
ASX ANNOUNCEMENT

20 OCTOBER 2017

Annual General Meeting

Sunstone Metals Ltd (ASX: STM; “Sunstone”) advises that the attached Notice of Annual General Meeting and Explanatory Memorandum has been dispatched to shareholders.

A personalised Proxy form will also be provided with the meeting materials

The Company’s 2017 Annual Report is also being dispatched to those shareholders who have requested a hard copy.

Electronic copies of the Annual General Meeting material and the 2017 Annual Report are available on the Company’s website.

Gavin Leicht

Company Secretary

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



**SUNSTONE METALS LTD
ACN 123 184 412**

**NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM**

Date of Meeting
Wednesday 22 November 2017

Time of Meeting
11.30am
(Brisbane time)

Place of Meeting
BDO Offices
Level 10
12 Creek Street
("Blue Tower")
Brisbane Qld 4000

NOTICE OF ANNUAL GENERAL MEETING
SUNSTONE METALS LTD
ACN 123 184 412

Notice is hereby given that the Annual General Meeting of Shareholders (**Meeting or AGM**) of Sunstone Metals Ltd ACN 123 184 412 (**Company**) will be held at **11.30am (Brisbane time) on Wednesday 22 November 2017** at the offices of BDO, Level 10, 12 Creek Street, Brisbane, Queensland.

AGENDA

The business of the Meeting will be to consider the Resolutions set out below. Full details on the nature of the Resolutions are set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Capitalised terms are defined in the Glossary to this Notice of Meeting and Explanatory Memorandum.

This Notice of Meeting should be read in its entirety together with the Explanatory Memorandum and Proxy Form.

ORDINARY BUSINESS

Financial Statements and Reports

To receive the financial report of the Company and its controlled entities for the year ending 30 June 2017, together with the declaration of the directors, the directors' report, the Remuneration Report, and the auditor's report.

RESOLUTION 1: Adoption of Remuneration Report

To consider and, if thought fit, pass, with or without amendment, the following resolution as a non-binding ordinary resolution:

'That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2017.'

RESOLUTION 2: Issue of Options to Mr Graham Ascough

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That, for the purposes of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 1,500,000 Options to Mr Graham Ascough (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'

RESOLUTION 3: Issue of Options to Mr Don Hyma

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'Subject to the passing of Resolution 6, that, for the purposes of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 1,500,000 Options to Mr Don Hyma (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'

RESOLUTION 4: Issue of Options to Mr Stephen Stroud

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'Subject to the passing of Resolution 5, that, for the purposes of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 1,500,000 Options to Mr Stephen Stroud (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'

RESOLUTION 5: Election of Director, Mr Stephen Stroud

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:
'That, in accordance with the terms of the Company's Constitution, Mr Stephen Stroud who was appointed to the Board of the Company since the last annual general meeting, and being eligible, be elected as a director of the Company.'

RESOLUTION 6: Re-election of Director, Mr Don Hyma

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:
'That in accordance with the Constitution of the Company, Mr Don Hyma who retires by rotation and being eligible, be re-elected as a Director of the Company.'

SPECIAL BUSINESS

RESOLUTION 7: Adoption of New Constitution

To consider and, if thought fit, pass, with or without amendment, the following resolution as a **special** resolution:

'That, for the purposes of section 136(2) of the Corporations Act, and for all other purposes, the New Constitution tabled at the meeting and signed by the Chairman of the Meeting for the purposes of identification, be approved and adopted as the Constitution of the Company, in place of the current Constitution, with effect from the close of the Meeting.'

RESOLUTION 8: Approval of 10% Placement Facility

To consider and, if thought fit, pass, with or without amendment, the following resolution as a **special** resolution:

'That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued Shares (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.'

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative. Registration will commence just prior to the Meeting. To vote in person, attend the Meeting on the date and at the place set out above.

Voting entitlement

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the Board has determined that the Shareholders who are on the Company's share register at 7.00 pm (Brisbane time) on 20 November 2017 (being not more than 48 hours before the Meeting on 22 November 2017) will be taken, for the purposes of the Meeting, to be entitled to attend and vote at the Meeting. If you are not the registered holder of a relevant share at that time, you will not be entitled to vote at the Meeting.

Voting at the Meeting

Ordinary resolutions require the support of more than 50% of the votes cast. Special resolutions require the support of at least 75% of the votes cast. All the Resolutions at this Meeting, other than Resolutions 7 and 8, are ordinary resolutions. Resolutions 7 and 8 are special resolutions.

Every question arising at this Meeting will be decided in the first instance by a show of hands. A poll may be demanded in accordance with the Company's Constitution.

On a show of hands, every Shareholder who is present in person or by proxy, representative or attorney, will have one vote. Upon a poll, every person who is present in person or by proxy, representative or attorney will have one vote for each Share held by that person.

Voting Exclusion Statements

(a) Resolution 1

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (i) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (ii) the person is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

(b) Resolutions 2, 3 and 4

- (i) For the purposes of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on any of Resolutions 2, 3 and 4 if:

- the person is either:
 - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
 - a Closely Related Party of such a member, and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
- the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

- (ii) For the purposes of the Listing Rules, the Company will disregard any votes cast on Resolutions 2, 3 and 4 by a person (and their associates) who is to receive securities in relation to the Company if the Resolution is passed.

However, subject always to paragraph (b)(i), the Company will not disregard a vote if:

- it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

(c) **Resolution 8**

The Company will disregard any votes cast on Resolution 8 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if Resolution 8 is passed.

However, the Company will not disregard a vote if:

- (i) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Proxies

A Shareholder who is entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting the Shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 11.30am (Brisbane time) on 20 November 2017.

Proxy Forms can be submitted by the below methods:

- (a) Online by visiting www.investorvote.com.au and entering the 6-digit control number found on the front of the Proxy Form. Intermediary Online subscribers (Custodians) may lodge proxy instructions at www.intermediaryonline.com;
- (b) by mail to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001; and
- (c) by facsimile 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolutions 1, 2, 3, and 4 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on any of Resolutions 1, 2, 3 and 4 by marking the appropriate box on the Proxy Form.

