848	(31,880)	(1,700)	(265,873)
Non-controlling interest	(378)	378	–	–	–
Total Equity	**48,682**	**12,063**	**(31,880)**	**(1,700)**	**27,165**

Notes:

(1) Represents one-off transaction costs which are detailed in Section 7.12.

(2) The Demerger will be accounted for in equity. For further details relating to the Demerger accounting see section 7.8.

(b) Pro forma adjustments

The pro forma adjustments are as follows:

- **Estimated transaction costs.** Total estimated transaction costs for the Demerger amount to approximately $1.7 million, the majority of which are expected to have been incurred by Sunrise Energy Metals prior to the General Meeting. All of the one-off costs will be incurred by Sunrise Energy Metals.
- **Clean TeQ Water Demerger.** In accordance with the Notice of General Meeting, accounting entries arising from the Demerger and associated Capital Reduction will be implemented prior to the Implementation Date. The Capital Reduction and Demerger distribution will be recognised as part of the implementation of the Demerger. The principal assets to be distributed in accordance with the Notice of General Meeting include cash of $15 million and the assets (including technology and IP) and liabilities associated with the water technology business. The pro forma adjustment for the Demerger is based on the Clean TeQ Water pro forma balance sheet as at 31 December 2020 as set out in Section 5.6. The actual measurement of the distribution payable will be based on the fair value as at the Implementation Date. The fair value of the assets of Clean TeQ Water will be determined by reference to the VWAP of Clean TeQ Water Shares as traded on the ASX (on an ordinary settlement basis) over the first five trading days after the ASX Listing. In order not to prejudice Sunrise Energy Metals' core Metal Business, Sunrise Energy Metals has provided cash to Clean TeQ Water of $15 million on 1 May 2021 to provide funding for Clean TeQ Water's ongoing operations.
- **Intercompany Loans.** In accordance with the Separation Deed, summarised in Section 8.9.3, all intercompany loans between Sunrise Energy Metals and Clean TeQ Water will be capitalised and/or forgiven prior to implementation of the Demerger. As this restructure occurs prior to implementation of the Demerger, these intercompany transactions eliminate on Sunrise Energy Metals group consolidation and are therefore not shown in the above table.

7.8 Demerger accounting

Accounting for Demerger transactions is addressed in the AASB Interpretation 17 '*Distributions of Non-cash Assets to Owners*'. That interpretation requires that any obligations for distributions made by a company to its shareholders should be recognised once declared and, where required, approved by the shareholders, and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and that all liabilities for the distribution payable must be measured in accordance with AASB 137 at the fair value of the assets to be distributed.

On the Record Date, Sunrise Energy Metals will recognise a distribution payable based on the fair value of Clean TeQ Water Shares. At that time, the difference between the historic cost of the net assets distributed and the estimated fair value of the distribution payable will be recognised in Sunrise Energy Metals' income statement. The fair value of the assets of Clean TeQ Water will be determined by reference to the VWAP of Clean TeQ Water Shares as traded on the ASX (on an ordinary settlement basis) over the first five trading days after the ASX Listing. This liability will be settled through the transfer of the Clean TeQ Water Shares. For the purposes of preparing the pro forma financial information, it has been assumed the fair value is equal to book value in Sunrise Energy Metals' financial statements.

The distribution payable will be charged to equity. The value of the Capital Reduction will be determined by reference to the tax allocation which is expected to be supported by a draft ATO class ruling which is expected to be received prior to the Demerger implementation date. Preliminary advice from the ATO has indicated that the value of the Capital Reduction (the debit to Sunrise Energy Metals' share capital account) of the 'demerger allocation' as defined in subsection 6(1) of the ITAA 1936 will be equal to the share capital of Sunrise Energy Metals immediately before the demerger multiplied by the outcome of dividing the pro forma net assets of Clean TeQ Water as at 31 December 2020 by the market capitalisation of Sunrise Energy Metals (including the assets of Clean TeQ Water) immediately prior to the demerger. 'Immediately prior to the Demerger' means the weighted average across the five ASX trading days prior to the Demerger Booklet being submitted for approval to the Sunrise Energy Metals board of directors. Although the final Demerger accounting values will only be determined in the future, as at 6 May 2021, based on a market capitalisation of Sunrise Energy Metals of $214 million, pro forma net assets of Clean TeQ Water of $19.8 million and Sunrise Energy Metals share capital of $326.5 million (including amounts raised through the subsequent event capital raise disclosed in 7.14), the value of the Capital Reduction is approximately $30.2 million.

7.9 Sunrise Energy Metals historical cash flows statements

Set out below are Sunrise Energy Metals' historical cash flow statements for the years ended 30 June 2019 and 30 June 2020 and half years ended 31 December 2019 and 31 December 2020.

Sunrise Energy Metals historical cash flow statements

A$'000	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Year Ended 30 June 2019	Year Ended 30 June 2020
Loss after income tax expense for the year	(10,280)	(10,131)	(18,013)	(197,676)
Adjustments for:				
Depreciation and amortisation	656	750	1,199	1,404
Impairment expense	–	–	–	179,221
Share-based payments	1,344	773	2,989	2,354
Write off of bad debts	38	–	–	38
Write off of debtor accounts	–	–	–	971
Inventory write downs	96	–	–	96
Non-cash finance costs	29	34	(5)	54
Share of (profit)/loss – joint venture	–	–	(35)	–
Change in operating assets and liabilities				
Decrease/(increase) in trade and other receivables	843	(1,551)	540	1,995
Decrease/(increase) in other financial assets	–	–	82	–
Decrease/(increase) in R&D contra asset	4,907	–	14,491	21,412
Decrease/(increase) in accrued revenue	9,211	–	(14,800)	(135)
Increase/(decrease) in deferred revenue	–	(944)	–	920
Increase/(decrease) in shareholder loans	–	–	–	203
Increase/(decrease) in provisions	–	2	–	5
Increase/(decrease) in trade and other payables	(2,672)	(511)	(1,541)	(7,172)
Increase/(decrease) in employee benefits	(481)	–	392	(237)
Net cash used in operating activities	**3,691**	**(11,578)**	**(14,701)**	**3,453**

Note, in addition to the operating cash-flows shown above, Sunrise Energy Metals has also spent approximately $180 million of capital expenditure (net of ATO research and development incentive cash rebates) since 2015 on the Sunrise Project. This expenditure was capitalised on balance sheet, however, it was recently impaired in the year ended 30 June 2020. Refer to Section 7.4 for further information.

7.10 Sunrise Energy Metals pro forma historical cash flow statements

Set out below are the Sunrise Energy Metals pro forma historical cash flow statements (represented as net cash flows used in operating activities) for the years ended 30 June 2019 and 30 June 2020 and half years ended 31 December 2019 and 31 December 2020.

Sunrise Energy Metals pro forma historical cash flow statements (represented as net cash flows used in operating activities)

A$'000	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Year Ended 30 June 2019	Year Ended 30 June 2020
Loss after income tax expense for the year	(6,589)	(8,624)	(13,427)	(189,715)
Adjustments for:				
Depreciation and amortisation	438	376	662	866
Impairment expense	–	–	–	179,221
Share-based payments	1,344	773	2,989	2,354
Write off of bad debts	38	–	–	38
Write off of debtor accounts	–	–	–	971
Inventory write downs	96	–	–	96
Non-cash finance costs	26	32	(18)	49
Share of (profit)/loss – joint venture	–	–	(35)	–
Change in operating assets and liabilities				
Decrease/(increase) in trade and other receivables	1,271	(1,319)	1,952	1,393
Decrease/(increase) in other financial assets	–	–	82	–
Decrease/(increase) in R&D contra asset	4,907	–	14,491	21,412
Decrease/(increase) in accrued revenue	9,211	–	(14,800)	(135)
Increase/(decrease) in deferred revenue	–	(24)	–	920
Increase/(decrease) in shareholder loans	(76)	–	–	203
Increase/(decrease) in provisions	–	2	(667)	5
Increase/(decrease) in trade and other payables	(2,601)	(500)	(2,041)	(7,284)
Increase/(decrease) in employee benefits	(481)	–	392	(237)
Net cash used in operating activities	**7,584**	**(9,284)**	**(10,420)**	**10,157**

7.11 Reconciliation of Sunrise Energy Metals historical operating cash flows to Sunrise Energy Metals pro forma historical operating cash flows

Reconciliations of the Sunrise Energy Metals historical operating cash flows to the Sunrise Energy Metals pro forma historical operating cash flows for the years ended 30 June 2019 and 30 June 2020 and half years ended 31 December 2019 and 31 December 2020 are shown in the following tables.

Reconciliation of Sunrise Energy Metals historical operating cash flows to Sunrise Energy Metals pro forma historical operating cash flows

A$'000	Note	Half Year Ended 31 December 2019	Half Year Ended 31 December 2020	Year Ended 30 June 2019	Year Ended 30 June 2020
Historical operating cash flows		3,691	(11,578)	(14,701)	3,453
Clean TeQ Water historical operating cash flows	1	4,806	3,207	6,107	8,530
Pro forma historical operating cash flows		**8,497**	**(8,371)**	**(8,594)**	**11,983**

Note:

(1) Represents the Clean TeQ Water historical operating cash flows after capital expenditure, before financing costs and tax prior to the Demerger occurring, as derived from the financial information directly related to Clean TeQ Water from the accounting records of Sunrise Energy Metals.

7.12 Costs of the Demerger

(a) One-off transaction costs of the Demerger

The total one-off transaction costs of the Demerger are estimated to be $1.7 million, the majority of which are expected to have been incurred by Sunrise Energy Metals prior to the General Meeting. All of the one-off costs will be incurred by Sunrise Energy Metals.

One-off transaction costs relate to a range of activities associated with the Demerger, including advisory fees and restructuring costs associated with separating Sunrise Energy Metals and Clean TeQ Water. These costs are estimated at $1.7 million and comprise financial advisory costs of Grant Samuel Corporate Finance Pty Limited, Investigating Accountant (KPMG FAS, legal (Baker McKenzie), independent expert (Lonergan Edwards & Associates Limited), tax advisor (KPMG) and other costs associated with the listing. These costs are estimates, and the actual costs incurred may differ from these estimated costs, and the difference may be significant.

Clean TeQ Water is not expected to incur any separation costs as both of the businesses are already separate and operating as independent entities.

(b) Additional corporate and operating costs

Following the Demerger, Clean TeQ Water will incur additional corporate and operating costs as a result of Clean TeQ Water operating as a separate ASX listed company. These are described in more detail in Section 5.12.

7.13 Critical accounting judgements, estimates and assumptions

The preparation of the financial information requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management also needs to exercise judgement in applying the group's accounting policies. 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 within the next financial year are discussed below.

- **Depreciation of property, plant and equipment.** Non-current assets include property, plant and equipment. The Sunrise Energy Metals Group reviews the useful lives of depreciable asset at each reporting date or when there is a change in the pattern in which the asset's future economic benefits are expected to be consumed, based on the expected utilisation of the assets. Depreciation and amortisation are calculated using the units of production method based on metal produced.
- **Share-based payments.** The Sunrise Energy Metals Group 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 expenses and equity.
- **Intangible assets.** The recoverable value of patents and trademarks acquired is based on the cost of registering the patents and trademarks, less any diminution in value through amortisation and impairment. The recoverable value of development intangible assets is based on discounted cash flows expected to be derived from the use or eventual sale of the assets.
- **Exploration & Evaluation.** Assets Exploration and evaluation expenditure is capitalised for an area of interest for which it is considered likely to be recoverable from future exploitation or sale. The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the profit or loss.
- **Estimation of reserves.** Reserves are estimates of the amount of product that can be economically and legally extracted from the properties owned by the consolidated group. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity, and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

7.14 Material changes in financial position since most recent balance date

The most recent published financial statements of Sunrise Energy Metals are provided in the financial report for the half year ended 31 December 2020, which was released to the ASX on 25 February 2021.

Sunrise Energy Metals successfully completed a Share Purchase Plan (**SPP**) with subscriptions received from eligible shareholders totalling 51.7 million shares at an issue price of $0.25 per share to raise proceeds of A$12.9 million. The new SPP shares were issued and an application for quotation on ASX lodged on 19 January 2021.

Sunrise Energy Metals also settled the private placements which were approved by shareholders at the general meeting on 8 January 2021. The two placements of 12 million shares at an issue price of $0.25 per share to raise proceeds of $3 million each were made to Co-Chairman and Non-Executive Director Mr Robert Friedland and Pengxin International Group Limited, an entity associated with Mr Jiang Zhaobai, Co-Chairman and Non-Executive Director.

The SPP, the placements to the Co-Chairmen and the placement to institutional and sophisticated investors announced on 25 November 2020 and 2 December 2020 represent a total equity raising of approximately A$35 million.

In May 2021 Clean TeQ Water acquired Ionic Industries' remaining 16.8% interest in NematiQ for approximately $2 million worth of shares in Sunrise Energy Metals. As such, NematiQ is now a wholly owned subsidiary of Clean TeQ Water and in future periods there will no longer be a non-controlling interest in the Sunrise Energy Metals financial statements.

No other matter or circumstance has arisen since 31 December 2020 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.

7.15 Contingencies and capital commitments

The Sunrise Energy Metals Group 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. This royalty was part of the consideration paid for the acquisition of the Sunrise Project from Ivanhoe Mines on 31 March 2015.

Sunrise Energy Metals has no capital commitments as at 31 December 2020. All leases are recorded as finance leases on balance sheet, for more detail refer to Section 7.2.

08 Details of the Demerger

8.1 Background

As explained elsewhere in this Demerger Booklet, Sunrise Energy Metals is an Australian based company with a Water Business and a Metals Business. The Demerger and listing of Clean TeQ Water on the ASX will allow Clean TeQ Water to focus on the Water Business and for Sunrise Energy Metals to focus on the Metals Business. The Demerger will result in:

- each business unit being able to be valued separately and appropriately as opposed to the value of Sunrise Energy Metals as a whole;
- transparency for investors (as water and battery materials have different risk profiles, different funding requirements and are in different geographical locations);
- more efficient and focused operating and capital structures for each business unit;
- equity and debt financing able to be developed for each business unit without any impact from the other business unit; and
- investors being able to match their equity exposure to the corresponding businesses.

8.2 Implementation of the Demerger

In summary, subject to the satisfaction or waiver of all relevant conditions for implementation of the Demerger (see Section 8.7 below), the Demerger will be effected by means of an in specie distribution of Clean TeQ Water Shares by Sunrise Energy Metals to Sunrise Energy Metals Shareholders, as follows:

- an in specie distribution of Clean TeQ Water Shares by Sunrise Energy Metals to Eligible Shareholders; and
- the Clean TeQ Water Shares that would have otherwise been distributed to Ineligible Foreign Shareholders and Selling Shareholders being transferred to the Sale Agent. The Sale Agent will sell these Clean TeQ Water Shares on the ASX and the net proceeds of sale are to be paid to the Ineligible Foreign Shareholders and Selling Shareholders in accordance with their respective entitlements.

The means by which this in specie distribution is to be achieved is through the Capital Reduction. The Capital Reduction will be satisfied by the distribution and transfer of Clean TeQ Water Shares to the Eligible Shareholders and, in the case of Ineligible Foreign Shareholders and Selling Shareholders, to the Sale Agent in accordance with the Demerger. As a consequence of this, Sunrise Energy Metals Shareholders will not be required to pay cash for Clean TeQ Water Shares they receive under the Demerger.

Clean TeQ Water Shares will be distributed on the basis of one Clean TeQ Water Share for every two Sunrise Energy Metals Shares held by a Sunrise Energy Metals Shareholder as at the Record Date. Fractional entitlements will be rounded down to the nearest whole number of shares.

Clean TeQ Water will apply for admission to quotation of its ordinary shares to trade on the ASX.

8.3 Demerger Resolution

The Demerger will involve Sunrise Energy Metals reducing its issued share capital. Under Sunrise Energy Metals' constitution, Sunrise Energy Metals may, subject to the Corporations Act and the ASX Listing Rules, reduce its share capital in any manner. Under section 256B(1) of the Corporations Act, a company may reduce its share capital if the reduction: (i) is fair and reasonable to the company's shareholders as a whole; (ii) does not materially prejudice the company's ability to pay its creditors; and (iii) is approved by shareholders under section 256C of the Corporations Act. Under section 256C(1), a reduction that is an "equal reduction" must be approved by a resolution passed at a general meeting. A reduction is an equal reduction if it relates to ordinary shares only and applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold, and the terms of the reduction are the same for each holder of ordinary shares.

Sunrise Energy Metals considers that the reduction involved in the Demerger will be an equal reduction as it will relate to Sunrise Energy Metals' ordinary shares only and apply to each holder of Sunrise Energy Metals' ordinary shares in proportion to the number of ordinary shares they hold, and the terms of the reduction are proposed to be the same for each holder of Sunrise Energy Metals' ordinary shares. Therefore, it is necessary for the Demerger to be approved by Sunrise Energy Metals Shareholders by ordinary resolution in accordance with sections 256B(1) and 256C(1) before it can proceed.

8.4 Creditors

In the opinion of the Directors, the Demerger will not, if implemented, materially prejudice Sunrise Energy Metals' ability to pay its creditors.

8.5 Eligible Shareholders

Sunrise Energy Metals Shareholders (other than Selling Shareholders and Ineligible Foreign Shareholders) whose names are shown in the Sunrise Energy Metals Share Register on the Record Date will be Eligible Shareholders and will be entitled to have Clean TeQ Water Shares distributed to them.

8.6 Sale Facility

8.6.1 Small Shareholders

Eligible Shareholders who hold less than 5,000 Sunrise Energy Metals Shares at the Sale Facility Record Date may elect to have all the Clean TeQ Water Shares that they would otherwise receive sold by the Sale Agent and the proceeds remitted to them as soon as practicable following the sale of those shares, free of any brokerage costs or stamp duty. There is no minimum number of Sunrise Energy Metals Shares which are needed to qualify.

Small Shareholders who wish to participate in the Sale Facility should complete and return the Sale Facility Form by following the instructions set out on it so that it is received by the Sunrise Energy Metals Share Registry by 22 June 2021. Small Shareholders need to remain as Small Shareholders on that date in order to qualify to participate in the Sale Facility.

If you hold one or more parcels of Sunrise Energy Metals Shares as a trustee or nominee for, or otherwise on account of, another person, you may make separate elections in relation to each of those parcels of shares, and an election made in respect of one such parcel shall not be taken to extend to the other parcels. In order to make separate elections, the trustee or nominee must establish separate and distinct holdings on the Sunrise Energy Metals Share Register in respect of each parcel of shares and must make an election in respect of each parcel of shares, by 5pm on 22 June 2021. Assuming all Small Shareholders utilise the Sale Facility, the number of shares sold via the Sale Agent may represent up to 8% of the total Clean TeQ Water Shares on issue.

There is no requirement to participate in the Sale Facility, and Small Shareholders may instead decide to not elect to so participate. In that case, Small Shareholders will retain their entitlement to Clean TeQ Water Shares the same as any other person.

8.6.2 Ineligible Foreign Shareholders

Ineligible Foreign Shareholders will continue to be entitled to hold their Sunrise Energy Metals Shares. However, the Clean TeQ Water Shares which they would otherwise have received will be transferred to the Sale Agent and sold, with the proceeds remitted to them as soon as practicable following the sale of those shares, free of any brokerage costs or stamp duty.

The payment of the proceeds from the sale of Clean TeQ Water Shares will be in full satisfaction of the rights of Ineligible Foreign Shareholders under the Capital Reduction.

It is not presently expected that there will be any Ineligible Foreign Shareholders. See Section 11.7 for details.

8.6.3 Operation of the Sale Facility

Selling Shareholders and Ineligible Foreign Shareholders will not have Clean TeQ Water Shares issued to them. Instead, under the Sale Facility, the Sale Agent will sell the relevant Clean TeQ Water Shares in the ordinary course of trading on ASX during the sale period (which is expected to end on 30 July 2021) at the price the Sale Agent determines.

As the market price of Clean TeQ Water Shares will be subject to change from time to time, the sale price of those Clean TeQ Water Shares and the proceeds of that sale cannot be guaranteed. Ineligible Foreign Shareholders and Selling Shareholders will be able to obtain up to date information on the market price of Clean TeQ Water Shares on the ASX's website at www.asx.com.au.

The proceeds received by the Sale Agent will then, as soon as practicable, be distributed to Ineligible Foreign Shareholders and Selling Shareholders by making a deposit into an account with an Australian bank nominated by the Ineligible Foreign Shareholder or Selling Shareholder with the Sunrise Energy Metals Share Registry as at the Record Date. Ineligible Foreign Shareholders and Selling Shareholders who reside outside of Australia may elect to receive the proceeds electronically in their local currency using the share registry's Global Wire Payment Service. For a list of currencies offered and how to subscribe to the service, shareholders should contact Sunrise Energy Metals' Share Registry. Alternatively, Ineligible Foreign Shareholders and Selling Shareholders may update their bank account details or Global Wire Payment instructions, by visiting www.computershare.com.au/easyupdate/SRL and following the prompts. If the Ineligible Foreign Shareholder or Selling Shareholder does not have a nominated Australian bank account or Global Wire Payment instructions with the Sunrise Energy Metals Share Registry as at the Record Date, the Ineligible Foreign Shareholder or Selling Shareholder will be sent a cheque to the postal address registered for the shareholding, drawn on an Australian bank in Australian currency for the proceeds of sale. If the relevant Ineligible Foreign Shareholder's or Selling Shareholder's whereabouts are unknown as at the Record Date, the proceeds will be paid into a separate bank account and held until claimed or applied under laws dealing with unclaimed money.

Generally, Sunrise Energy Metals will pay for the costs of operating the Sale Facility and the costs of sale.

The amount of money received by each Ineligible Foreign Shareholder and Selling Shareholder will be calculated on an averaged basis so that all Ineligible Foreign Shareholders and Selling Shareholders will receive the same price in Australian dollars per Clean TeQ Water Share, subject to rounding to the nearest whole cent per holding. Consequently, the amount received by Ineligible Foreign Shareholders and Selling Shareholders for each Clean TeQ Water Share may be more or less than the actual price that is received by the Sale Agent for that particular Clean TeQ Water Share.

8.7 Conditions

Implementation of the Demerger is subject to a number of conditions as follows:

- the requisite majority of the Sunrise Energy Metals Shareholders passing the Demerger Resolution;
- all regulatory approvals required for the Demerger are obtained (either unconditionally or on conditions reasonably satisfactory to Sunrise Energy Metals and Clean TeQ Water); and
- ASX approving the admission of Clean TeQ Water to the official list of ASX and granting permission for official quotation of Clean TeQ Water Shares on ASX on conditions customary for a matter of this nature.

If Sunrise Energy Metals Shareholders do not approve the Capital Reduction or any of the other conditions of the Demerger are not satisfied or waived, the Demerger will not proceed.

8.8 ASX Trading in Sunrise Energy Metals Shares and Clean TeQ Water Shares

If the Demerger Resolution is passed by Sunrise Energy Metals Shareholders and the other conditions to the Demerger are satisfied then:

- on the Business Day prior to the Record Date (expected to be 24 June 2021) Sunrise Energy Metals Shares are expected to commence trading ex the entitlement to receive Clean TeQ Water Shares; and
- on the Implementation Date, the Demerger will be implemented and Clean TeQ Water Shares will be transferred as described in Section 8.2.

