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**ASX ANNOUNCEMENT**

31 MAY 2024

## General Meeting

Sunstone Metals Ltd (ASX: STM; “Sunstone”) advises that the attached Notice of General Meeting and Explanatory Memorandum will today be dispatched to shareholders.

The meeting is scheduled for Tuesday 2 July 2024, commencing at 11.00am AEST at Sunstone’s offices 9 Gardner Close Milton QLD.

Electronic copies of the General Meeting material 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](http://www.sunstonemetals.com.au)

**SUNSTONE METALS LIMITED  
ACN 123 184 412**

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

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**Date of  
Meeting**

Tuesday  
2 July 2024

**Time of  
Meeting**

11.00 am  
(Qld time)

**Place of  
Meeting**

Sunstone  
Metals Limited  
Gardner House  
9 Gardner  
Close  
Milton Qld  
4064

**NOTICE OF GENERAL MEETING  
SUNSTONE METALS LIMITED  
ACN 123 184 412**

Notice is hereby given that a General Meeting of Shareholders of Sunstone Metals Limited (**Company**) will be held at 11.00 am (Qld time) on Tuesday, 2 July 2024 at the registered office of Sunstone Metals Limited, Gardner House, 9 Gardner Close, Milton, Queensland.

**RESOLUTION 1: 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 170,181,818 Shares at an issue price of \$0.011 (1.1 cents) to the allottees as set out in the Explanatory Memorandum."*

**RESOLUTION 2: Approval for – issue of Shares to Director at the Placement price - Mr Patrick Duffy**

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 10.11 and for all other purposes, approval is given to the issue by the Company of up to 4,545,455 Shares at an issue price of \$0.011 (1.1 cents) to Mr Patrick Duffy (or his nominee), a director of the Company, as set out in the Explanatory Memorandum."*

**RESOLUTION 3: Approval for – issue of Shares to Director at the Placement price - Mr Graham Ascough**

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 10.11 and for all other purposes, approval is given to the issue by the Company of up to 2,727,272 Shares at an issue price of \$0.011 (1.1 cents) to Mr Graham Ascough (or his nominee), a director of the Company, as set out in the Explanatory Memorandum."*

**RESOLUTION 4: Approval for – issue of Shares to Director at the Placement price - Mr Stephen Stroud**

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 10.11 and for all other purposes, approval is given to the issue by the Company of up to 1,818,182 Shares at an issue price of \$0.011 (1.1 cents) to Mr Stephen Stroud (or his nominee), a director of the Company, as set out in the Explanatory Memorandum."*

**RESOLUTION 5: Approval for – issue of Shares to Director at the Placement price - Mr Neal O'Connor**

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 10.11 and for all other purposes, approval is given to the issue by the Company of up to 4,545,455 Shares at an issue price of \$0.011 (1.1 cents) to Mr Neal O'Connor (or his nominee), a director of the Company, as set out in the Explanatory Memorandum."*

**RESOLUTION 6: Issue of Performance Rights to Mr Patrick Duffy**

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, sections 200B and 200E of the Corporations Act, and for all other purposes, approval is given to the issue by the Company of a total of 15,000,000 Performance Rights under the Employee Performance Rights Plan to Mr Patrick Duffy (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.'*

Please refer to the Explanatory Memorandum attached to the Notice of Meeting for more information on the Resolutions.

**DATED 27 May 2024**  
**BY ORDER OF THE BOARD**  
**SUNSTONE METALS LIMITED**

A handwritten signature in black ink, appearing to read 'Gavin Leicht', written in a cursive style.

**Gavin Leicht**  
**Company Secretary**

## NOTES

### 1. 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 30 June 2024 (being not more than 48 hours before the Meeting on 2 July 2024) 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.

### 2. 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 are ordinary resolutions.

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**. Lodgment instructions (which include the ability to lodge proxies electronically) are set out in the Proxy Form attached to the Notice of Meeting.

### 3. Voting Exclusion Statements

#### (a) Resolution 1

The Company will disregard any votes cast on Resolution 1 by or on behalf of:

- (i) an Allottee; and
- (ii) an associate of an Allottee.

However, the Company will not disregard a vote cast in favour of Resolution 1 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.

(b) Resolution 2

For the purposes of Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Patrick Duffy, and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) and any associate of those persons. 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 Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Graham Ascough, any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) and any associate of those persons. 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.

(d) Resolution 4

For the purposes of Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Stephen Stroud, and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) and any associate of those persons. However, the Company will not disregard a vote cast in favour of Resolution 4 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.