The chair intends to vote undirected proxies in favour of each item of business.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

NOTE: Please refer to the Explanatory Memorandum accompanying this Notice of Meeting for further information regarding all of the above Resolutions.

By order of the Board

Gavin Leicht
Company Secretary
18 October 2017

EXPLANATORY MEMORANDUM GENERAL INFORMATION

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the Annual General Meeting of Shareholders of Sunstone Metals Ltd, to be held on **Wednesday 22 November 2017**.

The Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice of Meeting and the reasons for the Resolutions proposed. Shareholders should read the Explanatory Memorandum in full.

The Explanatory Memorandum forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

The Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. If you are in doubt about what to do in relation to the Resolutions, you should consult your financial or other professional adviser.

Capitalised words used in the Notice of Meeting and in the Explanatory Memorandum are defined in the Glossary at the end of the Explanatory Memorandum.

The information contained in this Explanatory Memorandum has been prepared by the Company and is the responsibility of the Company. Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by Shareholders to consider Resolutions 1 to 8 (inclusive).

A copy of this Notice of Meeting and Explanatory Memorandum was lodged with ASX pursuant to the Listing Rules and ASIC in accordance with section 218 of the Corporations Act. Neither ASX or ASIC nor any of their officers take any responsibility for the contents of this Notice of Meeting and Explanatory Memorandum.

ORDINARY BUSINESS

Financial Statements and Reports

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the Annual Report together with the declaration of the directors, the directors' report, the Remuneration Report, and the auditors' report.

The Company will not provide a hard copy of the Company's Annual Report to Shareholders unless specifically requested to do so. The Company's Annual Report can be found on its website at www.sunstonemetals.com.au.

Resolution 1 – Adoption of Remuneration Report

Remuneration Report

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the directors' report contained in the Annual Report.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

“Two Strikes”

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report of the company be adopted must be put to the Shareholders. However, such a resolution is advisory only and will not bind the Directors or the Company.

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth) which came into effect on 1 July 2011, amended the Corporations Act to provide that Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution (**Spill Resolution**) on whether another meeting should be held (within 90 Days) (**Spill Meeting**), at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report, must cease to hold office immediately before the end of the Spill Meeting and must stand for re-election, unless the Company put to Shareholders a Spill Resolution at the first annual general meeting.

The Company did not receive a Strike at its 2016 annual general meeting and as a result, if the Remuneration Report receives a Strike at this Meeting, the Company will not be required to put a Spill Resolution. However, if the Remuneration Report receives a Strike at this Meeting and a second Strike at the 2018 annual general meeting, the Company will then be required to put a Spill Resolution.

Proxies

Resolution 1 is an ordinary resolution.

The Corporations Act places certain restrictions on the ability of “Key Management Personnel” (including the Chairman of the Meeting) and their “Closely Related Parties” to vote on Resolution 1 and also places restrictions on “Key Management Personnel” and their “Closely Related Parties” where they are voting as proxy for another shareholder on resolutions connected with the remuneration of Key Management Personnel.

To ensure that your vote is counted on Resolution 1, you are encouraged to direct your proxy how to vote on that item by indicating your preference by completing the “For”, “Against” or “Abstain” boxes on the Proxy Form. If you provide an undirected proxy in relation to Resolution 1 to a director (other than the Chairman of the Meeting) or other Key Management Personnel or their Closely Related Parties, such a proxy will not vote on Resolution 1. To allow such a proxy to vote on Resolution 1, you must direct the proxy how to vote by completing the “For”, “Against” or “Abstain” boxes on the Proxy Form.

If you appoint the Chairman of the Meeting as your proxy in relation to Resolution 1, but do not complete the “For”, “Against” or “Abstain” boxes on the Proxy Form for Resolution 1, the Chairman will exercise your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel. The Chairman intends to vote all available proxies in favour of Resolution 1. If you wish to appoint the Chairman as proxy with a direction to vote against, or to abstain from voting on, Resolution 1, you must specify this by completing the “Against” or “Abstain” box on the Proxy Form.

RESOLUTION 2 – Approval to issue up to 1,500,000 Options to Non-Executive Director, Mr Graham Ascough or his nominee

RESOLUTION 3 – Approval to issue up to 1,500,000 Options to Non-Executive Director, Mr Don Hyma or his nominee (subject to the passing of Resolution 6)

RESOLUTION 4 – Approval to issue up to 1,500,000 Options to Non-Executive Director, Mr Stephen Stroud or his nominee (subject to the passing of Resolution 5)

Background

The Board is seeking Shareholder approval for Resolutions 2, 3 and 4 referred to in the accompanying Notice of Meeting for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11.

Because Messrs Ascough, Hyma, and Stroud are Directors of the Company and as the Company is seeking to issue them with the same form of equity (i.e. Options under Resolutions 2, 3 and 4 respectively), the explanations on these three Resolutions have been grouped as set out below.

Corporations Act

Chapter 2E of the Corporations Act regulates related party transactions. Pursuant to section 228, Messrs Ascough, Hyma, and Stroud are related parties of the Company given their directorships with Sunstone.

Section 208 of the Corporations Act provides that, unless an exception applies, a public company must obtain the approval of its members in accordance with sections 217 to 227 of the Corporations Act before it gives a financial benefit to a related party. The benefit for which Shareholder approval is obtained, must be given within 15 months of that approval.

The issue of the Options proposed under Resolutions 2, 3 and 4 is an example of giving a financial benefit to a related party under the Corporations Act. It is on this basis that approval to Resolutions 2, 3 and 4 is being sought.

Listing Rules

Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of equity securities to a related party. The definition of ‘equity securities’ under the Listing Rules includes an ‘option over an issued or unissued security’. Further, as noted above, Messrs Ascough, Hyma, and Stroud are considered to be related parties of the Company by virtue of their roles on the Board of Sunstone, hence Shareholder approval under Listing Rule 10.11 is being sought.

