

24 SEPTEMBER 2021

# Annual General Meeting

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

In light of the Coronavirus (COVID 19) and the Australian Government’s response in restricting gatherings and implementing social distancing requirements and the State Government’s border restrictions, the Company has decided that special arrangements will apply to the Meeting. In the interests of public health and safety, the Company has determined not to allow Shareholders to physically attend the Meeting. Please refer to the online meeting user guide as to how Shareholders will be able to participate in the Meeting via the internet.

Electronic copies of the Annual General Meeting material and the 2021 Annual Report are available on the Company’s website.

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

Gavin Leicht

Company Secretary

For further information please visit [www.sunstonemetals.com.au](http://www.sunstonemetals.com.au)



**SUNSTONE METALS LTD  
ACN 123 184 412**

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

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**Date of Meeting**

Thursday 28 October 2021

**Time of Meeting**

11.30am  
(Brisbane time)

**Place of Meeting**

Virtual meeting online

**In light of the Coronavirus (COVID 19) and the Australian Government's response in restricting gatherings and implementing social distancing requirements and the State Government's border restrictions, the Company has decided that special arrangements will apply to the Meeting. In the interests of public health and safety, the Company has determined not to allow Shareholders to physically attend the Meeting. Please refer to the online meeting user guide as to how Shareholders will be able to participate in the Meeting via the internet.**

# 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 Thursday 28 October 2021** in an online virtual meeting.

Shareholders are requested to participate in the Meeting virtually via the online Meeting platform at <https://web.lumiagm.com/310651476> or by lodging your vote online or by appointing a proxy. Instructions on how to complete a Proxy Form are set out in the Explanatory Statement.

All Shareholders will have a reasonable opportunity to ask questions (including the right to speak orally) during the AGM via the online Meeting platform. Shareholders who prefer to register questions in advance of the AGM are invited to do so by emailing [info@sunstonemetals.com.au](mailto:info@sunstonemetals.com.au). We will attempt to answer the more frequently asked questions in the Chairman's welcome and Managing Director's presentation to the Meeting. Written questions in advance must be received by the Company by **5.00pm (Brisbane time) on Tuesday, 26 October 2021**.

For further instructions on how to participate online please view the online meeting user guide which has been lodged with ASX and is also available at <https://www.sunstonemetals.com.au/agm>.

## 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 2021, 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 2021.'*

#### **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 Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 6,000,000 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 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 6, that, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 6,000,000 Options to Mr Stephen Stroud (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'*

#### **RESOLUTION 4: Issue of Performance Rights to Mr Malcolm Norris**

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

*'That, for the purposes of Listing Rule 10.14 and for all other purposes, approval is given to the issue by the Company of a total of 8,400,000 Performance Rights under the Employee Performance Rights Plan to Mr Malcolm Norris (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'*

#### **RESOLUTION 5: Approval of Employee Performance Rights Plan**

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

*'That, for the purposes of being approved as an exemption from Listing Rule 7.1 pursuant to Listing Rule 7.2, exception 13 and for all other purposes, approval is given for the issue of securities and the implementation of the Employee Performance Rights Plan (**EPRP**) on the terms set out in the Explanatory Memorandum.'*

#### **RESOLUTION 6: Re-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 Constitution of the Company, Mr Stephen Stroud who retires by rotation and being eligible, be re-elected as a Director of the Company.'*

#### **SPECIAL BUSINESS**

#### **RESOLUTION 7: 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 virtual Meeting online, by proxy or authorised representative.

In light of the current global outbreak of the Coronavirus (COVID 19) and the Australian Government's response in restricting gatherings and implementing social distancing requirements and the State Government's border restrictions, the Company has decided that special arrangements will apply to the Meeting. In the interests of public health and safety, the Company has determined not to allow Shareholders to physically attend the Meeting. Please refer to the online meeting user guide as to how Shareholders will be able to participate in the Meeting via the internet.

## 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 (Sydney time) on 26 October 2021 (being not more than 48 hours before the Meeting on 28 October 2021) 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 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 Resolution 7, are ordinary resolutions. Resolution 7 is a special resolution.

All resolutions at the Meeting will be voted on by poll and Shareholders who are entitled to vote may vote either prior to the Meeting by appointing a proxy or by poll during the Meeting (such poll to be taken electronically).

Shareholders are strongly urged to **appoint the Chair of the Meeting as their proxy**. Shareholders can complete the proxy form to provide specific instructions on how a Shareholder's vote is to be exercised on each item of business, and the Chair of the Meeting **must follow your instructions**. Lodgement instructions (which include the ability to lodge proxies electronically) are set out in the Proxy Form attached to the Notice of Meeting.

## 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) **Resolution 2**

For the purposes of Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Graham Ascough and any of his Associates. However, the Company will not disregard a vote if:

- it is cast by the person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- it is cast by the person chairing the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote as the chair decides; or
- It is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

For the purposes of section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on Resolution 2 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.

(c) **Resolution 3**

For the purposes of Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Stephen Stroud and any of his Associates. However, the Company will not disregard a vote if:

- it is cast by the person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- it is cast by the person chairing the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote as the chair decides; or
- It is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

For the purposes of section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on Resolution 3 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.

(d) **Resolution 4**

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- any Director of the Company (except one who is ineligible to participate in the Employee Performance Rights Plan), any Associates of that Director of the Company or a person whose relationship with a Director or Associate is such that, in ASX's opinion, the acquisition should be approved by shareholders, who is eligible to participate in the EPRP; and
- any Associate of such a member.

However, the Company will not disregard a vote if:

- it is cast by the person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- it is cast by the person chairing the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote as the chair decides; or
- it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

For the purposes of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on Resolution 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.

(e) **Resolution 5**

For the purposes of the Listing Rules, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of any person is eligible to participate in the EPRP or their Associates.

However, the Company will not disregard a vote if:

- it is cast by the person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- it is cast by the person chairing the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote as the chair decides; or
- it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

For the purposes of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on Resolution 5 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.

(f) **Resolution 7**

The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of, if at the time the approval is sought the Company is proposing to make an issue of equity securities under listing rule 7.1A.2, any person (and any Associates of such a person) who is expected to participate in the 10% Placement Facility, or any person (and any Associates of such a person) who will obtain a material benefit as a result of, the proposed issue, except a benefit solely by being a holder of ordinary shares in the Company.

However, the Company will not disregard a vote if:

- (i) it is cast by the person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) it is cast by the person chairing the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote as the chair decides; or

- (iii) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
- a. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - b. the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### Proxies

A Shareholder who is entitled to attend this Meeting virtually and vote is entitled to appoint a proxy to attend virtually 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 virtual 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 26 October 2021.

