
ASX ANNOUNCEMENT

23 SEPTEMBER 2022

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.

The meeting is scheduled for Thursday 27 October 2022, commencing at 11.30am AEST at the offices of BDO, Level 10, 12 Creek St Brisbane.

Electronic copies of the Annual General Meeting material and the 2022 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



**SUNSTONE METALS LTD
ACN 123 184 412**

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

Date of Meeting

Thursday 27 October 2022

Time of Meeting

11.30am
(Brisbane time)

Place of Meeting

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

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

Notice is hereby given that the Annual General Meeting of Shareholders (**Meeting or AGM**) of Sunstone Metals Ltd ACN 123 184 412 (**Company**) will be held at **11.30am (Brisbane time) on Thursday 27 October 2022** at the offices of BDO, Level 10, 12 Creek Street, Brisbane, Queensland.

AGENDA

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

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

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

ORDINARY BUSINESS

Financial Statements and Reports

To receive the financial report of the Company and its controlled entities for the year ending 30 June 2022, 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 2022.'

RESOLUTION 2: 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 298,507,463 Shares at an issue price of \$0.067 (6.7 cents) to the allottees as set out in the Explanatory Memorandum.'

RESOLUTION 3: 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 5,600,000 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 4: Re-election of Director, Mr Graham Ascough

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 Graham Ascough who retires by rotation and being eligible, be re-elected as a Director of the Company.'

SPECIAL BUSINESS

RESOLUTION 5: Approval of 10% Placement Facility

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

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

How to Vote

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

Voting entitlement

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the Board has determined that the Shareholders who are on the Company's share register at 7.00 pm (Sydney time) on 25 October 2022 (being not more than 48 hours before the Meeting on 27 October 2022) 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 5, are ordinary resolutions. Resolution 5 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.

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

The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of:

- (i) an Allottee who participated in the issue or is a counterparty to the agreement being approved; and
- (ii) an associate of the Allottee (or those Allottees).

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 the Listing Rules, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- the Managing Director of the Company, Mr Malcolm Norris (Non-executive directors are ineligible to participate in the Employee Performance Rights Plan), any Associates of the Managing Director of the Company or a person whose relationship with the Managing 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 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.

For the purposes 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 5**

The Company will disregard any votes cast in favour of Resolution 5 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 cast in favour of Resolution 5 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 and vote is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting the Shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 11.30am (Brisbane time) on 25 October 2022.

Proxy Forms can be submitted by the below methods:

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

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the Chair to exercise your proxy on Resolutions 1 and 3 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 and 3 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

A handwritten signature in black ink, appearing to read 'Gavin Leicht', with a stylized flourish at the end.

Gavin Leicht
Company Secretary
23 September 2022

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 27 October 2022**.

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 5 (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

Financial Statements and Reports

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

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

Resolution 1 – Adoption of Remuneration Report

Remuneration Report

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

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

“Two Strikes”

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

The Corporations Act gives shareholders 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 2021 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 2023 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 – Ratification of the prior issue of placement Shares under Listing Rule 7.1

Background

Resolution 2 seeks ratification by Shareholders of the issue of 298,507,463 Shares to the Allottees set out below on 22 April 2022.

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.

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 Shares did not result in the Company breaching the 15% limit referred to in Listing Rule 7.1. The issue of the Shares does not therefore depend upon shareholders passing Resolution 2. The purpose of Resolution 2 is to obtain shareholder approval for the purpose of Listing Rule 7.4 and for all other purposes. If shareholders approve the issue of the Shares for the purpose of Listing Rule 7.4, the issue of the Shares will not count towards determining the number of equity securities which the Company can issue in any 12-month period. However, if shareholders do not approve the issue of the Shares for the purpose of Listing Rule 7.4, the issue of the Shares will count towards the number of equity securities which the Company can issue in any 12-month period.

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 2:

Required disclosure	
<i>Number of securities allotted</i>	Total of 298,507,463 Shares were issued under the Company's annual 15% placement capacity under Listing Rule 7.1
<i>Issue price</i>	\$0.067 (6.7 cents)
<i>Issue dates</i>	295,507,463 Shares were issued on 22 April 2022 3,000,000 Shares were issued on 29 April 2022
<i>Terms of the securities</i>	The Shares were issued as fully paid ordinary shares ranking equally with existing Shares.
<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 Joint Lead Managers Morgans Corporate Limited and Taylor Collison Limited.
<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 2.

RESOLUTION 3 – Approval to issue up to 5,600,000 Performance Rights to CEO/Managing Director, Malcolm Norris or his nominee.

Background

The Board is seeking Shareholder approval for Resolution 3 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.

If Resolution 3 is passed, the Company will be able to issue the 5,600,000 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 3 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 3 provided Shareholder approval is obtained under Listing Rule 10.14. If Shareholder approval is given under Listing Rule 10.14, the issue would not be counted towards the 15% placement capacity of the entity and approval is not required under Listing Rule 7.1.

