



SUNSTONE METALS

OFFER DOCUMENT

NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

For a non-renounceable, pro rata Rights Issue of New Shares at an issue price of \$0.011 per New Share on the basis of one (1) New Share for every nine (9) Existing Shares held at the Record Date to raise approximately \$4,278,574 before the costs of the issue.

Important Notice

This Offer Document is not a prospectus and it does not contain all of the information an investor would find in a prospectus, or which may be required to make an informed decision regarding or about the rights attaching to, the New Shares offered by this Offer Document.

This Offer Document is important and should be read in its entirety. If you do not understand the contents of this Offer Document you should obtain professional investment advice before deciding whether to apply for New Shares.

Any investment in the Company should be considered as speculative.

THIS RIGHTS ISSUE OPENS ON 13 MAY 2024 AND CLOSSES AT 5:00PM AEST ON 27 MAY 2024.

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IMPORTANT INFORMATION

This Offer Document is dated 13 May 2024.

Capitalised terms in this Offer Document are defined in Section 6 (Definitions).

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act which relates to rights issues by certain entities that do not require the provision of a prospectus or other disclosure document.

Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to the ASX and consult their professional advisers before deciding whether to apply for New Shares. Announcements made by the Company to the ASX are available from the ASX website asx.com.au or from the Company's website www.sunstonemetals.com.au.

The information in this Offer Document does not constitute a securities recommendation or financial product advice.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Rights Issue or Offer described in this Offer Document, which is not contained in this Offer Document.

Any information or representation not contained in this Offer Document may not be relied on as having been authorised by the Company in connection with the Rights Issue.

ASX and ASIC do not take any responsibility for the contents of this Offer Document.

Entire Agreement

The terms contained in this Offer Document and the accompanying Entitlement and Acceptance Form constitute the entire agreement between the Company and you as to the Offer and your participation in the Offer to the exclusion of all prior representations, understandings and agreements between the Company and you.

Governing Law

This Offer Document, and the contracts formed on acceptance of the Applications are governed by the laws applicable in Queensland, Australia. Each Applicant for New Shares submits to the non-exclusive jurisdiction of the Courts of Queensland, Australia.

Privacy

If you complete an Application for New Shares, you will be providing personal information to the Company (directly or via the Share Registry). The Company will collect, hold and will use that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or the Share Registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules and Procedures.

You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

LETTER FROM THE CHAIRMAN

13 May 2024

Dear Shareholder

On behalf of the Directors of Sunstone, I am pleased to invite you to participate in a rights issue and participate in the continued growth of the Company. This rights issue provides you with the opportunity to maintain or increase your equity interest in the Company at the same price as the recent Share Placement announced on 3 May 2024.

As set out in this Offer Document, under the Rights Issue the Company is offering up to 388,961,283 New Shares at an issue price of \$0.011 per share to all shareholders with a registered address in Australia or New Zealand (**Eligible Shareholders**), on the basis that all Eligible Shareholders are invited to apply for one (1) fully paid ordinary share in the Company for every nine (9) fully paid ordinary shares in the Company already held at the Record Date.

In addition to their entitlement, Eligible Shareholders are also invited to apply for additional New Shares which will be allocated from any shortfall. There is no minimum subscription for the Offer. The maximum amount that the Company will raise under this Rights Issue is \$4,278,574 (before the costs of the issue). The Offer is not underwritten and is non-renounceable.

The money raised under this Rights Issue will be used:

- a) primarily to accelerate drilling at the Limon gold-silver epithermal discovery within the Company's Bramaderos concession;
- b) to fund other ongoing exploration activities on the Company's Bramaderos, El Palmar and Verde Chico Gold-Copper Projects; and
- c) to fund corporate running costs and replenish working capital.

With a large Exploration Target already established and extensive known mineralisation from surface, Limon is emerging as an exceptional find. Sunstone believes Limon has immense upside based on the extent of the known mineralisation, the strong potential to continue extending it and the extremely shallow nature of the system.

I am pleased to inform you that as a shareholder in the Company, I intend to participate in and take up all of my entitlements under the Rights Issue.

You are encouraged to read this Offer Document and the accompanying Acceptance Form fully. If you have any questions about the Offer, you should consult your stockbroker or other professional adviser. A summary of risk factors that you should consider is set out in Section 4.

Finally, on behalf of the Board I thank you for your continued support in the Company.

Yours faithfully

Graham Ascough
Chairman, Sunstone Metals Limited

SECTION 1 - KEY INFORMATION

1.1 Summary of the Offer

<i>Issue Price per New Share</i>	\$0.011
<i>Maximum number of New Shares to be issued under the Offer</i>	388,961,283
<i>Total number of Shares on issue immediately after completion of the Offer (including Placement of 170,181,818 Shares and purchase by Directors of 13,636,364 Shares subject to Shareholder Approval)</i>	4,073,431,011
<i>Entitlement</i>	1 New Share for every 9 Existing Shares held as at the Record Date
<i>Maximum amount to be raised</i>	\$4,278,574 (before the costs of the issue)^

^Assuming the Offer is fully subscribed.