Proxy Forms can be submitted by the below methods:

- (a) Online by visiting [www.investorvote.com.au](http://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](http://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 through 7 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 through 7 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.

**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  
24 September 2021

## **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 **Thursday 28 October 2021**.

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 7 (inclusive).

A copy of this Notice of Meeting and Explanatory Memorandum was lodged with ASX pursuant to the Listing Rules. Neither ASX nor any of its officers take any responsibility for the contents of this Notice of Meeting and Explanatory Memorandum.

### **ORDINARY BUSINESS**

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#### **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](http://www.sunstonemetals.com.au).

## Resolution 1 – Adoption of Remuneration Report

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### 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 2001* (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 votes against 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 2020 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 2022 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 6,000,000 Options to Non-Executive Director, Mr Graham Ascough or his nominee**

**RESOLUTION 3 – Approval to issue up to 6,000,000 Options to Non-Executive Director, Mr Stephen Stroud or his nominee (subject to the passing of Resolution 6)**

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**Background**

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

Because Messrs Ascough 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 and 3 respectively), the explanations on these three Resolutions have been grouped as set out below.

**Corporations Act**

Shareholder approval under Chapter 2E of the Corporations Act (related party benefits) is not required because the issue of Options is considered to be reasonable remuneration and falls within the exception to the requirement for shareholder approval.

**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 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.

If Resolution 2 is passed, the Company will be able to issue the 6,000,000 Options to Mr Ascough and, subject to the exercise conditions being met, issue the shares on exercise of the Options. If Resolution 2 is not passed, the Company will not be able to issue the Options to Mr Ascough and will need to reconsider the remuneration arrangements for Mr Ascough.

If Resolution 3 is passed (and subject to Resolution 6), the Company will be able to issue the 6,000,000 Options to Mr Stroud and, subject to the exercise conditions being met, issue the shares on exercise of the Options. If Resolution 3 is not passed, the Company will not be able to issue the Options to Mr Stroud and will need to reconsider the remuneration arrangements for Mr Stroud.

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 and 3 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 and 3 as required by Listing Rule 10.13 are as follows:

<b>Required disclosure</b>	
Proposed allottees	Mr Graham Ascough and Mr Stephen Stroud or their nominees
Nature of relationship with Sunstone	Messrs Ascough 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 and Stroud (subject to the passing of Resolution 6) will each be issued up to 6,000,000 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 12,000,000 Options will be exercisable at a price 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 3 years from the date Shareholder approval is granted.</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 Option 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 and Stroud as they are being granted for no consideration.</p> <p>If Messrs Ascough 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 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 and Stroud as a means of:</p> <ul style="list-style-type: none"> <li>• Retaining their services by providing a competitive remuneration package;</li> <li>• providing incentives linked to the performance of the Company, thereby aligning their interests more closely with that of the Company; and</li> <li>• providing them with an opportunity to acquire equity in the Company.</li> </ul> <p>It is further considered that the performance of Messrs Ascough 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 and Stroud perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.</p> <p>Messrs Ascough 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> 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> Pitcher Partners, as independent valuers, has determined that the total value of the Options to be issued is (as at the date of the Options Valuations) \$100,800, based on a closing share price of \$0.023 at 7 September 2021 and an exercise price 50% above this of \$0.035. An additional valuation was undertaken assuming the share price increases prior to AGM and the exercise price is \$0.05, with a value of \$135,400.</p> <p>Attaining all the exercising conditions will also mean an increase in the share price. If a share price increase is attained the Board determined that the financial reward to Messrs Ascough and Stroud was appropriate and aligned their interests with that of all Shareholders.</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 and Stroud (<b>Options Valuations</b>). Pitcher Partners valued the Options using a trinomial lattice valuation model which defines the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price.</p> <p>The Options Valuations assumed two different exercise prices of \$0.035 as at 7 September 2021, and \$0.05, and attributed a total value of \$117,775 and \$169,466 respectively to the total 12 million Options proposed to be issued under Resolutions 2 and 3 as follows:</p> <table border="0" data-bbox="446 1288 1197 1433"> <tr> <td style="text-align: center;">Exercise Price \$0.035</td> <td style="text-align: center;">Exercise Price \$0.05</td> </tr> <tr> <td style="text-align: center;">Mr Ascough \$58,887.50</td> <td style="text-align: center;">Mr Ascough \$84,733</td> </tr> <tr> <td style="text-align: center;">Mr Stroud \$58,887.50</td> <td style="text-align: center;">Mr Stroud \$84,733</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 Options Valuations. 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 the Options Valuations compared to any future valuations.</p> <p>For the purposes of the Options Valuations, the following facts or assumptions were used:</p> <ul style="list-style-type: none"> <li>• the Options are exercisable at 150% of the 5-day VWAP prior to approval;</li> <li>• two different exercise prices were modelled – one at \$0.035, based on the closing share price of \$0.023 on 7 September 2021, and another at \$0.05, which assumed a 5 day VWAP prior to AGM of \$0.033 per share;</li> <li>• the volatility of the Company's share price was calculated with regard to the historical volatility, being 125.3% for 3 years to 7 September 2021;</li> <li>• the Options expire 3 years from date of shareholder approval;</li> </ul>	Exercise Price \$0.035	Exercise Price \$0.05	Mr Ascough \$58,887.50	Mr Ascough \$84,733	Mr Stroud \$58,887.50	Mr Stroud \$84,733
Exercise Price \$0.035	Exercise Price \$0.05						
Mr Ascough \$58,887.50	Mr Ascough \$84,733						
Mr Stroud \$58,887.50	Mr Stroud \$84,733						