Listing Rule disclosure

Details of the proposed issues under Resolution 3 as required by Listing Rule 10.15 are as follows:

Required disclosure	
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 5,600,000 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: 29,633,000</p> <p>Performance Rights vested: 17,813,651 (A further 5,600,000 have seen the share price hurdles met however will not vest until November 2022)</p> <p>Performance Rights lapsed: 4,619,349 (A further 800,000 subject to TSR Hurdles will lapse 31 October 2022, while 800,000 with a price hurdle of \$0.11 will also lapse on that date if the share price hurdles are not met)</p> <p>Performance Rights outstanding: 7,200,000 (comprising the 1,600,000 rights above due for expiry 31 October 2022 and the 5,600,000 rights above vesting November 2022)</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 3 are set out in Annexure A 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) 5,600,000 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 1,866,667 Performance Rights to vest upon the later of both the following vesting conditions occurring:</p> <ul style="list-style-type: none"> • Closing Price of Sunstone Shares being at or above the higher of \$0.09, 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 • 12 months after issue. <p>b) Tranche 2 – 33.33% or 1,866,667 Performance Rights to vest upon TSR performance as measured against the ASX Small Resources Index (Index), as follows:</p> <ul style="list-style-type: none"> • Performance below the Index - no shares will vest. • 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. • Testing will be annually on 30th June. <p>c) Tranche 3 – 33.33% or 1,866,666 Performance Rights to vest upon the later of both the following vesting conditions occurring:</p> <ul style="list-style-type: none"> • Closing Price of Sunstone Shares being at or above the higher of \$0.135, 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 • 12 months after issue.

<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"> • retaining his services by providing a competitive remuneration package; • providing incentives linked to the performance of the Company, thereby aligning his interests more closely with that of the Company; and • providing him with an opportunity to acquire equity in the Company. <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 2023 financial year and beyond, to deliver superior performance that creates shareholder value.</p> <p><i>Closing share price being the higher of \$0.09 or more for 10 trading days?</i></p> <p>This vesting condition was chosen as it represents a share price approximately 50% above the Volume Weighted Average Price ("VWAP") for the 12 months to 30 June 2022 (\$0.0618), and double the closing share price at 30 June 2022. 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 \$0.09.</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 \$0.135 or more for 10 trading days?</i></p> <p>This vesting condition was chosen as it represents more than double the VWAP for the 12 months to 30 June 2022. 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 \$0.135.</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) \$146,664.</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 (Performance Rights Valuations). 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> <ol style="list-style-type: none"> a) value of the underlying asset – share price of \$0.043 being the closing share price on ASX as at 6 September 2022; b) vesting conditions – as referred to above, with Tranche 1 share price hurdle being \$0.09 and Tranche 3 being \$0.135, as these are higher than 50% and 100% above the share price referred to in a) above; c) expected volatility of the share price – 132% based on 3 year historical volatility; d) expected volatility of the ASX Small Resources Index – 22% based on 3-year index volatility; e) correlation of Sunstone's share price and the ASX Small Resources Index for the 3 year period to 6 September 2022 of 0.3; f) risk free rate – the Australian Government 3-year bond rate as at 6 September 2022 of 3.14%; g) time to maturity – the Performance Rights expire 3 years from the date of issue; and h) expected dividend yield – Nil, given the Company is a mineral exploration company with no history of paying dividends. <p>Based on the assumptions outlined above, Pitcher Partners calculated the value of the Performance Rights to be \$146,664, with a total value for each Tranche as follows:</p> <ul style="list-style-type: none"> • Tranche 1 – \$0.02337 per Share Right = \$43,624 • Tranche 2 – \$0.0369 per Share Right = \$68,880 • Tranche 3 – \$0.0183 per Share Right = \$34,160

	<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 3.																
Date of issue of the Performance Rights	If Resolution 3 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 1115 1378 1361"> <thead> <tr> <th>Related party</th> <th>Current financial year remuneration</th> </tr> </thead> <tbody> <tr> <td>Mr Malcolm Norris</td> <td>\$366,639 per annum inclusive of superannuation* 5,600,000 Performance Rights per Resolution 3 (subject to shareholder approval)</td> </tr> </tbody> </table> <p><i>*Paid pursuant to service contracts with the Company.</i></p>	Related party	Current financial year remuneration	Mr Malcolm Norris	\$366,639 per annum inclusive of superannuation* 5,600,000 Performance Rights per Resolution 3 (subject to shareholder approval)												
Related party	Current financial year remuneration																
Mr Malcolm Norris	\$366,639 per annum inclusive of superannuation* 5,600,000 Performance Rights per Resolution 3 (subject to shareholder approval)																
Securities held in the Company	<p>The current relevant interests (i.e. before Resolution 3 is approved) of Mr Norris in the securities of the Company are set out below*:</p> <table border="1" data-bbox="411 1525 1370 1657"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Malcolm Norris</td> <td>37,762,312</td> <td>NIL</td> <td>7,200,000</td> </tr> </tbody> </table> <p>If Resolution 3 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 1789 1370 1921"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Malcolm Norris</td> <td>37,762,312</td> <td>NIL</td> <td>12,800,000</td> </tr> </tbody> </table> <p><i>* Includes direct and Indirect holdings</i></p>	Related party	Shares	Options	Performance Rights	Mr Malcolm Norris	37,762,312	NIL	7,200,000	Related party	Shares	Options	Performance Rights	Mr Malcolm Norris	37,762,312	NIL	12,800,000
Related party	Shares	Options	Performance Rights														
Mr Malcolm Norris	37,762,312	NIL	7,200,000														
Related party	Shares	Options	Performance Rights														
Mr Malcolm Norris	37,762,312	NIL	12,800,000														