In accordance with Listing Rule 7.2, Exception 14, the general prohibition under Listing Rule 7.1 in relation to the 15% Threshold will not apply to the Options issued under Resolutions 2, 3 and 4 provided Shareholder approval is obtained under Listing Rule 10.11. If Shareholder approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Corporations Act and Listing Rule disclosure

Details of the proposed issues under Resolutions 2, 3 and 4 as required by the Corporations Act and further expanded upon in ASIC Regulatory Guide 76 (Related party transactions) and Listing Rule 10.13 are as follows:

Required disclosure	
Proposed allottees	Mr Graham Ascough, Mr Don Hyma, and Mr Stephen Stroud or their nominees
Nature of relationship with Sunstone	Messrs Ascough, Hyma, and Stroud are related parties of Sunstone because of their roles as Non-Executive Directors of the Company. Mr Ascough is also the Non-Executive Chairman of the Company.
Maximum number of securities to be issued	Subject to Shareholder approval, it is proposed that Messrs Ascough, Hyma (subject to the passing of Resolution 6), and Stroud (subject to the passing of Resolution 5) will each be issued up to 1,500,000 Options to subscribe for new ordinary shares in the Company. For the purposes of relying on the Shareholder approval obtained for these Resolutions, all Options will be issued no later than 1 month after this Annual General Meeting.
Issue Price	Nil

<p>Exercise price and expiry date</p>	<p>The Options to be issued and their exercise price are as follows:</p> <p>All 4,500,000 Options will be exercisable at a price the higher of \$0.03 or 50% above the Volume Weighted Average Price (VWAP) of the Company’s shares on the 5 days prior to the date Shareholder approval is granted, rounded up to the next tenth of a cent. All of the Options will have an exercise period commencing 12 months from the date Shareholder approval is granted and expiring on 31 August 2019.</p>
<p>Terms of issue</p>	<p>The terms and conditions of the Options to be issued are set out in Annexure A to this Explanatory Memorandum.</p> <p>Each Option proposed to be granted is subject to a 12-month vesting condition before the Options can be exercised, lapsing if the allottee departs the Company within this period, and entitles the holder to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified. The Shares issued on exercise of the Options will rank equally in all respects with the existing fully paid ordinary shares in the Company.</p>
<p>Use of funds</p>	<p>No funds will be raised on the initial issue of the Options to Messrs Ascough, Hyma, and Stroud as they are being granted for no consideration.</p> <p>If Messrs Ascough, Hyma, and Stroud exercise any or all of their Options, funds will be raised based on the exercise price set out above. These funds will be put towards the Company’s general working capital requirements and exploration activities at the relevant time.</p>
<p>Why the Options are being issued to the allottees</p>	<p>The primary purpose of the issue of the Options is to provide cost effective remuneration and incentives for Messrs Ascough, Hyma, and Stroud in their respective roles as Directors and reflects what the Board considers to be appropriate in the circumstances.</p> <p>It is considered appropriate to grant the Options to Messrs Ascough, Hyma, and Stroud as a means of:</p> <ul style="list-style-type: none"> • Retaining their services by providing a competitive remuneration package; • providing incentives linked to the performance of the Company, thereby aligning their interests more closely with that of the Company; and • providing them with an opportunity to acquire equity in the Company. <p>It is further considered that the performance of Messrs Ascough, Hyma, and Stroud and the performance and value of the Company will be closely related. The Options to be granted will only be of benefit if Messrs Ascough, Hyma, and Stroud perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.</p> <p>Messrs Ascough, Hyma, and Stroud bring a wealth of experience to the Company and valuable fundraising experience, mine development and mining exploration contacts.</p> <p>The Directors believe that the proposed issue of Options are in the best interests of the Company and promote the interests of the Company on the basis that the Directors will be increasingly committed to improving the performance of the Company for the benefit of Shareholders.</p>
<p>Why the number of Options and value of the Options was chosen</p>	<p><i>Why the number of Options?</i></p> <p>The number of Options was chosen following a review of similar organisations to be market competitive. The Options will be granted as a key component of the relevant director’s remuneration in order to retain services and provide incentives linked to the performance of the Company. It is further considered that the performance of directors and the performance and value of the Company will be closely related. As such, the Options to be granted will only be of benefit if the directors perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.</p>