	<ul style="list-style-type: none"> <li>the risk-free rate used is 0.19%, which is the 3-year Government Bond Rate as at 7 September 2021;</li> <li>assumed the Options would be exercised at any time during the term of the option if the share price is equal to or greater than the exercise multiple of 1.25x (ie at an exercise price of \$0.035 the options are exercised if the share price exceeds this by 25%, being \$0.04375)</li> <li>for the purposes of the Options Valuations, no future dividend payments were forecast, given the Company is a mineral exploration company with no history of paying dividends; and</li> <li>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).</li> </ul> <p>Based on the assumptions outlined above, Pitcher Partners calculated the value of the Options to be \$117,775 (as at the date of the Options Valuations), or \$169,466 assuming an exercise price of \$0.05.</p> <p>The Board believes, having taken appropriate expert advice on the matter, that the Options Valuations and use of the trinomial lattice 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>						
Disclosure of total remuneration package	<p>As noted above, the Options are proposed to be issued to Messrs Ascough 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 and Stroud or their nominees for that purpose.</p> <p>The remuneration and emoluments from the Company for Messrs Ascough and Stroud for the current financial year are:</p> <table border="1" data-bbox="408 1167 1375 1364"> <thead> <tr> <th data-bbox="408 1167 727 1200">Related party</th> <th data-bbox="734 1167 1375 1200">Current financial year remuneration*</th> </tr> </thead> <tbody> <tr> <td data-bbox="408 1202 727 1263">Mr Graham Ascough</td> <td data-bbox="734 1202 1375 1263">\$90,000 per annum 6,000,000 Options per Resolution 2</td> </tr> <tr> <td data-bbox="408 1265 727 1364">Mr Stephen Stroud</td> <td data-bbox="734 1265 1375 1364">\$55,000 per annum 6,000,000 Options per Resolution 3, subject to the passing of Resolution 6</td> </tr> </tbody> </table> <p>*Paid pursuant to service contracts with the Company.</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	\$90,000 per annum 6,000,000 Options per Resolution 2	Mr Stephen Stroud	\$55,000 per annum 6,000,000 Options per Resolution 3, subject to the passing of Resolution 6
Related party	Current financial year remuneration*						
Mr Graham Ascough	\$90,000 per annum 6,000,000 Options per Resolution 2						
Mr Stephen Stroud	\$55,000 per annum 6,000,000 Options per Resolution 3, subject to the passing of Resolution 6						
Directors' interest in the outcome	Other than the interests that Messrs Ascough 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 and 3.						
Dilution effect the issue of the Options will have on existing Shareholders	If all the Options granted to each of Messrs Ascough and Stroud are exercised, a total of 20,000,000 Shares would be allotted and issued. This would increase the total number of Shares on issue from 2,209,987,646 to 2,229,987,646 (assuming no other Options or Shares are issued), with the effect that the shareholding of existing Shareholders would be diluted by 0.90%.						

Securities held in the Company	The current relevant interests (i.e. before any of the Resolutions 2 and 3 are approved) of each of Messrs Ascough and Stroud in the securities of the Company are set out below:			
	<b>Related party</b>	<b>Shares</b>	<b>Options</b>	<b>Performance Rights</b>
	Mr Graham Ascough	19,417,381	4,000,000	Nil
	Mr Stephen Stroud	9,605,264	4,000,000	Nil
	If Resolutions 2 and 3 are approved by shareholders, the relevant interests (i.e. after the Resolutions are approved) of each of Messrs Ascough and Stroud in the securities of the Company will be as set out below:			
	<b>Related party</b>	<b>Shares</b>	<b>Options</b>	<b>Performance Rights</b>
	Mr Graham Ascough	19,417,381	10,000,000	Nil
	Mr Stephen Stroud	9,605,264	10,000,000	Nil
Voting exclusion	Voting exclusions apply to Resolutions 2 and 3 – please see the notes.			

The market price of Shares in the Company would normally determine whether Messrs Ascough 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	\$0.029 on 17 August 2021
Lowest	\$0.012 on 11 March 2021
Last	\$0.020 on 22 September 2021

#### **Additional information and Directors' recommendation**

##### **Resolution 2 - Approval to issue up to 6,000,000 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 6,000,000 Options to Non-Executive Director, Mr Stephen Stroud or his nominee**

Mr Stroud 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 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 3.

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

## **RESOLUTION 4 – Approval to issue up to 8,400,000 Performance Rights to CEO/Managing Director, Malcolm Norris or his nominee.**

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### **Background**

The Board is seeking Shareholder approval for Resolution 4 referred to in the accompanying Notice of Meeting for the purposes of Listing Rule 10.14 and all other purposes.

### **Corporations Act**

Shareholder approval under Chapter 2E of the Corporations Act (related party benefits) is not required because the issue of Performance Rights is considered to be reasonable remuneration and falls within the exception to the requirement for shareholder approval.

### **Listing Rules**

Listing Rule 10.14 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of equity securities under an employee incentive scheme to a director of the company. The Company proposes to grant the performance rights to Mr Norris under the Employee Performance Rights Plan and the Plan Rules will apply to the grant. The definition of 'equity securities' under the Listing Rules includes a 'right to a share or unit or option'. Further, as noted above, Mr Norris is a director of the Company, hence Shareholder approval under Listing Rule 10.14 is being sought. Additionally, as is its usual practice, ASX has imposed a requirement under Listing Rule 6.1 and Guidance Note 19 *Performance Securities*, that the Company obtain shareholder approval of the issue of the Performance Rights to Mr Norris.

If Resolution 4 is passed, the Company will be able to issue the 8,400,000 Performance Rights to Mr Norris and, subject to the performance conditions being met, issue the shares on the vesting of the Performance Rights. If Resolution 4 is not passed, the Company will not be able to issue the Performance Rights to Mr Norris and will need to reconsider the remuneration arrangements for Mr Norris.

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 Performance Rights issued under Resolution 4 provided Shareholder approval is obtained under Listing Rule 10.14. If Shareholder approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

### **Listing Rule disclosure**

Details of the proposed issues under Resolution 4 as required by Listing Rule 10.15 are as follows:

<b>Required disclosure</b>	
Proposed allottees	Mr Malcolm Norris, or his nominee
Nature of relationship with Sunstone	Mr Malcolm Norris is a related party of the Company because of his role as CEO/Managing Director.
Maximum number of securities to be issued	Subject to Shareholder approval, it is proposed that Mr Norris will be issued up to 8,400,000 Performance Rights to subscribe for new ordinary shares in the Company.
Issue Price/ Use of funds	Nil. No funds will be raised on the initial issue of the Performance Rights to Mr Norris as they are being granted for no consideration.

