CONFIDENTIAL

# Sunrise Energy Metals Limited
# Employee Incentive Plan

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## Employee Incentive Plan

Sunrise Energy Metals Limited's (**Sunrise Energy Metals**, **SRL** or **Company**) approach to remuneration is to ensure that remuneration received by employees is linked to the Company's performance and the returns generated for shareholders. The Company's Employee Incentive Plan (**EIP**) comprises performance-linked compensation including both short-term and long-term incentives which are designed to incentivise and reward employees for meeting or exceeding Company-wide and individual objectives. The short-term incentive (**STI**) is an 'at risk' bonus provided in the form of cash and/or shares, while the long-term incentive (**LTI**) is provided as performance rights over ordinary shares of the Company.

The Board considers that the performance-linked compensation structure outlined in the EIP will generate desired outcomes in respect of attracting and retaining high calibre employees as well as aligning employee performance with shareholder interests.

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

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

| Total Remuneration Breakdown | Level 1 (CEO) | Level 2 | Level 3 | Level 4 | Level 5 |
|---|---|---|---|---|---|
| TFR | 37% | 45% | 71% | 77% | 80% |
| STI – bonus | 7% | 9% | 14% | 15% | 16% |
| LTI – performance rights | 56% | 45% | 14% | 8% | 4% |
| **Total at risk** | **63%** | **54%** | **28%** | **23%** | **20%** |

## Short Term Incentive

The STI has been adopted to link employee remuneration to key business outcomes which drive value creation in the short to medium term. It is designed to compensate, recognise and acknowledge the efforts and contribution made by employees in delivering business performance.

Each year, all employees will agree key performance indicators (**KPI's**) with their manager. These individual performance objectives are designed to focus employees on goals and objectives specific to their roles and typically include financial performance compared to the annual budget as well as nonfinancial 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 are discussed and agreed with each employee as part of the Performance Review Process. They may be quantitative or qualitative but should be measurable. The individual KPIs should align with corporate objectives and reflect outcomes for activities over which the individual has a strong degree of control. All KPIs should be set by August of the applicable STI financial year and agreed with the responsible manager. The KPI's for the CEO will be determined by the People, Governance and Sustainability Committee (**PGSC**) and presented to the Board for endorsement.

Target performance (measured as 100%) should reflect realistic but stretch goals for the employee. The measures and the relative weightings of the various KPI's are selected by the responsible manager in consultation with employees (and reviewed and endorsed by HR) in order to drive business performance, including the achievement of financial and other individual business outcomes.

KPI's for the Company are also set each year by the Board. KPI's for the Company are designed to focus employees on the key goals and objectives of the business as a whole and include metrics relating to the financing and development of the Sunrise Project.

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

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

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

From a taxation perspective, cash payments received under the STI are treated as bonus income, namely they are taxable in the hands of the employee (and subject to Pay-As-You-Go withholding which is deducted by the Company prior to payment). If the performance indicators are not met such that the payment is not made then no tax is payable by the employee.

Unless otherwise agreed by the Board, eligible employees of the plan must be on the Company's payroll for at least three months of the relevant STI year and employed (and having not given or been given notice of termination of employment) at the STI payment date. Such eligible employees will receive a STI pro-rated for the proportion of the STI year he/she is actually employed.

Award of a payment (or any part thereof) under the STI is made at the absolute discretion of the Board with regard to achievement of an employee's and the Company's KPI's as well as to general market conditions and the financial position of the Company.

The Company may from time to time determine, at the sole discretion of the Board, to offer employees payment of the STI (in part or in whole) in ordinary shares of the Company. If you accept an offer of Sunrise Energy Metals shares in lieu of a cash STI payment, there will be tax consequences for you, and you should seek individual taxation advice in order to understand the tax impact of accepting such an offer.

An employee's KPI score is determined by their manager consultation with the employee (subject to the maximum percentage). The PGSC will review and endorse the award percentages. The maximum percentage score for an individual KPI is fixed at 150% and is only awarded for truly exceptional out-performance. The minimum award percentage is fixed at 80% for performance below target. Performance considered below 80% will receive no award.

*Example:*

| | |
|---|---|
| *STI offered:* | *20%* |
| *TFR:* | *$100,000* |
| *Target Award STI:* | *$20,000 (20% x 100% x $100,000)* |
| *Percentage achieved:* | *95%* |
| *STI payable:* | *$19,000 gross (20% x 95% x $100,000)* |

The STI payment, if payable, will be made in a single payment around August of the following year.

## Long Term Incentive

The LTI has been adopted to align employees' interests directly with shareholders by linking employee remuneration to the Company's share price performance over the medium to longer term. The LTI comprises grants of performance rights to all employees, and options to certain senior executives, pursuant to the Company's EIP Rules which were approved by shareholders on 27 October 2023.

Performance rights are granted at the discretion of the Board to employees by way of issue at nil cost both at the time of grant and vesting. Performance rights are granted on a semi-annual basis, with the at-risk value of the annual grant over the vesting period, typically three years, representing a percentage of the employee's TFR, and priced based on the Company's share price at the time of grant. Vesting is contingent on the Company meeting or exceeding performance hurdles over the performance period. The performance hurdles involve an assessment of the Company's total shareholder returns (**TSR**) in absolute terms and relative to a market-based benchmark. Vesting is also subject to the continued employment of the employee and the Employee Incentive Plan Rules.

The number of performance rights that vest is determined by assessing the performance of the Company, as measured by the TSR at the Performance Date.

**<u>Performance Hurdle 1 – 50% vesting conditional on SRL's absolute TSR performance</u>**

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

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

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

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

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

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

From a taxation perspective, employees will generally be subject to tax on the market value of the shares which are received upon vesting of the Performance Rights, or upon sale of those shares (if they are sold within 30 days of vesting). If the employee continues to hold the shares after vesting, any subsequent gain may be subject to capital gains tax (**CGT**). The 50% CGT discount may be available if the shares are held for at least twelve months prior to disposal.

**<u>TAX DISCLAIMER</u>**: Depending on the circumstances of the employee, the LTI could result in substantial tax liabilities for an employee. Sunrise energy Metals does not purport to provide tax advice on these matters. The terms of a grant pursuant to the LTI (and their resulting tax implications) need to be carefully considered by the employee. The Company will not pay for an employee's tax obligations and expects the employee to obtain their own tax and financial advice related to the grant of the LTI instruments

**<u>SAFETY:</u>** Sunrise Energy Metals is committed to the highest health and safety standards across its business and operations. An employee's remuneration under the EIP will be conditional on that employee delivering excellent safety performance across the business. The Board retains the discretion to vary or cancel any award under this plan in the event of safety breaches or violations. No award will be made in a calendar year in which the Company experiences a fatality.