

14 DECEMBER 2017

Sunstone on track to secure Bramaderos drilling permit in the new year

Strong exploration results continuing to improve the quality of drilling targets

Sunstone Metals Limited (ASX:STM) is pleased to advise that it is making strong progress towards meeting the pre-requisites for the drilling permit at its Bramaderos gold-copper project in Ecuador.

In light of the conditions being met in respect to both the water use permit and the Environmental Impact Assessment (EIA), Sunstone believes it is on track to secure the drilling permit in early 2018.

Importantly, this permit will allow Sunstone to drill across its entire concession, not just in specific areas, giving the Company a complete licence to test the numerous porphyry and epithermal gold targets it has identified, as well as providing flexibility to test additional targets on the concession in the future.

Sunstone Managing Director Malcolm Norris said: “We are finishing 2017 in an outstanding position. In parallel with the strong progress towards securing the drilling permit, our exploration work continues to give us more reasons to believe we have some highly prospective targets. In light of these results, we are increasingly bullish on the quality of the porphyry gold-copper drill targets, which are based on excellent trenching results, predictable soil sampling patterns and very encouraging geological mapping. We will enter the drilling phase with much confidence.”

To secure the drilling permit, Sunstone needs to receive a water use permit. The water use permit application has been submitted and technically pre-qualified by the administering authority (SENAGUA).

This application is now subject to a 20-day stakeholder feedback phase, which started at the beginning of December. Under the process, SENAGUA will then designate a site inspector and complete a site inspection report prior to issuing the permit. The site inspection is expected to occur in January due to statutory holidays over the Christmas to New Year period.

The EIA studies and draft EIA reports have also been completed. A ‘Social Participation Phase’, which is the next step, is now well advanced with field work (interviews and stakeholder mapping) completed and an Information Centre opened on December 10.

A ‘Public Information Meeting’ is scheduled for December 17, at which point the Information Centre is required to remain open for one more week. The final EIA report must include the feedback from this period and then be submitted to the Ministry of Environment for approval. It is scheduled that the final EIA report will be submitted to the Ministry of Environment prior to the end of 2017.

The Ministry has one month to consider the application and request additional information where required. The EIA is expected to be approved in early 2018. This will pave the way for issue of the drilling permit.

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Bramaderos Main Trenching

A trenching program is in progress at Bramaderos Main with assay results to come in December 2017 and Q1 2018. The trenching is proving to be extremely useful in defining areas of increasing vein density, which is associated with increasing gold and copper grades. Given the high degree of success of the trenching to date, a decision has been made to go to more detailed trenching to strengthen the definition of drill targets at Bramaderos Main.

The significance of defining outcropping porphyry systems cannot be underestimated in terms of ongoing effective exploration, and if successful, future development opportunities.

Detailed Heli-Magnetic Survey

A detailed heli-magnetic (and radiometric) survey has been planned and contracted for some time. The start of the survey has been delayed due to heavy demands on the survey contractor due to the extremely active exploration environment in Ecuador. However, current estimate of timing puts the survey commencement at Bramaderos to late December, with data processing to occur during January and February 2018.

The heli-magnetic survey data is an extremely important component of the exploration program. The results will be used to map structure, alteration, and intrusive events and have been applied successfully by the Sunstone team to previous porphyry copper-gold and epithermal gold discoveries.

Extension of Soil Sampling Coverage

Soil sampling is in progress covering the northern and western extensions to the Limon target and is testing the area to the north, south and east of the West Zone epithermal gold target and the north of the Bramaderos Main target.

Soil sampling coverage will be extended to cover the southern and northern portions of the concession during 2018.

Delivery of Detailed Alteration Mapping (and vectors to potential mineralisation)

A detailed assessment of the geology of the Bramaderos Main and Limon targets with a focus on the alteration of the host rocks has been undertaken. This work allows for vectoring towards areas of a porphyry system that are considered more likely to host mineralisation. This approach has been applied previously by the Sunstone team during other discoveries. The results from Bramaderos will now be integrated with other datasets and influence the selection of drill targets.

