

16 JULY 2018

Ecuador Scout Drilling Initiative Announced

Sunstone Metals Limited (ASX:STM) is pleased to advise that a new initiative by the Ecuadorian government to allow for 'scout (reconnaissance) drilling' within exploration concessions was announced by a representative of the Ecuadorian Ministry of Oil, Mining and Energy (MERNNR) during a presentation at the 'Investing in LATAM Mining Summit' held in Santiago last week.

Further clarity is being sought on the implementation of the 'scout drilling' process and the implications for commencement of drilling at Bramaderos. It is understood that 'scout drilling' during the 4-year Initial Exploration Phase will be permitted through a simplified permitting process and would potentially allow phase 1 drilling to begin before an environmental license is granted.

The Bramaderos project, which is a joint venture between Sunstone Metals Limited and Cornerstone Capital Resources (TSXV: CGP), is currently covered by an exploration concession and has been awaiting the issuance of an environmental license to allow drilling to start. Under existing rules, an environmental license is granted after approval of an environmental impact assessment (EIA). Due to the greatly increased interest in exploration within Ecuador there has been a large number of EIA approval applications, and as a result the EIA approval process can take several months to complete. The review process by the Ministry of Environment (ME) of the Bramaderos EIA is now well advanced and this process is being moved forward in parallel with complying with the scout drilling initiative so that drilling may commence soon.

Sunstone Managing Director Malcolm Norris said: *"We are pleased with this development and it demonstrates the willing intent of the Ecuadorian government to encourage mineral exploration, and to remove delays in the ability of investors in the sector to move through the drilling phase. Sunstone anticipates that drilling will commence at Bramaderos in the short term."*

We have completed construction of access tracks for the proposed phase 1 drilling, and have finalised preparations for core handling facilities, fuel storage, and an exploration camp to manage the significantly increased number of employees on the project once drilling commences."

ASX ANNOUNCEMENT

About Sunstone Metals

Sunstone has an advanced portfolio of exploration and development projects in Scandinavia and Ecuador. The portfolio comprises:

1. **The Bramaderos Gold-Copper Project** where Sunstone has signed an earn-in agreement with TSXV listed Cornerstone Capital Resources (see ASX announcement dated 10th April 2017). The Bramaderos gold-copper project is located in Loja province, southern Ecuador, and is considered to be highly prospective for the discovery of large gold-copper systems. Historical results from drilling at Bramaderos include wide intervals such as 260m at 0.6g/t Au and 0.14% Cu. Trenching results at the West Zone breccia include intersections at surface of up to 42m at 3.7g/t Au. These results, together with the distribution of alteration, and large coincident gold-copper-molybdenum surface anomalies indicate multiple fertile mineralised systems with significant discovery potential.
2. **The Viscaria Copper Project** in northern Sweden has a completed Scoping Study (see ASX announcements dated 16th December 2015 and 5th April 2016) and is moving towards PFS and permitting to allow for mine development. Considerable exploration upside exists and low technical risk drill targets continue to be tested.
3. **The Southern Finland Gold Project**, includes the Satulinmäki gold prospect. Shallow diamond drilling was completed by the Geological Survey of Finland (GTK) during the period 2000-2005 and this was followed by a 7-hole diamond drilling program by Sunstone Metals in 2016. Intersections from GTK include 18m @ 4.1g/t Au from 50m downhole, including 3m @ 9.3g/t Au, and 4m @ 10.3g/t Au in drill hole R391. Intersections by Sunstone include 23.5m at 3.3g/t in SMDD007 and 2m at 10.5g/t in SMDD005. The Satulinmäki gold prospect is part of an earn-in JV with Canadian company Nortec Minerals, where Sunstone has fulfilled the requirements to earn an 80% interest, and has also acquired a significant land position, in its own right, in the district.
4. **The Scandinavian Lithium Project**, includes the Kietyönmäki lithium prospect. Drilling by Sunstone has delivered 24.2m at 1.4% Li₂O in a spodumene bearing pegmatite. Additional earlier stage lithium opportunities are held in Sweden and Finland. Kietyönmäki is also part of the JV with Nortec Minerals.

Competent Persons Statement

The information in this report that relates to exploration results is based upon information reviewed by Dr Bruce Rohrlach who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Rohrlach is a full-time employee of Sunstone Metals Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Rohrlach consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For further information, please visit www.sunstonemetals.com.au

Mr Malcolm Norris
Managing Director
Sunstone Metals Ltd
Tel: 07 3368 9888

Email: mnorris@sunstonemetals.com.au