	<p><i>What is the value of the Options?</i></p> <p>Pitcher Partners, as independent valuers, has determined that the total value of the Options to be issued is (as at the date of the Valuation) \$30,150. An additional valuation was undertaken assuming the share price increases prior to AGM and the exercise price is greater than \$0.03 (assumed as \$0.045), with a value of \$53,550.</p> <p>Attaining all the exercising conditions will also mean a significant increase in the share price. If such a share price increase is attained the Board determined that the financial reward to Messrs Ascough, Hyma, and Stroud was appropriate and aligned their interests with that of all Shareholders.</p>								
<p>Directors' interest in the outcome</p>	<p>Other than the interests that Messrs Ascough, Hyma, and Stroud each have in the resolutions that relate to their individual allotment, none of the other Directors have an interest in the outcome of Resolutions 2, 3 and 4.</p>								
<p>Valuation of the financial benefit</p>	<p>The Company engaged Pitcher Partners to undertake valuations of the Options proposed to be issued to Messrs Ascough, Hyma, and Stroud. Pitcher Partners valued the Options using a binomial option valuation model.</p> <p>The valuation assumed two different exercise prices of \$0.03 and \$0.045, and attributed a total value of \$30,150 and \$53,550 respectively to the total 4.5 million Options proposed to be issued under Resolutions 2 to 4 as follows:</p> <table data-bbox="454 801 1133 940" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Exercise Price \$0.003</td> <td style="text-align: center;">Exercise Price \$0.045</td> </tr> <tr> <td style="text-align: center;">Mr Ascough \$10,050</td> <td style="text-align: center;">Mr Ascough \$17,850</td> </tr> <tr> <td style="text-align: center;">Mr Hyma \$10,050</td> <td style="text-align: center;">Mr Hyma \$17,850</td> </tr> <tr> <td style="text-align: center;">Mr Stroud \$10,050</td> <td style="text-align: center;">Mr Stroud \$17,850</td> </tr> </table> <p>However, it is important for Shareholders to note that this stated value of the Options may go up or down at any time despite the Valuation. This is because the value of the Options will depend on the valuation methodology used in any future valuation, together with the relevant assumptions made under this Valuation compared to any future valuations.</p> <p>For the purposes of the Valuation of the Options, the following facts or assumptions were used:</p> <ul style="list-style-type: none"> • the Options are exercisable at the greater of \$0.03 and 150% of the 5-day VWAP prior to approval; • two different exercise prices were modelled – one at \$0.03, based on the closing share price of \$0.018 on 20 September 2017, and another at \$0.045, which assumed a 5 day VWAP prior to AGM of \$0.03 per share; • the volatility of the Company's share price was calculated with regard to the historical volatility, being 133% - 1.75 years, 108% - 1 year, 89% - 6 months, 85% - 3 months; • Pitcher Partners adopted a volatility rate of 100%; • the Options expire 31 August 2019; • the risk-free rate used is 1.89%, which is the 2-year Government Bond Rate; • for the purposes of the Valuation, no future dividend payments were forecast, given the Company is a mineral exploration company with no history of paying dividends; and • the valuation of the share-based payments do not consider non-market vesting conditions, consistent with AASB 2 (i.e. probability of Non-executive Directors leaving before vesting date). <p>Based on the assumptions outlined above, Pitcher Partners calculated the value of the Options to be \$30,150 (as at the date of the Valuation), or \$53,550 assuming an exercise price of \$0.045.</p> <p>The Board believes, having taken appropriate expert advice on the matter, that the valuation and use of the binomial option valuation model was appropriate in the circumstances. The Board has not used any other valuation model in proposing the terms or number of Options.</p>	Exercise Price \$0.003	Exercise Price \$0.045	Mr Ascough \$10,050	Mr Ascough \$17,850	Mr Hyma \$10,050	Mr Hyma \$17,850	Mr Stroud \$10,050	Mr Stroud \$17,850
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Disclosure of total remuneration package	<p>As noted above, the Options are proposed to be issued to Messrs Ascough, Hyma, and Stroud as a means of providing cost effective remuneration and incentives for them in their roles as Directors. These Options are proposed to be a one-off issue of securities to Messrs Ascough, Hyma, and Stroud or their nominees for that purpose.</p> <p>The remuneration and emoluments from the Company for Messrs Ascough, Hyma, and Stroud for current financial year are:</p> <table border="1" data-bbox="406 376 1372 674"> <thead> <tr> <th>Related party</th> <th>Current financial year remuneration*</th> </tr> </thead> <tbody> <tr> <td>Mr Graham Ascough</td> <td>\$75,000 per annum 1,500,000 Options per Resolution 2</td> </tr> <tr> <td>Mr Don Hyma</td> <td>\$45,000 per annum 1,500,000 Options per Resolution 3, subject to the passing of Resolution 6</td> </tr> <tr> <td>Mr Stephen Stroud</td> <td>\$75,000 per annum 1,500,000 Options per Resolution 4, subject to the passing of Resolution 5</td> </tr> </tbody> </table> <p><i>*Paid pursuant to service contracts with the Company.</i></p> <p>Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that are properly incurred in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of Shareholders or in connection with the business of the Company.</p>	Related party	Current financial year remuneration*	Mr Graham Ascough	\$75,000 per annum 1,500,000 Options per Resolution 2	Mr Don Hyma	\$45,000 per annum 1,500,000 Options per Resolution 3, subject to the passing of Resolution 6	Mr Stephen Stroud	\$75,000 per annum 1,500,000 Options per Resolution 4, subject to the passing of Resolution 5																								
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Mr Don Hyma	\$45,000 per annum 1,500,000 Options per Resolution 3, subject to the passing of Resolution 6																																
Mr Stephen Stroud	\$75,000 per annum 1,500,000 Options per Resolution 4, subject to the passing of Resolution 5																																
Securities held in the Company	<p>The relevant current interests (i.e. before any of the Resolutions 2, 3 and 4 are approved) of each of Messrs Ascough, Hyma, and Stroud in the securities of the Company are set out below:</p> <table border="1" data-bbox="406 954 1366 1093"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Graham Ascough</td> <td>8,874,617</td> <td>937,500</td> <td>Nil</td> </tr> <tr> <td>Mr Don Hyma</td> <td>703,125</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Mr Stephen Stroud</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table> <p>If Resolutions 2, 3 and 4 are approved by shareholders, the relevant interests (i.e. after the Resolutions are approved) of each of Messrs Ascough, Hyma, and Stroud in the securities of the Company will be as set out below:</p> <table border="1" data-bbox="406 1218 1366 1357"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Graham Ascough</td> <td>8,874,617</td> <td>2,437,500</td> <td>Nil</td> </tr> <tr> <td>Mr Don Hyma</td> <td>703,125</td> <td>1,500,000</td> <td>Nil</td> </tr> <tr> <td>Mr Stephen Stroud</td> <td>Nil</td> <td>1,500,000</td> <td>Nil</td> </tr> </tbody> </table>	Related party	Shares	Options	Performance Rights	Mr Graham Ascough	8,874,617	937,500	Nil	Mr Don Hyma	703,125	Nil	Nil	Mr Stephen Stroud	Nil	Nil	Nil	Related party	Shares	Options	Performance Rights	Mr Graham Ascough	8,874,617	2,437,500	Nil	Mr Don Hyma	703,125	1,500,000	Nil	Mr Stephen Stroud	Nil	1,500,000	Nil
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Mr Don Hyma	703,125	1,500,000	Nil																														
Mr Stephen Stroud	Nil	1,500,000	Nil																														
Dilution effect the issue of the Options will have on existing Shareholders	<p>If all the Options granted to each of Messrs Ascough, Hyma, and Stroud are exercised, a total of 4,500,000 Shares would be allotted and issued. This would increase the total number of Shares on issue from 885,880,982 to 890,380,982 (assuming no other Options or Shares are issued), with the effect that the shareholding of existing Shareholders would be diluted by 0.5%.</p>																																