1.2 Indicative Timetable

The following are key dates relating to the Offer that you need to be aware of.

Activity	Business Day	Date
Announcement of Offer, Lodge Appendix 3B and Section 708AA Cleansing Notice	0	Fri, 3 May 2024
Shares trade on an "ex" Entitlement basis*	3	Wed, 8 May 2024
Record Date for Entitlement to participate in the Rights Issue (5.00pm AEST)	4	Thu, 9 May 2024
Rights Issue Offer Document and Entitlement and Acceptance Form dispatched to Shareholders and lodged with ASX	6	Mon, 13 May 2024
Closing Date for the Rights Issue (5.00pm AEST)	16	Mon, 27 May 2024
Securities quoted on deferred settlement basis	17	Tue, 28 May 2024
ASX notified of under subscriptions	19	Thu, 30 May 2024
Issue of New Shares under the Rights Issue	20	Fri, 31 May 2024
Holding statements are dispatched to Shareholders	21	Mon, 3 Jun 2024

The above dates are indicative only and may change without notice. The Directors reserve the right to amend this indicative timetable at any time (subject to the Corporations Act and the Listing Rules), to extend the Closing Date to accept late Entitlement and Acceptance Forms either generally or in particular cases, to close the Offer early or to cancel the Rights Issue without prior notice in its absolute discretion. The commencement of quotation of new securities is subject to confirmation from the ASX.

**Shareholders should consult their professional advisors regarding the definition of 'Ex' Date and Record Date to ensure that their entitlement to participate in the Rights Issue is assured. Where fractions arise in the calculation of entitlements, they will be rounded down to the nearest whole number.*

SECTION 2 – DETAILS OF THE RIGHTS ISSUE

2.1 Offer

The Company is making a non-renounceable, pro-rata rights issue offer of New Shares at an issue price of \$0.011 per New Share to Eligible Shareholders on the basis of one (1) New Share for every nine (9) Existing Shares held on the Record Date.

The Offer price is the same as the Issue Price of the recent Placement announced on 3 May 2024 that raised \$2.0M (before costs) by the issue of 183,818,182 shares (Placement Shares) at 1.1 cents per Placement Share to new and existing institutional, professional and sophisticated investors (including 13,636,364 Placement Shares to directors). The Placement Shares (except the Placement Shares to be issued to directors) are expected to be issued on 10 May 2024. The issue of Placement Shares to directors is subject to shareholder approval.

As at the Record Date, the Company has on issue 3,500,651,546 Existing Shares, with a further 170,181,818 Shares to be issued as part of the 3 May 2024 Placement.

Assuming that the Offer is fully subscribed, the Company will:

- issue 388,961,283 New Shares;
- raise \$4,278,574 (before the costs of the issue).

The Rights Issue is not underwritten.

Where the determination of an Entitlement results in a fraction of a New Share, such a fraction will be rounded down to the nearest whole New Share.

2.2 Purpose of the Offer

Sunstone's unaudited cash position at 31 March 2024 was approximately \$1.75M. Since then, Sunstone has executed a placement of 183,818,182 Shares with new and existing institutional, professional and sophisticated investors raising approximately \$2.0M, as well as incurring normal operational expenditure relating to the progression of the exploration activities in Ecuador and corporate running costs. If fully subscribed, the Rights Issue will provide the Company with additional funds of approximately \$4.3M (before the costs of the issue). On this basis, on completion of the Rights Issue at the beginning of June 2024, the Company will have approximately \$6.5M cash at bank (before the costs of the issue) to fund ongoing exploration activities in Ecuador.

2.3 Capital Structure

The capital structure of the Company on completion of the Offer will be as follows (assuming that it is fully subscribed and that none of the Options currently on issue are exercised and none of the Performance Rights on issue will vest before the closing of the Rights Issue):

Shares currently on issue	3,500,651,546
Placement Shares to be issued	170,181,818
Shares to Directors subject to Shareholder approval	13,636,364
Options currently on issue*	30,000,000
Performance Rights on issue**	58,000,000
New Shares offered under the Offer	388,961,283
Total Shares on issue on completion of the Offer	4,073,431,011

**The Options have exercise prices of \$0.042 and \$0.10. The Board considers it reasonable to assume that none of the Options will be exercised before the closing of the Rights Issue given the Company's share price as at close of trading on 3 May 2024 was \$0.012.*

*** The Performance Rights on issue are subject to share price target vesting conditions of between \$0.067 and \$0.135 per share, as well as annual Total Shareholder Return conditions that will next be tested as at 30 June 2024. The Board considers it reasonable to assume that none of the Performance Rights will vest before the closing of the Rights Issue.*

2.4 Use of funds

The money raised under this Rights Issue will be used:

- a) primarily to accelerate drilling at the Limon gold-silver epithermal discovery within the Company's Bramaderos concession;
- b) to fund other ongoing exploration activities on the Company's Bramaderos, El Palmar and Verde Chico Gold-Copper Projects; and
- c) to fund corporate running costs and replenish working capital.