8.9 Demerger Transaction Documents

The key transaction documents to give effect to the Demerger are summarised below.

8.9.1 Clean TeQ Water Share Sale and Loan Agreement

The Clean TeQ Water Share Sale and Loan Agreement entered into between Sunrise Energy Metals, a Sunrise Energy Metals Group Member and Clean TeQ Water deals with certain restructure steps in preparation for the Demerger with effect from 30 April 2021.

A summary of the key terms of the agreement is as follows:

- Sunrise Energy Metals and the Sunrise Energy Metals Group Member sell to Clean TeQ Water the ordinary shares they hold (being 100% of the issued capital) in the relevant companies that carry on the Water Business such that they become Clean TeQ Water Group Members at completion, for nominal consideration;
- Sunrise Energy Metals transfers to Clean TeQ Water $15 million cash as an intercompany loan (to provide Clean TeQ Water with the capital base referred to elsewhere in the Demerger Booklet) which shall then, along with all other intercompany loan balances between Sunrise Energy Metals Group Members and Clean TeQ Water Group Members, be forgiven;
- Each of Sunrise Energy Metals and the Sunrise Energy Metals Group Member provide a limited set of warranties primarily in relation to title and capacity; and
- Each of Sunrise Energy Metals and the Sunrise Energy Metals Group Member's total aggregate liability for any claim arising from a breach of their warranties is limited to 100% of the portion of the purchase price they receive.

8.9.2 Demerger Implementation Deed

The Demerger Implementation Deed entered into between Sunrise Energy Metals and Clean TeQ Water sets out certain steps required to be taken by each of them to implement and give effect to the Demerger.

A summary of the key terms of the deed is as follows:

- (**Conditions**) The obligations of Sunrise Energy Metals and Clean TeQ Water under the deed are subject to the conditions set out in Section 8.7 being satisfied or waived by Sunrise Energy Metals or Clean TeQ Water.
- (**Joint obligations**) Sunrise Energy Metals and Clean TeQ Water have certain joint obligations in relation to the Demerger including to:
  - apply for all regulatory approvals required for the Demerger;
  - prepare this Demerger Booklet, and use reasonable endeavours to ensure that those documents comply with applicable laws and regulations; and
  - use reasonable endeavours to effect the Demerger in accordance with an agreed timetable.
- (**Sunrise Energy Metals obligations**) Sunrise Energy Metals must take all reasonable steps within its control to implement the Demerger, including:
  - convening the General Meeting; and
  - procuring the sale of Clean TeQ Water Shares by the Sale Agent for Ineligible Foreign Shareholders and Selling Shareholders.
- (**Clean TeQ Water obligations**) Clean TeQ Water must take all reasonable steps within its control to implement the Demerger, including:
  - registering as shareholders the Clean TeQ Water Shareholders; and
  - procuring the issue of holding statements to Clean TeQ Water Shareholders.
- (**Listing of Clean TeQ Water**) Clean TeQ Water must apply for and proceed with admission of Clean TeQ Water to the official list of ASX and official quotation of Clean TeQ Water Shares on the ASX, and Sunrise Energy Metals must provide reasonable assistance to enable Clean TeQ Water to comply with these obligations.

- (**Demerger Booklet responsibility**) Sunrise Energy Metals accepts responsibility for the content of, and indemnifies Clean TeQ Water from liability in relation to, disclosure in the Demerger Booklet other than information with respect to Clean TeQ Water. Clean TeQ Water accepts responsibility for the content of, and indemnifies Sunrise Energy Metals from liability in relation to, disclosure in the Demerger Booklet with respect to Clean TeQ Water.
- (**Demerger costs**) Sunrise Energy Metals will generally pay and be responsible for the transaction costs in relation to the Demerger.
- (**Termination**) The obligations of Sunrise Energy Metals and Clean TeQ Water under the deed will automatically terminate if the Demerger is not implemented on or before 31 July 2021 (or such other date determined by Sunrise Energy Metals and Clean TeQ Water), a majority of the Directors change their recommendation or withdraw their support for the Demerger or a condition (see Section 8.7) is not satisfied.

8.9.3 Separation Deed

The Separation Deed entered into between Sunrise Energy Metals and Clean TeQ Water deals with certain commercial, transitional and legal issues arising in connection with the Demerger.

A summary of the key terms of the deed is as follows:

- (**Demerger Principle**) The underlying principle of the Demerger is that with effect from the Implementation Date:
  - the Clean TeQ Water Group will have the economic benefit and risk of the Water Business; and
  - the Sunrise Energy Metals Group will have the economic benefit and risk of the Metals Business.
- (**Rights and obligations**) Sunrise Energy Metals and Clean TeQ Water agree that with effect from the Implementation Date they will use all reasonable endeavours to ensure that no member of the Sunrise Energy Metals Group will have any rights against, or obligations to, any member of the Clean TeQ Water Group and no member of the Clean TeQ Water Group will have any rights against, or obligations to, any member of the Sunrise Energy Metals Group, other than in respect of certain restructure documents and certain other arrangements which the parties have agreed will continue after the implementation of the Demerger.
- (**Intercompany loans**) Sunrise Energy Metals and Clean TeQ Water agree that with effect from the Implementation Date they will use all reasonable endeavours to ensure that any intercompany loans between one or more Sunrise Energy Metals Group Members and one or more Clean TeQ Water Group Members will be forgiven such that there are no such loans in existence.
- (**Assumption of liabilities**) Sunrise Energy Metals and Clean TeQ Water agree that with effect from the Implementation Date they will use all reasonable endeavours to ensure that:
  - Sunrise Energy Metals will assume and be responsible for all liabilities (including but not limited to any parent company guarantees, indemnities or replacement of bonds and security instruments) relating to the Metals Business, and Sunrise Energy Metals indemnifies the Clean TeQ Water Group against all claims and liabilities relating to that business; and
  - Clean TeQ Water will assume and be responsible for all liabilities (including but not limited to any parent company guarantees, indemnities or replacement of bonds and security instruments) relating to the Water Business, and Clean TeQ Water indemnifies the Sunrise Energy Metals Group against all claims and liabilities relating to that business.
- (**Wrong pockets**) If after the Implementation Date any asset which relates to:
  - the Water Business is identified as being owned by the Sunrise Energy Metals Group, then Sunrise Energy Metals must transfer, assign or grant rights over that asset to the Clean TeQ Water Group for no consideration; and
  - the Metals Business is identified as being owned by the Clean TeQ Water Group, then Clean TeQ Water must transfer, assign or grant rights over that asset to the Sunrise Energy Metals Group for no consideration.
- (**Records and data**) Other than business records which are used by, or relate to, the business to be conducted by Clean TeQ Water, all business records will be owned by Sunrise Energy Metals following the Demerger. Each of Sunrise Energy Metals and Clean TeQ Water will make available relevant business records and data which relate to the other's business following the Demerger.

8.9.4 Services Agreement

The Services Agreement entered into between a Sunrise Energy Metals Group Member and a Clean TeQ Water Group Member deals with the IT, insurance, property and technical research and development services being provided between the parties with effect from 1 May 2021.

A summary of the key terms of the agreement is as follows:

- The Sunrise Energy Metals Group Member must provide (or procure the Sunrise Energy Metals Group or a third party to provide) specified insurance services for no cost until 30 April 2022 and certain IT and other general services relating to the Water Business to the Clean TeQ Water Group for agreed service fees until 30 June 2023 (or earlier termination of the agreement by Clean TeQ Water).

- The Clean TeQ Water Group Member must provide (or procure the Clean TeQ Water Group or a third party to provide) certain technical research and development services and other general services to the Sunrise Energy Metals Group relating to the Metals Business for agreed service fees until 30 June 2023 (or earlier termination of the agreement). New intellectual property rights developed pursuant to such services paid for by the Sunrise Energy Metals Group Member are to be owned by the Sunrise Energy Metals Group Member.
- The Sunrise Energy Metals Group Member must use reasonable endeavours to novate certain Water Business leases to the Clean TeQ Water Group Member (or if it is unable to obtain the necessary consents to do so, grant a property licence to the Clean TeQ Water Group Member).
- Each party is to provide the other with details of all third party consents required to provide the services under the agreement.
- Subject to certain exceptions, each party's cumulative liability to the other party in relation to all claims made by the other party, will not exceed in the aggregate the service fees paid by the other party.
- Each party may terminate the agreement following a force majeure event or for failure to pay service fees for specified time periods. Additionally, each party may terminate an individual service it receives under the agreement on providing written notice.

8.9.5 Intellectual Property Transfer Deed

The Intellectual Property Transfer Deed entered into between Sunrise Energy Metals, a Sunrise Energy Metals Group Member and a Clean TeQ Water Group Member deals with the transfer of intellectual property from the Sunrise Energy Metals Group to the Clean TeQ Water Group with effect from 1 May 2021.

A summary of the key terms of the deed is as follows:

- Sunrise Energy Metals and the Sunrise Energy Metals Group Member assign to the Clean TeQ Water Group Member all intellectual property rights owned by them (except for certain specified intellectual property rights relating to the Sunrise Project including a "U-shaped reactor" intellectual property, scandium intellectual property, continuous ion exchange technology in the field of recovery of nickel, cobalt, scandium and associated elements, production and manufacture of precursor cathode active material, cathode active material and battery cathode and processing and recovery of nickel, cobalt and scandium from recycled materials) for a nil price. This essentially comprises all of the intellectual property associated with the Water Business.
- The assignment includes the right to take action and obtain relief in relation to infringements occurring on or before the date of the deed.
- The assets are provided "as is", and Sunrise Energy Metals and the Sunrise Energy Metals Group Member make no warranties and representations in respect of the assets or the suitability of the assets for any particular application.

8.9.6 Water IP Licence Deed

As noted in Section 8.9.5, Sunrise Energy Metals and a Sunrise Energy Metals Group Member retain certain specified intellectual property rights. The Water IP Licence Deed entered into between a Sunrise Energy Metals Group Member and a Clean TeQ Water Group Member deals with the licence of those intellectual property from the Sunrise Energy Metals Group Member to the Clean TeQ Water Group Member with effect from 1 May 2021.

A summary of the key terms of the deed is as follows:

- The Sunrise Energy Metals Group Member grants to the Clean TeQ Water Group Member (and its related bodies corporate) a non-exclusive, royalty-free perpetual global licence to use, adapt, modify, commercialise and exploit the "U-shaped reactor" intellectual property in any field other than certain excluded fields (such as certain fields relating to the recovery of nickel, cobalt and scandium).
- The Clean TeQ Water Group Member is to use the licensed intellectual property in accordance with any written directions received from the Sunrise Energy Metals Group Member, and any conditions or restrictions imposed by third parties on the Sunrise Energy Metals Group Member's use of the intellectual property of which the Clean TeQ Water Group Member is made aware.
- The Clean TeQ Water Group Member takes the rights and licences granted by the Sunrise Energy Metals Group Member under the deed "as is" and without any warranty or representation of any kind from the Sunrise Energy Metals Group Member.
- Each party must notify and consult with the other party if it receives notice of any material actual or threatened infringement of the licensed intellectual property, and nothing in the deed restricts or limits the ability of the Sunrise Energy Metals Group Member to take steps it considers appropriate to prevent or end any threatened or alleged infringement of the licensed intellectual property.
- The Sunrise Energy Metals Group Member may terminate the deed by written notice if the Clean TeQ Water Group Member breaches any provision of the deed and does not remedy the breach within 30 days of receiving notice requiring it to do so.

8.9.7 Metals IP Licence Deed

The Metals IP Licence Deed entered into between a Clean TeQ Water Group Member and a Sunrise Energy Metals Group Member deals with the licence back of intellectual property from the Clean TeQ Water Group Member to the Sunrise Energy Metals Group Member with effect from 1 May 2021.

A summary of the key terms of the deed is as follows:

- The Clean TeQ Water Group Member grants to the Sunrise Energy Metals Group Member (and its related bodies corporate) a non-exclusive, royalty-free perpetual global licence to use, adapt, modify, commercialise and exploit the intellectual property rights that were subject to the Intellectual Property Transfer Deed solely in connection with the field of recovery, extraction or refining of metals (specifically excluding water or wastewater purification).
- The Sunrise Energy Metals Group Member is to use the licensed intellectual property in accordance with any written directions received from the Clean TeQ Water Group Member, and any conditions or restrictions imposed by third parties on the Clean TeQ Water Group Member's use of the intellectual property of which the Sunrise Energy Metals Group Member is made aware.
- The Sunrise Energy Metals Group Member takes the rights and licences granted by the Clean TeQ Water Group Member under the deed "as is" and without any warranty or representation of any kind from the Clean TeQ Water Group Member.
- Each party must notify and consult with the other party if it receives notice of any material actual or threatened infringement of the licensed intellectual property, and nothing in the deed restricts or limits the ability of the Clean TeQ Water Group Member to take steps it considers appropriate to prevent or end any threatened or alleged infringement of the licensed intellectual property.
- The Clean TeQ Water Group Member may terminate the deed by written notice if the Sunrise Energy Metals Group Member breaches any provision of the deed and does not remedy the breach within 30 days of receiving notice requiring it to do so.

8.10 Implications if the Demerger does not proceed

If Sunrise Energy Metals Shareholders do not approve the Capital Reduction or any of the other conditions of the Demerger are not satisfied or waived, the Demerger will not proceed.

In that event:

- the Capital Reduction will not proceed;
- Sunrise Energy Metals Shareholders will not receive Clean TeQ Water Shares (or in the case of Selling Shareholders and Ineligible Foreign Shareholders, they will not receive the proceeds from the sale of Clean TeQ Water Shares);
- Sunrise Energy Metals Shareholders will retain their current holding of Sunrise Energy Metals Shares (unless they otherwise sell such shares);
- Sunrise Energy Metals will continue to own Clean TeQ Water;
- the advantages of the Demerger, as described in Section 3.2, will not be realised;
- the disadvantages and risks of the Demerger described in Sections 3.3 and 3.4 will not arise; and
- Sunrise Energy Metals will incur transaction costs of approximately $1.7 million.

09 Tax implications for Sunrise Energy Metals Shareholders

9.1 Scope of commentary and disclosure

The following is a general summary of the Australian taxation consequences for Eligible Shareholders who receive, as a Demerger distribution, Clean TeQ Water Shares. The taxation commentary below is applicable to Australian residents who hold their Sunrise Energy Metals Shares on capital account.

The comments do not apply to Eligible Shareholders who:

- are not a resident for Australian income tax purposes;
- are exempt from Australian income tax;
- are under a legal disability;
- hold their Sunrise Energy Metals Shares as revenue assets or trading stock (which will generally be the case if you are a bank, insurance company or carry on a business of share trading with a view to make a profit);
- acquired their Sunrise Energy Metals Shares for the purpose of resale at a profit;
- acquired their Sunrise Energy Metals Shares prior to 20 September 1985;
- are subject to the 'TOFA provisions' in Division 230 of the ITAA 1997 in relation to gains and losses on their Sunrise Energy Metals Shares;
- hold their Sunrise Energy Metals Shares as an asset in a business of the Eligible Shareholder that is carried on through a "permanent establishment" in Australia;
- are subject to the 'Investment Manager Regime' under Subdivision 842-I of the ITAA 1997 in respect of their Sunrise Energy Metals Shares; or
- acquired their Sunrise Energy Metals Shares under any employee share scheme.

The commentary below does not constitute tax advice and is not a complete analysis of all taxation implications relevant to the proposed Demerger. Sunrise Energy Metals Shareholders should obtain independent tax advice regarding the tax implications specific to their circumstances.

Sunrise Energy Metals Shareholders who hold their Sunrise Energy Metals Shares on revenue account (for example, Sunrise Energy Metals Shareholders who are share traders and certain institutional investors), and Sunrise Energy Metals Shareholders who are not residents of Australia for income tax purposes, should seek independent taxation advice. We have not addressed the tax implications that may arise for non-resident Shareholders under the laws of other jurisdictions. Section 9.9 provides information relating to the taxation implications for Clean TeQ Water Shareholders after the Demerger.

The commentary below has been prepared based on the taxation laws, regulations, rulings and administrative guidance and judicial interpretations as at the date of this Demerger Booklet. It is important to note the ultimate interpretation of taxation law rests with the courts and that the law, and the way the revenue authorities seek to administer the law, may change over time. Accordingly, the commentary below represents considered views of existing law based upon generally accepted interpretations of that law.

This does not constitute tax advice.

9.2 ATO Class Ruling

Sunrise Energy Metals has applied to the Commissioner of Taxation (Commissioner) for a Class Ruling to provide confirmation that the proposed Demerger should qualify for CGT and dividend Demerger tax relief, together with confirmation that the Commissioner will not make a determination to deem a portion of the capital reduction to be an unfranked dividend under section 45B of the *Income Tax Assessment Act 1936* (ITAA 1936).

It is the ATO's standard practice that the Class Ruling will only be issued after the Demerger Implementation Date. This section has been prepared on the basis that the Class Ruling received from the Commissioner will be consistent with the application. The Australian income tax outcomes will be different if the final Class Ruling is contrary to the position outlined in the application – refer to Section 9.8 below for further details if the Demerger tax relief is not available.

9.3 Demerger tax relief overview

Broadly, Demerger tax relief ensures that any CGT implications arising as a consequence of the Demerger distribution may be disregarded, and that the dividend component (if any) of a Demerger distribution is not assessable in the hands of Sunrise Energy Metals Shareholders.

Sunrise Energy Metals Shareholders can choose Demerger tax relief in relation to the CGT aspects of the Demerger with such a decision being evidenced by way of how the shareholder prepares their income tax return. No formal election is required.

9.4 CGT consequences where Demerger tax relief is chosen

(a) Capital gain is disregarded

The receipt of the Capital Reduction component of the Demerger distribution will give rise to a CGT Event G1 for Sunrise Energy Metals Shareholders, occurring at the time Sunrise Energy Metals completes the Capital Reduction.

A capital gain will arise to the extent (if any) that the Capital Reduction component exceeds a shareholder's existing cost base in their Sunrise Energy Metals Shares.

Where Demerger tax relief is chosen by a shareholder, any capital gain arising from the CGT event on a Sunrise Energy Metals Shareholder's shares under the Demerger will be disregarded.

(b) CGT cost base on Sunrise Energy Metals Shares and Clean TeQ Water Shares

For the purposes of future disposal of either the Sunrise Energy Metals Shares or Clean TeQ Water Shares, Sunrise Energy Metals Shareholders will need to apportion the first element of the tax cost base of their Sunrise Energy Metals Shares between those Sunrise Energy Metals Shares and the new Clean TeQ Water Shares on a basis which takes into account the market values of the Sunrise Energy Metals Shares and the Clean TeQ Water Shares (or a reasonable approximation of these market values) just after the Demerger.

Further information in relation to the apportionment of costs bases will be provided by Sunrise Energy Metals subsequent to the Demerger being implemented.

(c) Time of acquisition of Clean TeQ Water Shares

Shareholders will be treated as having acquired the Clean TeQ Water Shares on the same date as the corresponding Sunrise Energy Metal Shares for the purposes of determining eligibility for the CGT discount in respect of any subsequent disposal of Clean TeQ Water Shares.

9.5 CGT consequences where Demerger tax relief is not chosen

(a) Capital gain is not disregarded

Any capital gain arising from the receipt of the Capital Reduction under the Demerger will not be disregarded. A capital gain will arise to the extent that the Capital Reduction exceeds the tax cost base of their Sunrise Energy Metals Shares.

Sunrise Energy Metals Shareholders may be entitled to claim the CGT discount and should seek appropriate tax advice to determine such an entitlement in their specific circumstances.

If the capital component of the Demerger distribution (the Capital Reduction) does not exceed the CGT cost base of their Sunrise Energy Metals Shares, no capital gain will arise.

Sunrise Energy Metals Shareholders can not make a capital loss as a result of the Capital Reduction under the Demerger.

(b) CGT cost base in Sunrise Energy Metals Shares and Clean TeQ Water Shares

For the purposes of future disposal of either the Sunrise Energy Metals Shares or Clean TeQ Water Shares, Sunrise Energy Metals Shareholders will need to apportion the first element of the CGT cost base in their Sunrise Energy Metals Shares between those Sunrise Energy Metals Shares and Clean TeQ Water Shares received under the Demerger, adopting the method of apportionment being that applicable for Sunrise Energy Metals Shareholders who choose to obtain Demerger roll-over relief (as discussed in Section 9.4(b)).

As noted, further information in relation to the apportionment of costs bases will be provided by Sunrise Energy Metals subsequent to the Demerger being implemented.

(c) Time of acquisition of Clean TeQ Water Shares

Shareholders will be treated as having acquired the Clean TeQ Water Shares on the same date as the corresponding Sunrise Energy Metal Shares for the purposes of determining eligibility of the CGT discount in respect of any subsequent disposal of Clean TeQ Water Shares.

9.6 Application of section 45B tax integrity measures

Section 45B of the ITAA 1936 is an integrity measure which can be applied if the Commissioner considers the Demerger not to be a genuine Demerger.

Whilst having regard to the circumstances of the Demerger, Sunrise Energy Metals does not consider the Commissioner should apply section 45B to the proposed Demerger, a class ruling has been sought to confirm the Commissioner will not make any Determination(s) pursuant to section 45B.

Should the Commissioner make a determination pursuant to section 45B in respect of the Demerger, all or part of the Capital Reduction will be treated as an unfranked dividend.

It follows these amounts will be treated as assessable income for Australian tax resident Sunrise Energy Metals Shareholders.

9.7 Taxation of Demerger distribution

The Demerger distribution will not be assessable income for Australian tax resident Sunrise Energy Metals Shareholders (subject to the commentary on section 45B of the ITAA 1936 in Section 9.8 below).

9.8 Tax consequences for Sunrise Energy Metals Shareholders if Demerger tax relief is not available

If, contrary to the position in the application, the Commissioner rules in the Class Ruling that Demerger tax relief is not available, the following broad tax consequences will arise for Sunrise Energy Metals Shareholders:

- the Demerger distribution will constitute assessable income;
- they will make a capital gain under CGT event G1 to the extent (if any) that the Capital Reduction Amount received by the Sunrise Energy Metals Shareholder exceeds the cost base of their Sunrise Energy Metals Shares. No capital loss will arise if their reduced cost base exceeds the Capital Reduction Amount;
- the first element tax cost base and reduced cost base of the Clean TeQ Water Shares they receive will be equal to the market value of Clean TeQ Water Shares on the Implementation Date; and
- the acquisition date of the Clean TeQ Water Shares will be the Implementation Date for the purposes of determining eligibility for the CGT discount.

In addition, section 45B of the ITAA 1936 is an integrity measure which can be applied if the Commissioner considers the Demerger not to be a genuine Demerger or the capital reduction/dividend components of the Demerger Distribution do not reflect the circumstances of the Demerger. Based on the application, Section 45B should not be applied to the Demerger.

Should the Commissioner, contrary to the application, make a determination pursuant to section 45B in respect of the Demerger, all or part of the Capital Reduction will be treated as an unfranked dividend (i.e. it will lose its exempt character).

