

29 October 2019

Mr Alex Sutton
ASX

Via email: alex.sutton@asx.com.au

SUNSTONE METALS LTD – Appendix 5B Query

Dear Mr Sutton,

I refer to your letter dated 29 October 2019 containing certain queries in relation to Sunstone Metals Ltd's ("STM") Appendix 5B for the period ended 30 September 2019. Please find below responses to your questions:

1. Does STM expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
Yes, given STM is an exploration company and not generating any revenue it is expected that it will continue to have negative operating cash flows for the time being.
2. Has STM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Yes, STM has plans for a site visit to our project in Ecuador with potential investors, with a view to raising further funds. STM also holds shares in a company listed on a foreign exchange that could be sold to realise further cash if required. Given STM's historical ability to raise capital and a supportive shareholder base we consider it likely that STM will be successful in raising further funds if and when required.
3. Does STM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Yes, on the basis that STM expects to be able to raise further funds and also has the ability to reduce expenditure if required.
4. Please confirm that STM is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
STM confirms that it is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX that has not already been released to the market.
5. Please confirm that STM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of STM with delegated authority from the board to respond to ASX on disclosure matters.
Confirmed.

Yours Faithfully



Gavin Leicht
CFO & Company Secretary



29 October 2019

Mr Gavin Leicht
Company Secretary
Sunstone Metals Ltd.
9 Gardner Close
Milton QLD 4064

By email:

Dear Mr Leicht

Sunstone Metals Ltd ('STM'): Appendix 5B Query

ASX refers to STM's Appendix 5B quarterly report for the period ended 30 September 2019 lodged with ASX Market Announcements Platform on 28 October 2019 (the 'Appendix 5B').

ASX notes that STM has reported:

- negative net operating cash flows for the quarter of \$3,556,000;
- cash at the end of the quarter of \$4,351,000; and
- estimated cash outflows for the next quarter of \$2,929,000.

It is possible to conclude, based on the information in the Appendix 5B that if STM were to continue to expend cash at the rate indicated by the Appendix 5B, STM may not have sufficient cash to continue funding its operations.

In view of that, ASX asks STM to respond separately to each of the following questions and requests for information:

1. Does STM expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has STM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does STM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that STM is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that STM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of STM with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **09:00 AM AEDT Friday, 1 November 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in STM's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, STM's

obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to STM’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that STM’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in STM’s securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards



Alex Sutton
Compliance Adviser, Geology, Listings Compliance (Sydney)