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 3 vest, a total of 12,800,000 Shares would be allotted and issued. This would increase the total number of Shares on issue from 2,596,446,419 to 2,609,246,419 (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 0.5%.
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 all existing Options and Performance Rights, and exercise of the Performance Rights issued to Mr Norris, assuming that Shareholders pass Resolution 3:

Current shares issued	2,596,446,419	Dilution effect
Shares issued assuming all existing Options and Performance Rights are exercised	49,199,999	1.9%
Shares issued assuming exercise of the Performance Rights to be granted to Mr Norris pursuant to Resolution 3	5,600,000	0.2%
Total shares	2,651,246,418	2.1%

Additional information and Directors' recommendation

Mr Norris 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.

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

RESOLUTION 4 – Re-election of Director – Mr Graham Ascough

In accordance with the Company's Constitution, Mr Graham Ascough retires by rotation and, being eligible, offers himself for re-election as a Director of the Company. Mr Ascough was appointed as an independent, non-executive Director and Chairman on 29 November 2013.

Graham is a member of the Company's Audit and Financial Risk Committee.

He is a senior resources executive with more than 25 years of industry experience evaluating mineral projects and resources in Australia and overseas. Mr Ascough spent 15 years at Falconbridge Limited (which was acquired by Xstrata plc in 2006), and is currently non-executive Chairman of the following ASX listed junior resource companies:

- PNX Metals Ltd;
- Musgrave Minerals Ltd; and
- Black Canyon Limited.

Mr Ascough holds a Bachelor of Science, is a member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and is a Professional Geoscientist of Ontario, Canada.

The Board considered that Mr Ascough is an independent director.

Recommendation: The Board (excluding Mr Ascough) recommends that Shareholders vote in favour of Resolution 4.

SPECIAL BUSINESS

RESOLUTION 5 – Approval of 10% Placement Facility

Purpose of resolution

The purpose of Resolution 5 is to enable the directors to issue Equity Securities up to 10% of the Company's fully paid ordinary 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 5 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 5 for it to be passed.

Recommendation: The Board recommends that Shareholders vote in favour of Resolution 5.

General information

Listing Rule 7.1A enables "eligible entities" to issue Equity Securities up to 10% of its fully paid ordinary 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 \$109 million (on the basis of the Company's closing share price of \$0.042 on 13 September 2022).

If Shareholders approve Resolution 5, 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 5 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:

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

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 5, 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 5 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 paragraph (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 5 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.

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 13 September 2022.

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 2021 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 5 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of this Resolution.

GLOSSARY

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

\$ means Australian dollars.

10% Placement Facility has the meaning given in the Explanatory Memorandum for Resolution 5.

10% Placement Period has the meaning given in the Explanatory Memorandum for Resolution 5.

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 28 October 2021.

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.

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 3.

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.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.021 50% decrease in Issue Price	\$0.042 Issue Price	\$0.084 100% Increase in Issue Price
Current Variable A 2,596,446,419 Shares	10% Voting Dilution	259,644,642 Shares	259,644,642 Shares	259,644,642 Shares
	Funds raised	\$ 5,452,537	\$ 10,905,075	\$ 21,810,150
50% increase in current Variable A 3,894,669,629 Shares	10% Voting Dilution	389,466,963 Shares	389,466,963 Shares	389,466,963 Shares
	Funds raised	\$ 8,178,806	\$ 16,357,612	\$ 32,715,225
100% increase in current Variable A 5,192,892,838 Shares	10% Voting Dilution	519,289,284 Shares	519,289,284 Shares	519,289,284 Shares
	Funds Raised	\$ 10,905,075	\$ 21,810,150	\$ 43,620,300

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 13 September 2022.
- (ii) The current issue price is \$0.042, being the closing price of the Company's Shares on ASX on 13 September 2022.
- (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 fully paid ordinary 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
CEO/MANAGING DIRECTOR PERFORMANCE RIGHTS**

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. 5,600,000 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 1,866,667 Performance Rights to vest upon the later of both the following vesting conditions occurring:
 - a. Closing Price of Sunstone Shares being the higher of \$0.09, 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 1,866,667 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 30th June.
 - c) Tranche 3 – 33.33% or 1,866,666 Performance Rights to vest upon the later of both the following vesting conditions occurring:
 - a. Closing Price of Sunstone Shares being the higher of \$0.135, 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.