<p>The number of securities that have previously been issued to the Allottee under the scheme and the average acquisition price (if any) paid by the allottee for those securities</p>	<p>Performance Rights previously issued to the Allottee: 21,233,000</p> <p>Performance Rights vested: 3,080,318</p> <p>Performance Rights lapsed: 4,506,214 (A further 113,135 subject to TSR Hurdles will lapse 27 November 2021, while 1,366,667 with a price hurdle of \$0.05 and 1,366,666 with a price hurdle of \$0.065 will also lapse on that date if those share price hurdles are not met)</p> <p>Performance Rights outstanding: 13,646,468 (10,800,000 excluding the rights above due for expiry 27 November 2021)</p> <p>No acquisition price has been paid by the allottee on any of the Performance Rights.</p>
<p>Terms of issue</p>	<p>The terms and conditions of the Performance Rights to be issued to Mr Norris under Resolution 4 are set out in Annexure B to this Explanatory Memorandum.</p> <p>Each Performance Right proposed to be granted entitles the holder to subscribe for one new ordinary share in the Company, upon satisfying the performance conditions. Shares issued on vesting of the Performance Rights will rank equally in all respects with the existing fully paid ordinary shares in the Company.</p> <p>There are no Loans associated with the issue.</p>
<p>Performance Conditions, and expiry date</p>	<p>In relation to Mr Norris, the Performance Rights to be issued and the performance conditions required for vesting are as follows:</p> <p>(i) 8,400,000 Performance Rights, with an exercise period of 3 years commencing on the date Shareholder approval is granted and expiring on the third anniversary of that date; and</p> <p>(ii) Performance Conditions for Vesting of:</p> <p>a) Tranche 1 – 33.33% or 2,800,000 Performance Rights to vest upon the later of both the following vesting conditions occurring:</p> <ul style="list-style-type: none"> <li>• Closing Price of Sunstone Shares being at or above the higher of \$0.035, or 50% above the 15 trading day VWAP ending on the trading date that immediately precedes the date of shareholder approval, for minimum 10 trading days out of any 20 consecutive trading days; and</li> <li>• 12 months after issue.</li> </ul> <p>b) Tranche 2 – 33.33% or 2,800,000 Performance Rights to vest upon TSR performance as measured against the ASX Small Resources Index (<b>Index</b>), as follows:</p> <ul style="list-style-type: none"> <li>• Performance below the Index - no shares will vest.</li> <li>• Performance equal to the Index will see 50% vest, increasing linearly with outperformance of the Index by up to 25%, such that 100% of shares will vest should Sunstone's performance be greater than 25% above the Index performance.</li> <li>• Testing will be annually on 30<sup>th</sup> June.</li> </ul> <p>c) Tranche 3 – 33.33% or 2,800,000 Performance Rights to vest upon the later of both the following vesting conditions occurring:</p> <ul style="list-style-type: none"> <li>• Closing Price of Sunstone Shares being at or above the higher of \$0.07, or 100% above the 15 trading day VWAP ending on the trading date that immediately precedes the date of shareholder approval, for minimum 10 trading days out of any 20 consecutive trading days; and</li> <li>• 12 months after issue.</li> </ul>

<p>Why the Performance Rights are being issued to the Allottee</p>	<p>The primary purpose of the issue of the Performance Rights is to provide cost effective remuneration and incentives for Mr Norris in his role as Managing Director and reflects what the Board considers to be appropriate in the circumstances.</p> <p>It is considered appropriate to grant the Performance Rights to Mr Norris as a means of:</p> <ul style="list-style-type: none"> <li>• retaining his services by providing a competitive remuneration package;</li> <li>• providing incentives linked to the performance of the Company, thereby aligning his interests more closely with that of the Company; and</li> <li>• providing him with an opportunity to acquire equity in the Company.</li> </ul> <p>It is further considered that the performance of Mr Norris and the performance and value of the Company will be closely related.</p> <p>Mr Norris brings a wealth of experience to the Company and valuable fundraising experience, mine development and mining exploration contacts.</p> <p>The Directors (other than Mr Norris) believe that the proposed issue of Performance Rights are in the best interests of the Company and promote the interests of the Company on the basis that the Managing Director will be increasingly committed to improving the performance of the Company for the benefit of Shareholders.</p>
<p>Why the three performance related vesting conditions were chosen</p>	<p>The three performance related vesting conditions were chosen in order to closely align rewards for performance of key employees with the achievement of the Company's growth and strategic objectives for the 2021 financial year and beyond, to deliver superior performance that creates shareholder value.</p> <p><i>Closing share price being the higher of \$0.035 or more for 10 trading days?</i></p> <p>This vesting condition was chosen as it represents a share price two and a half times the Volume Weighted Average Price ("VWAP") for the 12 months to 30 June 2021 (\$0.0142). The vesting condition will increase to 50% above the 15 trading day VWAP ending on the trading date that immediately precedes the date of shareholder approval should this be above \$0.035.</p> <p><i>TSR Performance against the ASX Small Resources Index?</i></p> <p>This vesting condition was chosen as it represents the performance of the Company against a relevant index of resource companies, comparing the growth of the Company with the growth of the index. No shares will vest under this condition unless the Company's performance is equal to or above that of the index.</p> <p><i>Closing share price \$0.07 or more for 10 trading days?</i></p> <p>This vesting condition was chosen as it represents around 5 times the VWAP for the 12 months to 30 June 2021. The vesting condition will increase to 100% above the 15 trading day VWAP ending on the trading date that immediately precedes the date of shareholder approval should this be above \$0.07.</p>
<p>Why the number of Performance Rights and value of the Performance Rights was chosen</p>	<p><i>Why the number of Performance Rights?</i></p> <p>The number of Performance Rights was chosen following a review of similar organisations to be market competitive. The Performance Rights will be granted as a key component of the Managing 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 the Managing Director and the performance and value of the Company will be closely related.</p>

	<p><i>What is the value of the Performance Rights?</i></p> <p>Pitcher Partners, as independent valuers, has determined that the total value of the Performance Rights to be issued to Mr Norris is (as at the date of the Performance Rights Valuations) \$121,358.</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 (excluding Mr Norris) determined that the financial reward to Mr Norris was appropriate and aligned his interests with that of all Shareholders.</p>
<p>Valuation of the financial benefit</p>	<p>The Company engaged Pitcher Partners to undertake valuations of the Performance Rights proposed to be issued to Mr Norris (<b>Performance Rights Valuations</b>). Pitcher Partners valued the Performance Rights using the Monte Carlo simulation for the valuation 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.</p> <p>The valuation models use the following variables to determine the value of the Performance Rights:</p> <ul style="list-style-type: none"> <li>a) value of the underlying asset – share price of \$0.023 being the closing share price on ASX as at 7 September 2021;</li> <li>b) vesting conditions – as referred to above, with Tranche 1 share price hurdle being \$0.035 and Tranche 3 being \$0.07, as these are higher than 50% and 100% above the share price referred to in a) above;</li> <li>c) expected volatility of the share price – 125.3% based on 3 year historical volatility;</li> <li>d) expected volatility of the ASX Small Resources Index – 21.6% based on 3-year index volatility;</li> <li>e) correlation of Sunstone's share price and the ASX Small Resources Index for the 3 year period to 7 September 2021 of 0.17;</li> <li>f) risk free rate – the Australian Government 3-year bond rate as at 7 September 2021 of 0.19%;</li> <li>g) time to maturity – the Performance Rights expire 3 years from the date of issue; and</li> <li>h) expected dividend yield – Nil, given the Company is a mineral exploration company with no history of paying dividends.</li> </ul> <p>Based on the assumptions outlined above, Pitcher Partners calculated the value of the Performance Rights to be \$121,358, with a total value for each Tranche as follows:</p> <ul style="list-style-type: none"> <li>• Tranche 1 – \$0.01416 per Share Right = \$39,638</li> <li>• Tranche 2 – \$0.02009 per Share Right = \$56,260</li> <li>• Tranche 3 – \$0.00909 per Share Right = \$25,460</li> </ul> <p>However, it is important for Shareholders to note that this stated value of the Performance Rights may go up or down at any time despite the Performance Rights Valuations. This is because the value of the Performance Rights will depend on the valuation methodology used in any future valuation, together with the relevant assumptions made under the Performance Rights Valuations compared to any future valuations.</p> <p>The Board (other than Mr Norris) believes, having taken appropriate expert advice on the matter, that the valuation and use of the Monte Carlo simulation model was appropriate in the circumstances. The Board has not used any other valuation model in proposing the terms or number of Performance Rights.</p>