9.9 Taxation implications for Clean TeQ Water Shareholders after the Demerger

(a) General

The comments in this section provide a general outline of Australian tax issues for Australian tax resident Clean TeQ Water Shareholders who hold their Clean TeQ Water Shares on capital account for Australian income tax purposes.

As above, this summary does not apply to certain Clean TeQ Water Shareholders, in particular those Clean TeQ Water Shareholders who hold Clean TeQ Water Shares on revenue account, carry on a business of trading in shares or are subject to the Taxation of Financial Arrangements provisions.

The commentary below does not constitute tax advice and is not a complete analysis of all taxation implications relevant to holding and disposing of Clean TeQ Water Shares. Clean TeQ Water Shareholders should obtain independent tax advice regarding the income tax and capital gains tax implications specific to their circumstances.

(b) Dividends

Clean TeQ Water Shareholders will be required to include dividends received on Clean TeQ Water Shares in their assessable income in the year the dividends are paid or credited.

To the extent the dividends are franked, Clean TeQ Water Shareholders should also include in their assessable income an amount equal to the franking credits attaching to the dividend.

Clean TeQ Water Shareholders (including individuals) should be entitled to a tax offset equal to the franking credits attached to the dividend so long as they are a 'qualified person' (broadly meaning they have held the Clean TeQ Water Shares 'at risk' for a period of more than 45 days within a period beginning on the day after the date on which the Clean TeQ Water Shareholder acquired the Clean TeQ Water Shares and ending on the 45th day after the day on which the Clean TeQ Water Shares became 'ex-dividend'). Individuals can also be a 'qualified person' where their total franking credit entitlement in the relevant income year is below $5,000.

In some cases, an amount of a tax offset not applied against an Clean TeQ Water Shareholder's tax liability can be refunded to that shareholder. This depends on the particular circumstances of the Clean TeQ Water Shareholder, including their entity type.

Clean TeQ Water Shareholders who are companies (not holding Clean TeQ Water Shares in their capacity as a trustee) will not be entitled to a tax refund of excess credits; rather the excess may be converted to a tax loss which can be carried forward to future years (subject to the Clean TeQ Water Shareholder satisfying certain loss carry forward rules).

Clean TeQ Water Shareholders who are partnerships, complying superannuation funds, trusts or acting in their capacity as trustee should obtain their own advice on the tax treatment of dividends received from Clean TeQ Water and any franking credits attached.

(c) Capital gains tax

Clean TeQ Water Shareholders who hold their Clean TeQ Water Shares on capital account will need to consider the Australian CGT implications arising from holding and disposing of the shares.

A capital gain will arise where the capital proceeds on disposal of Clean TeQ Water Shares exceed the cost base of the share. Broadly the cost base will comprise of the amount referred to in Section 9.5(b) (if demerger tax relief is available) or Section 9.8 (if demerger tax relief is not available) plus any non-deductible transaction costs incurred in relation to the acquisition or disposal of the Clean TeQ Water Shares.

Where demerger tax relief is available, a CGT discount may be applied against the net capital gain (after first deducting any available capital losses) where the Clean TeQ Water Shareholder is an individual, complying superannuation entity or trustee, and the relevant Sunrise Energy Metals Share was acquired more than 12 months prior to the CGT event. Where demerger tax relief is not available, the Clean TeQ Water Shares must have been held for more than 12 months prior to the CGT event.

A capital loss will be realised where the reduced cost base exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Clean TeQ Water Shareholder in the same or future income years, subject to certain loss recoupment tests being satisfied for certain taxpayers. Capital losses cannot be offset against other forms of assessable income.

(d) Tax File Number withholding tax

Clean TeQ Water Shareholders can choose to quote their tax file number (**TFN**), ABN or relevant exemption from withholding tax with respect to dividends.

In the event Clean TeQ Water is not so notified, tax may be required to be withheld and remitted to the ATO by Clean TeQ Water from the unfranked portion of any dividend at the maximum marginal rate plus the Medicare levy (currently 47%). No amount is required to be withheld by Clean TeQ Water in respect of fully franked dividends.

Clean TeQ Water Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on the dividends in their individual income tax returns.

Clean TeQ Water Shareholders who hold Clean TeQ Water Shares as part of an enterprise may quote their ABN instead of their TFN.

9.10 Australian taxation implications for Ineligible Foreign Shareholders

Ineligible Foreign Shareholders are strongly encouraged to obtain Australian taxation advice in relation to their disposal of Clean TeQ Water Shares by the Sale Agent, which takes into account their individual circumstances.

The following general comment may not apply where the Ineligible Foreign Shareholder holds a non-portfolio shareholding interest in Sunrise Energy Metals (and accordingly a non-portfolio shareholding interest in Clean TeQ Water just prior to the disposal of Clean TeQ Water Shares by the Sale Agent), or the Clean TeQ Water Shares are an asset of an Australian Permanent Establishment conducted by the Ineligible Foreign Shareholder that have been used at any time in a business carried on by that Permanent Establishment. A non-portfolio shareholding interest is an interest of 10% or more, taking into account shares held by associates.

In general, Ineligible Foreign Shareholders will not be subject to Australian taxation on capital gains made on the disposal of Clean TeQ Water Shares by the Sale Agent.

There will be no Australian dividend withholding tax on the payment by Sunrise Energy Metals of the Demerger Dividend to shareholders that are not tax resident in Australia where Demerger tax relief is available.

Non-resident shareholders may also be subject to withholding tax where the ATO determines that Demerger tax relief is not available or deems any part of the Capital Reduction to be an unfranked dividend under section 45B (as discussed in Section 9.8 above).

10 Risk factors – Investing in Clean TeQ Water

10.1 Overview

There are a number of risk factors specific to Clean TeQ Water and of a more general nature which may, either individually or in combination, affect the future operating and financial performance, or financial position of Clean TeQ Water or the value of Clean TeQ Water Shares. The risks and uncertainties described in this section of this Demerger Booklet represent those risks which the Sunrise Energy Metals Directors consider to be the most significant as at the date of this Demerger Booklet. However, these risks and uncertainties are not the only ones facing Clean TeQ Water and the Water Business or relevant to an investment in Clean TeQ Water Shares. Additional risks and uncertainties not presently known to the Sunrise Energy Metals Directors, or that the Sunrise Energy Metals Directors currently consider to be immaterial, could also materially and adversely affect any or all of the business, results of operations, financial position or prospects of Clean TeQ Water. In such cases, the market price of the Clean TeQ Water Shares could decline and investors may lose all or part of their investment. Prospective investors in Clean TeQ Water Shares should consider the risks and uncertainties carefully.

Many of the risks to which Clean TeQ Water will be exposed are similar to the risks to which Sunrise Energy Metals is exposed to, while others arise or are increased as a result of the Demerger and the ability to take mitigating action may be more limited. Some of these risks may be mitigated by appropriate controls, systems and other actions as further described below, but others will be outside the control of Clean TeQ Water and may not be able to be mitigated. There is no guarantee or assurance that any mitigation measures that Clean TeQ Water takes will succeed.

Investors and prospective investors should satisfy themselves that they have a proper understanding of the risks of investing in Clean TeQ Water Shares and the information in this Demerger Booklet (including its Appendices), and whether an investment in Clean TeQ Water Shares is suitable having regard to their own respective investment objectives, financial situation and particular needs (including financial and tax issues). Potential investors should consider that an investment in Clean TeQ Water Shares is speculative and they should consult with their professional advisors. Anyone who is in any doubt as to whether to invest in Clean TeQ Water Shares or who does not understand the information in this Demerger Booklet should seek professional advice from their stockbroker, lawyer, accountant or other independent and qualified professional advisor.

10.2 Risks specific to Clean TeQ Water

(a) Liquidity

There may be relatively few buyers or sellers of Clean TeQ Water Shares on ASX at any given time. This may affect the volatility of the market price of the securities and the prevailing market price of Clean TeQ Water Shares. This may result in Clean TeQ Water Shareholders receiving a market price for their Clean TeQ Water Shares that is less or more than the value attributed to them on the Implementation Date.

(b) Future capital requirements

Clean TeQ Water is currently loss making and is cash flow negative. The future capital requirements of Clean TeQ Water will depend on many factors including the pace and scale of the growth of its business and sales. Clean TeQ Water believes that its available cash and future margins from currently contracted projects will be adequate to satisfy its anticipated current working capital and other capital requirements. However, Clean TeQ Water may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and to meet its other long-term objectives.

Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price or may involve restrictive covenants which limit Clean TeQ Water's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on reasonable terms to Clean TeQ Water or at all. If Clean TeQ Water is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and this could have a material adverse effect on Clean TeQ Water's activities and could affect Clean TeQ Water's ability to continue as a going concern.

Clean TeQ Water may undertake offerings of Shares and of Securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such shares may have a negative effect on the share price. In addition, as a result of such additional Shares, the voting power of the Clean TeQ Water's existing Shareholders will be diluted.

(c) Limited operating history

Clean TeQ Water operations are subject to all of the risks inherent in a recently formed business. Clean TeQ Water has no significant history of operations and there can be no assurance that Clean TeQ Water will be able to generate or increase revenues from its existing and proposed products or avoid losses in any future period.

Clean TeQ Water has completed, or nearly completed, delivery of three water treatment plants globally using its proprietary technology. Three additional projects have commenced and Clean TeQ Water believes it is close to securing a further contract for delivery of a water treatment plant. Clean TeQ Water's ability to generate revenues in the future will be subject to a number of factors, including but not limited to the technology continuing to perform to a level sufficient to warrant commercialisation. The development, testing and manufacture of novel technologies is a high-risk business and there is no guarantee that Clean TeQ Water will be able to successfully commercialise its technology in a profitable manner.

Historical Clean TeQ Water revenues have been concentrated, with it not being uncommon for a single customer to deliver more than 50% of revenues in any given financial year. Clean TeQ Water's current pipeline of opportunities is likely to continue this trend. High revenue concentration exposes Clean TeQ Water to customer specific risks such as solvency, delays and competition and any reduction or total loss in revenues from a significant customer will have a meaningful adverse impact on Clean TeQ Water's profitability. Much of Clean TeQ Water's revenue is derived from design and construct contracts. Those contracts typically generate a small amount of ongoing income of around 2-4% of the original contract from consumables, spare parts and maintenance.

(d) Intellectual property

The success of Clean TeQ Water depends, in part, on its continued ability to protect is intellectual property and to use any trademarks accordingly to increase brand awareness. Clean TeQ Water will depend on its intellectual property to protect its brands and trade secrets, and any pending patents on its products and processes.

Given the dependence of Clean TeQ Water on intellectual property and the quality of its products and brands, in the event that Clean TeQ Water is unable to protect its intellectual property adequately, then the value of Clean TeQ Water's products and brands could be adversely effected. This may further impact the overall business, with respect to its financial position and overall profitability and operational output.

Within the water industry, there exists an ongoing risk of third parties claiming involvement in technological discoveries. Clean TeQ Water has taken steps to protect and confirm its interest in its intellectual property and will endeavour to implement all reasonable processes to protect its intellectual property. Clean TeQ Water is not aware of any third party interests in relation to its intellectual property rights, however as stated above, the risk of third parties claiming involvement exists, which may result in litigation risks, and there can be no assurance that the measures in place by Clean TeQ Water will be sufficient.

Clean TeQ Water may be exposed to legal proceedings, with or without merit over the course of its operations. Clean TeQ Water cannot preclude the risk of claims being brought against it, such as in connection with intellectual property rights. In the event that Clean TeQ Water and/or its employees or agents are found to have not met the appropriate standard of care then this may have a material adverse effect on Clean TeQ Water overall.

Clean TeQ Water is intending to continue to invest in research and development into novel technologies to enhance its portfolio if intellectual property. Investment in the development of new technologies is inherently risky and there is no assurance that this investment will result in returns being generated for shareholders.

(e) Reliance on key personnel

Clean TeQ Water is a development company and will be dependent on its directors, managers and technical experts to implement its business strategy. A number of factors, including the departure of senior management or key technical personnel of Clean TeQ Water or a failure to attract or retain suitably qualified key employees, could adversely affect Clean TeQ Water's business strategy.

(f) Competition

Clean TeQ Water's ability to enter into contracts for the supply of products and services at profitable prices may be adversely affected by the introduction of new suppliers and any increase in competition in the global water technology market either of which could increase the global supply of these services/products and thereby potentially lower prices.

(g) Global operations

Clean TeQ Water conducts its business globally, and has assets and operations in jurisdictions outside Australia which may be material to Clean TeQ Water. As such, Clean TeQ Water may be exposed to risks associated with conducting business outside Australia including but not limited to:

- Risks relating to the regulatory and legal environment in those jurisdictions and the possibility of inconsistent and unpredictable interpretation and enforcement of laws and regulations;
- Differences in governance and financial reporting requirements; and
- Limitations and lack of enforcement mechanisms.

10.3 General risk factors

(a) General economic conditions

Clean TeQ Water's operating performance and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates, exchange rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or decrease in consumer and business demand, could have an adverse impact on the Water Business, the results of Clean TeQ Water's operations or Clean TeQ Water's financial conditions and performance.

(b) Changes in tax rules or their interpretation

Changes in tax law (including income tax, goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the tax liabilities of Clean TeQ Water or the tax treatment of a Clean TeQ Water Shareholder's investment. In particular, both the level and basis of taxation may change. In addition, an investment in Clean TeQ Water Shares involves tax considerations which may differ for each Clean TeQ Water Shareholder. Each prospective Clean TeQ Water Shareholder is encouraged to seek professional tax advice in connection with any investment in Clean TeQ Water.

(c) Accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of Clean TeQ Water and the Clean TeQ Water Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance or financial position of Clean TeQ Water.

(d) Force majeure events

Events may occur within or outside Clean TeQ Water's key markets that could impact upon the global economies and the operations of Clean TeQ Water. The events include, but are not limited, to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Clean TeQ Water's product offering and services and its ability to conduct business.

(e) Global health risks or pandemics

Global health risks or pandemics or the potential for these events could have a negative impact on Clean TeQ Water. Such events could adversely affect consumer behaviour and business activity levels, and precipitate sudden significant changes in regional and global economic conditions and cycles. As a result, the operations of Clean TeQ Water could be adversely affected by such events. Clean TeQ Water only has limited insurance coverage for losses and interruptions caused by global health risks or pandemics.

(f) Environment

Clean TeQ Water's projects are subject to laws and regulations in relation to environmental matters. As a result, there is the risk that Clean TeQ Water may incur liability under these laws and regulations. Clean TeQ Water proposes to comply with applicable laws and regulations and conduct its programs in a responsible manner with regard to the environment.

(g) Climate change

The Directors have considered the potential risks (both positive and negative impacts) to the Water Business as a result of climate change. The Directors do not expect the impacts of climate change, or the impacts of efforts to mitigate climate change, will have any material negative bearing on the Water Business. The Directors consider that impacts of efforts to mitigate climate change, including an increasing global focus on promoting sustainable management of the environment generally, may assist the Water Business to achieve higher rates of demand for the products and services provided by the Water Business than may have otherwise been the case.

(h) Insurance

Clean TeQ Water intends to adequately insure its activities in accordance with industry practice and applicable laws in the jurisdictions where it operates. However, in certain circumstances Clean TeQ Water may not be able to obtain insurance or the insurance that it can obtain may not be of a sufficient nature or level to provide adequate insurance cover. As such, the occurrence of an event that is not covered by insurance could have a material adverse effect on Clean TeQ Water.

(i) Foreign Exchange

Foreign exchange rates fluctuate over time. Fluctuating exchange rates have a direct effect on Clean TeQ Water's revenues, operating costs and cash flows which are all expressed in Australian dollars.

(j) Regulatory changes

The demand for water treatment products is to a large degree driven by government regulation which stipulates water treatment and water purification standards. Although Clean TeQ Water's broad product portfolio and global focus may reduce any volatility in market demand as a result of regulatory changes in individual jurisdictions, sudden changes to regulation could substantially affect demand for Clean TeQ Water products both positively and negatively.

(k) Other risks

The above risks are not an exhaustive list of the risks. The risks outlined above and other risks may materially affect the future performance of Clean TeQ Water. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by Clean TeQ Water.

11 Additional information

11.1 Directors

The Directors at the date of this Demerger Booklet are:

- Robert Friedland
- Jiang Zhaobai
- Sam Riggall
- Stefanie Loader
- Judith Downes
- Eric Finlayson
- Ian Knight

11.2 Interests of Sunrise Energy Metals and Clean TeQ Water Directors

11.2.1 Interests

As at the date of this Demerger Booklet:

- no Director has any interest in any Clean TeQ Water Shares or other securities issued by Clean TeQ Water;
- except as disclosed in the table below no Director has any interest in any Sunrise Energy Metals Shares, Sunrise Energy Metals performance rights or other securities issued by Sunrise Energy Metals; and
- the number of Clean TeQ Water Shares that each Director would be distributed under the Demerger (assuming no change in the number of Sunrise Energy Metals Shares in which he has an interest before the Record Date) is as disclosed in the table below.

Sunrise Energy Metals Director	Number of Sunrise Energy Metals Shares in which the Director has an interest (as at the date of this Demerger Booklet)	Number of Sunrise Energy Metals performance rights in which the Director has an interest (as at the date of this Demerger Booklet)	Number of Sunrise Energy Metals Share options in which the Director has an interest (as at the date of this Demerger Booklet)	Number of Clean TeQ Water Shares to be distributed to the Director under the Demerger
Robert Friedland	11,977,801			5,988,900
Jiang Zhaobai	10,451,888			5,225,944
Sam Riggall	2,693,147	509,090	100,000	1,346,573
Stefanie Loader	22,000			11,000
Judith Downes	47,727			23,863
Eric Finlayson	75,000			37,500
Ian Knight	111,843			55,921
Clean TeQ Water Director				
Peter Voigt	2,060,892	213,202		1,030,446
Stefanie Loader	Shown above			11,000
Sam Riggall	Shown above			1,346,573
Ian Knight	Shown above			55,921

No Sunrise Energy Metals Director or Clean TeQ Water Director will participate in Clean TeQ Water's Shareholder approved Employee Incentive Plan after the Clean TeQ Water Listing, other than Mr Voigt.

No marketable securities of Clean TeQ Water are held by or on behalf of Clean TeQ Water Directors or Sunrise Energy Metals Directors as at the date of this Demerger Booklet.

Sunrise Energy Metals Directors and Clean TeQ Water Directors who hold Sunrise Energy Metals Shares will be entitled to vote at the General Meeting and receive Clean TeQ Water Shares under the Demerger on the same terms as all other Sunrise Energy Metals Shareholders.

11.3 Agreements or arrangements with Sunrise Energy Metals Directors in connection with the Demerger

Other than:

- the proposal that Stefanie Loader, Sam Riggall, Ian Knight and Peter Voigt will remain directors of Clean TeQ Water should the Demerger be implemented; and
- the Clean TeQ Water directors' fee and indemnity arrangements referred to in Section 4.10,

there are no agreements or arrangements made between any Sunrise Energy Metals Director and any other person in connection with or conditional upon the outcome of the Demerger.

Other than set out above or elsewhere in this Demerger Booklet, no Sunrise Energy Metals Director or Clean TeQ Water director holds, or held at any time during the last two years before the date of this Demerger Booklet, any interest in:

- the formation or promotion of Clean TeQ Water;
- any property acquired or proposed to be acquired by Clean TeQ Water in connection with its formation or promotion; or
- the Demerger,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any Sunrise Energy Metals Director or Clean TeQ Water Director either to induce them to become, or to qualify them as, a director of Clean TeQ Water, or otherwise for services rendered by them in connection with the formation or promotion of Clean TeQ Water or the Demerger.

11.4 Overview of Clean TeQ Water Constitution

The rights and liabilities attaching to ownership of Clean TeQ Water Shares arise from a combination of the Clean TeQ Water constitution (**Constitution**), statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Clean TeQ Water Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Clean TeQ Water Shareholders. The summary assumes that Clean TeQ Water is admitted to the official list of the ASX and provides that the ASX Listing Rules prevail in the event of any inconsistency. Otherwise, the Clean TeQ Water Constitution is in similar form to the Sunrise Energy Metals Constitution which was recently approved by Sunrise Energy Metals Shareholders.

(a) Meeting of members

Each Clean TeQ Water Shareholder is entitled to receive notice of, attend and vote at general meetings of Clean TeQ Water and receive all notices, accounts and other documents required to be sent to Clean TeQ Water Shareholders under the Clean TeQ Water Constitution, Corporations Act and ASX Listing Rules. Clean TeQ Water must give at least 28 days' written notice of a general meeting.

(b) Voting at a general meeting

At a general meeting of Clean TeQ Water, every Clean TeQ Water Shareholder present in person or by proxy, representative or attorney and entitled to vote is entitled to one vote on a show of hands and, on a poll, one vote for each Clean TeQ Water Share held by the Clean TeQ Water Shareholder (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chair of the meeting does not have a casting vote.

(c) Dividends

The Clean TeQ Water Board may pay any dividends that, in its judgement, it thinks appropriate and fix the time and method of payment. Each share of a class on which the Clean TeQ Water Board resolves to pay a dividend carries the right to participate in the dividend in the same proposition that the amount for the time being paid on the share bears to the total issue price of the share.

(d) Transfer of Clean TeQ Water Shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and the ASX Operating Rules and any restrictions attaching to a Clean TeQ Water Share, a Clean TeQ Water Shareholder may transfer a Clean TeQ Water Share by transfer document submitted to the company. The Clean TeQ Water Board may request ASX to apply a holding lock to prevent a transfer, or may decline to register an instrument to transfer in accordance with the Corporations Act or the ASX Listing Rules.

(e) Issue of further shares

Subject to the Constitution, ASX Listing Rules and the Corporations Act, the Clean TeQ Water Board may allot, issue, cancel or otherwise dispose of Clean TeQ Water Shares on such terms as the Clean TeQ Water Board thinks fit.

(f) Preference shares

Clean TeQ Water may issue preference shares including preference shares which are, or at the option of Clean TeQ Water or a holder are, liable to be redeemed or convertible to Clean TeQ Water Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of Clean TeQ Water.

(g) Winding Up

If Clean TeQ Water is wound up, any assets available for distribution will, subject to the Constitution, the Corporations Act, the ASX Listing Rules and any special rights attaching to shares issued on special terms and conditions, be distributed among the members to return capital paid up on their Shares and distribute any surplus in proportion to the amount paid up on Shares held by them.

If Clean TeQ Water is wound up, the liquidator may, with the approval of a special resolution, divide among the shareholders of Clean TeQ Water all part of the assets of Clean TeQ Water and decide how the division is to be carried out.

(h) Unmarketable parcels

Subject to the Corporations Act, the Clean TeQ Water Board may sell Clean TeQ Water Shares that constitute less than a marketable parcel by following the procedures in the Clean TeQ Water Constitution. A marketable parcel of Clean TeQ Water Shares is defined in the ASX Listing Rules and is generally a holding of Clean TeQ Water Shares with a market value of not less than $500.

(i) Variation of class rights

The procedure set out in the Clean TeQ Water Constitution must be followed for any variation of rights attached to the Clean TeQ Water Shares. Under the Constitution and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to a class of shares in Clean TeQ Water may be varied by:

- the written consent of the holders of at least 75% of the issued shares in the class; or
- a special resolution passed at a separate meeting of the holders of shares in that class.

