

Sunrise Energy Metals Limited

Riding the global shift to new energy platforms

Sunrise Energy Metals Limited (ASX:SRL) is a unique offering in the metals and mining sector, looking to provide a mine-to-cathode, integrated battery raw material project underpinned by the development-ready Sunrise Ni-Co-Sc deposit in NSW. The project as modelled delivers robust economics (NPV:US\$1.2bn; IRR: >15%; payback: 5.1 years) on a 50-year mine life and bottom-quartile cash costs. The company has secured the key regulatory approvals and is continuing infrastructure scoping studies (transport, water and power) with financing and off-take discussions progressing. It is important to note the project aims to use 100% renewable power for mining and processing. It is anticipated that first production could be delivered in three years from the awarding of an EPCM contract, the timing of which is uncertain at this point. The minerals industry is increasingly embracing the global shift towards battery metals for transport and energy supply. Sunrise Energy provides a strong point of investment differentiation to its sector alternatives with its integrated manufacturing approach and tangible commitment to industry low-carbon nickel production using 100% renewable power.

Business model

Sunrise Energy Metals is a company in pre-development seeking to move its integrated mine-to-cathode project into a production phase. With key project approvals in place and \$250mn invested to date the project is well advanced. The company's next steps are to secure development financing and off-take commitments to underpin the awarding of an EPCM contract. Should additional working capital be required, this may require recourse to equity markets.

On track and making progress at Sunrise

Over the most recent quarter, the company continued to progress the Sunrise Battery Metals Project, progressing scoping works on the remaining applications – tying into the state electricity grid and water pipeline construction. Whilst not the primary focus, further studies were directed towards development applications associated with the associated scandium opportunity, which could provide significant additional revenue stream and cost offsets. We note ongoing exploration activity within the portfolio, aiming to discover expansion or extension resources for the project; and highlight new Co-Sc mineralisation identified at the Tout East Prospect immediately adjacent to the Sunrise ML, albeit all early-stage.

A point of differentiation – mine to product

The company is seeking to secure a niche in the global shift to battery technology as an integrated mine-to-product producer. By seeking to optimise returns across the value chain, the company represents an investment with a critical point of differentiation. A development-ready mining project with long-life JORC resources suggests relatively low technical risk and being located in NSW underpins a stable political and economic jurisdiction, compared to other project in a pre-development phase. The macro-operating environment also remains highly supportive on upstream supply constraints (few new Ni-Co projects in train) and increasing, sustainable demand all underpinning a robust commercial outlook. The project is not without risk though. Arms-length validation through off-take agreements with reputable counter-parties and financial closure need to be secured.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	NPAT Rep.	EPS adj.* (c)
06/19a	4.697	(14.190)	(18.013)	(18.013)	(2.4)
06/20a	1.168	(16.006)	(197.676)	(197.676)	(26.5)
06/21a	0.877	(12.405)	(17.084)	(17.084)	(21.0)
06/22a	0.835	(6.195)	(15.306)	(15.306)	(17.0)

Source: Company data *EBITDA, NPAT and EPS adj for one-time, non-cash items

Materials

9th September 2022

Share Details

ASX code	SRL
Share price (8-Sept)	\$3.18
Market capitalisation	\$286.5M
Shares on issue	90.1M
Net cash at 30-Jun-2022	\$24.9M
Free float	~66.1%

Share Performance (12-months)



Upside Case

- Remaining infrastructure approvals secured through H2 FY22
- Sustained strong global demand delivers upside to commodity price assumptions
- Scandium options add material economic upside

Downside Case

- Off-take and financing harder to secure making project economics uncertain
- Global economic slowdown negatively impacting commodity prices
- Indicative capex higher than modelled

Catalysts

- Finalising off-take agreements and financing
- Awarding EPCM contract

Comparable Companies (Aust/NZ)

Metals X (ASX:MLX), Jervois Mining (ASX:JRV)

Board and Management

Robert Friedland	Co-Chair
Jiang Zhaobai	Co-Chair
Sam Riggall	MD/CEO
Eric Finlayson	Non-Exec. Director
Stephanie Loader	Non-Exec. Director
Trevor Eton	Non-Exec. Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

Effective Date: 6th May 2021



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