Directors' interest in the outcome	Other than the interests that Mr Norris has in the resolution, none of the Directors have an interest in the outcome of Resolution 4.																
Date of issue of the Performance Rights	If Resolution 4 is passed, the Performance Rights to be issued to Mr Norris (or his nominee) are expected to be issued no later than one month after the date of the Meeting but in any event the Performance Rights will be issued no later than the date that is 3 years after the date of the meeting.																
Disclosure of total remuneration package	<p>As noted above, the Performance Rights are proposed to be issued to Mr Norris as a means of providing cost effective remuneration and incentives for him in his role as Managing Director. These Performance Rights are proposed to be part of the annual remuneration of Mr Norris, under the approved Employee Performance Rights Plan, with the annual value being subject to the discretion of the Board and also subject to shareholder approval.</p> <p>The remuneration and emoluments from the Company for Mr Norris for current financial year are:</p> <table border="1" data-bbox="411 757 1380 1003"> <thead> <tr> <th data-bbox="411 757 730 824">Related party</th> <th data-bbox="738 757 1380 824">Current financial year remuneration*</th> </tr> </thead> <tbody> <tr> <td data-bbox="411 824 730 1003">Mr Malcolm Norris</td> <td data-bbox="738 824 1380 1003">\$347,600 per annum inclusive of superannuation 8,400,000 Performance Rights per Resolution 4 (subject to shareholder approval)</td> </tr> </tbody> </table> <p data-bbox="411 1014 1125 1059">*Paid pursuant to service contracts with the Company.</p>	Related party	Current financial year remuneration*	Mr Malcolm Norris	\$347,600 per annum inclusive of superannuation 8,400,000 Performance Rights per Resolution 4 (subject to shareholder approval)												
Related party	Current financial year remuneration*																
Mr Malcolm Norris	\$347,600 per annum inclusive of superannuation 8,400,000 Performance Rights per Resolution 4 (subject to shareholder approval)																
Securities held in the Company	<p>The current relevant interests (i.e. before Resolution 4 is approved) of Mr Norris in the securities of the Company are set out below*:</p> <table border="1" data-bbox="411 1164 1369 1294"> <thead> <tr> <th data-bbox="411 1164 699 1232">Related party</th> <th data-bbox="707 1164 914 1232">Shares</th> <th data-bbox="922 1164 1082 1232">Options</th> <th data-bbox="1090 1164 1369 1232">Performance Rights</th> </tr> </thead> <tbody> <tr> <td data-bbox="411 1232 699 1294">Mr Malcolm Norris</td> <td data-bbox="707 1232 914 1294">22,101,217</td> <td data-bbox="922 1232 1082 1294">NIL</td> <td data-bbox="1090 1232 1369 1294">13,646,468</td> </tr> </tbody> </table> <p>If Resolution 4 is approved by shareholders, the relevant interests (i.e. after the Resolution is approved) of Mr Norris in the securities of the Company will be as set out below:</p> <table border="1" data-bbox="411 1429 1369 1559"> <thead> <tr> <th data-bbox="411 1429 699 1496">Related party</th> <th data-bbox="707 1429 914 1496">Shares</th> <th data-bbox="922 1429 1082 1496">Options</th> <th data-bbox="1090 1429 1369 1496">Performance Rights</th> </tr> </thead> <tbody> <tr> <td data-bbox="411 1496 699 1559">Mr Malcolm Norris</td> <td data-bbox="707 1496 914 1559">22,101,217</td> <td data-bbox="922 1496 1082 1559">NIL</td> <td data-bbox="1090 1496 1369 1559">22,046,468</td> </tr> </tbody> </table> <p data-bbox="411 1570 906 1615">* Includes direct and Indirect holdings</p>	Related party	Shares	Options	Performance Rights	Mr Malcolm Norris	22,101,217	NIL	13,646,468	Related party	Shares	Options	Performance Rights	Mr Malcolm Norris	22,101,217	NIL	22,046,468
Related party	Shares	Options	Performance Rights														
Mr Malcolm Norris	22,101,217	NIL	13,646,468														
Related party	Shares	Options	Performance Rights														
Mr Malcolm Norris	22,101,217	NIL	22,046,468														
Statement required Listing Rule 10.15.11	<p>Details of any securities issued under the scheme will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that the approval for issue was obtained under listing rule 10.14.</p> <p>Any additional persons covered by listing rule 10.14 who become entitled to participate in an issue of securities under the scheme after the resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.</p>																

Dilution effect the issue of the Performance Rights will have on existing Shareholders	If all the Performance Rights currently held by Mr Norris and to be granted to Mr Norris pursuant to Resolution 4 vest, a total of 22,046,468 Shares would be allotted and issued. This would increase the total number of Shares on issue from 2,209,987,646 to 2,232,034,114 (assuming no other Performance Rights or Shares are issued or Options exercised), with the effect that the shareholding of existing Shareholders would be diluted by 1.0%.
Voting exclusion	A voting exclusion applies to this resolution – please see the notes.