(j) Directors – appointment and removal

Under the Constitution, the Clean TeQ Water Board must have at least three and not more than eight Clean TeQ Water Directors. The Clean TeQ Water Board may, at any time, increase the maximum number of Clean TeQ Water Directors that are elected or re-elected by ordinary resolution at general meetings of Clean TeQ Water.

No Clean TeQ Water Director (excluding the managing director) may hold office without re-election beyond the third annual general meeting following the Clean TeQ Water director's appointment. Subject to the limit on the maximum number of directors who may be appointed to the Clean TeQ Water Board, the Clean TeQ Water Board may also appoint a Clean TeQ Water director in addition to the existing Clean TeQ Water directors or to fill a casual vacancy on the Clean TeQ Water Board, and that Clean TeQ Water director (apart from the managing director) must retire from office and will be eligible for re-election at the next annual general meeting from that Clean TeQ Water director's appointment.

A person is eligible for election to the office of a Clean TeQ Water director at a general meeting if they are nominated or recommended by the Clean TeQ Water Board or a member.

(k) Directors – voting

Questions arising at a meeting of the Clean TeQ Water Board must be decided by a majority of votes cast by the Clean TeQ Water directors present at the meeting and entitled to vote on the matter. If the votes of present Clean TeQ Water directors are equal on a proposed resolution, the chairperson of the meeting does have a second or casting vote but not where there are only two Clean TeQ Water directors present and entitled to vote.

A written resolution of the Clean TeQ Water Board may be passed without holding a meeting of the Clean TeQ Water Board if a majority of the eligible Clean TeQ Water directors sign or consent to the resolution.

(l) Directors – remuneration

Under the Clean TeQ Water Constitution, the Clean TeQ Water Board may decide the remuneration from Clean TeQ Water to which each Clean TeQ Water director is entitled for his or her services as a Clean TeQ Water director. However, the total amount payable to all non-executive Clean TeQ Water directors for their services as non-executive Clean TeQ Water directors must not exceed in aggregate in any financial year the amount fixed by Clean TeQ Water Shareholders in a general meeting or consist of a commission on, or percentage of, operating revenue.

Clean TeQ Water directors may be paid for travel and other expenses incurred in attending to Clean TeQ Water affairs, including attending and returning from meetings of Clean TeQ Water directors or Clean TeQ Water Board committees or general meetings. If any Clean TeQ Water director performs extra services or makes special exertions, such Clean TeQ Water director may be remunerated for the services.

Details of the remuneration of the Clean TeQ Water directors are set out in 4.10.2.

(m) Powers and duties of Clean TeQ Water directors

The business of Clean TeQ Water is to be managed by or under the direction of the Clean TeQ Water Board. The power of the Board must be exercised in accordance with the Corporations Act and the Clean TeQ Water Constitution.

(n) Indemnities

Subject to and so far as permitted by the Corporations Act and any other applicable law, Clean TeQ Water must indemnify each officer of Clean TeQ Water against all losses or liabilities incurred by that person as an officer of Clean TeQ Water or any Related Body Corporate.

Clean TeQ Water may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of Clean TeQ Water against any liability incurred by that person as an officer of Clean TeQ Water or of a related body corporate, including but not limited to, liability for negligence or for reasonable legal costs incurred in defending a proceeding brought against that person.

(o) Amendment

Clean TeQ Water's Constitution may only be amended by a special resolution passed by Clean TeQ Water Shareholders at a general meeting.

(p) Share capital

On implementation of the Demerger, the only class of security on issue by Clean TeQ Water will be fully paid ordinary shares.

11.5 Regulatory waivers and consents

11.5.1 ASIC

ASIC has granted relief from:

- the financial half year provisions of the Corporations Act to allow for the first financial half year to end on 31 December 2021 rather than 6 months after Clean TeQ Water's registration date;
- the prospectus provisions in the Corporations Act, in relation to their application to the invitation for Sunrise Energy Metals Shareholders to vote on the Demerger Resolution to effect the Demerger pursuant to this Demerger Booklet and to secondary trading in Clean TeQ Water Shares following the Demerger; and
- various provisions in the Corporations Act (including the provisions relating to financial services licensing) that may otherwise apply to the Sale Facility.

11.5.2 ASX

ASX has provided the following advice, confirmations and waivers, subject in each case to a range of typical qualifications and assumptions:

- ASX has provided in-principle advice that it is not aware of any reason that would cause Clean TeQ Water not to have a structure and operation suitable for a listed entity for the purposes of ASX Listing Rule 1.1, Condition 1 or that would cause ASX to exercise its discretion to refuse admission to the Official List under ASX Listing Rule 1.19.
- ASX has advised that it would likely confirm that for the purposes of ASX Listing Rule 1.1, Condition 3 that Clean TeQ Water may issue an Information Memorandum (incorporating this Demerger Booklet) instead of a prospectus for Clean TeQ Water's listing on ASX, on condition that the Information Memorandum complies with the requirement of ASX Listing Rule 1.4.
- ASX has advised that it would likely confirm that for the purposes of ASX Listing Rule 1.3.5(a) that it will accept the audited accounts for Sunrise Energy Metals for the financial years ended 30 June 2019 and 30 June 2020 and will not require Clean TeQ Water to provide audited stand alone accounts for those periods or have those periods separately audited.
- ASX has granted a waiver from ASX Listing Rule 6.23.2 to the extent necessary to permit Sunrise Energy Metals to cancel performance rights issued to Clean TeQ Water employees so that they can be replaced by performance rights issued by Clean TeQ Water on substantially similar terms (as described in Section 4.6).

In addition, ASX has confirmed the following matters:

- No ASX formal escrow applies to Clean TeQ Water Shares.
- The capital reduction and distribution do not require Sunrise Energy Metals Shareholder approval for the purposes of Listing Rule 11.1 on the basis that under Guidance Note 12 section 1.1 and 1.2 this is not a backdoor listing requiring compliance with Listing Rules 11.1.2 or 11.1.3, nor a disposal of main undertaking requiring approval under Listing Rule 11.2.
- Clean TeQ Water will not be required to lodge financial statements from 15 February 2021 to 15 August 2021 but will be required to lodge an Appendix 4D reviewed half year financial statement for the period 15 February 2021 to 31 December 2021.
- Ongoing services between the Clean TeQ Water Group and the Sunrise Energy Metals Group will not attract Listing Rule 10.1 on the basis that the first bullet point exception in Listing Rule 10.3 applies.

11.6 Consents and disclaimers

Each of the parties named in this section as consenting parties:

- has given and has not, before the date of this Demerger Booklet, withdrawn its written consent to be named in this Demerger Booklet in the form and context in which it is named;
- has given and has not, before the date of this Demerger Booklet, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names in this section, and the references to those statements and reports in the form and context in which they are included in this Demerger Booklet;
- does not make, or purport to make, any statement in this Demerger Booklet other than those statements referred to in this section in respect of that person's name (and as consented to by that person); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Demerger Booklet.

Role	Consenting Party
Legal Advisor	Baker McKenzie
Financial Advisor	Grant Samuel Corporate Finance Pty Limited
Investigating Accountant	KPMG FAS, in relation to the Investigating Accountant's Report in Appendix 4 and any statements based on that report.
Tax Advisor	KPMG has prepared Section 9 relating to the description of the tax implications of the Demerger.
Independent Expert	Lonergan Edwards & Associates Limited, in relation to the Independent Expert's Report in Appendix 5 and any statements based on that report.

11.7 Foreign selling restrictions

This Demerger Booklet does not constitute an offer of Clean TeQ Water Shares in any jurisdiction in which it would be unlawful. In particular, this Demerger Booklet may not be distributed to any person, and the Clean TeQ Water Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Based on a recent review of the Sunrise Energy Metals Share Register, all of the Shareholders are located in Australia or one of the jurisdictions listed below which permit the distribution of this Demerger Booklet to them. Accordingly, it is not presently expected that there will be any Ineligible Foreign Shareholders. This will be reviewed as at the Record Date to determine whether any new Sunrise Energy Metals Shareholders become registered on the register.

Canada

The Clean TeQ Water Shares will be transferred by Sunrise Energy Metals in reliance upon exemptions from the prospectus and registration requirements of the applicable Canadian securities law in each province and territory of Canada.

No securities commission in Canada has reviewed or in any way passed upon this document or the merits of the Demerger.

China

This Demerger Booklet does not constitute a public offer of Clean TeQ Water Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Clean TeQ Water Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors", sovereign wealth funds and quasi-government investment funds.

European Union (including France, Germany and the Netherlands)

This Demerger Booklet has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this Demerger Booklet may not be made available, nor may the Clean TeQ Water Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4) of the Prospectus Regulation, an offer of Clean TeQ Water Shares in the European Union is limited:

- to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- to fewer than 150 natural or legal persons (other than qualified investors); or
- to any other circumstance falling within Article 1(4) of the Prospectus Regulation.

Hong Kong

WARNING: The contents of this Demerger Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Demerger. If you are in any doubt about any of the contents of this Demerger Booklet, you should obtain independent professional advice.

This Demerger Booklet does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Demerger Booklet also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Demerger Booklet in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Demerger Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Demerger Booklet may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Demerger Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of Shareholders in connection with the Demerger, and no steps have been taken to register or seek authorisation for the issue of this Demerger Booklet in Hong Kong.

This Demerger Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Demerger Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Demerger Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Demerger by the person to whom this Demerger Booklet is addressed.

Japan

The Clean TeQ Water Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "FIEA") pursuant to an exemption from the registration requirements applicable to a private placement of securities to small number investors.
This Demerger Booklet is for the exclusive use of existing shareholders of Sunrise Energy Metals in connection with the Demerger. This document is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) to any other person in Japan or resident of Japan other than in connection with consideration by Sunrise Energy Metals' Shareholders of the Demerger.

Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of the Clean TeQ Water Shares. The Clean TeQ Water Shares, may not be issued or transferred in Malaysia except in accordance with Schedules 5 and 6 of the Malaysian Capital Markets and Services Act 2007.

New Zealand

This Demerger Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The offer of Clean TeQ Water Shares under the Demerger is being made to existing shareholders of Sunrise Energy Metals in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Demerger Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

Singapore

This Demerger Booklet and any other document or material in connection with the Demerger or the Clean TeQ Water Shares has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of a prospectus included in the Securities and Futures Act, Cap. 289 (the "SFA") will not apply.

This Demerger Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of Clean TeQ Water Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to Clean TeQ Water Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither this document nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this Demerger Booklet may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this document constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither Sunrise Energy Metals nor Clean TeQ Water is in the business of dealing in securities or holds itself out, or purports to be doing so. As such, neither Sunrise Energy Metals nor Clean TeQ Water are licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

Switzerland

The Clean TeQ Water Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Clean TeQ Water Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Demerger Booklet nor any other offering or marketing material relating to the Clean TeQ Water Shares constitutes a prospectus or a similar communication pursuant to the FinSA, and neither this Demerger Booklet nor any other offering or marketing material relating to the Clean TeQ Water Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Demerger Booklet nor any other offering or marketing material relating to the Demerger or the Clean TeQ Water Shares have been or will be filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this Demerger Booklet will not be filed with, and the offer of Clean TeQ Water Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

This Demerger Booklet may be distributed in Switzerland only to existing shareholders of Sunrise Energy Metals and is not for general circulation in Switzerland.

Taiwan

The Clean TeQ Water Shares have not been registered in Taiwan nor approved by the Financial Supervisory Commission of the Republic of China (Taiwan). Holders of Clean TeQ Water Shares cannot resell them in Taiwan nor solicit any other purchasers in Taiwan. Accordingly, this Demerger Booklet does not, nor is it intended to, constitute a prospectus prepared and registered under the Securities and Exchange Act of the Republic of China (Taiwan).

Thailand

This Demerger Booklet is not intended to be an offer, sale or invitation for subscription or purchase of securities in Thailand. This Demerger Booklet has not been registered as a prospectus with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this Demerger Booklet and any other document relating to the Demerger may not be circulated or distributed, nor may the Clean TeQ Water Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public in Thailand.

United Arab Emirates

Neither this Demerger Booklet nor the Clean TeQ Water Shares have been approved, disapproved or passed on in any way by the Emirates Securities and Commodities Authority ("ESCA") or any other governmental authority in the United Arab Emirates. Sunrise Energy Metals has not received authorisation or licensing from the ESCA or any other governmental authority in the United Arab Emirates to market or sell the Clean TeQ Water Shares within the United Arab Emirates. This document does not constitute, and may not be used for the purpose of, an offer of securities in the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu-Dhabi Global Market). No services relating to the Demerger may be rendered within the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu-Dhabi Global Market).

In the Abu Dhabi Global Market and the Dubai International Financial Centre, the Clean TeQ Water Shares may be offered, and this Demerger Booklet may be distributed, only to existing shareholders of Sunrise Energy Metals as an "Exempt Offer", as defined and in compliance with the markets rules issued by the regulatory authorities in these financial zones. No regulatory authority has approved this Demerger Booklet nor taken any steps to verify the information set out in it.

United Kingdom

Neither the information in this Demerger Booklet nor any other document relating to the Demerger has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Clean TeQ Water Shares.

This Demerger Booklet is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of Article 2(e) of the UK Prospectus Regulation) in the United Kingdom, and the Clean TeQ Water Shares may not be offered or sold in the United Kingdom by means of this Demerger Booklet, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of FSMA. This Demerger Booklet should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Clean TeQ Water Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to Sunrise Energy Metals.

In the United Kingdom, this Demerger Booklet is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members or creditors of certain bodies corporate) of the *Financial Services and Markets Act* 2000 (Financial Promotion) Order 2005, as amended, or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this Demerger Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Demerger Booklet or any of its contents.

United States

This Demerger Booklet has not been filed with, or reviewed by, the US Securities and Exchange Commission or any US state securities authority and none of them has passed upon or endorsed the merits of the Demerger or the accuracy, adequacy or completeness of the Demerger Booklet.

The Clean TeQ Water Shares have not been, and will not be, registered under the U.S. Securities Act 1933 or the securities laws of any US state or other jurisdiction. The Demerger is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

US shareholders of Sunrise Energy Metals should note that the Demerger is made of securities of an Australian company in accordance with the laws of Australia and the listing rules of the Australian Securities Exchange. The Demerger is subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Sunrise Energy Metals and Clean TeQ Water are located in Australia and most of its officers and directors are residents of Australia. You may not be able to sue their respective officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Sunrise Energy Metals and Clean TeQ Water to subject themselves to a US court's judgment.

11.8 Other information material to the making of a decision in relation to the Demerger

Except as set out in this Demerger Booklet, there is no other information material to the making of a decision in relation to the Demerger Resolution being information that is within the knowledge of any Sunrise Energy Metals Director, or any director of any related body corporate of Sunrise Energy Metals, which has not previously been disclosed to Sunrise Energy Metals Shareholders.

11.9 Supplementary information

Sunrise Energy Metals will issue a supplementary document to this Demerger Booklet if it becomes aware of any of the following between the date of this Demerger Booklet and the date of the General Meeting:

- A material statement in this Demerger Booklet is false or misleading;
- A material omission from this Demerger Booklet;
- A significant change affecting a matter included in this Demerger Booklet; or
- A significant new matter has arisen and it would have been required to be included in this Demerger Booklet if it had arisen before the date of this Demerger Booklet.

Depending on the nature and timing of the changed circumstance and subject to obtaining any relevant approvals, Sunrise Energy Metals may circulate and publish any supplementary document by:

- Posting the supplementary document on Sunrise Energy Metals' website (www.sunriseem.com): or
- Making announcements to ASX.

12 Glossary

For the purpose of this document, capitalised terms used in this Demerger Booklet have the meaning given below, unless the context requires otherwise (words in the singular include the plural and vice versa). All dates and times in this Demerger Booklet are references to Melbourne time.

"**AAS**" means the Australian Accounting Standards issued by AASB.

"**AASB**" means the Australian Accounting Standards Board.

"**ASX**" means the ASX Limited or the financial market operated by the Australian Securities Exchange, as the context requires.

"**ASX Listing**" means the commencement of trading in Clean TeQ Water Shares on ASX.

"**ASX Listing Rules**" means the official Listing Rules of ASX.

"**ASX Recommendations**" means ASX Corporate Governance Principles and Recommendations 4th Edition.

"**Capital Reduction**" means the reduction of the share capital of Sunrise Energy Metals, by the Capital Reduction Amount.

"**Capital Reduction Amount**" means the amount of the capital of Sunrise Energy Metals that is to be reduced in accordance with the Demerger Resolution.

"**CGT**" means capital gains tax.

"**CHESS**" means the electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are affected in electronic form.

"**Class Ruling**" means the ruling from the Australian Commissioner of Taxation regarding the availability of demerger rollover relief.

"**Clean TeQ Water**" means Clean TeQ Water Limited (ACN 647 935 948).

"**Clean TeQ Water Board**" means the board of directors of Clean TeQ Water.

"**Clean TeQ Water Constitution**" means the constitution of Clean TeQ Water.

"**Clean TeQ Water Director**" means a director of Clean TeQ Water.

"**Clean TeQ Water Group**" means Clean TeQ Water and its subsidiaries.

"**Clean TeQ Water Group Member**" means a member of the Clean TeQ Water Group.

"**Clean TeQ Water Pro Forma Historical Financial Information**" has the meaning given to it in Section 5.1.

"**Clean TeQ Water Share**" means a fully paid ordinary share in Clean TeQ Water.

"**Clean TeQ Water Shareholder**" means a holder of Clean TeQ Water Shares.

"**Company**" means Sunrise Energy Metals Limited.

"**Constitution**" means the constitution of Clean TeQ Water.

"**Corporations Act**" means *Corporations Act 2001* (Cth).

"**Demerger**" means the proposed Demerger of Clean TeQ Water from Sunrise Energy Metals, as described in this Demerger Booklet to be implemented through (a) the Capital Reduction and (b) the ASX Listing.

"**Demerger Booklet**" means this booklet.

"**Demerger Implementation Deed**" means the deed between Sunrise Energy Metals and Clean TeQ Water, which is summarised in Section 8.9.2 of this Demerger Booklet.

"**Demerger Principle**" has the meaning set out in Section 6.1.

"**Demerger Resolution**" means the ordinary resolution to be voted on by Sunrise Energy Metals Shareholders to approve the Demerger, set out in the Notice of General Meeting.

"**Director**" means a director of Sunrise Energy Metals prior to the Effective Date, or from time to time following the Effective Date, as the context requires.

"**Effective Date**" means the day on which the Demerger becomes effective, which is expected to be 21 June 2021 or such other date as determined by the Sunrise Energy Metals Board.

"**Eligible Shareholder**" means a Sunrise Energy Metals Shareholder whose registered address on the Sunrise Energy Metals Register on the Record Date is in:

- Australia, New Zealand, Canada, China, France, Germany, Netherlands, Hong Kong, Japan, Malaysia, Singapore, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom or the United States; or
- a jurisdiction in which Sunrise Energy Metals reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer the Clean TeQ Water Shares to the Sunrise Energy Metals Shareholder.

"**General Meeting**" means the general meeting of Sunrise Energy Metals Shareholders convened by the Notice of General Meeting.

"**IASB**" means the International Accounting Standards Board.

"**IFRS**" means the International Financial Reporting Standards.

"**Implementation Date**" means the date of implementation of the Demerger and the transfer of the Clean TeQ Water Shares to Sunrise Energy Metals Shareholders (apart from Ineligible Foreign Shareholders and Selling Shareholders), which is expected to be 1 July 2021 or such other date as determined by the Sunrise Energy Metals Board.

"**Independent Expert**" means Lonergan Edwards & Associates Limited.

"**Independent Expert's Report**" means the report prepared by the Independent Expert, set out in Appendix 5.

"**Ineligible Foreign Shareholder**" means a Sunrise Energy Metals Shareholder who is not an Eligible Shareholder.

"**Information Memorandum**" means the document being prepared by Clean TeQ Water for the admission of Clean TeQ Water Shares to trading on the ASX.

"**Investigating Accountant**" means KPMG FAS.

"**Investigating Accountant's Report**" means the report prepared by the Investigating Accountant, set out in Appendix 4.

"**ITAA 1936**" means the *Income Tax Assessment Act 1936*.

"**ITAA 1997**" means the *Income Tax Assessment Act 1997* (Cth).

"**KPMG FAS**" means KPMG Financial Advisory Services (Australia) Pty Ltd.

"**LOM**" Life of Mine.

"**Metals Business**" means the business to be conducted by Sunrise Energy Metals following the Demerger.

"**Notice of General Meeting**" means the notice of meeting for the General Meeting set out in Appendix 1.

"**Official List**" means the official list of ASX.

"**Record Date**" means the date for determining entitlements of Sunrise Energy Metals Shareholders to Clean TeQ Water Shares, expected to be 7pm on 24 June 2021 or such other date as determined by the Sunrise Energy Metals Board.

"**Registries**" means the share registries of Sunrise Energy Metals and Clean TeQ Water.

"**Sale Agent**" means the nominee being appointed to sell or facilitate the sale of the Clean TeQ Water Shares to which the Ineligible Foreign Shareholders and Selling Shareholders are entitled.

"**Sale Facility**" means the facility to be established by the Sale Agent under which the Clean TeQ Water Shares to which Ineligible Foreign Shareholders and Selling Shareholders would otherwise be entitled under the Demerger will be transferred to the Sale Agent and sold on their behalf as described more fully in Section 8.6.

"**Selling Shareholder**" means a Small Shareholder who elects to have all the Clean TeQ Water Shares that they would otherwise receive pursuant to the Demerger sold using the Sale Facility.

"**Small Shareholder**" means an Eligible Shareholder who holds less than 5,000 Sunrise Energy Metals Shares as at the Record Date.

"**Sunrise Energy Metals**" means Sunrise Energy Metals Holdings Limited ACN 127 457 916.

"**Sunrise Energy Metals Board**" means the board of directors of Sunrise Energy Metals.

"**Sunrise Energy Metals Director**" means a director of Sunrise Energy Metals.

"**Sunrise Energy Metals Financial Information**" has the meaning given to it in Section 7.1.

"**Sunrise Energy Metals Group**" means Sunrise Energy Metals and its subsidiaries immediately following implementation of the Demerger (which will exclude Clean TeQ Water and its subsidiaries).

"**Sunrise Energy Metals Group Member**" means a member of the Sunrise Energy Metals Group.

"**Sunrise Energy Metals Historical Financial Information**" has the meaning given to it in Section 7.1.

"**Sunrise Energy Metals Pro Forma Historical Financial Information**" has the meaning given to it in Section 7.1.

"**Sunrise Energy Metals Share**" means a fully paid ordinary share in Sunrise Energy Metals.

"**Sunrise Energy Metals Shareholder**" means a holder of Sunrise Energy Metals Shares.

"**Sunrise Project**" means the Sunrise nickel-cobalt-scandium Project in New South Wales owned and operated by the Sunrise Energy Metals Group.

"**VWAP**" means volume weighted average price of the relevant shares traded on the ASX during the relevant period except for trades otherwise than in the ordinary course of trading.

"**Water Business**" means the business to be conducted by Clean TeQ Water following the Demerger.

