
ASX ANNOUNCEMENT

5 JANUARY 2024

General Meeting

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

The meeting is scheduled for Tuesday 6 February 2024, commencing at 11.00am AEST at Sunstone’s offices 9 Gardner Close Milton QLD.

Electronic copies of the General Meeting material 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

**SUNSTONE METALS LIMITED
ACN 123 184 412**

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

**Date of
Meeting**

Tuesday
6 February
2024

**Time of
Meeting**

11.00 am
(Qld time)

**Place of
Meeting**

Sunstone
Metals Limited
Gardner House
9 Gardner
Close
Milton Qld
4064

**NOTICE OF GENERAL MEETING
SUNSTONE METALS LIMITED
ACN 123 184 412**

Notice is hereby given that a General Meeting of Shareholders of Sunstone Metals Limited (**Company**) will be held at 11.00 am (Qld time) on Tuesday, 6 February 2024 at the registered office of Sunstone Metals Limited, Gardner House, 9 Gardner Close, Milton, Queensland.

RESOLUTION 1: Ratification of prior issue of placement Shares under Listing Rule 7.1

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue and allotment of 405,750,000 Shares at an issue price of \$0.012 (1.2 cents) to the allottees as set out in the Explanatory Memorandum."

RESOLUTION 2: Approval for – issue of Shares to Director at the Placement price - Mr Malcolm Norris

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

That, for the purpose of Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of up to 2,083,333 Shares at an issue price of \$0.012 (1.2 cents) to Mr Malcolm Norris (or his nominee), a director of the Company, as set out in the Explanatory Memorandum."

RESOLUTION 3: Approval for – issue of Shares to Director at the Placement price - Mr Graham Ascough

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

"That, for the purpose of Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of up to 4,166,667 Shares at an issue price of \$0.012 (1.2 cents) to Mr Graham Ascough (or his nominee), a director of the Company, as set out in the Explanatory Memorandum."

RESOLUTION 4: Approval for – issue of Shares to Director at the Placement price - Mr Stephen Stroud

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

"That, for the purpose of Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of up to 2,500,000 Shares at an issue price of \$0.012 (1.2 cents) to Mr Stephen Stroud (or his nominee), a director of the Company, as set out in the Explanatory Memorandum."

RESOLUTION 5: Approval for – issue of Shares to Director at the Placement price - Mr Patrick Duffy

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

"That, for the purpose of Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of up to 4,166,667 Shares at an issue price of \$0.012 (1.2 cents) to Mr Patrick Duffy (or his nominee), a director of the Company, as set out in the Explanatory Memorandum."

RESOLUTION 6: Issue of Options to Mr Patrick Duffy

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 Patrick Duffy (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'

Please refer to the Explanatory Memorandum attached to the Notice of Meeting for more information on the Resolutions.

**DATED 5 January 2024
BY ORDER OF THE BOARD
SUNSTONE METALS LIMITED**

A handwritten signature in black ink, appearing to read 'Gavin Leicht', written over a faint, illegible background.

**Gavin Leicht
Company Secretary**

NOTES

1. 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 4 February 2024 (being not more than 48 hours before the Meeting on 6 February 2024) 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.

2. 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 are ordinary resolutions.

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.

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**. Lodgment instructions (which include the ability to lodge proxies electronically) are set out in the Proxy Form attached to the Notice of Meeting.

3. Voting Exclusion Statements

(a) Resolution 1

The Company will disregard any votes cast on Resolution 1 by or on behalf of:

- (i) an Allottee; and
- (ii) an associate of an Allottee.

However, the Company will not disregard a vote cast in favour of Resolution 1 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.

(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 Malcolm Norris, any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) and any associate of those persons. However, the Company will not disregard a vote cast in favour of Resolution 2 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.

(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 Graham Ascough, any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) and any associate of those persons. However, the Company will not disregard a vote cast in favour of Resolution 3 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.

(d) Resolution 4

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 other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) and any associate of those persons. However, the Company will not disregard a vote cast in favour of Resolution 4 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.

(e) Resolution 5

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 Patrick Duffy, and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) and any associate of those persons. However, the Company will not disregard a vote cast in favour of Resolution 5 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.

(f) Resolution 6

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 Patrick Duffy and any of his Associates and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity). However, the Company will not disregard a vote cast in favour of Resolution 6 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 6 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.

4. Proxies

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

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 11.00am (Brisbane time) on 4 February 2024 (being 48 hours before the meeting).