2.5 Minimum Subscription

There is no minimum subscription.

2.6 New Shares

The New Shares will be fully paid ordinary shares and will rank equally in all respects from the date of allotment with the Existing Shares.

The Issue Price is payable in full by Eligible Shareholders on acceptance of the Offer.

The Directors may at any time decide to withdraw this Offer Document and the Offer made under this Offer Document, in which case the Company will return all Application Monies (without interest) as soon as practicable.

2.7 Eligible Shareholders and Entitlements

To be eligible to participate in the Rights Issue, a Shareholder must:

- a) be registered as a Shareholder at the close of business on the Record Date;
- b) have a registered address in Australia and New Zealand;
- c) not be in the United States, must not be a US Person and must not act for the account or benefit of a person in the United States or US Person; and
- d) be eligible under all applicable securities laws to receive an offer under the Offer without any requirement for a prospectus or offer document to be lodged or registered.

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance Form accompanying this Offer Document.

Eligible Shareholders may accept all, part or none of their Entitlement. Eligible Shareholders will also be able to apply for Additional Shares over and above their Entitlement as detailed in Section 2.10.

The Entitlements of Eligible Shareholders who also hold options to subscribe for Shares will be calculated on the basis of the number of Shares they hold on the Record Date, disregarding any options which have not been exercised before that time.

Detailed instructions on how to accept all or part of your Entitlement are set out in Section 3. If Eligible Shareholders choose not to accept their Entitlements, then they are not required to do anything and their shareholdings in the Company will be diluted.

2.8 Opening and Closing dates

The Rights Issue will open for receipt of acceptances on 13 May 2024.

The Closing Date and time for acceptances and payments under the Offer is 5:00pm AEST, 27 May 2024, subject to the Directors extending the Closing Date (subject to the Corporations Act and the ASX Listing Rules). The Company must receive your payment before the Closing Date otherwise the Offer as it applies to you as an Eligible Shareholder will lapse. Further details on the timetable for the Offer are set out in Section 1 of this Offer Document.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 5:00pm AEST on 27 May 2024.

2.9 No rights trading

This Offer is made on a non-renounceable basis. Eligible Shareholders who are registered as at the Record Date may not renounce, sell, transfer or deal with all or any part of their Entitlement to the New Shares which they do not wish to accept.

If you do not take up your Entitlement by the Closing Date, the Offer will lapse, your shareholding in the Company will be diluted and any Shortfall will be dealt with in accordance with Sections 2.10 and 2.11 of this Offer Document.

2.10 Additional Shares

Eligible Shareholders that have fully subscribed for their Entitlements under the Offer will be able to subscribe for additional New Shares (**Additional Shares**). Additional Shares will be sourced from Entitlements that were not taken up under the Offer.

Eligible Shareholders can subscribe for Additional Shares by completing the relevant part of the Entitlement and Acceptance Form, or through BPAY®. There is no guarantee that those Eligible Shareholders will receive the number of Additional Shares applied for.

Decisions regarding the operation of the issue of Additional Shares and any necessary scale back will be made by the Board. In the event that demand for Additional Shares exceed the number of Additional Shares available, the number of Additional Shares issued to Eligible Shareholders will be scaled back on a pro rata basis.

No Additional Shares will be issued to an applicant under this Offer Document if the issue of Additional Shares would contravene the takeover prohibition in section 606 of the Corporations Act, the Company's Constitution or the Listing Rules.

2.11 Shortfall Offer

Any New Shares offered under the Entitlement Offer (including the Additional Shares) that are not applied for will form the Shortfall Shares. The Board reserves the right to place any Shortfall Shares at their discretion within three months after the Closing Date. The Director's allocation policy in respect of the Shortfall Shares is to encourage the introduction of new investors to the Company by placing the Shortfall Shares with institutional, professional and sophisticated investors whom an offer of Shortfall Shares may be lawfully made without the need for disclosure under Chapter 6D of the Corporations Act.

No Shortfall Shares will be issued to an applicant if the issue of Shortfall Shares would contravene the takeover prohibition in section 606 of the Corporations Act, the Company's Constitution or the Listing Rules.