Appendix 1
Notice of General Meeting

sunrise
energy metals

SUNRISE ENERGY METALS LIMITED

ACN 127 457 916

Notice of General Meeting

Date of meeting: **18 June 2021**

Time of meeting: **1pm (Melbourne time)**

The meeting will be held via Live Webcast at:
https://web.lumiagm.com/337280528

The meeting will also be held at the following physical location:
Baker McKenzie
Level 19, 181 William Street, Melbourne

Due to COVID-19 social distancing, shareholders are encouraged to attend virtually rather than physically attending. Details on how to access the meeting are contained in this Notice of General Meeting.

This Notice of Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor without delay.

Appendix 1 Notice of General Meeting (continued)

Notice is hereby given that a general meeting of Sunrise Energy Metals Shareholders will be held at on **Friday, 18 June 2021** at 1pm (Melbourne time).

The meeting will be held virtually via webinar and also at a physical location. This is due to the expiration of the Corporations (Coronavirus Economic Response) Determination (No. 3) 2020 which had permitted fully virtual meetings. Accordingly, in addition to the virtual webinar, the Sunrise Energy Metals Directors have determined to conduct the meeting physically at the offices of Baker McKenzie, Level 19, 181 William Street, Melbourne. Shareholders attending virtually will be treated for all purposes as if they were physically in attendance at the meeting.

Consistent with ASIC's no-action position contained in its Media Release 21-061 dated 29 March 2021, the technology used to hold the meeting virtually will provide Sunrise Energy Metals Shareholders with a reasonable opportunity to ask questions or make comments (ensuring that shareholders whom are participating remotely are able to actively do so), voting at the meeting is occurring by way of a poll rather than a show of hands, each person entitled to vote is to be given the opportunity to vote in real time, and this notice of meeting includes information about how shareholders can participate in the meeting.

Due to COVID-19 social distancing requirements, Sunrise Energy Metals Shareholders wishing to participate at the meeting are encouraged to do so virtually via the webinar. Sunrise Energy Metals Shareholders attending virtually will be taken for all purposes to be in attendance as if they were physically there. COVID-19 rules regarding social distancing are subject to constant change, and limitations are likely to apply to the number of people who may attend physically.

Sunrise Energy Metals Shareholders can attend and participate in the virtual General Meeting via the following link:

https://web.lumiagm.com/337280528

Further information on how to participate virtually is set out in this notice of meeting.

Sunrise Energy Metals Shareholders are strongly encouraged to submit their proxies as early as possible and in any event prior to the cut-off for proxy voting as set out in this notice of meeting, even if they are planning on attending the meeting in person. To lodge your proxy, please follow the directions on your personalised proxy form which will be delivered to you by mail or email.

If it becomes necessary or appropriate to make alternative arrangements for the holding or conducting of the meeting, Sunrise Energy Metals will make further information available through the ASX website at asx.com.au (ASX: SRL) and on its website. Sunrise Energy Metals Shareholders should monitor Sunrise Energy Metals' website and its ASX announcements for any updates.

Terms used in this notice of meeting have the same meaning as set out in the Glossary in Section 12 of this Demerger Booklet (of which this notice of meeting forms part), unless indicated otherwise.

Business

The purpose of the meeting is to consider and, if thought fit, to pass the following resolution as an ordinary resolution to approve a reduction in the capital of Sunrise Energy Metals as an equal capital reduction.

"That, subject to the conditions precedent set out in the Demerger Implementation Deed being satisfied or waived in accordance with that deed:

(1) for the purposes of section 256C(1) of the Corporations Act, Sunrise Energy Metals Limited's share capital be reduced on the Implementation Date by the Capital Reduction Amount, with such amount being applied equally against each Sunrise Energy Metals Share on issue on the Record Date and the reduction being effected and satisfied by distributing in specie the Clean TeQ Water Shares to Eligible Shareholders (and the Sale Agent in respect of Selling Shareholders and any Ineligible Foreign Shareholders); and

(2) the Demerger otherwise be implemented in the manner more fully described in the Demerger Booklet (which accompanies and forms part of this Notice of General Meeting)."

Shareholders who are entitled to vote

Only Sunrise Energy Metals Shareholders registered on the Sunrise Energy Metals Share Register at 7pm (Melbourne time) on Wednesday, 16 June 2021 are entitled to vote on the Demerger Resolution. The Demerger Resolution must be approved by a simple majority of votes cast by Sunrise Energy Metals Shareholders on the Demerger Resolution.

By order of the Sunrise Energy Metals Board

Melanie Leydin
Company Secretary

17 May 2021

Explanatory statement

The Demerger Resolution at the General Meeting is being put to Sunrise Energy Metals Shareholders to obtain approval under section 256C of the Corporations Act to an equal capital reduction in Sunrise Energy Metals' ordinary share capital under section 256B of the Corporations Act.

The Demerger Resolution at the General Meeting is being proposed in connection with the Demerger and the Demerger is conditional on, among other things, the Demerger Resolution being passed.

The Demerger will be effected by a distribution of Clean TeQ Water Shares to Sunrise Energy Metals Shareholders as at the Demerger Record Date (or in the case of Selling Shareholders and any Ineligible Foreign Shareholders, to the Sale Agent) via the Capital Reduction in accordance with the Demerger Booklet.

The effect on Sunrise Energy Metals and Sunrise Energy Metals Shareholders if the Demerger Resolution is passed, together with all other factors known to Sunrise Energy Metals that are material to the making of a decision by Sunrise Energy Metals Shareholders whether to approve the Demerger Resolution, is set out in this Demerger Booklet, of which this notice forms part.

If the Demerger Resolution is passed by the required majority, it will take effect provided all other conditions to the Demerger are satisfied or waived.

The Sunrise Energy Metals Directors are of the view that, taking into account all relevant matters, the Demerger which includes the Capital Reduction is in the best interests of Sunrise Energy Metals Shareholders and will not materially prejudice Sunrise Energy Metals' ability to pay its creditors. Each Sunrise Energy Metals Director recommends that you vote in favour of the Demerger Resolution and intends to vote any shares controlled by them in favour of that Demerger Resolution.

Attending and participating in the meeting virtually

Registration:

Registration opens at 12pm on 18 June 2021

Attend via:

https://web.lumiagm.com/337280528

Sunrise Energy Metals Shareholders can access the live webcast at https://web.lumiagm.com (Meeting ID: **337-280-528**). If you choose to participate in this way, you will be able to view the meeting live, lodge a direct vote in real time and ask questions online. Sunrise Energy Metals Shareholders participating in the meeting will be able to cast direct votes between the commencement of the meeting and the closure of voting as announced by the Chair during the meeting. Instructions on how to access the meeting and cast your votes can be found at www.computershare.com.au/virtualmeetingguide.

If you are not able to attend the meeting to vote, the Board encourages you to lodge your votes online at www.investorvote.com.au. You will require the control number (185164), your HIN/SRN and postcode/domicile code to access online voting.

Sunrise Energy Metals is happy to accept and answer questions submitted prior to the meeting by email to info@sunriseem.com. Sunrise Energy Metals will address relevant questions during the meeting or by written response after the meeting (subject to the discretion of Sunrise Energy Metals not to respond to unreasonable and/or offensive questions).

Proxies

(a) Votes at the meeting may be given personally or by proxy, attorney or representative.

(b) Each Sunrise Energy Metals Shareholder has a right to appoint one or two proxies.

(c) A proxy need not be a Sunrise Energy Metals Shareholder.

(d) If a Sunrise Energy Metals Shareholder is a company it must execute in accordance with the Corporations Act provisions.

(e) Where a Sunrise Energy Metals shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.

(f) If a Sunrise Energy Metals Shareholder appoints two proxies, and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes. If a Sunrise Energy Metals Shareholder appoints two proxies, neither proxy may vote on a show of hands.

(g) A proxy must be signed by the Sunrise Energy Metals Shareholder or his or her attorney who has not received any notice of revocation of the authority.

(h) Sunrise Energy Metals Shareholders who return their Proxy Form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chair of the General Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the General Meeting, the Chair of the General Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Undirected proxy appointments in favour of the Chair of the General Meeting will be used to support the Demerger Resolution.

(i) To be effective, Proxy Forms must be received by Sunrise Energy Metals' share registry (Computershare Investor Services Pty Limited) no later than 48 hours before the commencement of the meeting, this is no later than 1pm (Melbourne time) on Wednesday, 16 June 2021. Any proxy received after that time will not be valid.

Corporate representative

Any corporate Sunrise Energy Metals Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to Sunrise Energy Metals and/or registry in advance of the meeting.

Enquiries

Sunrise Energy Metals Shareholders are invited to contact Sunrise Energy Metals' Company Secretary, Melanie Leydin on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

Appendix 2 Sample proxy form

sunrise energy metals

ABN 34 127 457 916

SRL

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **1.00pm (Melbourne time) on Wednesday, 16 June 2021.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Appendix 2 Sample proxy form (continued)

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Sunrise Energy Metals Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ☐

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Sunrise Energy Metals Limited to be held via Live Webcast at: https://web.lumiagm.com/337280528, and also at a physical location at Baker McKenzie, Level 19, 181 William Street, Melbourne on Friday, 18 June 2021 at 1.00pm (Melbourne time) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	To approve a reduction in the capital of Sunrise Energy Metals Limited as an equal capital reduction as contemplated in the Notice of General Meeting.	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number	Email Address

S R L 2 7 5 5 7 4 A

Computershare

Appendix 3 Sample share sale facility form

sunrise
energy metals

ABN 34 127 457 916

SRL
MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Return your Form:

By Email:
corpactprocessing@computershare.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne Victoria 3001
Australia

For all enquiries:

Phone:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Sale Facility Form

The Sale Facility Form must be received by 5:00pm (Melbourne time) on Tuesday, 22 June 2021.

***** If you DO NOT wish to have your Clean TeQ Water Limited (Clean TeQ Water) Shares handled through the Sale Facility you should NOT return this form *****

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Capitalised terms used in this Sale Facility Form, have the same meaning as given to them in Sunrise Energy Metals Limited's (**Sunrise Energy Metals**) Demerger Booklet which can be accessed on Sunrise Energy Metals announcement platform at www.asx.com.au.

Sale Facility

Eligible Shareholders who hold less than 5,000 Sunrise Energy Metals Shares as at the Record Date (**Small Shareholders**) may elect to have all the Clean TeQ Water Shares that they would otherwise receive sold by the Sale Agent through the Sale Facility and the proceeds remitted to them as soon as practicable following the sale of those shares, free of any brokerage costs or stamp duty (**Selling Shareholders**).

Making an Election to participate in the Sale Facility

A Small Shareholder may elect to participate in the Sale Facility and receive a pro rata share of the net proceeds from the sale of all the Clean TeQ Water Shares sold through the Sale Facility (**Election**).

If you wish to make an Election, you should complete and return this Sale Facility Form in accordance with the instructions on this form. The deadline for receipt of a Sale Facility Form by the Sunrise Energy Metals Share Registry is 5:00pm (Melbourne time) on Tuesday, 22 June 2021.

Small Shareholders that do not make a valid Election will be issued the Clean TeQ Water Shares they are entitled to receive under the Demerger.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.
Power of Attorney: Where signing as Power of Attorney (**POA**), you must attach an original certified copy of the POA to this form.
Companies: Where the holding is in the name of a Company, this form must be signed in accordance with the Corporations Act, either as:

- a Sole Director and Sole Company Secretary **OR** a Sole Director (if no Company Secretary exists), **OR**
- two Directors, **OR**
- a Director and Company Secretary.

Overseas Companies: Where the holding is in the name of an overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.
Deceased Estate: Where the shareholding is in the name of a deceased estate, all executors must sign; and a certified copy or original, of the required documentation must accompany this form. Details of the documentation required can be found by searching "deceased estates" on our website www.computershare.com or by calling Computershare Investor Services Pty Limited on 1300 850 505 or +61 3 9415 4000. If the shareholding is in more than one name the surviving shareholder may sign the form and return it together with a certified copy of the death certificate of the other joint shareholder.

Entering contact details is not compulsory, but will assist us if we need to contact you.

If you will not be a Small Shareholder on the Record Date, please disregard this form.

Turn over to complete the form ➔

Sale Facility Form

I 1111111111 IND

For your security keep your SRN/ HIN confidential.

Registration Details

MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Make an Election to participate in the Sale Facility

This section must be completed.

☐ I/we wish to elect to have the Clean TeQ Water Shares I am entitled to receive through the Demerger to be issued to the Sale Agent to be sold through the Sale Facility.

If you have already sold all your Sunrise Energy Metals Shares or will not be Small Shareholder on the Record Date, do not complete or return this form.

If you are a Small Shareholder and do not make a valid Election to participate in the Sale Facility you will receive the Clean TeQ Water Shares you are entitled to receive under the Demerger.

Signature of Securityholder(s)

This section must be completed.

By marking the box above and by signing and returning this form, I/we confirm that I/we want to make an Election to participate in the Sale Facility in accordance with the Election Box marked above.

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary/Sole Director (cross out titles as applicable)	**Director**	**Director/Company Secretary (cross out titles as applicable)**

Contact Name ____________________ **Contact Daytime Telephone** ____________________ **Date** ___/___/___

Email Address ____________________

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Sunrise Energy Metals Limited. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Sunrise Energy Metals Limited or to third parties upon direction by Sunrise Energy Metals Limited where related to the administration of your securityholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

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Computershare

Appendix 4 Investigating Accountant's Report

KPMG Transaction Services
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Australian Financial Services License No. 246901
Tower Two
Collins Square
727 Collins Street
Melbourne Vic 3008

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Melbourne Vic 3001
Australia

ABN: 43 007 363 215
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Directors
Sunrise Energy Metals Limited ("Sunrise")
(formerly: Clean TeQ Holdings Limited)
12/21 Howleys Rd
Notting Hill
VIC 3168

The Directors
Clean TeQ Water Limited ("Clean TeQ Water")
12/21 Howleys Rd
Notting Hill
VIC 3168

17 May 2021

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Sunrise Energy Metals Limited ("Sunrise") (ACN 127 457 916) (formerly Clean TeQ Holdings Limited) and Clean TeQ Water Limited ("Clean TeQ Water") (ACN 647 935 948) to prepare this report for inclusion in the Demerger Booklet to be dated 17 May 2021 ("Demerger Booklet"), and to be issued by Sunrise and Clean TeQ Water in connection with the proposed demerger of Sunrise's Water Business, Clean TeQ Water ("the Demerger").

Expressions defined in the Demerger Booklet have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Demerger Booklet.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Demerger Booklet.

The pro forma historical financial information is presented in the Demerger Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services perform limited assurance procedures in relation to the pro forma historical financial information of Sunrise (the responsible party) and Clean TeQ Water included in the Demerger Booklet.

The pro forma historical financial information has been derived from the historical financial information of Sunrise, after adjusting for the effects of pro forma adjustments described in sections 5.2, 7.6, 7.7 and 7.11 of the Demerger Booklet.

The pro forma financial information consists of Sunrise and Clean TeQ Water's pro forma historical Statement of Financial Position as at 31 December 2020, pro forma historical Statements of Financial Performance for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020 and pro forma historical Statements of Cash Flows for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020, as set out in sections 5.4, 5.6, 5.7 and sections 7.5, 7.7 and 7.10 of the Demerger Booklet issued by Sunrise and Clean TeQ Water (collectively the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 5.2 and 7.2 of the Demerger Booklet. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by Sunrise to illustrate the impact of the event(s) or transaction(s) on Sunrise and Clean TeQ Water's financial position as at 31 December 2020 and Sunrise's financial performance and cash flows for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020. As part of this process, information about Sunrise's and Clean TeQ Water's financial position, financial performance and cash flows has been extracted by Sunrise from Sunrise's financial statements for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020.

The financial statements of Sunrise for the years ended 30 June 2019 and 30 June 2020 were audited by KPMG and the financial statements for the half years ended 31 December 2019 and 31 December 2020 were reviewed by KPMG in accordance with Australian Auditing Standards. The audit and review opinions issued to the members of Sunrise relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in sections 5.2 and 7.2 of the Demerger Booklet.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of Sunrise are responsible for the preparation of:

- the Historical Financial Information; and
- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in sections 5.4, 5.6, 5.7 and sections 7.5, 7.7 and 7.10 of the Demerger Booklet, comprising:

- the pro forma historical income statements of Sunrise and Clean TeQ Water for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020;
- the pro forma historical statements of cash flows of Sunrise and Clean TeQ Water for the years ended 30 June 2019 and 30 June 2020 and the half years ended 31 December 2019 and 31 December 2020; and
- the pro forma historical balance sheets of Sunrise and Clean TeQ Water as at 31 December 2020,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in sections 5.2, 7.6, 7.7 and 7.11 of the Demerger Booklet, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Sunrise's and Clean TeQ Water's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Demerger, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Sunrise and from time to time, KPMG also provides Sunrise with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Demerger Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to sections 5.1 and 7.1 of the Demerger Booklet, which describes the purpose of the financial information, being for inclusion in the Demerger Booklet. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Demerger Booklet in the form and context in which it is so included, but has not authorised the issue of the Demerger Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Demerger Booklet.

Yours faithfully

Nick Harridge
Authorised Representative

KPMG

KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215
Australian Financial Services Licence No. 246901

Financial Services Guide

Dated October 2020

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Nick Harridge as an authorised representative of KPMG Transaction Services, authorised representative number 000405346 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- How KPMG Transaction Services and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;

- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units,

to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Sunrise Energy Metals Limited ("Sunrise") (formerly: Clean TeQ Holdings Limited) to provide general financial product advice in the form of a Report to be included in the Demerger Booklet (Document) prepared by Sunrise in relation to the proposed demerger of Sunrise's Water Business, Clean TeQ Water (Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive, and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services approximately $125,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to Sunrise for which professional fees are received. Over the past two years professional fees of approximately $689,000 have been received from Sunrise.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001(Cth).*

Contact details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
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Level 38, Tower Three
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Facsimile: (02) 9335 7200

LONERGAN EDWARDS
& ASSOCIATES LIMITED

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Telephone: [61 2] 8235 7500
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The Directors
Sunrise Energy Metals Limited
Unit 12, 21 Howleys Rd
Notting Hill VIC 3168

11 May 2021

Subject: Independent Expert's Report on Demerger

Dear Directors

Introduction

1 On 14 September 2020, Clean TeQ Holdings Limited announced that it had initiated a review to consider the separation of its water business from the remainder of its business, comprising the Sunrise Project and the company's other mineral exploration activities in New South Wales (NSW). On 22 February 2021, Clean TeQ Holdings Limited announced that following completion of that review, it intended to undertake the proposed demerger which, if implemented, will result in the establishment of Clean TeQ Water Limited (CNQ) to create a separate company listed on the Australian Securities Exchange (ASX) (the Demerger).

2 Effective 12 April 2021, Clean TeQ Holdings Limited changed its name on the ASX to Sunrise Energy Metals Limited (SRL or the Company)[1].

3 The Demerger is subject to approval by SRL shareholders and, if approved, will proceed by way of an in-specie distribution, pursuant to which all of the issued shares in CNQ held by SRL will be transferred to Eligible SRL Shareholders[2], by way of a capital reduction (the Capital Reduction).

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1 Note, the Australian Securities & Investments Commission (ASIC) change of name certificate is dated 24 March 2021.

2 SRL shareholders (other than Selling Shareholders and Ineligible Foreign Shareholders) whose names are shown in the SRL share register on the Demerger Record Date. Ineligible Foreign Shareholders are those shareholders with registered addresses outside of Australia, Canada, China, the European Union (EU), Hong Kong, Japan, Malaysia, New Zealand, Singapore, Switzerland, Taiwan, Thailand, the United Arab Emirates (UAE), the United Kingdom (UK) and the United States of America (US), or a jurisdiction in which SRL reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and transfer the CNQ shares to the SRL shareholder. Selling Shareholders are Eligible SRL Shareholders who hold less than 5,000 SRL shares (Small Shareholders) as at the Record Date who elect to have all the CNQ shares that they would otherwise receive sold and proceeds remitted to them.

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4 Specifically, if the Demerger is approved, SRL shareholders on the Implementation Date will receive one CNQ share for every two SRL shares held as at the Record Date. The Demerger will not impact the number of shares held by shareholders in SRL. SRL shareholders are not required to pay any consideration for the CNQ shares to be received by them.

5 SRL shareholders will need to pass a resolution to approve the Capital Reduction pursuant to s256C(1) of the *Corporations Act 2001* (Cth) (Corporations Act) (which requires more than 50% of the votes cast to be in favour of the resolution in order for it to be passed).

6 If the Demerger is approved, SRL shareholders[3] will own shares in the following two ASX listed companies:

(a) **CNQ** – will be focused on rapidly growing sales of its innovative proprietary ion exchange water purification systems to the mining, municipal and industrial sectors as well as ongoing research and development into a number of high potential complementary value-adding technologies including graphene oxide nanofiltration membranes

(b) **SRL** – will be a battery metals operation focused on the development of the Sunrise Project, which is a development-ready laterite mineral resource located near the town of Fifield in central NSW, approximately 350 kilometres (km) west of Sydney. Aside from holding a significant nickel resource, the Sunrise Project is one of the largest cobalt deposits outside of Africa, and one of the largest and highest grade accumulations of scandium ever discovered.

7 While there is no regulatory requirement to obtain an independent expert's report (IER) on the Demerger, the Directors of SRL have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER setting out our opinion on whether the position of SRL shareholders if the Demerger is approved is more advantageous than the position if the Demerger is not approved and therefore, whether the Demerger is in the best interests of SRL shareholders.

Summary of opinion

8 In our opinion, the advantages of the Demerger outweigh the disadvantages and as such, the Demerger is in the best interests of SRL shareholders. We have formed this opinion having regard to the matters discussed below.

Key terms

9 In simple terms, the Demerger involves SRL shareholders splitting their current investment in SRL into two parts (being shares in both SRL and CNQ). Importantly, under the Demerger:

(a) no ownership interest in the Sunrise Project / SRL or CNQ businesses is being sold to a third party who is not a SRL shareholder at the relevant record date

(b) all SRL shareholders are being treated equally, and will each receive one share in CNQ for each SRL share held

[3] References to "SRL shareholders" in this report are references to Eligible SRL Shareholders.

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(c) the underlying ownership interests of SRL shareholders in SRL and CNQ will therefore not change[4]

(d) there are not expected to be any material adverse tax consequences for the large majority of SRL shareholders.

Assessment criteria

10 In order to consider whether the Demerger is in the best interests of SRL shareholders, we have considered both the value implications of the proposal, as well as the advantages and disadvantages of the Demerger from the perspective of SRL shareholders.

Value implications

11 Given there is no change in the underlying economic interests of SRL shareholders, no change in control or selective treatment of any SRL shareholders, the value implications of the Demerger are (consistent with Regulatory Guide 111 – *Content of expert reports* (RG 111)) a secondary issue.

12 The value implications of the Demerger depend on, inter-alia, the impact of the Demerger on the level of additional ongoing costs, the one-off transaction costs incurred and the potential for a combined value uplift due to the Demerger. These matters are discussed below.