Proxy Forms can be submitted by the below methods:

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

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the Chair to exercise your proxy in favour of all Resolutions, including Resolution 6 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

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

5. Corporate Representative

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

EXPLANATORY MEMORANDUM

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the General Meeting of Shareholders of Sunstone Metals Limited to be held on Tuesday, 6 February 2024.

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 6 (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.

RESOLUTION 1 – Ratification of the prior issue of placement Shares under Listing Rule 7.1

Background

Resolution 1 seeks ratification by Shareholders of the issue of 405,750,000 Shares (**Placement Shares**) to the Allottees set out below on 18 December 2023.

The Placement was undertaken under the Company's annual 15% placement capacity under Listing Rule 7.1.

Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12-month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12-month period, except with the prior approval of shareholders of the company in general meeting, unless an exception in Listing Rule 7.2 applies.

The issue of Placement Shares does not fit within any of these exceptions and, as it has not yet been approved by shareholders, it effectively uses up part of the Company's 15% placement capacity and reduces the Company's ability to issue further equity securities without shareholder approval for the 12 month period following the Placement.

However, Listing Rule 7.4 provides that an issue of equity securities made without shareholder approval under Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if:

- the issue did not breach Listing Rule 7.1; and
- holders of ordinary securities subsequently approve it.

The issue of the Placement Shares did not result in the Company breaching the 15% limit referred to in Listing Rule 7.1.. Accordingly, under Listing Rule 7.4, Resolution 1 seeks Shareholder approval for and ratification of the issue of the Placement Shares to provide flexibility for the Company to issue equity securities under its 15% placement capacity under Listing Rule 7.1 in the 12 months following the Placement without the requirement to obtain shareholder approval.

If shareholders approve Resolution 1, the issue of the Placement Shares will not count towards determining the number of equity securities which the Company can issue under their 15% placement capacity (effectively increasing the number of securities the Company can issue in the 12-month period following the Placement).

However, if shareholders do not approve Resolution 1, the issue of the Placement Shares will count towards determining the number of equity securities which the Company can issue under their 15% placement capacity (effectively reducing the number of securities that the Company can issue without shareholder approval over the 12 month period following the Placement).

Listing Rule disclosure

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the issue of Shares, the subject of Resolution 1:

Required disclosure	
<i>Number of securities allotted</i>	Total of 405,750,000 Shares were issued under the Company's 15% placement capacity under Listing Rule 7.1
<i>Issue price</i>	\$0.012 (1.2 cents) per Share
<i>Terms of the securities</i>	The Shares were issued as fully paid ordinary shares ranking equally with existing Shares, for which the Company sought

	quotation on the official list of the ASX on 18 December 2023.
<i>Names of Allottees or the basis on which those persons were identified or selected</i>	The Shares were issued to professional and sophisticated investors on the basis of advice from Lead Manager Morgans Corporate Limited. Gavin Leicht, a member of the Company's key management personnel, was issued shares under the placement.
<i>Use of funds</i>	The funds raised pursuant to the placement will be applied to exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and for working capital, including corporate costs to manage the exploration program and costs of the offer.

A voting exclusion applies to this resolution – please see the notes.

Recommendation: The Board unanimously recommend that Shareholders vote in favour of Resolution 1.

RESOLUTIONS 2, 3, 4, and 5 - Approval for issue of shares to four Directors at the Placement price

Background

Resolutions 2, 3, 4 and 5 seek to obtain shareholder approval pursuant to Listing Rule 10.11 for the issue of a total of 12,916,667 fully paid ordinary shares (**Director Shares**) to four (4) Directors of the Company (raising approximately \$155,000 before costs) as described in the table below:

Director	Shares	Issue Price (per share)
Mr Malcolm Norris	2,083,333	\$0.012 (1.2 cents)
Mr Graham Ascough	4,166,667	\$0.012 (1.2 cents)
Mr Stephen Stroud	2,500,000	\$0.012 (1.2 cents)
Mr Patrick Duffy	4,166,667	\$0.012 (1.2 cents)

Listing Rules

Listing Rule 10.11 provides that a company must not, subject to specified exceptions, issue or agree to issue equity securities to specific persons including a related party, which includes a Director, without shareholder approval. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The issue of the Director Shares falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of shareholders under Listing Rule 10.11.

If Resolutions 2 to 5 are passed, the Company will be able to proceed with the issue of the Director Shares and will raise approximately \$155,000 before costs.

If Resolution 2 to 5 are not passed, the Company will not be able to proceed with the issue of the Director Shares and will need to seek alternative funding.