The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the Options issued to Messrs Ascough and Stroud, assuming that Shareholders pass Resolutions 2 and 3, and exercise of the Performance Rights issued to Mr Norris, assuming that Shareholders pass Resolution 4:

Current shares issued	2,209,987,646	Dilution effect
Shares issued assuming all existing Options and Performance Rights are exercised	53,020,309	2.4%
Shares issued assuming exercise of all the Options referred to in Resolutions 2 and 3	12,000,000	0.5%
Shares issued assuming exercise of the Performance Rights to be granted to Mr Norris pursuant to Resolution 4	8,400,000	0.4%
<b>Total shares</b>	<b>2,283,407,955</b>	<b>3.3%</b>

#### **Additional information and Directors' recommendation**

Mr Norris 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.

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

## **RESOLUTION 5 – Approval of Employee Performance Rights Plan**

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### **Background**

This resolution seeks Shareholder approval for the Company's updated Employee Performance Rights Plan (**EPRP**). The EPRP was last approved by shareholders at the 2018 AGM, and the updated EPRP, the subject of this resolution, contains no material changes to the previously approved EPRP.

The Board recognises the need to adequately incentivise and remunerate staff, but is keen to ensure that the Company's cash reserves are invested in development of Sunstone's Bramaderos and El Palmar Projects in Ecuador. As such, predominantly equity based incentives continue to provide the best and most viable means for the Company to recognise and reward performance. The Remuneration Committee and the Board have undertaken a review of peer companies to ensure that the type of plan and the nominal dollar value of grants under the plan are consistent with these peer companies.

The EPRP is designed to:

- (a) align employee incentives with members' interests;
- (b) encourage broad-based share ownership by employees; and
- (c) assist employee attraction and retention.

### **Regulatory requirements**

Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12 month period without requiring Shareholder approval. Pursuant to Listing Rule 7.2, exception 13(b), an issue under an employee incentive plan will not count toward a company's 15% limit provided the plan and the maximum number of securities to be issued under the plan was approved by Shareholders within three years before the date of the securities being issued. Listing Rule 7.2, exception 13(b) will only be available to the extent that the maximum number of securities proposed to be issued by the Company (as set out in the notice of meeting at which the shareholder approval was obtained) has not been reached. Once the maximum number of securities is reached, the Company will need to seek fresh shareholder approval under Listing Rule 7.2, exception 13(b) or use its 15% limit.

This Resolution proposes that Shareholders consider and approve the EPRP in accordance with Listing Rule 7.2, exception 13, which will enable securities issued under the EPRP in the course of the next three years to be excluded from the Company's 15% limit for the purpose of Listing Rule 7.1.

Approval for the issue of Performance Rights under the EPRP is sought by way of ordinary resolution to satisfy the requirements of the Listing Rules. If the resolution is passed, the Company may rely on this exception for issues under the EPRP during the period of three years from the date of the Annual General Meeting.

No issues of Performance Rights to non-executive directors can be made under the EPRP. No issues of Performance Rights to executive directors can be made under the EPRP without separate Shareholder approval under the Listing Rules.

At this time, 51,000,000 Performance Rights have been issued under the currently approved EPRP, representing 2.3% of total shares on issue. Of these Performance Rights issued, 2,310,817 have lapsed due to cessation of employment, while 3,668,874 have vested with corresponding ordinary shares issued.

The Company proposes to issue up to a maximum of 200,000,000 securities under the EPRP (with up to a maximum of 40,000,000 Performance Rights to be issued to existing and new employees (including 8,400,000 Performance Rights to the Managing Director subject to Resolution 4) by no later than 27 November 2021).

If Resolution 5 is passed, the Company will be able to issue a maximum of 200,000,000 securities under the EPRP without using its 15% limit for the following three years subject to the other applicable Listing Rules. If Resolution 5 is not passed, the Company will not be able to issue securities under the EPRP without using its 15% capacity.

The following summary of EPRP Rules is included for compliance with Listing Rule 7.2, exception 13.

### Summary of EPRP Rules

<b>Eligibility</b>	<p>Any person, including an Executive Director, who is engaged in full time or part time employment (including contractors) of the Company or an associated body corporate of the Company or any person acquiring and holding any EPRP share or option for the benefit of any such person.</p> <p>If an Executive Director is to participate in the EPRP, the issues of Performance Rights to the Executive Director will be subject to first obtaining shareholder approval.</p> <p><u>Non-Executive Directors are not eligible to participate in the EPRP.</u></p>
<b>Performance Conditions</b>	<p>Vesting conditions may be imposed by Directors for each grant under the Plan. These vesting conditions may differ for each grant of Performance Rights under the Plan, as they consider appropriate.</p>
<b>Grant of Performance Rights</b>	<p>Unless the Board otherwise determines, all Performance Rights are to be offered to Participants for no consideration. The offer must be in writing and specify, amongst other things, the number of Performance Rights for which the Participant may apply, any conditions to be satisfied before vesting, and the expiry date (if any) (as determined by the Board).</p>
<b>Performance Right Limit</b>	<p>The maximum number of Performance Rights the Board may grant under this Plan (including any Rights previously issued under this Plan within the last 3 years) is 5% of the ordinary shares of the Company on issue as at the Invitation.</p>
<b>Vesting</b>	<p>The Performance Rights may vest, subject to the performance related vesting conditions imposed by the Board, prior to the expiry date. The Company will apply for official quotation of any Shares issued on vesting of any Share Rights.</p>
<b>Lapse</b>	<p>Unless the Board otherwise determines, the Performance Rights shall lapse in accordance with specific offer terms or events contained in the EPRP rules, including termination of employment or resignation, redundancy, death or disablement (subject to the Directors' discretion to extend the term of exercise in restricted cases).</p>
<b>Rights of Participants</b>	<p>Once Shares are allotted upon exercise of the Performance Rights the participant will hold the Shares free of restrictions. The Shares will rank equally in all respects with all other ordinary shares on issue except as regards any rights attaching to ordinary shares by reference to a Record Date before the date of their allotment.</p> <p>Should the Company undergo a reorganisation or reconstruction of capital or any other such change, the terms of the Performance Rights will be reorganised in the manner provided for by the Listing Rules.</p> <p>Subject to the terms and conditions of a grant of Performance Rights and Applicable Laws, in the event of a change of control, all Performance Rights will automatically vest and convert to ordinary shares.</p> <p>A holder of Performance Rights is not entitled to participate in dividends, a new issue of Shares or other securities made by the Company to Shareholders merely because he or she holds Performance Rights.</p>

	If there is a bonus share issue of securities, the number of shares over which Performance Rights are exercisable will be increased by the number of shares which the Participant would have received if the Performance Rights had been exercised before the record date for the bonus issue.
<b>Assignment</b>	The Performance Rights are not transferable or assignable without the prior written approval of the Board.
<b>Administration</b>	The EPRP will be administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate special terms and conditions (subject to the Listing Rules) in addition to those set out in the EPRP.
<b>Termination and amendment</b>	The Board has, subject to certain restrictions contained in the EPRP, the Corporations Act, the Listing Rules or the Company's Constitution, the discretion or power to alter, modify or add to the EPRP.