Additional ongoing costs

13 As a result of having two separate listed companies following implementation of the Demerger, total ongoing operating costs (on a combined net basis) are expected to increase by approximately $1.0 million. These costs comprise additional ongoing costs to be incurred by CNQ of $1.8 million[5], partially offset by ongoing annual cost savings in SRL of $0.8 million.

14 In comparison, SRL reported underlying earnings (losses) before interest, tax, depreciation and amortisation (EBITDA) of negative $17.9 million[6] in the year ended 30 June 2020 (FY20). The additional net ongoing operating costs due to the Demerger would therefore have increased the FY20 reported losses at the EBITDA[6] level by some 5.6%, which we consider to be relatively immaterial.

One-off costs

15 The one-off transaction costs incurred as a result of the Demerger are estimated at $1.7 million[7]. However, the substantial majority of these costs will be committed prior to the shareholder meeting to vote on the Demerger and associated Capital Reduction. Accordingly, the level of one-off transaction costs which will be avoided if the Demerger is not approved is therefore modest.

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4 Ineligible Foreign Shareholders and Small Shareholders (who hold less than 5,000 SRL shares and lodge a Sale Facility Form) will not receive CNQ shares. Such shareholders will instead receive in cash the proceeds (on an averaged basis) from the sale on the ASX of the CNQ shares to which they would otherwise have been entitled, free of any brokerage costs or stamp duty.

5 Refer to paragraph 111 for further details.

6 Before impairment expenses.

7 Refer to paragraph 127 for further details.

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Potential value uplift due to Demerger

16 In the short term, we do not expect that the listed market value of the combined SRL and CNQ shareholdings (post Demerger) will be materially different from the listed market value of SRL shares prior to the Demerger. That is, we do not expect the Demerger to result in any material change in total value for SRL shareholders in the short term.

17 However, in the medium to long term we believe that the Demerger offers the potential for greater value creation. This is principally because:

(a) SRL and CNQ (post Demerger) will have more transparent corporate structures (with no cross ownership or related party funding arrangements) than the current single group structure. This should assist in increasing the visibility of both companies within the financial community. As separate reporting entities, in our opinion, investors will be able to better evaluate and understand each company's financial performance, operations and strategy relative to their direct peers

(b) in particular, as CNQ will become a separate listed company if the Demerger is approved, in our opinion, investors are more likely to recognise CNQ's different risk / return profile and business characteristics

(c) if the Demerger is approved a separate board and management team will be responsible for each of SRL and CNQ. This should enhance the operational focus of each entity and facilitate the pursuit of different strategic objectives without the inherent limitations of the current operational structure

(d) the takeover prospects for each business are likely to be enhanced because the Demerger allows a potential bidder to acquire and/or make a takeover bid for the shares in the company of their choice without needing to acquire the other business.

18 In our opinion, it is reasonable to conclude therefore that the Demerger has the potential to result in combined higher values being able to be realised by SRL shareholders over time relative to the share market value of SRL in the absence of the Demerger (assuming similar share market conditions).

Other advantages

19 In our opinion the Demerger has a number of other potential advantages including:

(a) allowing SRL and CNQ to separately adopt an operational and capital structure based on their different risk profiles, strategic focus and objectives and geographic exposure

(b) increased ability (due to having two separate listed companies) to align business performance with employee remuneration. This may improve accountability to shareholders and provide more incentive to employees to perform as rewards can be more closely tied to shareholder returns

(c) greater investor flexibility, as SRL shareholders and new investors will have the choice to own shares in either SRL or CNQ, or both companies

(d) each company will also be able to:

(i) manage its capital resources without the need to compete internally for capital

(ii) have direct access to the equity and debt capital markets by virtue of their separate listings.

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Disadvantages

20 Disadvantages of the Demerger include:

(a) the negative value implications noted above regarding an increase in ongoing operating costs of approximately $1.0 million per annum (due to having two separate listed companies), together with the one-off costs of around $1.7 million which will be incurred to implement the Demerger

(b) SRL shareholders with registered addresses outside Australia, Canada, China, the EU, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Switzerland, Taiwan, Thailand, the UAE, the UK and the US or a jurisdiction in which SRL reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and transfer the CNQ shares to the SRL shareholder (referred to as Ineligible Foreign Shareholders), will not be issued with CNQ shares[8]

(c) as both CNQ and SRL are able to target extraction, recovery and refining of metals (other than nickel, cobalt and scandium) there is potential for the two companies to be in competition for the same opportunities in these sectors in the future[9]

(d) potentially lower level of share liquidity for CNQ (and possibly SRL)

(e) given CNQ targets water related engineering, procurement and construction contracts, a smaller balance sheet may impact its ability to target and undertake contracts for larger projects

(f) given the reduced scale of operations of SRL post the Demerger, the time frame over which recoupment of existing tax losses is likely to increase. Accordingly, the present value of the tax losses (in terms of company cash flows) is likely to reduce.

Taxation consequences for shareholders

21 Separate disclosure on the taxation implications of the Demerger for Australian resident shareholders who hold their SRL shares on capital account is set out in Section 9 of the Demerger Booklet. In summary, for SRL shareholders who are residents of Australia for income tax purposes and who hold their SRL shares on capital account, no part of the Capital Reduction will constitute a taxable dividend.

22 Australian residents who hold their SRL shares on revenue account or SRL shareholders who are non-residents for tax purposes should obtain their own advice in relation to the taxation implications of the Demerger.

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8 Based on a recent review of the SRL share register, all of the SRL shareholders are located in these countries. Accordingly, it is expected that there will not be any Ineligible Foreign Shareholders. However, as at the Record Date, there is the potential for some Ineligible Foreign Shareholders to be on the share register.

9 Given the immediate focus of SRL will be the development of the Sunrise Project, and CNQ's immediate focus will be on the development of its tailored water treatment business, we do not consider this a significant disadvantage, particularly in the short to medium term.

5

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Other matters

23 The impact of the Demerger on the tax position of SRL shareholders depends on the individual circumstances of each investor. Shareholders should read the taxation disclosure set out in the Demerger Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Demerger.

24 The ultimate decision whether to approve the Demerger should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If shareholders are in doubt about the action they should take in relation to the Demerger or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Demerger, and the reasoning behind our opinion, we recommend that SRL shareholders read the remainder of our report.

Yours faithfully

Julie Planinic
Authorised Representative

Jorge Resende
Authorised Representative

LONERGAN EDWARDS & ASSOCIATES LIMITED

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Appendices

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I Details of the Demerger

Introduction

25 On 14 September 2020, Clean TeQ Holdings Limited announced that it had initiated a review to consider the separation of its water business from the remainder of its business, comprising the Sunrise Project and the company's other mineral exploration activities in NSW. On 22 February 2021, Clean TeQ Holdings Limited announced that following completion of that review, it intended to undertake the proposed demerger which, if implemented, will result in the establishment of CNQ to create a separate company listed on the ASX (the Demerger).

26 Effective 12 April 2021, Clean TeQ Holdings Limited changed its name on the ASX to Sunrise Energy Metals Limited (SRL or the Company)[10].

27 The Demerger is subject to approval by SRL shareholders and, if approved, will proceed by way of an in-specie distribution, pursuant to which all of the issued shares in CNQ held by SRL will be transferred to Eligible SRL Shareholders[11], by way of the Capital Reduction.

28 Specifically, if the Demerger is approved, SRL shareholders on the Implementation Date will receive one CNQ share for every two SRL shares held as at the Record Date. The Demerger will not impact the number of shares held by shareholders in SRL. SRL shareholders are not required to pay any consideration for the CNQ shares to be received by them.

Implementation

29 SRL and CNQ have entered into a Separation Deed which deals with certain commercial, transitional and legal issues arising in connection with the Demerger.

30 The Demerger is proposed to be undertaken via an equal access Capital Reduction of SRL under Part 2J.1 of the Corporations Act. The Capital Reduction will be implemented by an in-specie distribution of shares in CNQ to SRL shareholders. SRL shareholders will also retain their shareholding in SRL.

31 SRL shareholders are not required to pay any consideration for the CNQ shares to be transferred to them. The Demerger will not impact the number of shares held by shareholders in SRL as at the Record Date.

Conditions precedent

32 The implementation of the Demerger is conditional upon:

(a) the requisite majority of the SRL shareholders passing the Demerger Resolution

(b) all regulatory approvals required for the Demerger being obtained (either unconditionally or on conditions reasonably satisfactory to SRL and CNQ); and

(c) the ASX approving the admission of CNQ to the official list of the ASX and granting permission for official quotation of CNQ shares on the ASX.

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10 Note, the ASIC change of name certificate is dated 24 March 2021.

11 SRL shareholders (other than Selling Shareholders and Ineligible Foreign Shareholders) whose names are shown in the SRL share register on the Demerger Record Date.

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Implementation

33 If approved, the following steps will be required to implement the Demerger:

(a) SRL will reduce its share capital (the Capital Reduction[12])

(b) the Capital Reduction amount will be applied on behalf of SRL shareholders as a deemed payment for CNQ shares; and

(c) the CNQ shares to which each Eligible SRL Shareholder is entitled will be transferred (by way of an in specie distribution) to Eligible SRL Shareholders.

Obligations

34 The respective obligations of SRL and CNQ under the terms of the Demerger Implementation Deed (which sets out the steps required to be undertaken by each of SRL and CNQ to implement and give effect to the Demerger) are (inter alia) as follows:

(a) SRL must take all reasonable steps within its control to implement the Demerger, including:

(i) convening the general meeting of SRL shareholders to consider the Demerger Resolution

(ii) procuring the sale of CNQ shares under the Sale Facility by the Sale Agent for Selling Shareholders and any Ineligible Foreign Shareholders

(b) CNQ must take all reasonable steps within its control to implement the Demerger, including:

(i) registering as shareholders the CNQ shareholders

(ii) procuring the issue of holding statements to CNQ shareholders

(c) CNQ must apply for and proceed with admission of CNQ to the official list of the ASX and official quotation of CNQ shares on the ASX, and SRL must provide reasonable assistance to enable CNQ to comply with these obligations

(d) SRL will generally pay for the transaction costs associated with the proposed Demerger.

Service arrangements

35 In order to implement the Demerger, SRL will provide the following services to CNQ under the Services Agreement effective 1 May 2021:

(a) business insurances[13] until 30 April 2022. CNQ will be required to arrange its own insurance cover thereafter

(b) information technology services at cost based on employee numbers or direct costs where applicable

(c) office and storage services in the event that the current agreements are unable to be novated

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12 The value of the Capital Reduction is to be determined in accordance with the Demerger allocation between capital and dividend specified in the draft Australian Taxation Office (ATO) class ruling.

13 CNQ will need to arrange its own directors and officers insurance post Demerger.

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(d) any other administration or support required by mutual agreement at cost.

36 In addition, the CNQ business will undertake specific technical research and development programs for the SRL business. The scope and cost of programs are to be agreed prior to commencement.

Intellectual property (IP) arrangements

37 The Demerger will result in two businesses with different strategies and objectives:

(a) the SRL business will own and exploit mining and metals and mineral processing assets, with a specific focus on energy metals

(b) the CNQ business will focus on water treatment in addition to technology development and licensing. The CNQ business may also pursue metal extraction. recovery and refining opportunities outside those relating to nickel, cobalt or scandium.

38 SRL will transfer all of the IP held to the CNQ business except that associated with the SRL business as follows[14]:

(a) U-shaped reactor patent – method and apparatus for an ion exchange process for concentrating and desorbing particular metals and concurrently removing impurities

(b) the Scandium patent – which is the ion exchange resin and process for sorbing and desorbing scandium

(c) the IP and know-how[15] for continuous ion exchange technology in the field of recovery of nickel, cobalt, scandium and associated elements from:

(i) nickel, cobalt or scandium bearing ores

(ii) intermediate products resulting from the processing of nickel, cobalt or scandium bearing ores; or

(iii) tailings, residues, wastes or by-products (including process water) resulting from the processing of (i) or (ii) above

(d) the IP, know-how and patents in the areas of:

(i) production and manufacture of precursor cathode active material, cathode active material and battery cathode (including the cathode precursor patent – method and apparatus for the production of lithium battery cathode precursor materials)

(ii) processing and recovery of nickel, cobalt and scandium from recycled materials (including the cathode black mass recycling patent – method and apparatus for the recovery of metals from lithium battery derived black mass); or

(iii) in any way associated with the Sunrise Project

(e) IP rights associated with the SRL name.

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[14] As per Schedule 1 of the IP Transfer Deed effective 1 May 2021. Further details are included in Section V.

[15] Know-how means all information which permits better exploitation of the IP.

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39 In order to implement the CNQ business technology and pursue other metal recovery opportunities outside those specified to be exclusively undertaken by SRL, CNQ has entered into the Water IP Licence Deed (effective 1 May 2021) whereby the CNQ business has the right to use the U-shaped reactor patent technology (Licensed SRL IP). Under the Water IP Licence Deed, CNQ has been granted a non-exclusive, royalty-free perpetual global licence to use, adapt, modify, commercialise and exploit the Licensed SRL IP, in any field other than the continuous ion exchange technology in the field of recovery of nickel, cobalt and scandium.

40 IP directly associated with the CNQ businesses has been transferred to CNQ by the IP Transfer Deed, effective from 1 May 2021. Under the terms of the IP Transfer Deed SRL assigned to CNQ the IP Rights and know-how pertaining directly to the CNQ business. No consideration was payable by CNQ under the IP Transfer Deed.

41 The IP and know-how to be transferred to CNQ under the IP Transfer Deed is as follows[16]:

(a) **Hi Rox** – pre-treatment ion exchange process plus concentration step where concentrated brine is used for resin regeneration. This technology is used in HIROX® (High Recovery Reverse Osmosis)

(b) **Continuous Ionic Filtration (CIF) precipitate and ions removal** – ion exchange treatment where ion exchange resin bed acts as both filtration and ion removal device. This technology is used in CIF® / DESALX® (2-Stage CIF®)

(c) **vanadium** – ion exchange resin and process for sorbing vanadium and desorbing as vanadium electrolyte

(d) **lens production** – method and apparatus for manufacturing polyvinyl alcohol encapsulated bacteria. This technology is used in BIOCLENS (Encapsulated Bacteria Lenses)

(e) **uranium extraction** – ion exchange resin and process for sorbing uranium and desorbing in high salt environments

(f) **Resin plus Clean Bio** – method and process for sorbing and desorbing nitrate while using biological process to degrade nitrate to nitrogen gas to allow desorbent recycling. This technology is used in BIONEX (Bio + Ion Exchange)

(g) **graphene oxide method and materials** – method and materials for the production of a graphene oxide membrane with nanofiltration characteristics.

42 Certain components of the CNQ business IP can be applied to the extraction, recovery and refining of metals (Licensed CNQ IP). Accordingly, CNQ and SRL have entered into the Metals IP Licence Deed effective 1 May 2021 to provide SRL with a non-exclusive, royalty-free perpetual global licence to use, adapt, reproduce, modify, commercialise and exploit the Licensed CNQ IP, solely in connection with the field of extraction, recovery and refining of metals. The licence terms expressly exclude water or wastewater purification.

16 Further details are included in Section IV.

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Ineligible Foreign Shareholders

43 Ineligible Foreign Shareholders are those shareholders with registered addresses outside of Australia, Canada, China, the EU, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Switzerland, Taiwan, Thailand, the UAE, the UK or the US, or a jurisdiction in which SRL reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and transfer the CNQ shares to the SRL shareholder.

44 Based on a recent review of the SRL share register, all of the SRL shareholders are located in Australia or jurisdictions which permit the distribution of the Demerger Booklet to them. Accordingly, it is expected that there will not be any Ineligible Foreign Shareholders. However, as at the Record Date, there is the potential for some Ineligible Foreign Shareholders to be on the share register.

Small Shareholder / Selling Shareholder

45 A Small Shareholder (other than an Ineligible Foreign Shareholder) who individually holds fewer than 5,000 SRL shares may elect to have all the CNQ shares that they would otherwise receive pursuant to the Demerger sold using the Sale Facility.

46 Selling Shareholders will receive in cash the proceeds (on an averaged basis) from the sale on the ASX of the CNQ shares to which they would otherwise have been entitled, free of any brokerage costs or stamp duty.

Resolution

47 SRL shareholders will need to pass the following resolution for the Demerger to be implemented[17]:

"That, subject to the conditions precedent set out in clause 2.1 of the Demerger Implementation Deed being satisfied or waived in accordance with that deed:

(1) for the purposes of section 256C(1) of the Corporations Act, Sunrise Energy Metals Limited's share capital be reduced on the Implementation Date by the Capital Reduction Amount, with such amount being applied equally against each SRL Share on issue on the Record Date and the reduction being effected and satisfied by distributing in specie the CNQ Shares to Eligible Shareholders (and the Sale Agent in respect of Selling Shareholders and any Ineligible Foreign Shareholders); and

(2) the Demerger otherwise be implemented in the manner more fully described in the Demerger Booklet (which accompanies and forms part of the Notice of General Meeting)."

[17] The resolution requires more than 50% of the votes cast to be in favour of the resolution in order for it to be passed.

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II Scope of our report

Purpose

48 The Demerger is subject to the approval of SRL shareholders in accordance with s256C and s411 of the Corporations Act. Section 256C of the Corporations Act governs reductions in capital. It requires the prior approval of shareholders before a capital reduction can be effected. However, s256C does not require an IER to be prepared.

49 While there is no regulatory requirement to obtain an IER on the Demerger, the Directors of SRL have requested that LEA prepare an IER setting out our opinion on whether the position of SRL shareholders if the Demerger is approved is more advantageous than the position if the Demerger is not approved and therefore, whether the Demerger is in the best interests of SRL shareholders.

Basis of assessment

50 RG 111 states that an expert should assess the merits of a proposed demerger by providing an opinion as to whether the advantages of the proposal outweigh the disadvantages. In particular, RG 111.35 and 111.36 state that the issue of "value" may be of secondary importance in the absence of the following effects resulting from the implementation of the demerger:

(a) a change in the underlying economic interests of security holders

(b) a change of control

(c) selective treatment of different security holders.

51 If the Demerger proceeds, it will not result in a change of control or selective treatment among SRL shareholders. Shareholders will retain the same underlying economic interest in SRL but will hold shares in two entities (SRL and CNQ) in place of holding shares in a single entity (SRL).

52 Under RG 111[18], if the advantages outweigh the disadvantages, the Demerger will be "in the best interests" of shareholders.

53 In LEA's opinion, the most appropriate basis upon which to evaluate the Demerger is to assess its overall impact on SRL shareholders and to form a judgement as to whether the expected benefits to SRL shareholders outweigh the disadvantages and risks that might result.

54 Accordingly, we have considered:

(a) the impact the Demerger will have on share market value

(b) the impact the Demerger will have on SRL's capital structure

(c) the impact of the Demerger on ownership interests and flexibility

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[18] RG 111.37 states that "*If a demerger or demutualisation involves a scheme of arrangement and the expert concludes that the advantages of the transaction outweigh the disadvantages, the expert should say that the scheme is in the best interests of members.*" Whilst the Demerger will not be effected by a scheme of arrangement, we have adopted a basis of evaluation consistent with the wording of RG 111.

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(d) the impact of the Demerger on management incentives and accountability and their alignment with share price performance

(e) the impact the Demerger will have on dividend policy

(f) the level of one-off transaction costs incurred

(g) the level of additional ongoing costs incurred as a result of having to maintain two listed companies

(h) the benefits and disadvantages of having two smaller companies rather than one larger company

(i) the risks associated with the Demerger, including the need to obtain regulatory approvals

(j) the taxation implications of the Demerger

(k) the extent to which SRL's shareholders are likely to be better off as a result of the proposed Demerger.

Limitations and reliance on information

55 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

56 Our report is also based upon financial and other information provided by SRL and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

57 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Demerger from the perspective of SRL shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

58 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

59 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and

review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

60 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

61 In forming our opinion we have also assumed that:

(a) the information set out in the Demerger Booklet is complete, accurate and fairly presented in all material respects

(b) if the Demerger is implemented it will be implemented in accordance with the terms set out in this report.

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III Profile of SRL (prior to Demerger)

Overview

62 SRL is an ASX listed metals recovery and water treatment business operating through the application of its proprietary continuous ion exchange technology. Prior to the Demerger, it operated two distinct businesses being, Clean TeQ Sunrise, which focused on developing the world-class nickel, cobalt and scandium project in NSW (the Sunrise Project), and Clean TeQ Water, which focused on the design, procurement, construction and operation of tailored water purification and recycling solutions in the mining, municipal and industrial sectors.

History

63 The key milestones in the Company's history are shown below:

SRL – history	
Date	**Key development**
1990	• Commenced operations in Melbourne following the purchase of the rights to a biofiltration technology that treats odorous air emissions
2000	• Granted an exclusive licence by the All-Russian Research Institute of Chemical Technology for the use of IP relating to ion exchange resins and processes in all countries outside of the former Soviet Union
2007	• Listed on the ASX
2009	• Awarded contracts for the design and supply of major equipment for three wastewater treatment plants in the Putian region of China
2014	• Announced the acquisition of the Syerston project (later renamed the Sunrise Project), a potential site for the mining of metals including nickel, cobalt and scandium
2015	• Announced the sale of its 59% holding in Clean TeQ Aromatrix, its air pollution control business
2016	• Announced a joint venture in China to pursue water treatment opportunities using its water purification technology
2017	• Signed an exclusive technology distribution agreement with Multotec Process Equipment Pty Ltd (Multotec) covering the African continent • Awarded a contract to supply Multotec with the Company's CIF® wastewater treatment solution at a minerals processing plant in Oman • Awarded a contract to supply a DESALX® mine water treatment plant to the Fosterville Gold Mine near Bendigo, Victoria
2018	• Signed a contract with Multotec to supply and commission a metals processing plant using CIF® in the Democratic Republic of the Congo • Released a feasibility study for the Sunrise Project that supported a post-tax net present value of US$1.39 billion, and a post-tax internal rate of return of 19.1%
2020	• Announced a successful independent trial in Tianjin, China of the BIONEX system to reduce nitrate levels in waste water at a low cost
2021	• Raised approximately $35 million ($16 million of which settled prior to 31 December 2020) via a combination of a share purchase plan and private placements • Signed a contract with Mackay Regional Council to design, supply and install an ion exchange treatment plant, plus a package gas chlorination system, to remove water hardness and lower the salinity of an existing bore water supply • Awarded a contract to design, procure, deliver and install a BIONEX water treatment plant to a coal mine in Inner Mongolia, China • On 24 March 2021, the Company concurrently announced: – a 10 for 1 share consolidation that completed as of 8 April 2021 – that Clean TeQ would be renamed Sunrise Energy Metals Limited as of 12 April 2021

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IP

64 The Clean-iX® continuous ion exchange process provides highly efficient extraction and purification for a range of valuable strategic metals from slurries and solutions. The base technology for the Clean-iX® process was developed by the All Russian Research Institute of Chemical Technology over a period of 40 years. SRL has subsequently developed this technology to extract and purify a range of resources including base, precious and rare-earth metals in the mining industry, as well as for the purification and recycling of water in the mining, municipal and industrial sectors.