You are referred to Section 3 for further information.

2.12 Underwriting

The Rights Issue offer is not underwritten.

2.13 Issue of New Shares

New Shares taken up under the Rights Issue are expected to be issued by 31 May 2024 (subject to any changes in the timetable set out in Section 1, at the discretion of the Directors having regard to the Corporations Act and the Listing Rules).

It is the responsibility of Applicants to determine their allocation prior to trading in New Shares. Applicants who sell New Shares before they receive their new holding statements following the issue of New Shares to them will do so at their own risk.

2.14 Market Prices for Shares on ASX

The issue price of \$0.011 per New Share represents a 21.4% discount to the last closing price of \$0.014 per share for the Company's shares prior to the announcement of the Rights Issue.

The volume-weighted average price for Shares on the ASX over the 30 trading days preceding 3 May 2024 (the date the Rights Issue was first announced) was \$0.0137. The Issue Price, therefore, represents a discount of approximately 20% to the 30-day volume weighted average price for Shares prior to the date the Rights Issue was first announced.

2.15 ASX quotation of New Shares

The Company has applied to the ASX for official quotation of the New Shares. If the ASX does not grant permission for official quotation of the New Shares, all Application Monies will be returned, without interest, as soon as practicable.

2.16 Foreign Shareholders

This Offer Document and accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares, or to otherwise permit an offering of New Shares, outside a Permitted Jurisdiction. The New Shares may not be offered in a jurisdiction outside of a Permitted Jurisdiction where such an offer is not made in accordance with the laws of that place, unless otherwise determined by the Directors.

The distribution of this Offer Document in jurisdictions outside of a Permitted Jurisdiction may be restricted by law and therefore persons who come into possession of this document outside of a Permitted Jurisdiction should seek advice on, and observe, any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

It is the responsibility of any applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed Entitlement and Acceptance Form and/or payment of Application Monies will be taken by the Company to constitute a representation that there has been no breach of such laws and that the applicant is physically present in a Permitted Jurisdiction.

The Board may, in its absolute discretion, resolve to issue and allot New Shares to an Eligible Shareholder on the condition that the Board in its absolute discretion is satisfied that the issue of New Shares within 3 months of the Closing Date by the Company does not breach any applicable laws.

2.17 New Zealand securities law requirements

This Offer Document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (FMC Act)*.

This Offer Document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Offer Document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2021*.

The New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- a) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- b) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- c) is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- d) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act;
or
- e) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

2.18 United States

The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, a US person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

This Offer Document is neither an offer to sell nor a solicitation of an offer to buy securities as those terms are defined under the US Securities Act. The Offer is not being made to US persons or persons in the United States.

2.19 Ineligible Shareholders

The Company is not extending the Entitlement Offer to Ineligible Shareholders having regard to the cost of complying with legal and regulatory requirements outside of the Permitted Jurisdictions, the number of Ineligible Shareholders and the number and value of New Shares which could be offered to Ineligible Shareholders.

Where this Offer Document has been dispatched to Ineligible Shareholders, it is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Ineligible Shareholders, provided the Company is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

2.20 Risk Factors

An investment in New Shares should be regarded as highly speculative. There are general risks applicable to all investments in listed securities, however there are also specific risks associated with an investment in the Company. A summary of some of these specific risks are outlined in Section 4.

2.21 Taxation Implications

Shareholders should be aware that there may be taxation implications in participating in the Offer and subscribing for New Shares. The taxation consequences of participating in the Offer and/or acquiring New Shares may vary depending on the individual circumstances of each Shareholder. Before making a decision on whether or not to participate in this Rights Issue, Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

2.22 Regular Reporting and Disclosure

The Company is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market.

In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities. All announcements made by the Company are available from the ASX website asx.com.au or the Company's website www.sunstonemetals.com.au.

2.23 CHESS

The Company participates in the CHESS operated by the ASX Settlement Corporation, a wholly owned subsidiary of the ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, the Company will not issue certificates to Applicants. Instead, Applicants will receive a statement of their holdings in the Company of New Shares. If the Applicant is broker sponsored, ASX Settlement Corporation will send them a CHESS statement.

The CHESS statement will set out the number of New Shares issued under this Offer Document, provide the details of a Shareholder's holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the New Shares.

If you are registered on the issuer-sponsored sub-register, your statement will be dispatched by the Share Registry and will contain the number of New Shares issued to you under this Offer Document and your securityholder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time; however, a charge may apply for additional statements.

2.24 Enquiries

If you have any questions concerning your Entitlement, please contact the Company's share registry, Computershare Investor Services Pty Limited on phone: 1300 850 505 (within Australia); +61 3 9415 4000 (outside Australia).

