

Viscaria Copper Project – Binding Share Sale and Purchase Agreement Signed

- Sunstone enters into a binding Share Sale and Purchase Agreement with Copperstone Resources AB (Copperstone) for the sale of its wholly owned subsidiary, Avalon Minerals Viscaria AB, the owner of the Viscaria Copper Project in Northern Sweden.
- Copperstone is a copper focused exploration company based in Sweden and listed on Nasdaq First North (Stockholm)
- Sunstone to become the largest shareholder in Copperstone with an approximate 30% shareholding
- The Copperstone shareholding will provide ongoing exposure to the upside at Viscaria as well as to Copperstone's existing exploration projects in Sweden.

Sunstone Metals Limited (ASX:STM) is pleased to advise that it has entered into a binding Share Sale and Purchase Agreement (SPA) with Swedish listed Copperstone Resources AB (Nasdaq First North (Stockholm) COPP B) for the sale of Sunstone's 100% owned subsidiary Avalon Minerals Viscaria AB, which owns 100% of the Viscaria Copper Project (Viscaria) in northern Sweden. This SPA replaces the non-binding Letter of Intent (LOI) as announced on 9 August 2018.

As outlined in the announcement of the LOI on 9 August 2018, the transaction will be completed in 2 stages, with the consideration in the initial stage (on completion) comprising cash of 40 million Swedish Kronor (SEK) and 160 million Copperstone B-shares payable on completion (approximately A\$6.2 million and A\$29.5 million respectively), and the second stage, which is subject to receipt of the Environmental Permit for Viscaria, comprising cash of 20 million SEK and 46 million Copperstone B-shares (approximately A\$3.1 million and A\$8.5 million respectively).

At the current exchange rates, and the volume weighted average Copperstone share price for the period between the LOI and signing the SPA, the transaction is valued at approximately A\$47.3 million.

Sunstone Managing Director Malcolm Norris said: *"Sunstone is very pleased to be working with Copperstone and participating in building a significant Scandinavian base metal producer. We are excited about the future opportunities that will come from this transaction."*

Copperstone Chairman Michael Mattsson said: *"Viscaria constitutes a high quality, copper price sensitive asset with low cap ex and an exploration upside in a first class mining district. Bringing this project towards a mine reopening, will be an exciting and realistic journey for Copperstone together with our new main owner, Sunstone. Simultaneously, the prosperous Copperstone project is yielding significant exploration success. It will be a sound privilege to assist in the financing and closing of this acquisition, together with Sunstone, our strong shareholder network, team and advisors. Copperstone aims at becoming Scandinavia's next base metal producer for years and decades to come."*

ASX ANNOUNCEMENT

The Transaction

There has been no material change to the commercial terms outlined under the LOI as announced on August 9th, 2018 and the binding SPA. The Transaction is subject to customary closing conditions including Copperstone raising capital for the cash component of the transaction and for ongoing working capital on Copperstone's existing projects and for Viscaria.

The Transaction is also conditional upon Sunstone shareholders approving the transaction at the Company's Annual General Meeting, expected to be held late-November 2018, as well as the approval by Copperstone shareholders at an Extraordinary General Meeting expected to be held at approximately the same time.

Subject to closing of the transaction, and through the issue of shares under the SPA, Sunstone would be the largest shareholder of Copperstone. As Sunstone's shareholding in Copperstone may exceed 30%, an application for an exemption to the Swedish Securities Council regarding a mandatory public bid on Copperstone has been made, and the exemption granted. As the largest shareholder of Copperstone, Sunstone will retain significant exposure to Viscaria as well as to Copperstone's existing copper exploration projects in Sweden, with potential synergies across the projects.

Under the terms of the SPA Sunstone will be able to appoint two directors to the Board of Copperstone.

In regard to the shares it receives in Copperstone under the Transaction, Sunstone will enter a voluntary escrow ("lock-up") agreement for a period of 18 months from closing and the Directors of Copperstone will enter a similar escrow agreement for the majority of the shares that they currently hold.

It is noted that the Copperstone share price (for the B-shares, which are the class of shares listed on Nasdaq First North (Stockholm)) has moved from SEK 1.02 per share prior to the announcement of the LOI on 8 August 2018 to SEK 1.42 as at 1 October 2018. During this period the minimum and maximum prices for Copperstone shares have been SEK 0.85 and SEK 1.50 per share respectively, with the weighted average price equating to SEK 1.1866 per share. When utilising the weighted average price, in conjunction with movements in the exchange rates, the notional value of the consideration has increased from the A\$41 million referred to in the announcement of the LOI, to A\$47.3 million.

It is important to note that this value may change due to movements of Copperstone's share price which may go up or down at any time in the future, and exchange rates between AUD and SEK.

Indicative Timetable

October 2018

- Notice of Meeting will be circulated to Sunstone Shareholders outlining the details of the final terms of the Intended Transaction and putting a resolution to shareholders to approve the Transaction. A similar Notice will also be circulated by Copperstone for consideration of the Transaction by Copperstone shareholders

November 2018

- General Meetings to be held by both Companies for approval of the Transaction;
- Copperstone completing financing to satisfy the conditions precedent.

December 2018

- Completion (Payment of the initial stage cash consideration and issue of Copperstone shares to Sunstone).

ASX ANNOUNCEMENT

About Copperstone

Copperstone is a public company trading as COPP B on NASDAQ First North (Stockholm). The Company is focused on base and precious metal exploration in the vicinity of the internationally recognised mining region of the Skellefte-field in northern Sweden. In January 2018 Copperstone began deep core drilling in Arvidsjaur Kommun, Norrbotten County, with the objective to locate and prove the existence of porphyry copper mineralisation. This phase of mineral exploration started in 2017 when integrated geophysical surveys identified the potential of discovering porphyry-style copper mineralization in the Granliden area.

Further details on Copperstone can be found on their website <https://copperstone.se/>

About Sunstone Metals

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

1. **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.
2. **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.
3. **The Southern Finland Gold Project**, includes the Satulinmäki gold prospect. Shallow diamond drilling was completed by the Geological Survey of Finland (GTK) during the period 2000-2005 and this was followed by a 7-hole diamond drilling program by Sunstone Metals in 2016. Intersections from GTK include 18m @ 4.1g/t Au from 50m downhole, including 3m @ 9.3g/t Au, and 4m @ 10.3g/t Au in drill hole R391. Intersections by Sunstone include 23.5m at 3.3g/t in SMDD007 and 2m at 10.5g/t in SMDD005. The Satulinmäki gold prospect is part of an earn-in JV with Canadian company Nortec Minerals, where Sunstone has fulfilled the requirements to earn an 80% interest, and has also acquired a significant land position, in its own right, in the district.
4. **The Scandinavian Lithium Project**, includes the Kietyönmäki lithium prospect. Drilling by Sunstone has delivered 24.2m at 1.4% Li₂O in a spodumene bearing pegmatite. Additional earlier stage lithium opportunities are held in Sweden and Finland. Kietyönmäki is also part of the JV with Nortec Minerals.

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

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

Email: mnorris@sunstonemetals.com.au