The business

65 Historically, and prior to the Demerger, SRL was focused operationally on:

(a) **Clean TeQ Sunrise –** the development of the Sunrise Project including the application of the Company's proprietary ion exchange extraction and purification technology to enhance mineral resources. The Sunrise Project will also have the flexibility to enable potential future treatment of primary, intermediate and secondary (recycled) battery metals

(b) **Clean TeQ Water –** the development of solutions for the world's most challenging water treatment problems. These include upgrading wastewater treatment plants to meet evolving regulations, treating ground and surface water for potable use, and recycling process waters in power, mining and industrial applications.

66 Notwithstanding the sharing of the base technology, the applications for the water treatment technology are quite different to metals extraction and as a result there is now a clear distinction between the strategies of the above two businesses. The Demerger therefore allows the introduction of dedicated management teams with a clear focus and separate strategies for each of these businesses.

67 Following the Demerger, and as detailed in previous sections of this report, the above two businesses will be separated by way of an in-specie distribution of the shares in CNQ, the entity that heads the Clean TeQ Water business[19] to Eligible SRL Shareholders[20]. As both the SRL and CNQ businesses rely on the same base technology, a number of IP deeds have been entered into that set out the basis for the sharing of this IP (refer Section I). Further details about the IP arrangements as well as the operations of these companies post the Demerger are set out in Section IV (Profile of CNQ) and Section V (Profile of SRL (post Demerger)).

Financial performance

68 The financial performance of SRL for the three years to FY20 and the half year ended 31 December 2020 (1H21) is set out below:

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[19] The entity will hold all of the assets and liabilities of the Clean TeQ Water business and associated IP and approximately $15 million cash.

[20] SRL shareholders (other than Selling Shareholders and Ineligible Foreign Shareholders).

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SRL – statement of financial performance[1]	FY18 $m	FY19 $m	FY20 $m	1H21 $m
Revenue	4.2	4.7	1.2	1.6
Employee benefits expenses	(9.9)	(11.5)	(10.9)	(5.3)
Raw materials and other direct costs	(2.5)	(3.0)	(1.2)	(0.3)
Other operating expenses	(8.7)	(10.0)[2]	(7.0)	(5.4)
Impairment expense	-	-	(179.2)[3]	-
EBITDA	(16.8)	(19.8)	(197.2)	(9.4)
Depreciation and amortisation	(0.8)	(1.2)[2]	(1.4)	(0.8)
EBIT[4]	(17.6)	(21.0)	(198.6)	(10.2)
Net interest income	1.6	3.0[2]	0.9	0.1
Income tax expense	-	-	-	-
Loss after tax	(16.0)	(18.0)	(197.7)	(10.1)
Loss after tax attributable to:				
SRL shareholders	(16.0)	(17.9)	(197.5)	(10.0)
Non-controlling interests	-	(0.1)	(0.2)	(0.1)
Loss after tax	(16.0)	(18.0)	(197.7)	(10.1)

Note:
1 Rounding differences exist.
2 SRL first adopted adopted Australian Accounting Standards Board (AASB) 16 – *Leases* (AASB 16) effective 1 July 2019. AASB 16 essentially replaces operating lease charges with depreciation and interest charges. SRL's FY19 results have been restated as if AASB 16 had been adopted effective 1 July 2018, with operating expenses reduced by $408,000 and depreciation and amortisation and interest and finance charges expenses increased by $370,000 and $38,000 respectively.
3 Relates to an impairment of the Sunrise Project.
4 EBIT is earnings before interest and tax.

69 A reconciliation of the above financial results to the pro forma results for CNQ and SRL post Demerger (set out in Sections IV and V) is set out below. As a result of having two separate listed companies following implementation of the Demerger, total ongoing operating costs (on a combined net basis) are expected to increase by approximately $1.0 million. These costs comprise additional ongoing costs to be incurred by CNQ of $1.8 million[21], partially offset by ongoing annual cost savings in SRL of $0.8 million.

SRL – reconciliation of financial performance[1]	FY19 $m	FY20 $m	1H21 $m
Revenue			
SRL	0.3	0.0	0.0
CNQ	4.2	0.7	1.5
Elimination of NematiQ revenue[2]	0.2	0.4	0.1
Total revenue (as reported)	4.7	1.2	1.6
EBITDA			
SRL as reported	(19.8)	(197.2)	(9.4)
Additional standalone costs post Demerger[3]	(1.0)	(1.0)	(0.5)
Pro forma EBITDA	(20.8)	(198.2)	(9.9)

21 Refer to paragraph 111 for further details.

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SRL – reconciliation of financial performance[1]	FY19 $m	FY20 $m	1H21 $m
Pro forma EBITDA comprises:			
SRL[4]	(14.9)	(188.9)	(7.9)
CNQ[5]	(5.9)	(9.2)	(2.0)
Pro forma EBITDA	(20.8)	(198.2)	(9.9)

Note:
1 Rounding differences exist.
2 These amounts reflect intercompany services charges paid by the NematiQ joint venture that were not eliminated on consolidation in the historical financial statements for SRL. The SRL and CNQ pro-forma historical income statements have been adjusted to reflect the elimination of these revenues and expenses notwithstanding that there is no impact on EBITDA. As a result, the sum of the SRL and CNQ pro forma revenues and expenses do not sum to the applicable consolidated revenues and expenses in the SRL historical financial statements.
3 Reflects additional costs incurred by CNQ of $1.8 million per annum, less cost savings of SRL of $0.8 million per annum due to the establishment of CNQ of as a separate listed entity.
4 Reduced by $0.8 million per annum.
5 Increased by $1.8 million per annum.

70 For further detail with respect to the financial performance of CNQ and SRL post the Demerger refer to Sections IV and V of this report respectively.

Financial position

71 The reported financial position of SRL as at 30 June 2020 and 31 December 2020 is set out below:

SRL – statement of financial position[1]	30 Jun 20 $m	31 Dec 20 $m
Cash and cash equivalents	40.1	44.0
Trade and other receivables	1.8	3.0
Research and development incentive receivable	1.2	1.3
Other financial assets	0.2	0.2
Total current assets	43.3	48.6
Property, plant and equipment	0.9	0.9
Intangible assets	3.5	3.3
Lease assets	1.0	0.6
Investment in equity accounted associate	0.3	0.3
Other financial assets	0.1	0.1
Total non-current assets	5.9	5.2
Total assets	49.2	53.8
Trade and other payables	2.8	2.3
Employee benefits	0.7	0.5
Deferred revenue	1.0	0.0
Lease liabilities	0.4	0.4
Provisions	0.7	0.7
Total current liabilities	5.4	3.8

SRL – statement of financial position[1]	30 Jun 20 $m	31 Dec 20 $m
Employee benefits	0.1	0.1
Deferred revenue	0.4	0.4
Lease liabilities	0.7	0.2
Provisions	0.2	0.2
Shareholder loans	0.3	0.3
Total non-current liabilities	1.7	1.3
Total liabilities	7.1	5.1
Net assets	42.1	48.7

Note:
1 Rounding differences exist.

72 With respect to the above we note that:

(a) the above statement of financial position does not include some $19 million of the cash raised as a part of the capital raisings undertaken in late 2020 and early 2021, which settled in January 2021

(b) the majority of assets held by the Company as at 30 June 2020 and 31 December 2020 was in cash and cash equivalents

(c) the next largest asset category is intangible assets, an analysis of which is set out below:

SRL – intangible assets[1]	30 Jun 20 $m	31 Dec 20 $m
Capitalised development costs	3.4	3.2
Patents and trademarks	0.1	0.1
Licence rights	0.0	0.0
Total intangible assets	3.5	3.3

Note:
1 Rounding differences exist.

(d) as at 30 June 2020, SRL also had tax losses of approximately $64 million.

Share capital and performance

73 As at 7 May 2021, post the 10-for-1 share consolidation, SRL had 88.6 million fully paid ordinary shares on issue. SRL also has a long-term incentive program in the form of performance rights for employees that vest subject to the achievement of specified performance benchmarks and options for certain senior executives. As at 7 May 2021 there were 2.0 million performance rights on issue with varying expiry and vesting dates and 0.7 million options on issue exercisable at $5.30, which expire on 9 August 2023.

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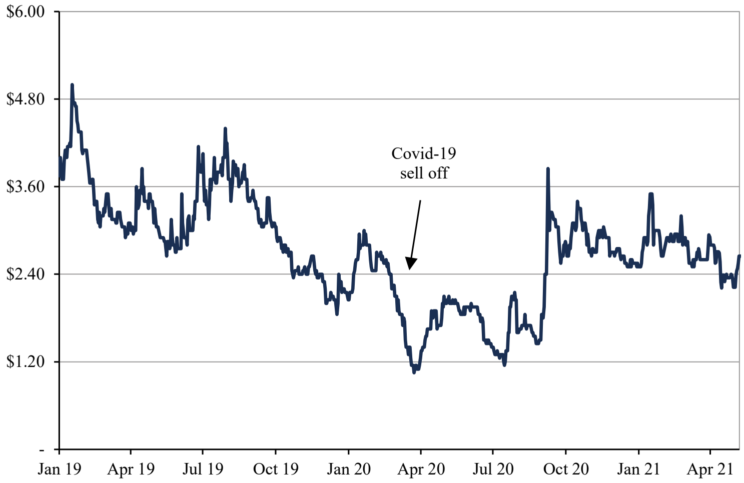
Significant shareholders

74 As at 7 May 2021, the significant shareholders in SRL were Mr Robert Friedland with a relevant interest of 13.5% of the SRL shares on issue, Pengxin International Group Limited holding 11.8% of the shares on issue and FMR LLC (Fidelity Investments) holding 6.6% of the shares on issue.

Share price performance

75 The following chart illustrates the movement in the share price of SRL from 1 January 2019 to 7 May 2021[22]:

SRL – share price history
1 January 2019 to 7 May 2021



Source: Bloomberg and LEA analysis.

Liquidity in SRL shares

76 The liquidity in SRL shares based on trading on the ASX over the 12 month period prior to 7 May 2021 is set out below[23]:

SRL – liquidity in shares

Period	Start date	End date	No of shares traded 000	WANOS[(1)] outstanding 000	Implied level of liquidity Period[(2)] %	Implied level of liquidity Annual[(3)] %
1 month	8 Apr 21	7 May 21	1,872	88,593	2.1	25.4
3 months	8 Feb 21	7 May 21	7,878	88,594	8.9	35.6
6 months	8 Nov 20	7 May 21	18,429	84,228	21.9	43.8
1 year	8 May 20	7 May 21	47,975	78,927	60.8	60.8

22 The chart is shown on a post share consolidation basis, with the historical prices prior to the share consolidation restated to be shown on a consistent basis.

23 The liquidity table is shown on a post share consolidation basis, with the historical share volumes prior to the share consolidation restated to be shown on a consistent basis.

22

Note:
1 Weighted average number of shares outstanding (WANOS) during relevant period.
2 Number of shares traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period.

77 As indicated in the table above, total share turnover in SRL shares has been reducing over more recent periods, however, its market liquidity is reasonable for a company of its size.

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IV Profile of CNQ (post Demerger)

Overview

78 Post the Demerger, CNQ will focus on rapidly growing sales of its innovative proprietary ion exchange water purification systems to the mining, municipal and industrial sectors as well as ongoing research and development into a number of high potential complementary value-adding technologies, including graphene oxide nanofiltration membranes. The company has offices and laboratories in Melbourne, Beijing and Tianjin, and partnerships covering Africa, the Middle East and North Africa regions and Latin America.

IP

79 IP directly associated with the CNQ businesses (including patents, brands, IP rights and know-how pertaining to the CNQ business) has been transferred to CNQ, effective from 1 May 2021. As set out in Section III, SRL retained the base U-shaped reactor patent and continuous ion exchange technology, however CNQ has been granted a non-exclusive, royalty-free perpetual global licence to use, adapt, modify, commercialise and exploit the continuous ion exchange technology, in any field other than the recovery of nickel, cobalt and scandium.

80 CNQ is a market leader in hydrometallurgy and water treatment. Its unique technology lowers the cost and complexity of water recycling and resource recovery for its clients. The adaptability of the company's products to respond to variable water conditions allows CNQ to service a spectrum of different industries.

81 SRL is restricted from pursuing opportunities that cover water or wastewater purification, however CNQ is able to use, adapt, modify, commercialise and exploit the continuous ion exchange technology in metal recovery applications outside of nickel, cobalt and scandium. As both CNQ and SRL are able to target metal recovery outside of nickel, cobalt and scandium, there is potential for the two companies to be in competition for the same opportunities in these sectors in the future.

82 The IP to be transferred to CNQ and the related brands and technologies cover:

(a) **Continuous Ionic Filtration (CIF) –** technology that combines continuous ion exchange and physical filtration to remove contaminants from water. It is built on the foundations of ion exchange, which is used globally for hydrometallurgical recovery in mining. This technology is used in CIF® and DESALX®. DESALX® consists of two CIF® modules in series, removing anions and cations from the stream. Along with the benefits of CIF®, DESALX® performs efficient removal of sulphates, salinity and total dissolved solids from water

(b) **Hi Rox** – pre-treatment ion exchange process, plus a concentration step where concentrated brine is used for resin regeneration. This technology is used in HIROX® (High Recovery Reverse Osmosis) and combines CIF® with reverse osmosis (converting waste water into clean water) to provide a low cost, effective water treatment. HIROX® uses ion exchange to remove multivalent cations (positively charged ions) such as calcium, magnesium and heavy metals from waste waters

(c) **lens production** – method and apparatus for manufacturing polyvinyl alcohol encapsulated bacteria. This technology is used in BIOCLENS and uses bacteria encapsulated in a plastic polymer in the shape of a lens to enhance and accelerate

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natural biological processes which break down organic matter. The lenses are capable of treating ammonia and nitrates in separate stages, and have a high bacteria biomass. The unique lens shape eliminates diffusion limits associated with most other bacteria immobilisation techniques

(d) **Resin plus Clean Bio** – method and process for sorbing and desorbing nitrate while using biological processes to degrade nitrate to nitrogen gas to allow desorbent recycling. This technology is used in BIONEX, which uses ion exchange resins (CIF®) to remove nutrients from the water, and then treats the nutrients in the brine using BIOCLENS. This allows very low nitrogen levels to be achieved using ion exchange, and for the ion exchange brine to be reused after treatment

(e) **vanadium** – ion exchange resin and process for sorbing vanadium and desorbing as vanadium electrolyte

(f) **uranium extraction** – ion exchange resin and process for sorbing uranium and desorbing in high salt environments

(g) **graphene oxide method and materials** – method and materials for the production of a graphene oxide membrane with nanofiltration characteristics. This technology is used by the NematiQ joint venture[24], which was established to develop a process for manufacturing high-purity graphene oxide that can be applied to a membrane support to create a graphene nanofiltration membrane, as opposed to the current polymer nanofiltration membrane. The benefits of the graphene nanofiltration membrane include higher flow rates, lower propensity to fouling (blocking) and chlorine resistance, which ultimately help to lower operating costs, extend membrane life and lower maintenance costs

(h) **Evaporation and Crystallisation (EVAPX™) –** is a technology which uses dry air to evaporate waste water, resembling water's natural evaporation into the atmosphere. The dry air stream allows evaporation to occur at temperatures lower than boiling point, and at atmospheric pressure, reducing the costs associated with heating using pressure vessels. This technology is an efficient way to achieve zero or minimum liquid discharge, increasing recoveries and reducing waste.

83 An important feature of CNQ's technology portfolio is the accompanying "know-how" it has developed over two decades of investment in the field of ion exchange and broader water treatment industry. This "know-how" relates not only to an understanding of the design, engineering, and operation of the technologies mechanical systems but also to the chemical and functional characteristics of the extraction and purification process.

Operations

84 Post the Demerger, CNQ's operations will be predominantly focussed on providing water treatment solutions as well as technology development and licensing. CNQ has a global presence with offices, research and development facilities, installed projects and commercial partnerships in multiple countries. It currently has three large plants in operation, two water treatment contracts under implementation and a number of active pilot demonstrations with future commercial customers.

24 Which is 81.5% owned by SRL (prior to the Demerger), with ownership (of 81.5%) to transfer to CNQ post the Demerger.

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85 Many of CNQ's technologies have been successfully trialled and tested such that its solutions are being commercially applied to address a wide range of water treatment issues, including[25]:

(a) **CIF® plant in Oman** – contract awarded by Multotec during May 2017 to design, procure and commission a proprietary CIF® waste water treatment solution at a minerals processing plant under construction in Oman. The plant was custom designed by the company's engineers in Melbourne, procurement and delivery was undertaken by staff primarily based in Beijing and installation was completed by a local construction contractor. In late 2020, an additional contract was awarded to undertake the detailed design for an upgrade of the water treatment facility, and in early 2021 this contract was extended to include the procurement of the plant and equipment required for the upgrade

(b) **DESALX® plant in Victoria –** in December 2017, the company was engaged to design, supply and commission a two million litre-per-day DESALX® mine water treatment plant for the Fosterville Gold Mine. The plant was designed to deliver a sustainable water management solution by treating mine process water for reuse. Plant construction completed in late 2019 and specified performance tests were passed in August 2020

(c) **cLX plant in the Democratic Republic of Congo –** contract awarded by Multotec in January 2018 to design, supply and commission a metals processing plant using continuous ion exchange processing technology to treat up to 20 million litres-per-day of raffinate steam, removing contaminant metals prior to further processing

(d) **HIROX® plant in Queensland –** in February 2020 the company was advised that it was the preferred technical solution for the design and construction of a recycled water re-use plant at the Cleveland Bay Purification Plant in Townsville utilising a combination of the HIROX® process and BIOCLENS encapsulated bacteria. During March 2020, the company was engaged with an initial scope of work (of $0.9 million) for detailed design and long-lead items

(e) **treatment plant in Queensland –** contract awarded by Mackay Regional Council in January 2021 for the upgrade of a bore water treatment plant at Koumala, near Mackay in Queensland. The company is designing, supplying and installing an ion exchange treatment plant, plus a package gas chlorination system, to remove water hardness and lower the salinity of an existing bore water supply. The project is due to continue to the end of 2021

(f) **BIONEX plant in China –** in March 2021, the company announced it had been awarded a contract to design, procure, deliver and install a BIONEX water treatment plant to a coal mine in Inner Mongolia, China. The contract was awarded by a subsidiary of Beijing Enterprise Water Group.

25 These contracts were all awarded when under SRL's ownership.

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Financial performance

86 The pro forma financial performance of CNQ for the two years ended FY20 and 1H21 is set out below, adjusted to include additional ongoing operating costs of $1.8 million per annum:

CNQ – pro forma financial performance[1]	FY19 $m	FY20 $m	1H21 $m
Sales revenue[2]	3.8	(0.0)	1.2
Other revenue[3]	0.4	0..7	0.2
Operating Expenses[4]	(10.1)	(10.0)	(3.5)
EBITDA	(5.9)	(9.2)	(2.0)
Depreciation and amortisation	(0.5)	(0.5)	(0.4)
EBIT	(6.4)	(9.8)	(2.4)
Net interest expense	-	(0.0)	(0.0)
Income tax expense	-	-	-
Loss after tax	(6.4)	(9.8)	(2.4)
Loss after tax attributable to:			
Owners of the company	(6.3)	(9.6)	(2.3)
Non-controlling interests	(0.1)	(0.2)	(0.1)
Loss after tax	(6.4)	(9.8)	(2.4)

Note:
1 Rounding differences exist.
2 Sales revenue from external customers for water treatment plants. The negative balance in FY20 resulted from a credit note issued to a customer.
3 Other revenue primarily consists of research and development rebates from the ATO and an administrative services charge payable by the NematiQ joint venture.
4 Includes $1.8 million of additional pro forma operating costs.

87 A reconciliation of CNQ's pro forma financial performance to the Clean TeQ Water segment results in the historical SRL financial statements is as follows:

CNQ – reconciliation to the Clean TeQ Water segment results	FY19 $000	FY20 $000	1H21 $000
Historical Clean TeQ Water segment results (post-tax)	(0.5)	(5.2)	(0.6)
Historical NematiQ and other results (post-tax)[1]	(4.2)	(3.0)	(1.0)
Pro forma standalone operating costs	(1.8)	(1.8)	(0.9)
Pro forma share of losses from associates	0.1	0.2	0.1
Pro-forma historical profit after tax	(6.4)	(9.8)	(2.4)

Note:
1 Represents the operating expenses of the technology function (reported under SRL's unallocated segment), the NematiQ joint venture and the China operations which will all be part of CNQ post Demerger.

88 CNQ is an early stage business that has developed a range of water purification and wastewater treatment applications based on continuous ion exchange technology that it is in the process of commercialising. The company generates income through the provision of water treatment services and equipment as well as the licensing of proprietary technology. To date, the business has reported a number of contracts and associated contracted revenues, however it has not achieved critical scale to enable the business to report consistent revenues

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that cover the cost of its operations. Accordingly, CNQ has been loss making over the above periods.

Financial position

89 The pro forma financial position of CNQ as at 31 December 2020 is set out below:

CNQ – pro forma statement of financial position[1]	31 Dec 20 $m
Cash and cash equivalents	15.8
Trade and other receivables	1.4
Research and development incentive receivable	0.3
Total current assets	17.6
Property, plant and equipment	0.6
Intangible assets	3.3
Lease assets	0.1
Investment in controlled entities	0.3
Total non-current assets	4.3
Total assets	21.9
Trade and other payables	0.5
Employee benefits	0.3
Lease liabilities	0.1
Provisions	0.7
Total current liabilities	1.5
Employee benefits	0.1
Lease liabilities	0.1
Provisions	0.1
Shareholder loans	0.3
Total non-current liabilities	0.6
Total liabilities	2.1
Net assets	19.8

Note:
1 Rounding differences exist.

90 Following the Demerger, CNQ will have approximately $15 million cash. As indicated in the Demerger Booklet (Section 5), based on estimated forecast expenditure and other capital commitments, the company is expected to have sufficient funds to meet its commitments over at least the 12 months from the date of the Demerger Booklet.

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V Profile of SRL (post Demerger)

Overview

91 Post the Demerger, SRL will be a battery metals company focused on developing the Sunrise Project (utilising its continuous ion exchange technology), which is a development-ready laterite mineral resource located near the town of Fifield in central NSW, approximately 350 km west of Sydney. Aside from holding a significant nickel resource, the Sunrise Project is one of the largest cobalt deposits outside of Africa, and one of the largest and highest grade accumulations of scandium ever discovered.

IP

92 Effective 1 May 2021, SRL transferred all its IP to the CNQ business except that associated with the SRL business, including the U-shaped reactor technology as well as:

(a) the IP rights, technology, and know-how for continuous ion exchange technology in the field of recovery of nickel, cobalt, scandium and associated elements from:

(i) nickel, cobalt or scandium bearing ores

(ii) intermediate products resulting from the processing of nickel, cobalt or scandium bearing ores; or

(iii) tailings, residues, wastes or by-products (including process water) resulting from the processing of (i) or (ii) above

(b) the Scandium patent – which is the ion exchange resin and process for sorbing and desorbing scandium

(c) the IP rights, technology, know-how and patents in the areas of:

(i) production and manufacture of precursor cathode active material, cathode active material and battery cathode (including the cathode precursor patent, which is the method and apparatus for the production of lithium battery cathode precursor materials)

(ii) processing and recovery of nickel, cobalt and scandium from recycled materials (including the cathode black mass recycling patent, which is the method and apparatus for the recovery of metals from lithium battery derived black mass); or

(iii) in any way associated with the Sunrise Project

(d) IP rights associated with the SRL name.