General enquires in relation to the Company or the Offer can be made to the Company Secretary at 9 Gardner Close, Milton, Queensland 4064, Australia or by:

1. Telephone on +61 7 33689888; or
2. Facsimile on +61 7 3368 9899; or
3. Email to info@Sunstonemetals.com.au.

Information may also be obtained by visiting the Company's website at www.sunstonemetals.com.au.

If you are beneficially entitled to Shares and those Shares are held on your behalf by a nominee or custodian you should direct any enquiries to your nominee or custodian.

SECTION 3 – ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

3.1 Eligible Shareholders

If you are an Eligible Shareholder you may:

- take up all or part of your Entitlement in accordance with this Offer Document;
- if you take up all of your Entitlement and apply for Additional Shares in accordance with this Offer Document; or
- do nothing and allow your Entitlement to lapse.

3.2 Acceptance

If you decide to take up all or part of your Entitlement, please complete and return the Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY® by following the instructions set out in Sections 3.4-3.6 and on the Entitlement and Acceptance Form.

The Company will treat you as applying for as many New Shares as your payment will pay for in full having regard to your Entitlement. Any payment in excess of the amount payable to take up all of your Entitlement will be taken as an application for Shortfall Shares.

Excess Application Money that is not sufficient to subscribe for a number of New Shares or Additional New Shares multiplied by the Issue Price will be refunded to you except where that amount is less than \$2.00, in which case it will be retained by the Company. No interest will be paid on any Application Monies received or refunded. Any Application Monies refunded will be returned by cheque using regular mail to the address noted on the register of members. Ultimately, any refund method will be at the discretion of the Company.

This Offer may be accepted in whole or in part or not at all. Applications and full payment of A\$0.011 per New Share that you wish to apply for must be received before 5:00pm AEST on 27 May 2024.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

If you have more than one shareholding and consequently receive more than one Entitlement and Acceptance Form, when taking up your entitlement in respect of one of those shareholdings only use the personalised Customer Reference Number (CRN) specific to that shareholding as set out in the applicable Entitlement and Acceptance Form. DO NOT use the same Customer Reference Number (CRN) for more than one of your shareholdings as this can result in your Application Monies being applied to your Entitlement in respect of only one of your shareholdings (with the result that any Application in respect of your remaining shareholdings will not be recognised as valid).

An Application may still be treated as a valid Application for New Shares (and if applicable, Shortfall Shares) even if it is not completed or submitted correctly. The Company's decision whether to treat an Application as valid and how to construe, amend, complete or submit the Application is final.

Further instructions for the completion and lodgment of Applications are set out on the enclosed Entitlement and Acceptance Form and in this Section 3.

3.3 Declarations and certifications

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY®, you will be deemed to have acknowledged, represented and warranted that you are an Eligible Shareholder and understood this Offer Document and the personalised Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and

agreements, contained in this Offer Document and the personalised Entitlement and Acceptance Form.

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence or where you have been given the Offer Document and Entitlement and Acceptance Form, does not prohibit you from being given the Offer Document and Entitlement and Acceptance Form and that you:

- agree to be bound by the terms of this Offer Document and the provisions of the Company's constitution;
- authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- acknowledge that once the Company receives the completed Entitlement and Acceptance Form or your payment by BPAY®, you may not withdraw it except as allowed by law;
- agree to apply for the number of New Shares that the payment you provide will pay for in full, at the Issue Price;
- agree to be issued the number of New Shares that you apply for;
- authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you, and to act on instructions of Computershare, upon using the contact details set out in the Entitlement and Acceptance Form;
- declare that you are eligible to participate in the Offer and agreed to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Offer and of your holding of shares on the Record Date;
- if you are acting as a nominee or custodian, declare that each beneficial holder on whose behalf you are submitting an application for New Shares is a resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a US Person, and you have not sent this Offer Document, the Entitlement and Acceptance Form or any information or materials relating to the Offer to any such person;
- acknowledge that the information contained in, or accompanying, the Offer Document is not investment or financial product advice or a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- represent and warrant that the law of any place does not prohibit you from being given this Offer Document or making an application for New Shares;
- acknowledge the statement of risks in section 4 of this Offer Document and that an investment in the Company is subject to risk;
- represent and warrant that you are an Eligible Shareholder and have read and understood this Offer Document and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this Offer Document and the Entitlement and Acceptance Form;
- By completing, and the Company receiving, your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:
 - you are not in the United States and are not a US Person, and are not acting for the account or benefit of, a US Person and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Offer and Shortfall Offer;

- the Entitlement and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia and New Zealand, and accordingly, the Entitlements may not be taken up, and the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
- have not and will not send any materials relating to the Offer to any person in the United States or that is a US Person, or is acting for the account or benefit of a US Person.

