

22 January 2021

Mr Alex Sutton
ASX

Via email: ListingsComplianceSydney@asx.com.au

SUNSTONE METALS LTD: General – Aware Query

Dear Mr Sutton,

I refer to your letter dated 21 January 2021 containing certain queries in relation to Sunstone Metals Ltd's ("STM") announcement entitled "Ecuador Exploration Update" lodged on the ASX Market Announcements Platform and released at 09:40 AM on 21 January 2021 (the 'Announcement'), disclosing Exploration Results for the Espiritu Project ('Information').

Please find below responses to your questions:

1. *Does STM consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

No.

2. *If the answer to question 1 is "no", please advise the basis for that view.*

The announcement contained assay results from one drill hole at the Espiritu Project in Ecuador that the market had been anticipating. These assay results were consistent with results released in December 2020 for the previous five drill holes therefore it is not considered likely that a reasonable person would expect the information to have a material effect on the price of STM securities.

3. *When did STM first become aware of the Information?*

STM received final raw assay data for hole ESDD006 on Friday 15 January 2021.

A Board meeting was held on the afternoon of Tuesday 19 January 2021 where the, at that stage incomplete, draft Announcement was discussed and further review and changes were recommended which were implemented during Wednesday 20 January 2021 and approved for release before market open on Thursday 21 January 2021.

4. *If the answer to question 1 is “yes” and STM first became aware of the Information before the relevant date, did STM make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe STM was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps STM took to ensure that the information was released promptly and without delay.*

Although the answer to question 1 is “no”, with regard to announcements of exploration results Sunstone undertakes a rigorous quality control review of all raw assay data to ensure accuracy following which there is a need to incorporate the data into our geological database, modelling, analysing and interpreting the data before preparing the Announcement and associated figures and going through the appropriate internal review and approval process.

STM believes this preparation and review process is essential in ensuring that the information is definite and accurate prior to release in order to avoid any potential erroneous information provided to investors and therefore the timing of any announcements of exploration results will follow this rigorous process after receipt of the raw data and be released at the earliest possible appropriate time following review and approval, otherwise as per Listing Rule 3.1A.1 - the information may comprise matters of supposition or is insufficiently definite to warrant disclosure.

5. *Please confirm that STM is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

STM confirms that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX that has not already been released to the market.

6. *Please confirm that STM’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of STM with delegated authority from the board to respond to ASX on disclosure matters.*

Confirmed.

Yours Faithfully



Gavin Leicht

CFO & Company Secretary



21 January 2021

Mr Gavin Leicht
Company Secretary
Sunstone Metals Ltd

By email:

Dear Mr Leicht

Sunstone Metals Ltd('STM'): General – Aware Query

ASX refers to the following:

- A. STM's announcement entitled "Ecuador Exploration Update" lodged on the ASX Market Announcements Platform and released at 09:40 AM on 21 January 2021 (the 'Announcement'), disclosing Exploration Results for the Espiritu Project ('Information').
- B. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- C. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

- D. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

- E. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider

information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for information

Having regard to the above, ASX asks STM to respond separately to each of the following questions and requests for information:

1. Does STM consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did STM first become aware of the Information?
4. If the answer to question 1 is “yes” and STM first became aware of the Information before the relevant date, did STM make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe STM was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps STM took to ensure that the information was released promptly and without delay.
5. Please confirm that STM is complying with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that STM’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of STM with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **09:30 AM AEDT Monday, 25 January 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, STM’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require STM to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in STM’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and

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- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in STM's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to STM's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that STM's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Kind regards



Alex Sutton
Compliance Adviser, Geology, Listings Compliance (Sydney)