The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued to Messrs Ascough, Hyma, and Stroud, assuming that Shareholders pass Resolutions 2, 3 and 4 as well as Resolutions 5 and 6:

Current shares issued	885,880,982
Shares issued assuming all existing Options and Performance Rights are exercised	186,488,471
Shares issued assuming exercise of all the Options referred to in Resolutions 2, 3 and 4	4,500,000
Total shares	1,076,869,453
Dilution effect	17.7%

The market price of shares in the Company would normally determine whether Messrs Ascough, Hyma, and Stroud (or their nominee) will exercise the Options. If the Options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company.

The highest, lowest, and last recorded closing market price of the shares quoted on ASX during the 12-month period prior to the date of this Notice of Meeting were:

Highest	\$0.028 on 21 October 2016
Lowest	\$0.013 on 27 June 2017
Last	\$0.018 on 17 October 2017

Additional information and Directors' recommendation

Resolution 2 - Approval to issue up to 1,500,000 Options to Non-Executive Director, Mr Graham Ascough or his nominee

Mr Ascough declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 2, recommend that Shareholders vote in favour of Resolution 2. The Board, other than Mr Ascough, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 2.

Recommendation: The Board, with Mr Ascough abstaining, unanimously recommend that Shareholders vote in favour of Resolution 2.

Resolution 3 - Approval to issue up to 1,500,000 Options to Non-Executive Director, Mr Don Hyma or his nominee (subject to the passing of Resolution 6)

Mr Hyma declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 3, recommend that Shareholders vote in favour of Resolution 3. The Board, other than Mr Hyma, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 3.

Recommendation: The Board, with Mr Hyma abstaining, unanimously recommend that Shareholders vote in favour of Resolution 3.

Resolution 4 - Approval to issue up to 1,500,000 Options to Non-Executive Director, Mr Stephen Stroud, or his nominee (subject to the passing of Resolution 5)

Mr Stroud declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board, other than Mr Stroud, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

Recommendation: The Board, with Mr Stroud abstaining, unanimously recommend that Shareholders vote in favour of Resolution 4.

RESOLUTION 5 – Election of Director – Mr Stephen Stroud

Mr Stephen Stroud was appointed as a non-executive Director of the Company on 6 September 2017 (after last year's annual general meeting).

Under the terms of the Company's Constitution, a director appointed to fill a casual vacancy or as an addition to the board holds office until the next following general meeting and is then eligible for re-election. Accordingly, Mr Stroud offers himself for election to the Board at this Meeting.

Mr Stephen Stroud - Non-Executive Director

BAcc, CPA, FINSIA

Mr Stroud is an experienced CPA qualified corporate finance executive with over 20 years' experience advising across all aspects of corporate finance both as an advisor and client. He has advised boards and management teams across a broad range of transactions including public and private equity raisings, debt/hybrid debt, Initial Public Offerings, mergers & acquisitions, sell-downs and restructures both in Australia and overseas.

Based in Melbourne, Mr Stroud is Director - Corporate Finance with CCZ Equities, with a key focus on the small-mid cap market listed space on the ASX working across a broad range of sectors including IT, retail, FMCG, healthcare, metals and mining, energy, property, and general industrials. Mr Stroud possesses strong relationships across buy and sell side clients across Australia, Asia, UK, and North America. Mr Stroud is also a Non-Executive Director of Explaurum Limited an ASX listed gold explorer.

Recommendation: The Board (excluding Mr Stroud) recommends that Shareholders vote in favour of Resolution 5.

RESOLUTION 6 – Re-election of Director – Mr Don Hyma

In accordance with the Company's Constitution, Mr Don Hyma retires by rotation and, being eligible, offers himself for re-election as a Director of the Company. Mr Hyma was appointed as an independent, non-executive Director on 19 March 2014.

Don is Chairman of a member of the Company's Remuneration Committee and a member of the Audit and Financial Risk Committee. He is a mining industry executive with more than 25 years of progressive capital project experience in the resource sector in Canada, Chile, New Caledonia and Australia. His experience includes direct involvement in delivering numerous major projects, taking them from studies through to implementation, for several multi-national resource companies in the nickel, copper, and iron ore industries.

Recommendation: The Board (excluding Mr Hyma) recommends that Shareholders vote in favour of Resolution 6.

SPECIAL BUSINESS

RESOLUTION 7 – Adoption of New Constitution

Purpose of resolution

Section 136(2) of the Corporations Act provides that a company may modify its constitution, or a provision of its constitution, by special resolution.

Resolution 7 seeks Shareholder approval for the adoption of a New Constitution in accordance with section 136 of the Corporations Act.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

The Shareholders resolved to change the name of the Company to Sunstone Metals Ltd by special resolution passed at a General Meeting held 4 September 2017.

The Company now seeks approval under section 136(2) of the Corporations Act, to the Company's Constitution being updated to reflect the change of name, and other changes which the Board believes are necessary for the reasons set out below.

The Company's existing Constitution was adopted on 20 March 2007. Since that time, there have been a number of amendments to the Corporations Act, the Listing Rules and other applicable laws and rules which impact on the Company, and which are not reflected in the existing Constitution.

Accordingly, the Company has conducted a review of the Constitution to bring in line with current law and best market practice. As the changes introduced affect numerous provisions in the Constitution, it is proposed that a New Constitution be adopted, rather than amending the existing Constitution.