3.4 If you wish to take up all of your Entitlement

If you wish to take up **all** of your Entitlement, use the BPAY® facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00 pm AEST on 27 May 2024.

If you elect to pay via BPAY® then you will not need to return the Entitlement and Acceptance Form.

Alternatively, **if you elect to pay by cheque, bank draft or money order** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank draft or money order, by post to the Share Registry, to be received by no later than 5:00 pm AEST on 27 May 2024 at the following address:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001
Australia

Please also refer to Section 3.9 below.

3.5 If you wish to take up only part of your Entitlement

If you wish to take up only **part** of your Entitlement, use the BPAY® facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00pm AEST on 27 May 2024.

If you elect to pay via BPAY® then you will not need to return the Entitlement and Acceptance Form.

Alternatively **if you elect to pay by cheque, bank draft or money order** then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank draft or money order, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00 pm AEST on 27 May 2024. Please also refer to Section 3.9 below.

3.6 Shortfall

Eligible Shareholders who take up their full Entitlements under the Offer may also apply for Additional Shares. Additional Shares will only be available to the extent of the shortfall between Applications received from Eligible Shareholders for their Entitlement and the number of New Shares proposed to be issued under the Offer.

Should you wish to apply for Additional Shares, the Application must be made in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form.

If you wish to apply for Additional Shares, use the BPAY® facility as outlined in the accompanying Entitlement and Acceptance Form so that your proceeds are received by no later than 5.00 pm AEST on 27 May 2024.

If you elect to pay via BPAY® then you will not need to return the Entitlement and Acceptance Form. By paying for more shares than your Entitlement, you will be making an Application for the excess shares as Shortfall Shares.

Alternatively, if you elect to pay by cheque, bank draft or money order then you must deliver your completed Entitlement and Acceptance Form, together with a cheque, bank draft or money order, by post to the Share Registry, so that it reaches the Share Registry by no later than 5:00 pm AEST on 27 May 2024. Please also refer to Section 3.8 below.

If you apply for Additional Shares and your Application is successful (in whole or in part), your Additional Shares will be issued at the same time that other New Shares are issued under the Offer. There is no guarantee that you will receive any Additional Shares.

3.7 Notice to nominees and custodians

Nominees or custodians with registered addresses in Australia or New Zealand may be able to participate in the Offer and Shortfall Offer in respect of some or all of the beneficiaries on whose behalf they hold existing Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Shareholder.

Nominees and custodians who hold Shares as nominees or custodians should note in particular that the Offer and Shortfall Offer is not available to:

- a) beneficiaries on whose behalf they hold existing shares who would not satisfy the criteria for an Eligible Shareholder; and
- b) shareholders who are not eligible under all applicable securities laws to receive an offer under the Offer or Shortfall Offer.

The Offer and Shortfall Offer is not available to securityholders that are in the United States or persons (including nominees or custodians) acting for the account or benefit of a person in the United States.

3.8 None of your Entitlement

If you do not wish to take up any of your Entitlement, you do not need to take any action and:

- your Entitlement to the Shares will lapse on the Closing Date;
- the relevant number of New Shares with respect to your Entitlement will form part of the Shortfall which will be allocated as part of the Shortfall Offer; and
- your percentage shareholding in the Company will be diluted following the issue of New Shares.
-

3.9 Payment

No cash payments will be accepted. If you pay by cheque, bank draft or money order, it must be made payable to 'Sunstone Metals Limited' in Australian currency and crossed 'Not Negotiable'. It must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

3.10 Closing Date

The Closing Date for the Offer is 5:00pm AEST on 27 May 2024, unless extended, at the discretion of the Directors in accordance with the Corporations Act, and the Listing Rules.

SECTION 4 – RISK FACTORS

4.1 Risks

Prior to deciding whether to apply for New Shares under the Offer, Eligible Shareholders should read this Offer Document in its entirety and review all announcements made by the Company to the ASX in order to gain an understanding of the Company, its activities, operations, financial position and prospects.

The risks included in this Section are key risks identified by the Board as being specific to the Company and its operations as at the date of this Offer Document and reasonably anticipated by the Board. It is important to note that the risks listed in this Section are not an exhaustive list of the risks relevant to the Company.

Shareholders are strongly encouraged to:

- (a) rely on their own knowledge of the Company;
 - (b) refer to disclosures made by the Company to ASX; and
 - (c) consult their professional advisers,
- before deciding whether to apply for New Shares.

Announcements made by the Company to ASX are available from the ASX website asx.com.au or from the Company's website www.sunstonemetals.com.au.

As the risks described in this section may impact upon the Company's future performance, the Company and its Directors have endeavoured (and will continue to do so) to take steps to safeguard the Company from, and to mitigate the Company's exposure to, these risks.