Corporations Act 2001 (Cth)

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give "a financial benefit" to a "related party", which includes a director, unless one of the exceptions to the section apply or shareholders, at a general meeting, approve the giving of that financial benefit to the related party.

Section 210 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given at arm's length, that is on terms that:

- (a) would be reasonable in the circumstances if the public company and the related party were dealing at arms' length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a).

The Directors (other than Mr Norris) consider that the proposed issue of securities the subject of Resolution 2 is on reasonable arm's length terms because it is occurring on the same terms including price as the issue of the Placement Shares and the allocation of shares to Mr Norris was determined on an arm's length basis, within the exception set out in section 210 of the Corporations Act.

The Directors (other than Mr Ascough) consider that the proposed issue of securities the subject of Resolution 3 is on reasonable arm's length terms because it is occurring on the same terms including price as the issue of the Placement Shares and the allocation of shares to Mr Ascough was determined on an arm's length basis, within the exception set out in section 210 of the Corporations Act.

The Directors (other than Mr Stroud) consider that the proposed issue of securities the subject of Resolution 4 is on reasonable arm's length terms because it is occurring on the same terms including price as the issue of the Placement Shares and the allocation of shares to Mr Stroud was determined on an arm's length basis, within the exception set out in section 210 of the Corporations Act.

The Directors (other than Mr Duffy) consider that the proposed issue of securities the subject of Resolution 5 is on reasonable arm's length terms because it is occurring on the same terms including price as the issue of the Placement Shares and the allocation of shares to Mr Duffy was determined on an arm's length basis, within the exception set out in section 210 of the Corporations Act.

RESOLUTION 2 – Approval for issue of shares to Director – Mr Malcolm Norris

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- a) The securities the subject of Resolution 2 are to be issued to Mr Norris (or his nominee/s), a director of the Company;
- b) The maximum number of shares to be issued is 2,083,333 fully paid ordinary shares;
- c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- d) The issue price of the shares will be \$0.012 (1.2 cents) per share;
- e) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- f) The issue of securities to Mr Norris will raise approximately \$25,000 before costs. Funds raised by the issue of securities to Mr Norris will be used, together with the other funds raised under the Placement, to fund the Company's Exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and provide working capital for the Company as described above.

Mr Norris 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 Norris, 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 Norris abstaining, unanimously recommends that Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – Approval for issue of shares to Director – Mr Graham Ascough

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- a) The securities the subject of Resolution 3 are to be issued to Mr Ascough (or his nominee/s), a director of the Company;
- b) The maximum number of shares to be issued is 4,166,667 fully paid ordinary shares;
- c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- d) The issue price of the shares will be \$0.012 (1.2 cents) per share;
- e) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- f) The issue of securities to Mr Ascough will raise approximately \$50,000 before costs. Funds raised by the issue of securities to Mr Ascough will be used, together with the other funds raised under the Placement, to fund the Company's Exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and provide working capital for the Company as described above.

Mr Ascough 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 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 3.

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

RESOLUTION 4 – Approval for issue of shares to Director – Mr Stephen Stroud

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- a) The securities the subject of Resolution 4 are to be issued to Mr Stroud (or his nominee/s), a director of the Company;
- b) The maximum number of shares to be issued is 2,500,000 fully paid ordinary shares;
- c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- d) The issue price of the shares will be \$0.012 (1.2 cents) per share;
- e) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- f) The issue of securities to Mr Stroud will raise \$30,000 before costs. Funds raised by the issue of securities to Mr Stroud will be used, together with the other funds raised under the Placement, to fund the Company's Exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and provide working capital for the Company as described above.

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

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

RESOLUTION 5 – Approval for issue of shares to Director – Mr Patrick Duffy

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- a) The securities the subject of Resolution 5 are to be issued to Mr Duffy (or his nominee/s), a director of the Company;
- b) The maximum number of shares to be issued is 4,166,667 fully paid ordinary shares;
- c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- d) The issue price of the shares will be \$0.012 (1.2 cents) per share;
- e) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- f) The issue of securities to Mr Duffy will raise approximately \$50,000 before costs. Funds raised by the issue of securities to Mr Duffy will be used, together with the other funds raised under the Placement, to fund the Company's Exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and provide working capital for the Company as described above.

Mr Duffy declines to make a recommendation to Shareholders in relation to Resolution 5 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 5, recommend that Shareholders vote in favour of Resolution 5. The Board, other than Mr Duffy, 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 5.

Recommendation: The Board, with Mr Duffy abstaining, unanimously recommends that Shareholders vote in favour of Resolution 5.