**Recommendation:** The Board, with Mr Norris abstaining, unanimously recommend that Shareholders vote in favour of Resolution 5.

## **RESOLUTION 6 – Re-election of Director – Mr Stephen Stroud**

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In accordance with the Company's Constitution, Mr Stephen Stroud retires by rotation and, being eligible, offers himself for re-election as a Director of the Company. Mr Stroud was appointed as an independent, non-executive Director on 6 September 2017.

Stephen is Chairman of the Company's Audit and Financial Risk Committee.

He is an experienced CPA qualified corporate finance executive with over 20 years' experience advising across all aspects of corporate finance. He advises 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.

Mr Stroud is Director - Corporate Advisory with Morgans Financial Limited, 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 holds a Bachelor of Business (Accounting) degree, a Graduate Diploma in Applied Finance, and is a member of CPA Australia.

The Board considered that Mr Stroud is an independent director.

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

## SPECIAL BUSINESS

### RESOLUTION 7 – Approval of 10% Placement Facility

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#### **Purpose of resolution**

The purpose of Resolution 7 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 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.

**Recommendation: The Board recommends that Shareholders vote in favour of Resolution 7.**

#### **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 \$44.2 million (on the basis of the Company's closing share price of \$0.020 on 22 September 2021).

If Shareholders approve Resolution 7, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further shareholder approval. If Resolution 7 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing Equity Securities without shareholder approval set out in Listing Rule 7.1.

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 x D) – E**

**A** is the number of fully paid ordinary securities on issue at the commencement of the relevant period,

- plus the number of fully paid ordinary securities issued in the relevant period under an exception in Listing Rule 7.2 other than exception 9,16 or 17,
- plus the number of fully paid ordinary securities issued in the relevant period on the conversion of convertible securities within rule 7.2 exception 9 where:
  - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
  - the issue of, or agreement to issue, the convertible securities was approved, or taken under these rules to have been approved, under rule 7.1 or 7.4,
- plus the number of fully paid ordinary securities issued in the relevant period under an agreement to issue securities within rule 7.2 exception 16 where:
  - the agreement was entered into before the commencement of the relevant period; or
  - the agreement or issue was approved, or taken under these rules to have been approved, under rule 7.1 or 7.4,
- plus the number of any other fully paid ordinary securities issued in the relevant period with approval under rule 7.1 or 7.4,
- plus the number of partly paid ordinary securities that became fully paid in the relevant period;
- less the number of fully paid ordinary securities cancelled in the relevant period.

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 relevant period where the issue or agreement has not been subsequently approved by the holders of its ordinary securities under Listing Rule 7.4; and

"relevant period" has the same meaning as in rule 7.1. In the case of the Company the relevant period is the 12 month period immediately preceding the date of the issue or agreement.

#### **(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.

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 7, 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 by the Company and the recipient of the Equity Securities; or
- b) if the Equity Securities are not issued within 10 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;
- b) the time and date of the Company's next annual general meeting; or
- c) the time and 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 Date of issue**

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 7 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.2 Minimum Price**

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

**7.3A.3 Purpose of issue under 10% Placement Facility**

The Company can only issue the Equity Securities under the 10% Placement Facility for cash consideration. 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 Rule 7.1A.4 upon issue of any Equity Securities.

**7.3A.4 Risk of voting dilution**

If Resolution 7 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.4 as at the date of this Notice of Meeting.

### **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 Equity Securities issued or agreed to issue under Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting**

The Company previously obtained shareholder approval under Listing Rule 7.1A at its 2020 AGM. However, in the previous 12 months, the Company has not made any issues utilising Listing Rule 7.1A.2 and has not agreed to issue any Equity Securities under Listing Rule 7.1A.2.

### **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 7 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of this Resolution.

## GLOSSARY

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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 7.

**10% Placement Period** has the meaning given in the Explanatory Memorandum for Resolution 7.

**Allottee** means a person who participated in the relevant issue.

**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.

**Associate** has the meaning given to it in the Listing Rules.

**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.

**Employee Performance Rights Plan** means the employee performance rights plan implemented with Shareholder approval at the Company's Annual General Meeting held on 27 November 2018.

**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.

**Group Company** means the Company, its subsidiaries and any other entity declared by the Board to be a member of the group for the purposes of the Employee Performance Rights Plan.

**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.

**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.

**Options Valuations** means the valuation undertaken by Pitcher Partners in relation to the value of the Options proposed to be issued to Messrs Ascough and Stroud as described in the Explanatory Memorandum for Resolutions 2 and 3.

**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.

**Performance Rights Valuations** means the valuation undertaken by Pitcher Partners in relation to the value of the Performance Rights proposed to be issued to Mr Norris as described in the Explanatory Memorandum for Resolution 4.

**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 fully paid ordinary securities the Company has on issue. The number of fully paid ordinary securities on issue may increase as a result of issues of fully paid 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 fully paid ordinary securities decreasing by 50% and increasing by 100% as against the current market price.

<b>Variable 'A' in Listing Rule 7.1A.2</b>		<b>Dilution</b>		
		\$0.010 50% decrease in Issue Price	\$0.020 Issue Price	\$0.040 100% Increase in Issue Price
<b>Current Variable A</b> 2,209,987,646 Shares	<b>10% Voting Dilution</b>	220,998,765 Shares	220,998,765 Shares	220,998,765 Shares
	<b>Funds raised</b>	\$ 2,209,988	\$ 4,419,975	\$ 8,839,951
<b>50% increase in current Variable A</b> 3,314,981,469 Shares	<b>10% Voting Dilution</b>	331,498,147 Shares	331,498,147 Shares	331,498,147 Shares
	<b>Funds raised</b>	\$ 3,314,981	\$ 6,629,963	\$ 13,259,926
<b>100% increase in current Variable A</b> 4,419,975,292 Shares	<b>10% Voting Dilution</b>	441,997,529 Shares	441,997,529 Shares	441,997,529 Shares
	<b>Funds Raised</b>	\$ 4,419,975	\$ 8,839,951	\$ 17,679,901

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 \$0.020, being the closing price of the Company's Shares on ASX on 22 September 2021.
- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iv) No Options or Performance Rights 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