4.2 Specific Risk Factors

The Directors believe that there are a number of specific factors that should be considered.

Each of these factors could have a materially adverse impact on the Company, its expansion plans, operating and product strategies and its financial performance and position. These include:

a) Speculative investment

The Company is involved in mineral exploration which is highly speculative in nature. Accordingly, there are significant risks that Eligible Shareholders should consider before deciding whether or not to subscribe for New Shares under the Offer. You should regard an investment in the New Shares offered under this Offer Document as a highly speculative investment.

b) Cash position

Sunstone's unaudited cash position at 31 March 2024 was approximately \$1.75M. Since then, Sunstone has executed a placement of Shares with new and existing institutional, professional and sophisticated investors raising approximately \$2.0M, as well as incurring normal operational expenditure relating to the progression of the exploration activities in Ecuador and corporate running costs. If fully subscribed, the Rights Issue will provide the Company with additional funds of approximately \$4.3M (before the costs of the issue). On this basis, on completion of the Rights Issue at the beginning of June 2024, the Company will have approximately \$6.5M cash at bank (before the costs of the issue) to fund ongoing exploration activities in Ecuador.

However, given the Company is an exploration entity, it will need to raise substantial additional funds in the future to continue progressing and developing its projects. There is a risk that the Company will be unable to raise such funds when needed or on reasonable

terms. It is important for potential investors in the Company to note and understand that unless the Company is able to continue to raise funds as required, that failure could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

c) Offer not underwritten

There is a risk that the Company will be unable to raise the full amount of \$4,278,574 (before the costs of the issue) it is seeking to raise under the Rights Issue, as the offer is not underwritten.

d) Exploration

The business of the Group is exploration, with a vision to be a discovery business in the porphyry copper-gold space. Exploration activities involve various inherent risks including the risk that exploration may be unsuccessful or the risk that laws may change in various jurisdictions in which we operate, that could have a negative impact, resulting in potential impairment in the value of the tenements, limiting access to capital, diminishing the cash reserves of the Group and possible relinquishment of the tenements. The Group undertakes regular detailed risk assessments to identify risks to the business and develop mitigation strategies.

The success of the Group depends on the delineation of economically mineable reserves and resources, access to required development capital, the price of commodities, securing and maintaining title to the Group's exploration tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Group's existing tenements may be unsuccessful, resulting in a reduction in the value of those tenements, diminishing the cash reserves of the Group and possible relinquishment of the tenements.

e) Environmental Risks

The Group's environmental compliance is regulated by Ecuadorean legislation and our Environmental Management Plans for the Bramaderos and El Palmar projects, which are approved by the Ministry of Environment, Water and Ecological Transition. The Group remains committed to our environmental performance, which is reflected in our consistently strong environmental compliance.

Failure to comply with applicable environmental laws and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory authorities causing operations to cease, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

The Group is unable to predict the effect of additional, or changes to, environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

f) Resource estimations

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate.

Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formation different from those predicated by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

g) Political and Regulatory Risks

The Group's projects are located in Ecuador and receive strong support from the local communities, however, mineral exploration and mining activities may be affected in varying degrees by political instability, economic conditions, and changes in government regulations such as foreign investment laws, tax laws, business laws, environmental laws and mining laws, affecting the Group's business in that country.

There can be no assurance that laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

h) Operating risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors not limited to but including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns; and
- (c) inability or delay in obtaining necessary consents or approvals.

4.3 General Risk Factors

a) Share market and liquidity risk

No assurances can be given of the price at which the shares offered under the Offer will trade or that they will trade at all. The Company's shares may trade on the ASX at higher or lower prices than the price at which shares are issued. Investors who decide to sell newly acquired shares after the capital raising may not receive the amount of their original investment. The price at which newly acquired shares trade on the ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control.

These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

b) Dependence on general economic conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a materially adverse impact on the Company's business or financial condition.

Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact the Company's earnings and financial performance. There are also other changes in the domestic and global macroeconomic environment that are beyond the control of the Company and may be exacerbated in an economic recession or downturn. These include but are not limited to (i) high inflation and rising interest rates; (ii) changes in foreign currency exchange rates; (iii) changes in employment levels and labour costs; (iv) changes in aggregate investment and economic output; and (v) other changes in economic condition which may affect the revenue or costs of the Company.

c) Ukraine and Gaza Conflicts

The war between Ukraine and Russia (**Ukraine Conflict**) and Israel and Palestine (**Gaza Conflict**) is impacting global economic markets. The nature and extent of the effect of the Ukraine Conflict and Gaza Conflict on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by the Ukraine Conflict and Gaza Conflict.

