

Viscaria Copper Project and Bramaderos Drilling Permit Update

Sunstone Metals Limited (ASX:STM) would like to provide an update on the two important issues that the company is currently focussed on;

- 1. Closing of the Viscaria Copper Project transaction; and**
- 2. The Bramaderos drilling permit**

Viscaria:

The closing of the Viscaria Copper project transaction with Nasdaq Stockholm listed Copperstone Resources AB is progressing. Funding discussions and associated due diligence are ongoing. While Sunstone was hopeful of a December 2018 close, it may be that the timing moves into late January or February to allow for time lost during the Christmas-New Year period.

Sunstone is due to receive SEK 40 million in cash (\$6.16 million less fees to advisor) and 160 million Copperstone Class B shares (A\$22.7 million) in Tranche 1.

Bramaderos Drilling Permit:

Sunstone was pleased to see the appointment of a new Minister of Environment with a natural resources private sector background following a period of approximately one month during which no Minister was in place, further delaying the issuance of environmental permits.

During this period Sunstone, through its JV partner Cornerstone Capital Resources, has been addressing requests for additional information regarding the Environmental Impact Assessment ('EIA') that were presented by the Ministry of Environment ('ME'). Our detailed response to these questions was filed with ME December 20, 2019, and we are hopeful ME's EIA review staff will sign off on the EIA and send it to the Minister for issuance of the environmental license (drill permit) in January 2019.

The Vice Ministry of Mines ('VMM'), based on recent conversations with senior personnel, remain committed to increasing the level of mineral exploration in Ecuador and streamlining the permitting process, including the implementation of a "scout drilling" program in early 2019 that could obviate the need for an approved EIA to conduct a phase 1 drilling program at Bramaderos if implemented prior to EIA approval. The scout drilling program was first announced by VMM in June 2018, but its implementation has been delayed by the failure to reach an inter-ministerial accord with ME. The EIA for the Bramaderos Project is one of the most advanced EIA studies currently under review by ME and should be one of the first approved by ME in 2019.

Sunstone's Managing Director, Malcolm Norris said:

"We are comfortable that the Viscaria transaction is moving towards closure.

We are also looking forward to receipt of a drilling permit for Bramaderos early in 2019, either by approval of the EIA or by the long-awaited implementation of scout drilling. Indirect feedback is that permitting across a range of areas is moving forward.

While these delays are very frustrating, we will deliver on both the Viscaria transaction and the Bramaderos drilling permit."

ASX ANNOUNCEMENT

About Sunstone Metals

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

1. **The Bramaderos Gold-Copper Project** where Sunstone has signed an earn-in agreement with TSXV listed Cornerstone Capital Resources (see ASX announcement dated 10th April 2017). The Bramaderos gold-copper project is located in Loja province, southern Ecuador, and is considered to be highly prospective for the discovery of large gold-copper systems. Historical results from drilling at Bramaderos include wide intervals such as 260m at 0.6g/t Au and 0.14% Cu. Trenching results at the West Zone breccia include intersections at surface of up to 42m at 3.7g/t Au. These results, together with the distribution of alteration, and large coincident gold-copper-molybdenum surface anomalies indicate multiple fertile mineralised systems with significant discovery potential.
2. **The Viscaria Copper Project** in northern Sweden has a completed Scoping Study (see ASX announcements dated 16th December 2015 and 5th April 2016) and is moving towards PFS and permitting to allow for mine development. Considerable exploration upside exists, and low technical risk drill targets continue to be tested. A Binding Share Sale and Purchase Agreement has been signed with Copperstone Resources AB (see ASX announcement dated 3 October 2018).
3. **The Southern Finland Gold Project**, includes the Satulinmäki gold prospect. Shallow diamond drilling was completed by the Geological Survey of Finland (GTK) during the period 2000-2005 and this was followed by a 7-hole diamond drilling program by Sunstone Metals in 2016. Intersections from GTK include 18m @ 4.1g/t Au from 50m downhole, including 3m @ 9.3g/t Au, and 4m @ 10.3g/t Au in drill hole R391. Intersections by Sunstone include 23.5m at 3.3g/t in SMDD007 and 2m at 10.5g/t in SMDD005. The Satulinmäki gold prospect is part of an earn-in JV with Canadian company Nortec Minerals, where Sunstone holds an 80% interest, is funding on-going work, and has also acquired a significant land position, in its own right, in the district.
4. **The Scandinavian Lithium Project**, includes the Kietyönmäki lithium prospect. Drilling by Sunstone has delivered 24.2m at 1.4% Li₂O in a spodumene bearing pegmatite. Additional earlier stage lithium opportunities are held in Sweden and Finland. Kietyönmäki is also part of the JV with Nortec Minerals.

Competent Persons Statement

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

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

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