The proposed New Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative (such as to update the Constitution to reflect the change of name of the Company) or are minor in nature, and the Directors believe they are not material nor will they have any significant impact on shareholders. Indeed, the effect of the majority of the proposed changes is to include more comprehensive provisions where necessary to clarify existing rights and obligations of the Board and Shareholders within the current Constitution.

A summary of the key material differences between the Company's existing Constitution and the proposed New Constitution is set out below. This summary is not intended to be an exhaustive explanation of all the changes effected by the adoption of the proposed New Constitution. A full copy of the New Constitution is available for inspection at the Company's office. A complete copy will be sent by email to any Shareholder who requests it prior to the meeting. Requests for inspection or a copy should be directed to the Company Secretary on +61 7 3368 9888.

Material Change	Explanation
References to laws and rules	Many references in the Constitution refer to outdated laws and rules. The New Constitution updates these references and the substance of the Constitution to accord with current laws and rules. Examples include to replace references to the former SCH Business Rules with the current ASX Settlement Operating Rules and references to a proper 'SCH Transfer' with a proper 'ASTC Transfer'.

Conduct of meetings	<p>The New Constitution incorporates a number of modifications to assist with the orderly conduct of general meetings of the Company.</p> <p>This includes more comprehensive provisions giving greater clarity in respect of the chairperson's powers at general meetings, including postponements, adjournments, ensuring the orderly conduct of general meetings and the inability to make a casting or second vote.</p>
Proxy procedures	<p>The New Constitution incorporates a number of new provisions which seek to expand upon and clarify the rights and obligations of proxy holders at general meetings.</p>
Dividends	<p>Following changes to the Corporations Act in 2010, companies are no longer restricted to paying dividends out of profits. The New Constitution is more fully aligned with the current provisions of the Corporations Act and confirms the ability of the Company to take advantage of the flexibility to pay future dividends (subject to satisfying the tests set out in section 254T of the Corporations Act) out of certain amounts other than profits under the solvency based regime now provided for in the Corporations Act.</p>
Direct voting	<p>The New Constitution permits the Directors to determine that at any meeting of Shareholders or class meeting, a Shareholder who is entitled to attend and <i>vote</i> on a resolution at that meeting is entitled to a direct vote in respect of that resolution (being a vote cast by a member in relation to a meeting at which the member is not in attendance). A 'direct vote' includes a vote delivered to the Company by post, fax or other electronic means approved by the directors. The Directors may prescribe regulations, rules, and procedures in relation to direct voting, including specifying the form, method, and timing of giving a direct vote at a meeting in order for the <i>vote</i> to be valid.</p>
Proportional takeover provisions	<p>The New Constitution introduces provisions in relation to proportional takeover approval. The current Constitution does not have an equivalent provision.</p> <p>The effect of these provisions is to prohibit the transfer of shares as a result of acceptance of an offer made under a proportional takeover bid unless and until a resolution is passed by the Company approving the proportional takeover bid. The new Constitution provides that this rule must be renewed every three years in order for it to continue in operation.</p>

Recommendation: The Board believes that the resolution under Resolution 7 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of this Resolution.

RESOLUTION 8 – Approval of 10% Placement Facility

Purpose of resolution

The purpose of Resolution 8 is to enable the directors to issue Equity Securities up to 10% of the Company's issued share capital under Listing Rule 7.1A during the 12-month period following this Meeting (**10% Placement Period**), without subsequent Shareholder approval and without using the Company's 15% placement capacity under Listing Rule 7.1 (**Placement Facility**).

Resolution 8 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 8 for it to be passed.

Recommendation: The Board recommends that Shareholders vote in favour of Resolution 8.

General information

Listing Rule 7.1A enables "eligible entities" to issue Equity Securities up to 10% of its issued share capital through placements over a 12-month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An "eligible entity" for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity for the purposes of Listing Rule 7.1A as it is not included in the S&P/ASX 300 Index and has a market capitalisation of \$15.9 million (on the basis of the Company's share price of \$0.018 on 17 October 2017).

If Shareholders approve Resolution 8, the exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to the formula for calculating 10% Placement Facility set out in (iii) below).

Description of Listing Rule 7.1A

(i) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(ii) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice of Meeting, has on issue one class of quoted Equity Securities, namely Shares.

(iii) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12-month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- b) plus the number of partly paid shares that became fully paid in the 12 months;
- c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- d) less the number of fully paid shares cancelled in the 12 months.

Note that **A** has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

(iv) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 885,880,982 Shares and therefore has a capacity to issue:

- a) 132,882,147 Equity Securities under Listing Rule 7.1; and
- b) 88,588,098 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A, subject to Shareholder approval being obtained under Resolution 8, will be calculated at the date of issue of the Equity Securities, or the agreement date, in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to the formula for calculating 10% Placement Facility set out in (iii) above).

(v) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average price of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- a) the date on which the price at which the Equity Securities are to be issued is agreed; or
- b) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (a) above, the date on which the Equity Securities are issued.

(vi) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- b) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

(10% Placement Period).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to the approval of the 10% Placement Facility:

7.3A.1 Minimum Price

The Equity Securities will be issued at an issue price in accordance with (v) above.

7.3A.2 Risk of voting dilution

If Resolution 8 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table in Appendix 1 to this Explanatory Memorandum. There is a risk that:

- a) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- b) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table in Appendix 1 shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

7.3A.3 *Date of issue*

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 8 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

7.3A.4 *Purpose of issue under 10% Placement Facility*

The Company may seek to issue the Equity Securities for the following purposes:

- a) non-cash consideration for the acquisition of the new resources assets and other investments. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- b) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or other investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A (4) and 3.10.5A upon issue of any Equity Securities.

7.3A.5 *Allocation under 10% Placement Facility*

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- a) the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing security holders can participate;
- b) the effect of the issue of the Equity Securities on the control of the Company;
- c) the financial situation and solvency of the Company; and
- d) advice from corporate, financial, and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

7.3A.6 *Previous approval of 10% Placement Facility under Listing Rule 7.1A*

The Company previously obtained shareholder approval under Listing Rule 7.1A at its 2016 AGM.

