

SUNRISE RESOURCES plc

(“the Company”)

AIM Announcement

28 June 2022

Sale Option Agreement – Pioche Sepiolite Project

Sunrise Resources plc is pleased to advise that it has granted an Option to Purchase its wholly owned Pioche Sepiolite Project in Nevada, US to a US subsidiary of Spanish company Tolsa S.A. (“Tolsa”), the world’s largest producer of Sepiolite.

HIGHLIGHTS:

- Pursuant to a Binding Heads of Agreement, Sunrise has granted Tolsa an exclusive 6-month Option to Purchase the Pioche Project claims for US\$1.25 million payable in cash.
- Tolsa may extend the option for a further 12-month period on payment of US\$50,000.
- Sunrise to retain a 3% net revenue royalty for a 25-year period from the commencement of commercial production.
- A nominal advance royalty of \$50,000 per annum will be paid to the Company if production is not started within 5 years for any reason.
- Finders fees payable to an independent third party, 20% of future payments, for broking the agreement.
- The Agreement follows encouraging results of testwork carried out by Tolsa in Spain following a preliminary field visit to the Pioche Project in December 2021.
- Sepiolite has unique characteristics, is scarce, and there are very few commercial deposits in the world.

Commenting today, Executive Chairman Patrick Cheetham said:

“We are delighted to be working with Tolsa on our Pioche Sepiolite Project. As the world’s largest producer of sepiolite, we feel Tolsa is best placed to evaluate and develop the commercial potential of the Pioche Project.”

There are very few commercial sepiolite deposits in the World and whilst the Pioche Project is at an early stage we are expecting Tolsa to move quickly with its evaluation following the signing of this agreement. There is a large market that can be targeted in North America that is currently served by alternative clays or imported sepiolite. Sepiolite from the Pioche Project, being in Nevada and near to rail, is well situated to replace some of this supply.

Owing to the specialised nature of sepiolite and following the success of our initial sampling, we have been working with an industry specialist on a success fee basis to find a partner for the project. We are gratified that this has resulted in a deal with Tolsa, following their own encouraging test-work.

We have been able to negotiate a favourable net revenue royalty for the Pioche Project which could be an important risk-free cash generator in the future.

In addition to our core CS Pozzolan-Perlite Project, Sunrise has a growing portfolio of potential revenue streams from buyouts and royalty interests from our systematic valorisation of non-core projects. In addition to the Pioche Project, our royalty portfolio includes the Stonewall and Garfield Projects operated by Golden Metal Resources plc, the Junction Gold-Silver Project operated by VR Resources Ltd and the Jacksons Wash project operated by Kinross Gold. We also hold a portfolio of 100% owned industrial mineral and precious metal projects and continue to seek valorisation of these assets whilst maintaining our focus on pozzolan and perlite.”

Further information

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Shares in the Company trade on AIM. EPIC: "SRES".

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Market Abuse Regulation (MAR) Disclosure

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ('MAR'). Upon the publication of this announcement via Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

Detailed Information

About Sepiolite

Sepiolite is a non-swelling, lightweight, porous hydrous magnesium silicate clay. It possesses a high surface area due to channels in the crystal lattice that gives it a structural nano-porosity. Its unusual crystal shape also adds to the internal porosity and gives it a light weight.

Sepiolite's high surface area and porosity account for sepiolite's outstanding sorption capacity. Just 20g of sepiolite can have an internal surface area equivalent to that of a football field and sepiolite can absorb more than its weight in water. The largest market globally for sepiolite is for use in light-weight non-clumping pet litters where it has superior properties compared to other clays used in this application.

With one exception, there are no significant sepiolite deposits known in the USA, so a large potential market would exist for any new US producer of sepiolite.

Sepiolite is also used extensively in agriculture as a slow-release absorbent and adsorbent carrier for chemicals and pesticides and in animal feeds as a binder and carrier for nutrients and growth promoter. It is also used to decolour vegetable and mineral oils.