93 Concurrently, CNQ will be granted a non-exclusive, royalty-free perpetual global licence to use, adapt, modify, commercialise and exploit the continuous ion exchange technology, in any field other than the recovery of nickel, cobalt and scandium.

94 SRL is restricted from pursuing opportunities that cover water or wastewater purification, however CNQ is able to use, adapt, modify, commercialise and exploit the continuous ion exchange technology in metal recovery applications outside of nickel, cobalt and scandium. As both CNQ and SRL are able to target metal recovery outside of nickel, cobalt and scandium, there is potential for the two companies to be in competition for the same opportunities in these sectors in the future.

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History

95 In November 2014, SRL acquired the Syerston Project (which was subsequently renamed the Sunrise Project), a promising exploration area for scandium, with plans to use its proprietary technology to demonstrate a significant increase in the value of scandium compared to industry best practice. Over time the project has pivoted its focus to the significant nickel and cobalt resources at the site, which when combined with its continuous ion exchange technology, can produce the specific cobalt and nickel sulphates required by lithium-ion cell battery manufacturers.

96 Key milestones in the history of the Sunrise Project are outlined below:

Sunrise Project – key milestones in history	
Date	**Key milestone**
2014	• Acquisition of the Sunrise Project (then named Project Syerston) from Ivanhoe Metals Group
2016	• First production of high purity (99.9%) scandium oxide sourced from the Sunrise Project and processed at a pilot plant in Perth • Completed the scandium feasibility study, with a potential post-tax net present value of $273 million and a post-tax internal rate of return of 33%
2018	• Granted mining leases over the proposed Sunrise Project mining area • Completed a Definitive Feasibility Study (DFS) that confirmed a low-cost, sustainable, long-life source of high purity nickel and cobalt sulphates
2019	• Fluor Australia was appointed to deliver a comprehensive Project Execution Plan (PEP)
2020	• The PEP was completed confirming the Sunrise Project as one of the world's lowest cost sources of sustainable nickel and cobalt

Sunrise Project

97 The Sunrise Project is development-ready following completion of the PEP in September 2020. The PEP updated the 2018 DFS, incorporating revised cost estimates, design and engineering work, as well as a revised master schedule for the engineering, procurement, construction, commissioning and ramp-up of the project. Pre-production capital expenditure has been estimated at US$1.66 billion, excluding a contingency reserve of US$168 million. The Sunrise Project contains proven and probable JORC[26] ore reserves as follows:

Sunrise Project – ore reserves[1]	Quantity Mt[2]	Nickel grade %	Cobalt grade %	Scandium grade ppm[3]
Proven reserves	65.4	0.67	0.11	55
Probable reserves	77.9	0.52	0.09	41
Proven and probable reserves	143.2	0.59	0.10	47

Note:
1 Rounding differences exist.
2 Mt – million tonnes.
3 ppm – parts per million.

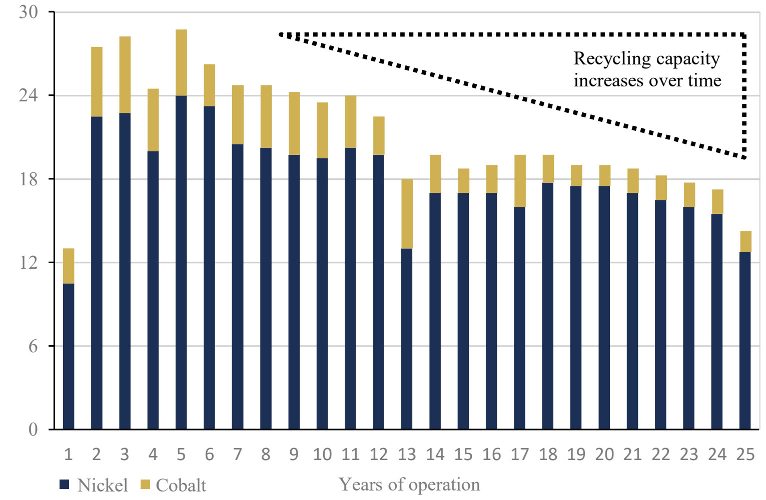
26 Joint Ore Reserves Committee.

30

98 The Sunrise Project is designed to deliver low cost nickel and cobalt sulphate (for use in the lithium-ion battery industry) with significant by-product credits. The project is anticipated to maintain first quartile average nickel production costs over its initial 25-year mine life.

99 The refining capacity of the proposed plant is limited to a total 30,000 tonnes per annum (tpa) combined metal equivalent production. Target annual production rates for nickel and cobalt decline over time, however as production levels decrease, SRL's strategy is to ramp up its processing capacity for the recycling of battery metals, as shown in the graph below:

Sunrise Project – nickel and cobalt production volumes forecast
000 tpa



100 Post project development, SRL expects to generate revenue from the sale of nickel sulphate and cobalt sulphate, which are key cathode materials for the electric vehicle battery market. SRL also expects to supply low-cost scandium for production of next generation aluminium alloys for aerospace and automotive markets.

101 Subject to arranging financing and appointment of an engineering, procurement and construction manager, the project development timeline is expected to be 38 months, with a further two year ramp-up to full production.

Other assets

102 SRL has an exploration licence at the Minore Project targeting base and precious metals, located near Dubbo and Narromine. It has also applied for an adjacent area subject to the existing Dubbo Mineral Allocation Area[27]. The area is prospective primarily for copper / gold porphyry targets.

[27] The Mineral Allocation Area system is a mineral exploration stimulus initiative by the NSW Government pursuant to which new exploration licence applications may not be lodged without Ministerial consent.

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103 On 20 April 2021, SRL announced that it had agreed to acquire the Hylea Project, located in NSW, from Lotus Resources Limited to expand its footprint in the highly prospective Lachlan Fold Belt. Consideration was $2.5 million, with $1.0 million payable in cash and $1.5 million payable in cash and/or SRL shares, at SRL's election, at completion[28].

104 The Hylea Project is located approximately 50 km 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 km and exhibits similar structural geology to the Sunrise Project, where the weathered surface expression of the intrusive hosts nickel, cobalt and scandium mineralisation.

Financial performance

105 The pro forma financial performance of SRL for the two years ended FY20 and 1H20 is set out below. These pro forma results:

(a) exclude any contribution from the CNQ business as a result of the Demerger; and

(b) reflect a reduction of $0.8 million per annum in ongoing operating costs due to the establishment of CNQ as a separate listed company.

SRL – pro forma financial performance[1]	FY19 $m	FY20 $m	1H21 $m
Revenue	0.3	0.0	0.0
Operating expenses[2]	(15.2)	(9.8)	(7.9)
Impairment expense	-	(179.2)[3]	-
EBITDA	(14.9)	(188.9)	(7.5)
Depreciation and amortisation	(0.7)	(0.9)	(0.4)
EBIT	(15.6)	(189.8)	(7.9)
Net interest income	3.0	0.9	0.1
Income tax expense	-	-	-
Loss after tax	(12.6)	(188.9)	(7.8)
Loss after tax attributable to:			
SRL shareholders	(12.6)	(188.9)	(7.8)
Non-controlling interests	-	-	-
Loss after tax	(12.6)	(188.9)	(7.8)

Note:
1 Rounding differences exist.
2 Allows for a reduction of $0.8 million per annum in ongoing operating costs due to the establishment of CNQ as a separate listed company.
3 Relates to an impairment of the Sunrise Project.

106 Over the above period, SRL's predominant focus has been the development of the Sunrise Project. Accordingly, SRL's pro forma financial results have been loss making as the company has not received any meaningful revenues, whilst incurring mine development expenditure.

28 Completion is subject to receipt of Ministerial approval for the transfer of the above exploration licenses.

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Financial position

107 The pro forma financial position of SRL as at 31 December 2020 is set out below:

SRL – pro forma statement of financial position(1)	31 Dec 20 $m
Cash and cash equivalents	26.5
Trade and other receivables	0.9
Research and development incentive receivable	1.0
Other financial assets	0.2
Total current assets	28.7
Property, plant and equipment	0.3
Lease assets	0.4
Other financial assets	0.1
Total non-current assets	0.9
Total assets	29.5
Trade and other payables	1.1
Employee benefits	0.3
Deferred revenue	0.0
Lease liabilities	0.2
Total current liabilities	1.7
Employee benefits	0.0
Deferred revenue	0.4
Lease liabilities	0.1
Provisions	0.2
Total non-current liabilities	0.7
Total liabilities	2.4
Net assets	27.2

Note:
1 Rounding differences exist.

108 With respect to the above we note that:

(a) the above statement of financial position does not include some $19 million of the cash raised as a part of the capital raisings undertaken in late 2020 and early 2021, which settled in January 2021

(b) post Demerger, SRL will have no bank debt (other than minor levels of equipment financing obligations)

(c) SRL will continue to have access to tax losses of approximately $64 million.

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VI Evaluation of the Demerger

Valuation implications

109 The value implications of the Demerger depend on, inter-alia, the impact of the Demerger on the level of additional ongoing costs, the one-off transaction costs incurred and the potential for a combined value uplift due to the Demerger. These matters are discussed below.

Additional ongoing costs

110 As a result of having two separate listed companies following implementation of the Demerger, total annual ongoing operating costs (on a combined basis) are expected to increase by approximately $1.0 million. These reflect additional ongoing costs to be incurred by CNQ of $1.8 million, offset by ongoing annual cost savings in SRL of $0.8 million.

111 The additional $1.8 million in costs for CNQ are estimated on the basis that the Demerger had been effected for the full year ended 30 June 2021. The aggregate annual corporate and operating costs for CNQ in that year would have been approximately $1.8 million higher than those reported by SRL under its existing structure. Increased costs arising from additional employees represent $0.8 million of the estimated increase in corporate and operating costs noted above. The remaining $1.0 million of these additional costs relate to insurance, legal, accounting, secretarial and regulatory fees, rental expenses and information technology related expenditure.

112 SRL reported underlying EBITDA of negative $17.9 million[29] in FY20. The additional net ongoing operating costs due to the Demerger would therefore have increased the FY20 reported losses at the EBITDA[29] level by some 5.6%, which we consider to be relatively immaterial.

One-off costs

113 The one-off transaction costs incurred as a result of the Demerger are estimated at $1.7 million. However, the substantial majority of these costs will be committed prior to the shareholder meeting to vote on the Demerger and associated Capital Reduction. Accordingly, the level of one-off transaction costs which will be avoided if the Demerger is not approved is therefore modest.

Potential value uplift due to Demerger

114 Based on the above, in the short term, we do not expect that the listed market value of the combined SRL and CNQ shareholdings (post Demerger) will be materially different from the listed market value of SRL shares prior to the Demerger. That is, we do not expect the Demerger to result in any material change in total value for SRL shareholders in the short term.

115 However, in the medium to long term we believe that the Demerger offers the potential for greater value creation. This is principally because:

(a) SRL and CNQ (post Demerger) will have more transparent corporate structures (with no cross ownership or related party funding arrangements) than the current single group structure. This should assist in increasing the visibility of both companies within the financial community. As separate reporting entities, in our opinion, investors will be

[29] Before impairment expenses.

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able to better evaluate and understand each company's financial performance, operations and strategy relative to their direct peers

(b) in particular, as CNQ will become a separate listed company if the Demerger is approved, in our opinion investors are more likely to recognise CNQ's different risk / return profile and business characteristics

(c) if the Demerger is approved a separate board and management team will be responsible for each of SRL and CNQ. This should enhance the operational focus of each entity and facilitate the pursuit of different strategic objectives without the limitations of the current operational structure

(d) the takeover prospects for each business are likely to be enhanced because the Demerger allows a potential bidder to acquire and/or make a takeover bid for the shares in the company of their choice without needing to acquire the other business.

116 In our opinion, it is reasonable to conclude therefore that the Demerger has the potential to result in combined higher values being able to be realised by SRL shareholders over time relative to the share market value of SRL in the absence of the Demerger (assuming similar share market conditions).

Comparative financial position

117 The financial position of SRL shareholders prior to the Demerger is set out in Section III. The comparative financial position of CNQ and SRL shareholders subsequent to the Demerger is set out in Sections IV and V respectively. A summary of the comparative financial positions as at 31 December 2020 is set out below[30]:

Comparative financial position as at 31 December 2020[(1)]

	Pre Demerger	Pro forma	
	SRL	CNQ	SRL
	$m	$m	$m
Net cash	44.0	15.8	26.5
Other current assets	4.5	1.7	2.2
Non-current assets	5.2	4.3	0.9
Current liabilities	(3.8)	(1.5)	(1.7)
Non-current liabilities	(1.3)	(0.6)	(0.7)
Net assets	48.7	19.8	27.2

Note:
1 The respective balance sheets are shown prior to allowance for $19 million of the cash raised as a part of the capital raisings undertaken in late 2020 and early 2021, which settled in January 2021.

118 Both pre and post the capital raising, the net asset position of SRL and CNQ (combined) post demerger is some $1.7 million lower than the net asset position of SRL pre Demerger, which is equal to the estimated transaction costs of the Demerger.

30 The respective balance sheets are shown prior to allowance for $19 million of the cash raised as a part of the capital raisings undertaken in late 2020 and early 2021, which settled in January 2021.

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119 The CNQ business will have approximately $15 million cash post the Demerger. As indicated in the Demerger Booklet (Section 5), based on estimated forecast expenditure and other capital commitments, the company is expected to have sufficient funds to meet its commitments over at least the 12 months from the date of the Demerger Booklet.

120 Given CNQ targets water related engineering, procurement and construction contracts, a smaller balance sheet may impact its ability to target and undertake contracts for larger projects.

Other potential benefits of the Demerger

Management and Board focus

121 If the Demerger is approved a separate board and management team will be responsible for each of SRL and CNQ. A separate board and management enhances the operational focus and risk management of each entity and improves the pursuit of different strategic objectives without the limitations of the current operational structure.

122 Having separate listed entities also increases the ability of each of the companies to align business performance with employee remuneration. This may improve accountability to shareholders and provides more incentive to employees to perform as rewards can be more closely tied to shareholder returns.

Investor flexibility

123 If the Demerger is approved, SRL shareholders and new investors will have the choice to own shares in either SRL, CNQ or both companies. The Demerger therefore provides improved investor flexibility.

Independent capital structure and dividend policy

124 If the Demerger is approved SRL and CNQ will be able to adopt a capital structure based on their individual business and strategic objectives. They will also be able to manage their capital resources without the need to compete internally for capital.

125 In addition, both companies will have direct access to the equity and debt capital markets by virtue of their separate listings. This should allow the operations of each company to be funded more efficiently, for example financiers and investors with a battery metals focus may be more interested in SRL post the Demerger.

126 Historically, SRL has not paid any dividends. Post the Demerger, while the Sunrise Project remains unfunded, there is no short term intention to declare dividends to SRL shareholders from profits or otherwise. Further, we note that it is not anticipated that CNQ will be in a position to pay dividends in the short term. Accordingly, post the Demerger, there is no change to the pre Demerger dividend arrangements.

Disadvantages of the Demerger

Transaction and on-going costs

127 The one-off transaction costs incurred as a result of the Demerger are estimated at $1.7 million. These costs include expenses incurred in separating the businesses, shareholder communication costs, legal, accounting and other advisory and experts' fees and costs incurred in respect of the Demerger. However, the substantial majority of these costs will be

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committed prior to the shareholder meetings to vote on the Demerger and associated Capital Reduction. Accordingly, the level of transaction costs which will be avoided if the Demerger is not approved is therefore modest.

128 As noted above, as a result of having two separate listed companies following implementation of the Demerger, total annual ongoing operating costs (on a combined basis) are expected to increase by approximately $1.0 million.

Potential for competition

129 As both CNQ and SRL are able to target metal recovery outside of nickel, cobalt and scandium, there is potential for the two companies to be in competition for the same opportunities in these sectors in the future.

130 However, given the immediate focus of SRL will be the development of the Sunrise Project, and CNQ's immediate focus will be on the development of its tailored water treatment business, we do not consider this to be a significant disadvantage, particularly in the short to medium term.

Reduced levels of share liquidity

131 Given each of SRL and CNQ post the Demerger will be smaller than SRL prior to the Demerger, there is the potential for lower levels of share liquidity for both companies' shares compared to SRL prior to the Demerger.

132 In addition, the level of liquidity of the CNQ shares post the Demerger is likely to be lower than the level of liquidity of SRL shares. This may make it more difficult for shareholders to trade CNQ shares and may decrease the attractiveness of an investment in CNQ for institutional investors.

133 However, in our opinion, the increased focus of the respective businesses post the Demerger may attract other investors that previously avoided SRL prior to the Demerger due to its less specialised business operations.

Availability of tax losses and tax depreciable assets

134 SRL has obtained independent taxation advice in relation to the Demerger and associated restructure steps. Based on this advice the existing SRL Australian tax consolidated group will retain any unutilised carried forward tax losses as at the time of the Demerger[31].

135 Given the reduced scale of operations of SRL post Demerger the time frame over which recoupment of existing tax losses is likely to increase. Accordingly, the present value of the tax losses (in terms of company cash flows) is likely to reduce.

Ineligible Foreign Shareholders

136 Due to the cost and impracticalities of complying with various overseas securities laws, the SRL Board has determined that SRL shareholders with registered addresses outside of Australia, Canada, China, the EU, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Switzerland, Taiwan, Thailand, the UAE, the UK or the US or a jurisdiction in which SRL reasonably believes it is not prohibited or unduly onerous or impractical to implement the

31 As at 30 June 2020 the unutilised carried forward revenue tax losses of the SRL Australian tax consolidated group were approximately $64 million.

Demerger and transfer the CNQ shares to the SRL shareholder (referred to as Ineligible Foreign Shareholders) will not be issued with CNQ shares.

137 Based on a recent review of the SRL share register, all of the SRL shareholders are located in Australia or jurisdictions which permit the distribution of the Demerger Booklet to them. Accordingly, it is not presently expected that there will be any Ineligible Foreign Shareholders. However, as at the Record Date, there is the potential for some Ineligible Foreign Shareholders to be on the share register.

138 Any Ineligible Foreign Shareholders will instead receive in cash the proceeds (on an averaged basis) from the sale on the ASX of the CNQ shares to which they would otherwise have been entitled, free of any brokerage costs or stamp duty.

Taxation consequences

Taxation consequences for shareholders

139 Separate disclosure on the taxation implications of the Demerger for Australian resident shareholders who hold their SRL shares on capital account is set out in Section 9 of the Demerger Booklet. In summary, for SRL shareholders who are residents of Australia for income tax purposes and who hold their SRL shares on capital account, no part of the Capital Reduction is expected to constitute a taxable dividend.

140 Australian residents who hold their SRL shares on revenue account or SRL shareholders who are non-residents for tax purposes should obtain their own advice in relation to the taxation implications of the Demerger.

141 In addition, the Demerger may crystallise tax liabilities for SRL shareholders who are non-residents for income tax purposes.

Conclusion on Demerger

142 We have weighed up whether the Demerger is more advantageous than the position if the Demerger is not approved and therefore, whether the Demerger is in the best interests of SRL shareholders. Whilst the negative aspects of the Demerger cannot be disregarded, each of the disadvantages has mitigating factors, the costs are not material in the overall context of the demerged entities and the risks are not outside the normal risks of any corporate restructuring transaction.

143 In the circumstances, in our opinion, the advantages of the Demerger outweigh the disadvantages. Accordingly, we have concluded that the Demerger is in the best interests of SRL shareholders.

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Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to SRL shareholders in connection with the Demerger.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $75,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

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Appendix A

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Julie Planinic and Jorge Resende, who are each authorised representatives of LEA. Ms Planinic and Mr Resende have over 23 years and 20 years' experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Directors of SRL to accompany the Explanatory Memorandum to be sent to SRL shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Demerger is in the best interests of SRL shareholders.

Interests

4 At the date of this report, neither LEA, Ms Planinic nor Mr Resende have any interest in the outcome of the Demerger. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

6 As a condition of LEA's agreement to prepare this report, SRL has agreed to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of SRL which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

7 LEA consents to the inclusion of this report in the form and context in which it is included in the Demerger Scheme Booklet.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix C

Glossary

Term	Meaning
1H	Financial half year to 31 December
AFCA	Australian Financial Complaints Authority
APAC	Asia Pacific
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BIOCLENS	Encapsulated Bacteria Lenses
BIONEX	Bio + Ion Exchange
Capital Reduction	In-specie distribution of issued shares in CNQ held by SRL to be transferred to Eligible SRL Shareholders
CIF®	Continuous Ionic Filtration
CNQ	Clean TeQ Water Limited
Corporations Act	*Corporations Act 2001* (Cth)
Corporations Regulations	Corporations Regulations 2001
Demerger	The proposed establishment of CNQ to create a separate company listed on the ASX
Demerger Implementation Deed	The Deed between SRL and CNQ which sets out the steps required to be undertaken by each of SRL and CNQ to implement and give effect to the Demerger
DESALX®	Two CIF® modules utilised in series
DFS	Definitive Feasibility Study
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eligible SRL Shareholders	SRL shareholders (other than Selling Shareholders and Ineligible Foreign Shareholders) whose names are shown in the SRL share register on the Demerger Record Date.
EU	European Union
FSG	Financial Services Guide
FY	Financial year ending 30 June
HIROX®	High Recovery Reverse Osmosis
IER	Independent expert's report
Ineligible Foreign Shareholders	Shareholders with registered addresses outside of Australia, Canada, China, the EU, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Switzerland, Taiwan, Thailand, the UAE, the UK and the US, or a jurisdiction in which SRL reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and transfer the CNQ shares to the SRL shareholder
IP	Intellectual property
km	Kilometres
LEA	Lonergan Edwards & Associates Limited
Licensed CNQ IP	Certain components of the CNQ business IP licensed for use by SRL
Licensed SRL IP	SRL's U-shaped reactor patent technology licensed to CNQ for use
Multotec	Multotec Process Equipment Pty Ltd
NSW	New South Wales
PEP	Project Execution Plan
RG 111	Regulatory Guide 111 – *Content of expert reports*
Selling Shareholders	Small Shareholders as at the Record Date who elect to have all the CNQ shares that they would otherwise receive sold and proceeds remitted to them
Small Shareholders	Eligible SRL Shareholders who hold less than 5,000 SRL shares

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Appendix C

Term	Meaning
SRL	Sunrise Energy Metals Limited
Sunrise Project	SRL's world class nickel, cobalt and scandium project near Fifield in central NSW
tpa	Tonnes per annum
UAE	United Arab Emirates
UK	United Kingdom
US	United States of America
VWAP	Volume weighted average price
WANOS	Weighted average number of shares outstanding

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Corporate Directory

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727 Collins Street
Docklands VIC 3008

Financial Advisor

Grant Samuel Corporate Finance Pty Limited

Level 31, 101 Collins Street
Melbourne VIC 3000

Tax advisor

KPMG

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727 Collins Street
Docklands VIC 3008

Legal Advisor

Baker McKenzie

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Melbourne VIC 3000

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