RESOLUTION 6 – Approval to issue up to 6,000,000 Options to Non-Executive Director, Mr Patrick Duffy or his nominee

Background

The Board is seeking Shareholder approval for Resolution 6 referred to in the accompanying Notice of Meeting for the purposes of Listing Rule 10.11.

Mr Duffy commenced as a Director of the Company on 8 November 2023 and it is proposed to issue him with Options under the same terms and conditions as was approved by shareholders at the AGM on 17 October 2023 for Messrs Ascough and Stroud.

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, Mr Duffy is considered to be a related party of the Company by virtue of his role on the Board of Sunstone, hence Shareholder approval under Listing Rule 10.11 is being sought.

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

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 Resolution 6 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 Resolution 6 as required by Listing Rule 10.13 are as follows:

Required disclosure	
Proposed allottees	Mr Patrick Duffy or his nominee
Nature of relationship with Sunstone	Mr Duffy is a related party of Sunstone because of his role as Non-Executive Director of the Company.
Maximum number of securities to be issued	Subject to Shareholder approval, it is proposed that Mr Duffy will 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 this Resolution, all Options will be issued no later than 1 month after this General Meeting.
Issue Price	Nil
Exercise price and expiry date	The Options to be issued and their exercise price are as follows: All 6,000,000 Options will be exercisable at the maximum of \$0.042, or 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

	<p>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>
Terms of issue	<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>
Use of funds	<p>No funds will be raised on the initial issue of the Options to Mr Duffy as they are being granted for no consideration.</p> <p>If Mr Duffy exercises any or all of his 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>
Why the Options are being issued to the allottees	<p>The primary purpose of the issue of the Options is to provide cost effective remuneration and incentives for Mr Duffy in his role as Director and reflects what the Board considers to be appropriate in the circumstances.</p> <p>It is considered appropriate to grant the Options to Mr Duffy as a means of:</p> <ul style="list-style-type: none"> • retaining their services by providing a competitive remuneration package; • providing incentives linked to the performance of the Company, thereby aligning their interests more closely with that of the Company; and • providing them with an opportunity to acquire equity in the Company. <p>It is further considered that the performance of Mr Duffy and the performance and value of the Company will be closely related. The Options to be granted will only be of benefit if Mr Duffy performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.</p> <p>Mr Duffy brings 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>
Why the number of Options and value of the Options was chosen	<p><i>Why the number of Options?</i></p> <p>The number of Options was chosen following a review of similar organisations to be market competitive. The issue is under the same terms and conditions as those approved by shareholders for Messrs Ascough and Stroud at the AGM held 17 October 2023. The Options will be granted</p>

	<p>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> 22 Corporate Advisory Pty Ltd, as independent valuers, has determined that the total value of the Options to be issued is (as at the date of the Options Valuations) \$26,400, based on a closing share price of \$0.014 at 17 October 2023 and an exercise price of \$0.042 (the higher of \$0.042 or 50% premium to VWAP).</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 Mr Duffy was appropriate and aligned his interests with that of all Shareholders.</p>
Valuation of the financial benefit	<p>The Company engaged 22 Corporate Advisory Pty Ltd to undertake valuations of the Options proposed to be issued (Options Valuations). 22 Corporate Advisory Pty Ltd valued the Options using a Black-Scholes Option Pricing (BSOP) methodology.</p> <p>The Options Valuations assumed an exercise price of \$0.042, and attributed a total value of \$26,400 to the 6 million Options proposed to be issued under Resolution 6.</p> <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"> • the Options are exercisable at the higher of \$0.042 (used for the valuation) or 150% of the 5-day VWAP prior to approval; • the volatility of the Company's share price was calculated with regard to the historical volatility, being 85% for 3 years; • the Options expire 3 years from date of shareholder approval; • the risk-free rate used is 4.095%, which is the 3-year Government Bond Rate as at 17 October 2023; • 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 • the valuation of the share-based payments do not consider non-market vesting conditions, consistent with AASB 2 (i.e. probability of Non-executive Directors leaving before vesting date). <p>Based on the assumptions outlined above, 22 Corporate Advisory Pty Ltd calculated the value of the Options to be \$26,400.</p> <p>The Board believes, having taken appropriate expert advice on the matter, that the Options Valuations and use of the Black-Scholes Option Pricing (BSOP) methodology was appropriate in the circumstances. The Board has</p>