The unusual crystal shape means that sepiolite is not easily flocculated and so its colloidal properties make it useful as a suspending agent in paints, medicines, pharmaceuticals and cosmetics.

Sepiolite, unlike other clays, is not affected by salt water and so sepiolite drilling muds are used in oil field wells where brine formations are a problem. It is also the only clay that is stable at high temperatures and so is used in drilling muds for geothermal wells.

Sepiolite is usually mined by open pit methods and is processed by drying, grinding and screening and may undergo further treatments and transformations depending on the market.

Sepiolite is a very uncommon clay because of both its peculiar characteristics and scarce occurrence. There are very few commercial deposits in the world.

About the Pioche Sepiolite Project

The Pioche Sepiolite Project (the "Project") is located close to the historic mining town of Pioche in Lincoln County, Nevada. It lies within 4km of US Highway 93, from which it can be accessed by a network of 4WD tracks, and 47km from rail at the town of Caliente, Nevada.

The Project was acquired by claim staking and comprises 26 placer mining claims (400 acres) held by Sunrise's Nevada subsidiary, SR Minerals Inc.

High grade sepiolite has been identified in three separate outcrops on the claims at the base of a flat lying cap of siliceous dolomite. These deposits are believed to have formed from volcanic ash deposited and weathered in an extensive ancient lake system that once covered the area of the claims and was fed by volcanoes in the surrounding areas.

It is considered likely that the sepiolite bed, which has an as yet undefined thickness, is continuous beneath the silica-dolomite capping but this needs to be confirmed with further exploration, as does the potential for multiple sepiolite bearing beds at depth.

The Company's samples from outcrops have assayed 88%-90%+ sepiolite and testwork to establish the industrial application of the Pioche sepiolite carried out at Tolsa's Spanish labs has been encouraging.

As at 31 March 2022, the Pioche Project was carried in the Company's unaudited accounts at a value of \$7,664 (£5,836) and, to date, the Company has incurred expenditure of approximately \$33,000 on the Pioche Project.

About The Agreement.

The Agreement is made as a binding Heads of Terms Agreement between Sunrise's US subsidiary SR Minerals Inc ("SRM") and Tolsa USA Inc. ("Tolsa"). The principal terms of the Agreement are as follows;

1. Tolsa has been granted a 6-month option (the "Option") to purchase the Pioche Claims for the sum of US\$1.25 million payable in cash.
2. The Option may be extended for a further period of 12 months on payment of US\$50,000.
3. If the Option is exercised, then, on the closing of the sale, SRM will retain a 3% net¹ revenue royalty on all minerals and mineral materials produced and sold from the Pioche Project claims and any claims acquired by either party in a 2-mile radius of the external boundary of the Pioche Project claims (the "Mineral Products Royalty").

4. The Minerals Products Royalty will be payable from the commencement of commercial production for a period of 25 years and a nominal advance royalty of \$50,000 per annum will be paid if production is not started within 5 years for any reason.

Twenty percent of the above payments and any royalty payments will be payable as a success fee to an unrelated third party, a sepiolite industry specialist, who has brokered the agreement with Tolsa.

SRM expects Tolsa to undertake its own evaluation of the Pioche Claims, at its own expense, during the option period and the exercise of the option is at Tolsa's sole discretion.

¹Net revenue is revenue net of any bonus, commissions, rebates and any other discounts provided to unrelated third parties)

About Tolsa

Tolsa S.A., founded in Spain in 1957, is a privately owned specialist clay mining and processing company that now operates in 95 countries including the USA where it has bentonite mining operations in Wyoming and processing facilities in Nevada.

It is the largest producer of sepiolite in the World, mainly from its mining operations near Madrid in Spain and it is Europe's largest producer of lightweight hygienic pet litter with 37% of the European market.

In 2021, Tolsa reported global turnover of Euros 193 million, a clay processing capacity of 1.2 million tons/year and annual production of over 1 million tons of clay products.