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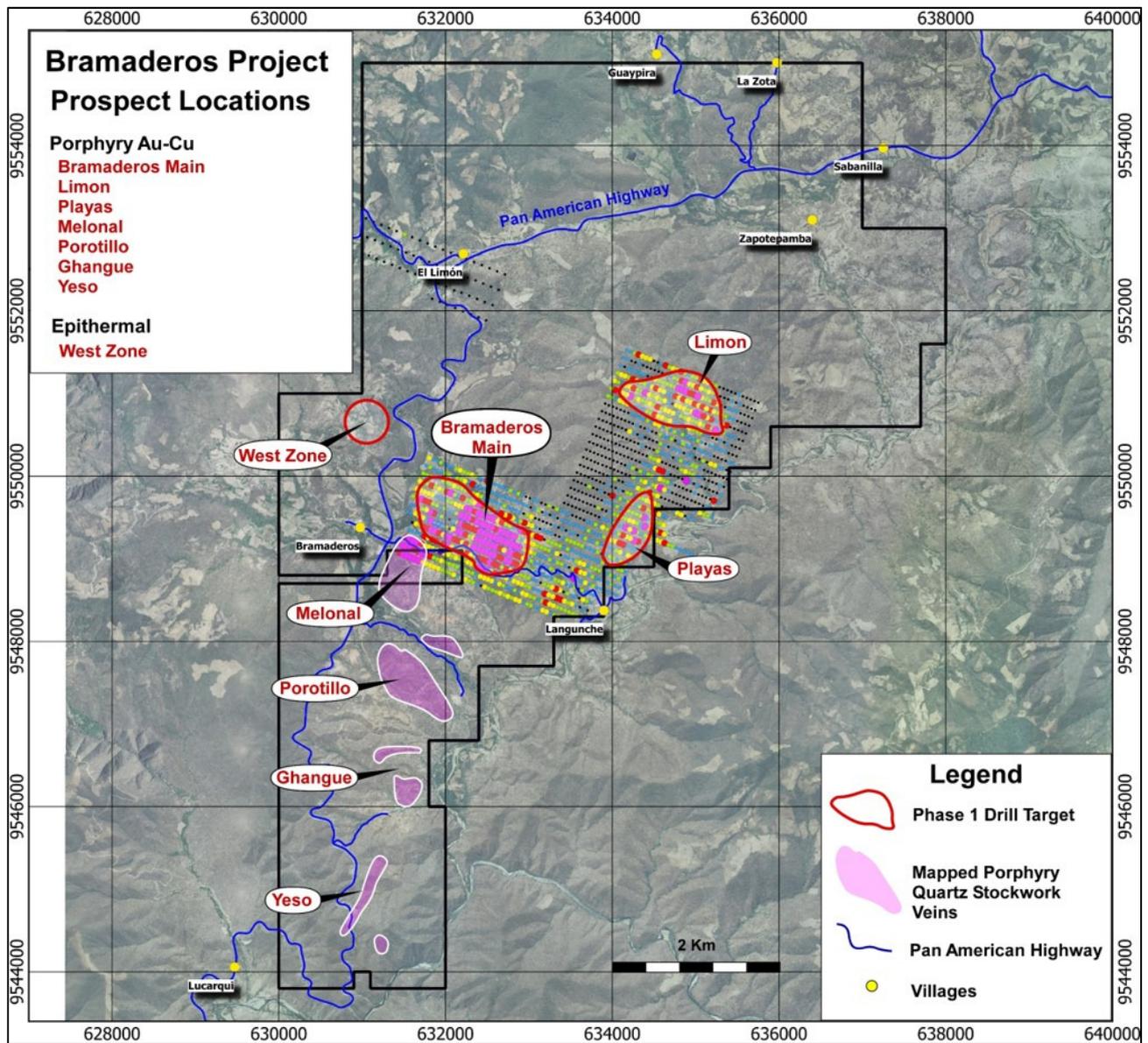


Figure 1: Bramaderos project showing location of the Bramaderos Main, Limon and Playas gold-copper porphyry systems and the West Zone epithermal gold system. Other mapped areas of stockwork veins are yet to be assessed by Sunstone. Grid points are soil gold results from Sunstone sampling.

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About Sunstone Metals

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

1. **The Bramaderos Gold-Copper Project** where Sunstone has signed an earn-in agreement with TSXV listed Cornerstone Capital Resources (see ASX announcement dated 10th April 2017). The Bramaderos gold-copper project is located in Loja province, southern Ecuador, and is considered to be highly prospective for the discovery of large gold-copper systems. Historical results from drilling at Bramaderos include wide intervals such as 260m at 0.6g/t Au and 0.14% Cu. Trenching results at the West Zone breccia include intersections at surface of up to 42m at 3.7g/t Au. These results, together with the distribution of alteration, and large coincident gold-copper-molybdenum surface anomalies indicate multiple fertile mineralised systems with significant discovery potential.
2. **The Viscaria Copper Project** in northern Sweden has a completed Scoping Study (see ASX announcements dated 16th December 2015 and 5th April 2016) and is moving towards PFS and permitting to allow for mine development. Considerable exploration upside exists and low technical risk drill targets continue to be tested.
3. **The Southern Finland Gold Project**, includes the Satulinmäki gold prospect. Shallow diamond drilling was completed by the Geological Survey of Finland (GTK) during the period 2000-2005 and this was followed by a 7-hole diamond drilling program by Sunstone Metals in 2016. Intersections from GTK include 18m @ 4.1g/t Au from 50m downhole, including 3m @ 9.3g/t Au, and 4m @ 10.3g/t Au in drill hole R391. Intersections by Sunstone include 23.5m at 3.3g/t in SMDD007 and 2m at 10.5g/t in SMDD005. The Satulinmäki gold prospect is part of an earn-in JV with Canadian company Nortec Minerals, where Sunstone can earn up to an 80% interest (see ASX announcement dated 19th May 2016). Sunstone has already earned a 51% interest, and has also acquired a significant land position, in its own right, in the district.

Competent Persons Statement

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

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

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