	not used any other valuation model in proposing the terms or number of Options.																
Disclosure of total remuneration package	<p>As noted above, the Options are proposed to be issued to Mr Duffy as a means of providing cost effective remuneration and incentives for him in his role as Director. These Options are proposed to be a one-off issue of securities to Mr Duffy or his nominee for that purpose.</p> <p>The remuneration and emoluments from the Company for Mr Duffy for the current financial year are:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Current financial year remuneration*</th> </tr> </thead> <tbody> <tr> <td>Mr Patrick Duffy</td> <td>\$60,000 per annum 6,000,000 Options per 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 Patrick Duffy	\$60,000 per annum 6,000,000 Options per Resolution 6												
Related party	Current financial year remuneration*																
Mr Patrick Duffy	\$60,000 per annum 6,000,000 Options per Resolution 6																
Directors' interest in the outcome	Other than the interests that Mr Duffy has in the resolution that relate to his individual allotment, none of the other Directors have an interest in the outcome of Resolution 6.																
Dilution effect the issue of the Options will have on existing Shareholders	If all the Options granted to Mr Duffy are exercised, a total of 6,000,000 Shares would be allotted and issued. This would increase the total number of Shares on issue from 3,487,734,879 to 3,493,734,879 (assuming no other Options or Shares are issued), with the effect that the shareholding of existing Shareholders would be diluted by 0.17%.																
Securities held in the Company	<p>The current relevant interests (i.e. before Resolution 6 is approved) of Mr Duffy in the securities of the Company are set out below:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Patrick Duffy</td> <td>5,939,861</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table> <p>If Resolutions 5 and 6 are approved by shareholders, the relevant interests (i.e. after the Resolutions are approved) of Mr Duffy in the securities of the Company will be as set out below:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Patrick Duffy</td> <td>10,106,528</td> <td>6,000,000</td> <td>Nil</td> </tr> </tbody> </table>	Related party	Shares	Options	Performance Rights	Mr Patrick Duffy	5,939,861	Nil	Nil	Related party	Shares	Options	Performance Rights	Mr Patrick Duffy	10,106,528	6,000,000	Nil
Related party	Shares	Options	Performance Rights														
Mr Patrick Duffy	5,939,861	Nil	Nil														
Related party	Shares	Options	Performance Rights														
Mr Patrick Duffy	10,106,528	6,000,000	Nil														
Voting exclusion	Voting exclusions apply to Resolution 6 – please see the notes.																

The market price of Shares in the Company would normally determine whether Mr Duffy (or his 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	\$0.044 on 23 January 2023
Lowest	\$0.013 on 21 December 2023
Last	\$0.015 on 29 December 2023

Additional information and Directors' recommendation

Resolution 6 - Approval to issue up to 6,000,000 Options to Non-Executive Director, Mr Patrick Duffy or his nominee

Mr Duffy declines to make a recommendation to Shareholders in relation to Resolution 6 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 6, recommend that Shareholders vote in favour of Resolution 6. The Board, other than Mr Duffy, 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 6.

Recommendation: The Board, with Mr Duffy abstaining, unanimously recommend that Shareholders vote in favour of Resolution 6.

GLOSSARY

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

\$ means Australian dollars.

Allottee means a person who participated in the Placement.

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 dependent 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.

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

Director means a director of the Company within the previous six months up to the date of the Explanatory Memorandum.

Director Shares means 12,916,667 to be issued to Directors on the same terms as the Placement.

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

General Meeting or **Meeting** means the meeting convened by the Notice.

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 general meeting including the Explanatory Memorandum and the Proxy Form.

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

Placement means the placement of 405,750,000 Shares at an issue price of \$0.012 announced on

13 December 2023. It does not include the Director Shares.

Placement Shares means the 418,666,667 Shares issued under the Placement.

Proxy Form means the proxy form accompanying the Notice.

Resolution means a resolution as set out in the Notice.

Share or **Shares** means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share in the Company.

VWAP means volume weighted average market price.

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

1. Each Option entitles the holder to one ordinary share in the Company.
2. Each of the Options will be exercisable at a price equal to the higher of \$0.042 or 50% above the 5-day Volume Weighted Average Price of the Company's shares before the date Shareholder approval for the grant of the Options is given, rounded up to the next tenth of a cent.
3. Each Option is subject to a 12-month vesting period commencing on the date of issue (following Shareholder approval) and the options will lapse if the director is no longer in service of the Company prior to this vesting date.
4. Each Option is exercisable in whole or in part at any time during the period commencing on the date of vesting (12 months following Shareholder approval) and expiring 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