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1. Each Option entitles the holder to one ordinary share in the Company.
2. Each of the Options will be exercisable at a price equal to 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 3 years following Shareholder approval (**Exercise Period**). 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

**ANNEXURE B – TERMS AND CONDITIONS OF  
CEO/MANAGING DIRECTOR PERFORMANCE RIGHTS**

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1. Each Performance Right entitles the holder to one ordinary share in the Company on the vesting of the Performance Right.
2. A Performance Right will only vest if:
  - a) the Vesting Conditions applicable to that Performance Right are satisfied;
  - b) the Vesting Conditions applicable to that Performance Right are waived by the Board; or
  - c) a Change of Control event occurs.
3. 8,400,000 Performance Rights issued to the CEO/Managing Director (**Performance Rights Holder**) are subject to the following performance related vesting conditions (**Vesting Conditions**):
  - a) Tranche 1 – 33.33% or 2,800,000 Performance Rights to vest upon the later of both the following vesting conditions occurring:
    - a. Closing Price of Sunstone Shares being the higher of \$0.035, or 50% above the 15 trading day VWAP ending on the trading date that immediately precedes the date of shareholder approval, for minimum 10 trading days out of any 20 consecutive trading days; and
    - b. 12 months after issue.
  - b) Tranche 2 – 33.33% or 2,800,000 Performance Rights to vest upon TSR performance as measured against the ASX Small Resources Index, as follows:
    - a. Performance below the index - no shares will vest.
    - b. Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Sunstone's performance be greater than 25% above the index performance.
    - c. Testing will be annually on 30<sup>th</sup> June.
  - c) Tranche 3 – 33.33% or 2,800,000 Performance Rights to vest upon the later of both the following vesting conditions occurring:
    - a. Closing Price of Sunstone Shares being the higher of \$0.07, or 100% above the 15 trading day VWAP ending on the trading date that immediately precedes the date of shareholder approval, for minimum 10 trading days out of any 20 consecutive trading days; and
    - b. 12 months after issue.
4. Unless the Board determines otherwise in its absolute discretion, a Performance Right will lapse upon the earliest to occur of:
  - a) a Performance Rights Holder purporting to transfer or grant a security interest over that Performance Right;
  - b) cessation of employment;
  - c) fraudulent or dishonest actions;
  - d) winding up of the Company;
  - e) the Vesting Conditions in respect of a Performance Right not being met within any applicable period;
  - f) any date specified in the relevant Invitation by which the Performance Rights will automatically lapse; or
  - g) the 3 year anniversary of the date when the Performance Rights were granted (subject to testing of the Vesting Conditions).

5. Unless otherwise determined by the Board, if a Performance Rights Holder ceases to be an Eligible Employee, any Performance Rights of that Performance Rights Holder that have not as at that time already vested to Shares automatically lapse. In the case of cessation of employment due to death or ill health, the Board may determine that any of that Performance Rights Holder's Performance Rights vest, and the terms on which those Performance Rights vest. If the Board does not make such a determination within 3 months of the Performance Rights Holder ceasing to be an Eligible Employee, the Performance Rights of that Performance Rights Holder will be deemed to have lapsed on the date the Performance Rights Holder ceased to be an Eligible Employee.
6. Any shares that vest will be subject to Sunstone's Security Trading Policy which states certain closed periods where trading in shares is prohibited. The Policy also requires all employees to seek approval from the Company Secretary and/or Chairman to trade in the Company's shares.
7. The Company will not apply to ASX for official quotation of the Performance Rights.
8. The Company will make application for official quotation on ASX of new shares allotted on vesting of the Performance Rights. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted pursuant to Performance Rights will qualify for dividends declared after the date of their allotment.
9. Performance Rights can only be transferred with Board approval, except that if at any time before the Performance Rights lapse the Performance Rights Holder dies, the legal personal representative of the deceased Performance Rights Holder may:
  - a) elect to be registered as the new holder of the Performance Rights; and
  - b) whether or not he becomes so registered, exercise those Performance Rights in accordance with the terms and conditions on which they were granted; and
  - c) if the deceased has already exercised Performance Rights, pay the exercise price (if any) in respect of those Performance Rights.
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 Performance Rights are exercisable will be increased by the number of ordinary shares which the holder of the Performance Rights would have received if the Performance Rights had vested before the record date for the bonus issue.
11. If, during the currency of the Performance Rights the issued capital of the Company is reorganised, those Performance Rights will be reorganised to the extent necessary to comply with ASX Listing Rules.
12. Subject to the terms and conditions of a grant of a Performance Right and the Applicable Laws, if a Change of Control (as defined in the Employee Performance Rights Plan) occurs, all Performance Rights will immediately vest.

## Need assistance?



**Phone:**

1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)



**Online:**

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

STM

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Sunstone Metals Limited Annual General Meeting

The Sunstone Metals Limited Annual General Meeting will be held on Thursday, 28 October 2021 at 11:30am (Brisbane time). You are encouraged to participate in the meeting using the following options:



### MAKE YOUR VOTE COUNT

To lodge a proxy, access the Notice of Meeting and other meeting documentation visit [www.investorvote.com.au](http://www.investorvote.com.au) and use the below information:



**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**

For your proxy appointment to be effective it must be received by 11:30am (Brisbane time) Tuesday, 26 October 2021.



### ATTENDING THE MEETING VIRTUALLY

To watch the webcast, ask questions and vote on the day of the meeting, please visit: [web.lumiagm.com/310651476](http://web.lumiagm.com/310651476)

For instructions refer to the online user guide [www.computershare.com.au/onlinemeetingguide](http://www.computershare.com.au/onlinemeetingguide)

## Need assistance?



**Phone:**

1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)



**Online:**

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

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## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:30am (AEST) on Tuesday, 26 October 2021.**

# Proxy Form

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## PARTICIPATING IN THE MEETING

### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**

**SRN/HIN: I999999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Sunstone Metals Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Sunstone Metals Limited to be held virtually at [web.lumiagm.com/310651476](http://web.lumiagm.com/310651476) on Thursday, 28 October 2021 at 11:30am (AEST) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1, 2, 3, 4 and 5 (except where I/we have indicated a different voting intention in step 2) even though Items 1, 2, 3, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 2, 3, 4 and 5 by marking the appropriate box in step 2.

### Step 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Item 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Issue of Options to Mr Graham Ascough	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Issue of Options to Mr Stephen Stroud	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Issue of Performance Rights to Mr Malcolm Norris	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Approval of Employee Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Re-election of Director, Mr Stephen Stroud	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

**Update your communication details** (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

STM

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Computershare