The Ukraine Conflict and Gaza Conflict each have potential secondary and tertiary macroeconomic impacts, including the changes in pricing of commodity and energy markets, effects on global supply-chain and freight movements which would impact the supply of raw materials and delivery of finished goods and the potential of cyber activity impacting governmental or industry measures taken in response to the Ukraine Conflict and Gaza Conflict.

d) Tax risk

Any change to the company income tax rate in jurisdictions in which the Company operates will impact on shareholder returns, as will any change to the income tax rates applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

e) Legislative and regulatory changes

Legislative or regulatory changes in jurisdictions in which the Company operates, including property or environmental regulations or regulatory changes in relation to products sold by the Company, could have an adverse impact on the Company.

SECTION 5 – CORPORATE DIRECTORY

DIRECTORS

Graham Ascough	Non-Executive Chairman
Patrick Duffy	Managing Director and Chief Executive Officer
Malcolm Norris	Executive Director - Exploration
Stephen Stroud	Non-Executive Director
Neal O'Connor	Non-Executive Director

COMPANY SECRETARY

Gavin Leicht

REGISTERED OFFICE

9 Gardner Close
Milton Qld 4064
Australia

SOLICITORS TO THE RIGHTS ISSUE

Thomson Geer
Level 28, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 1, 200 Mary Street
Brisbane QLD 4000
Australia

CONTACT DETAILS

Web: www.sunstonemetals.com.au
Email: info@sunstonemetals.com.au
Telephone: +61 7 3368 9888
Facsimile: +61 7 3368 9899

ASX CODE: STM

SECTION 6 – DEFINITIONS

Additional Shares means the New Shares that Eligible Shareholders may apply for in excess of their Entitlement under section 2.10 of this Offer Document.

AEST means Australian Eastern Standard Time

Applicant means a person who submits an Application.

Application means a validly completed Entitlement and Acceptance Form.

Application Monies means monies paid by Eligible Shareholders in respect of New Shares applied for.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange or ASX Limited ACN 008 624 691.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

CHES means Clearing House Electronic Subregister System.

Closing Date means the date on which the Offer closes, being 5:00pm AEST on 27 May 2024, which may be extended by the Directors in accordance with the Listing Rules.

Company or Sunstone means Sunstone Metals Ltd ACN 123 184 412.

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

Directors means the directors of the Company from time to time.

Dollars or \$ means Australian dollars unless otherwise stated.

Eligible Shareholder means a Shareholder described in section 2.7 of this Offer Document.

Entitlement means the number of New Shares an Eligible Shareholder is entitled to under the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form accompanying this Offer Document.

Existing Shares means Shares of the Company on issue as at the Record Date.

Ineligible Shareholders means a Shareholder that is not an Eligible Shareholder.

Issue Price means \$0.011 per New Share.

Listing Rules or ASX Listing Rules means the official Listing Rules of ASX.

Material Adverse Effect means a material adverse effect on the outcome of the Offer or on the subsequent market for the New Shares or a material adverse effect on the condition, trading or financial position and performance, profit and losses, results, prospects, business or operations of the Company and its subsidiaries taken as a whole.

New Share means a Share offered and issued under this Offer Document, the terms and conditions of which are set out at Section 2 of this Offer Document.

Offer or Rights Issue means a non-renounceable, pro-rata entitlement issue to Eligible Shareholders on the basis of 1 New Share for every 9 Existing Shares held by Eligible Shareholders on the Record Date.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Offer Document means this document.

Official List means the Official List of ASX.

Opening Date means the date on which the Offer opens, being 13 May 2024.

Option means an option to acquire a Share.

Performance Right means a performance right to acquire a Share.

Permitted Jurisdiction means Australia and New Zealand.

Placement means the placement of 183,818,182 shares at 1.1 cents per Placement Share to new and existing institutional, professional and sophisticated investors as announced by the Company on 3 May 2024.

Placement Shares means the 183,818,182 shares to be issued under the Placement.

Quotation and Official Quotation means official quotation on ASX.

Record Date means 5:00pm AEST on 9 May 2024.

Rights Issue means the entitlement to New Shares available for issue under this Offer Document.

Share means a fully paid ordinary share in the Company.

Share Register means the register of Shareholders maintained by Computershare Investor Services Pty Limited ABN 48 078 279 277.

Share Registry or Computershare means Computershare Investor Services Pty Limited ABN 48 078 279 277.

Shareholder means a holder of Shares in the Company.

Shortfall or **Shortfall Shares** means the Entitlement Offer Shares not applied for by an Eligible Shareholder under their Entitlement to participate in the Entitlement Offer.

Shortfall Offer means the New Shares available under the Entitlement Offer that are not subscribed for by Eligible Shareholders by the Closing Date.

US Person has the meaning given in Regulation S under the US Securities Act.

US Securities Act means the United States Securities Act of 1933, as amended.