During the previous 12 months, the Company has made the following equity security issues:

- a) The Company has issued 386,941,546 Equity Securities in the 12 months following its 2016 AGM (365,441,546 ordinary shares; 12,500,000 Listed Options and 9,000,000 Performance Rights under the Company's Employee Performance Rights Plan), representing 56% of the total number of Equity Securities on issue at the commencement of that 12-month period.
- b) Details of the Equity Securities is as follows:

On 16 November 2016, the Company issued 2,578,125 shares as approved by Shareholders at the 2016 AGM, the details of which are as follows:

Date of issue:	16 November 2016
Number issued:	2,578,125
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued to non-executive directors in lieu of cash fees
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> • Mr Graham Ascough (Chairman) 1,171,875 • Mr Crispin Henderson (NED) 703,125 • Mr Don Hyma (NED) 703,125
Price:	\$0.032
Discount to market price (if any):	NIL

On 14 December 2016, the Company issued 125,500,000 shares (incorporating 52,050,000 shares, issued under the 10% capacity under Listing Rule 7.1A), and a further 1,000,000 shares on 22 February 2017 issued to directors as ratified by Shareholders at the General Meeting held on 14 February 2017, the details of which are as follows:

Date of issue:	14 December 2016 and 22 February 2017
Number issued:	125,500,000 and 1,000,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	As per ASX Announcement dated 7 December 2016. Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	Sophisticated investor applicants as determined by the Board. The allottees were not related parties. 500,000 shares each issued to Mr Malcolm Norris and Mr Graham Ascough on 22 February 2017 in exchange for \$10,000 each, following shareholder approval
Price:	\$0.02
Discount to market price (if any):	8% discount to 15-day VWAP prior to announcement
<i>For cash issues</i>	
Total cash consideration received:	\$2,530,000
Amount of cash consideration spent:	\$2,530,000
Use of cash consideration:	<ul style="list-style-type: none"> • Drilling at the Viscaria Copper Project to follow-up high grade copper intersected outside of the Mineral Resource boundary • Environmental permitting activities to advance the Viscaria Copper Project towards development • Geophysical surveys and drilling to be undertaken at the Satulinmäki Gold Prospect, to follow up previous high grade results; and • working capital
Intended use for remaining amount of cash (if any):	<ul style="list-style-type: none"> • As above

On 19 January 2017 and 28 July 2017, the Company issued 3,473,029 shares vesting under the Employee Performance Rights Plan, the details of which are as follows:

Date of issue:	19 January 2017 and 28 July 2017
Number issued:	1,329,573 and 2,143,456
Class/Type of equity security:	Ordinary shares
Summary of terms:	Performance Rights vesting upon performance hurdles being met. Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	<ul style="list-style-type: none"> • Employees of Sunstone Metals Ltd
Price:	NIL
Discount to market price (if any):	NIL

On 12 July 2017, the Company issued 162,711,777 shares (incorporating 65,084,707 shares, issued under the 10% capacity under Listing Rule 7.1A), as ratified by Shareholders at the General Meeting held on 4 September 2017, the details of which are as follows:

Date of issue:	12 July 2017
Number issued:	162,711,777
Class/Type of equity security:	Ordinary shares
Summary of terms:	As per ASX Announcement dated 5 July 2017. Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	Sophisticated investor applicants as determined by the Board. The allottees were not related parties.
Price:	\$0.014
Discount to market price (if any):	2% discount to 15-day VWAP prior to announcement
<i>For cash issues</i>	
Total cash consideration received:	\$2,277,965
Amount of cash consideration spent:	\$1,250,000
Use of cash consideration:	<ul style="list-style-type: none"> • exploration at the Bramaderos gold-copper project in southern Ecuador; • drilling to be undertaken at the Satulinmäki Gold Prospect; and • working capital
Intended use for remaining amount of cash (if any):	<ul style="list-style-type: none"> • As above

On 28 July 2017, the Company issued 70,178,615 shares under a Share Purchase Plan, the details of which are as follows:

Date of issue:	28 July 2017
Number issued:	70,178,615
Class/Type of equity security:	Ordinary shares
Summary of terms:	Issued upon the same terms and conditions as existing quoted ordinary shares.
Names of persons who received securities or basis on which those persons was determined:	Existing Shareholders under a SPP
Price:	\$0.014
Discount to market price (if any):	NIL
<i>For cash issues</i>	
Total cash consideration received:	\$982,500
Amount of cash consideration spent:	NIL
Use of cash consideration:	<ul style="list-style-type: none"> • exploration at the Bramaderos gold-copper project in southern Ecuador; • drilling to be undertaken at the Satulinmäki Gold Prospect; and • working capital

During the previous 12 months, the Company issued 12,500,000 listed options, the details of which are as follows:

Date of issue:	14 December 2016 and 22 February 2017
Number issued:	5,000,000 and 7,500,000
Class/Type of equity security:	Listed Options
Summary of terms:	Listed Options exercisable at \$0.03 cents per option, expiry 31 August 2019
Names of persons who received securities or basis on which those persons was determined:	12,500,000 to Hartleys Limited (or its nominee) in lieu of cash advisory fees
Price:	NIL
Discount to market price (if any):	NIL

During the previous 12 months, the Company issued 9,000,000 Performance Rights, the details of which are as follows:

Date of issue:	8 September 2017
Number issued:	9,000,000
Class/Type of equity security:	Unlisted Performance Rights
Summary of terms:	<ul style="list-style-type: none"> • 3,000,000 Performance Rights vesting at share price of \$0.036 per share for 10 consecutive trading days and TSR at least equal to ASX Small Resources Index; • 3,000,000 Performance Rights vesting at outperformance of TSR against ASX Small Resources Index; • 3,000,000 Performance Rights vesting at share price of \$0.06 per share for 10 consecutive trading days and TSR at least equal to ASX Small Resources Index; • Tested annually; • Expiry 3 years from grant date.
Names of persons who received securities or basis on which those persons was determined:	Employees of Sunstone Metals Ltd
Price:	NIL
Value:	\$108,900 [^]

[^] The value of the performance rights is measured using the Monte Carlo simulation for the valuation of the tranches with share price hurdles (Tranches 1 and 3) and for Tranche 2, a correlated Monte Carlo Simulation to simultaneously simulate the performance of the Company's share price and the ASX Small Resources Index taking into account the correlation between the two.

The valuation models use the following variables to determine the value of the Performance Rights:

- a) value of the underlying asset – share price of \$0.015 being the closing share price on ASX as at the date of the Valuation, 30 June 2017;
- b) vesting conditions – as referred to above;
- c) expected volatility of the share price – 140% as calculated by Hoadley's volatility calculator for a 3-year period;
- d) expected volatility of the ASX Small Resources Index – 30%;
- e) risk free rate – the Australian Government 3-year bond rate as at 30 June 2017 of 1.94%;
- f) time to maturity – the Performance Rights expire 3 years from the date of issue; and
- g) expected dividend yield – Nil, given the Company is a mineral exploration company with no history of paying dividends.

7.3A.7 Voting Exclusion

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities which would be issued under Listing Rule 7.1A. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Meeting.

Recommendation: The Board believes that the resolution under Resolution 8 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of this Resolution.

GLOSSARY

In this Explanatory Memorandum and Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

\$ means Australian dollars.

10% Placement Facility has the meaning given in the Explanatory Memorandum for Resolution 8.

10% Placement Period has the meaning given in the Explanatory Memorandum for Resolution 8.

Annual General Meeting, AGM or Meeting means the meeting convened by the Notice.

Applicable Law means each of:

- (a) the Corporations Act;
- (b) the Corporations Regulations;
- (c) the Listing Rules;
- (d) any other applicable securities laws;
- (e) the Constitution of the Company;
- (f) applicable taxation laws; and
- (g) any practice note, policy statement, class order, declaration or guideline relating to any of the items in paragraphs (a) to (f) of this definition.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

Board means the current board of directors of the Company.

Chairman or Chair means the Chairman of the Board.

Closely Related Party of a member of Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (e) a company the member controls; or
- (f) a person prescribed as such by the *Corporations Regulations 2001* (Cth).

Company or Sunstone means Sunstone Metals Limited ACN 123 184 412.

Constitution means the constitution of the Company currently in force.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company as at the date of the Explanatory Memorandum.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum that accompanies and forms part of the Notice of Meeting.

Key Management Personnel has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (so the term broadly includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company).

Listing Rules means the official listing rules of the ASX.

New Constitution means the proposed constitution of the Company subject to approval in Resolution 7.

Notice or **Notice of Meeting** means the notice of Annual General Meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a fully paid ordinary share in the Company.

Performance Right means a right to be issued, for no consideration, a fully paid ordinary share in the capital of the Company upon the satisfaction of specified performance conditions.

Proxy Form means the proxy form accompanying the Notice.

Resolution means a resolution as set out in the Notice.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share in the Company.

Shareholding means the aggregate of shares held by a Shareholder.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weighted average market price.

APPENDIX 1

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable “A” calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

The table also shows:

- (i) an example where variable “A” has increased by 50% and 100%. Variable “A” is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- (ii) an example of the result of the issue price of ordinary securities decreasing by 50% and increasing by 100% as against the current market price.

Variable ‘A’ in Listing Rule 7.1A.2		Dilution		
		\$0.009 50% decrease in Issue Price	\$0.018 Issue Price	\$0.036 100% Increase in Issue Price
Current Variable A 885,880,982 Shares	10% Voting Dilution	88,588,098 Shares	88,588,098 Shares	88,588,098 Shares
	Funds raised	\$ 797,293	\$ 1,594,586	\$ 3,189,172
50% increase in current Variable A 1,328,821,473 Shares	10% Voting Dilution	132,882,147 Shares	132,882,147 Shares	132,882,147 Shares
	Funds raised	\$ 1,195,939	\$ 2,391,879	\$ 4,783,757
100% increase in current Variable A 1,771,761,964 Shares	10% Voting Dilution	177,176,196 Shares	177,176,196 Shares	177,176,196 Shares
	Funds Raised	\$ 1,594,586	\$ 3,189,172	\$ 6,378,343

The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table has been prepared on the following assumptions:

- (i) The current Shares on issue are the Shares on issue as at the date of this Notice of Meeting.
- (ii) The current issue price is \$0.018, being the closing price of the Company's Shares on ASX on 17 October 2017.
- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iv) No Options or Performance Rights (including any issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (v) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (vii) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

ANNEXURE A – TERMS AND CONDITIONS OF NON-EXECUTIVE DIRECTOR OPTIONS

1. Each Option entitles the holder to one ordinary share in the Company.
2. Each of the Options will be exercisable at a price the greater of \$0.03 or 50% above the 5-day Volume Weighted Average Price of the Company's shares before the date Shareholder approval for the grant of the Options is given, rounded up to the next tenth of a cent.
3. Each Option is subject to a 12-month vesting period commencing on the date of issue (following Shareholder approval) and the options will lapse if the director is no longer in service of the Company prior to this vesting date.
4. Each Option is exercisable in whole or in part at any time during the period commencing on the date of vesting (12 months following Shareholder approval) and expiring on 31 August 2019 (**Exercise Period A**). Options not exercised before the expiry of the Exercise Period will lapse.
5. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per Option in cleared funds.
6. The Company will not apply to ASX for official quotation of the Options.
7. The Company will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.
8. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (i) elect to be registered as the new holder of the Options;
 - (ii) whether or not he becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted; and
 - (iii) if the deceased has already exercised Options, pay the exercise price in respect of those Options.
9. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
10. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

11. If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary shares into which one Option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex-rights date or ex-traded Option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

12. If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with ASX Listing Rules