(e) Resolution 5

For the purposes of Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Neal O'Connor, and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) and any associate of those persons. However, the Company will not disregard a vote cast in favour of Resolution 5 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.

(f) Resolution 6

For the purposes of Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:

- the Managing Director of the Company, Mr Patrick Duffy (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 6 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 6 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.



#### 4. 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 11.00am (Brisbane time) on 30 June 2024 (being 48 hours before the meeting).

Proxy Forms can be submitted by the below methods:

- (a) Online by visiting [www.investorvote.com.au](http://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](http://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 in favour of all Resolutions, including Resolution 6 even though it is 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 Resolutions 6 by marking the appropriate box on the Proxy Form.

***The Chair intends to vote undirected proxies in favour of each item of business.***

#### 5. 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 or handed in at the Meeting when registering as a corporate representative.

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the General Meeting of Shareholders of Sunstone Metals Limited to be held on Tuesday, 2 July 2024.

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 6 (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.

## RESOLUTION 1 – Ratification of the prior issue of Placement Shares under Listing Rule 7.1

### Background

Resolution 1 seeks ratification by Shareholders of the issue of 170,181,818 Shares (**Placement Shares**) to the Allottees set out below on 10 May 2024 and 15 May 2024.

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.

The issue of Placement Shares does not fit within any of these exceptions and, as it has not yet been approved by shareholders, it effectively uses up part of the Company's 15% placement capacity and reduces the Company's ability to issue further equity securities without shareholder approval for the 12 month period following the Placement.

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 Placement Shares did not result in the Company breaching the 15% limit referred to in Listing Rule 7.1.. Accordingly, under Listing Rule 7.4, Resolution 1 seeks Shareholder approval for and ratification of the issue of the Placement Shares to provide flexibility for the Company to issue equity securities under its 15% placement capacity under Listing Rule 7.1 in the 12 months following the Placement without the requirement to obtain shareholder approval.

If shareholders approve Resolution 1, the issue of the Placement Shares will not count towards determining the number of equity securities which the Company can issue under their 15% placement capacity (effectively increasing the number of securities the Company can issue in the 12-month period following the Placement).

However, if shareholders do not approve Resolution 1, the issue of the Placement Shares will count towards determining the number of equity securities which the Company can issue under their 15% placement capacity (effectively reducing the number of securities that the Company can issue without shareholder approval over the 12 month period following the Placement).

### 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 1:

<b>Required disclosure</b>	
<i>Number of securities allotted</i>	Total of 170,181,818 Shares were issued under the Company's 15% placement capacity under Listing Rule 7.1
<i>Issue price</i>	\$0.011 (1.1 cents) per Share

<i>Terms of the securities</i>	The Shares were issued as fully paid ordinary shares ranking equally with existing Shares, for which the Company sought quotation on the official list of the ASX on 10 May 2024 for 165,114,091 Shares and 15 May 2024 for 5,067,727 Shares.
<i>Names of Allottees or the basis on which those persons were identified or selected</i>	<p>The Shares were issued to professional and sophisticated investors on the basis of advice from Joint Lead Managers Morgans Corporate Limited and Canaccord Genuity.</p> <p>None of the investors fall within the categories specified in section 7.4 of Guidance Note 21 and required to be specifically named.</p>
<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 1.

## **RESOLUTIONS 2, 3, 4, and 5 - Approval for issue of shares to four Directors at the Placement price**

### **Background**

Resolutions 2, 3, 4 and 5 seek to obtain shareholder approval pursuant to Listing Rule 10.11 for the issue of a total of 13,636,364 fully paid ordinary shares (**Director Shares**) to four (4) Directors of the Company (raising approximately \$150,000 before costs) as described in the table below:

<b>Director</b>	<b>Shares</b>	<b>Issue Price (per share)</b>
Mr Patrick Duffy	4,545,455	\$0.011 (1.1 cents)
Mr Graham Ascough	2,727,272	\$0.011 (1.1 cents)
Mr Stephen Stroud	1,818,182	\$0.011 (1.1 cents)
Mr Neal O'Connor	4,545,455	\$0.011 (1.1 cents)

### **Listing Rules**

Listing Rule 10.11 provides that a company must not, subject to specified exceptions, issue or agree to issue equity securities to specific persons including a related party, which includes a Director, without shareholder approval. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The issue of the Director Shares falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of shareholders under Listing Rule 10.11.

If Resolutions 2 to 5 are passed, the Company will be able to proceed with the issue of the Director Shares and will raise approximately \$150,000 before costs.

If Resolutions 2 to 5 are not passed, the Company will not be able to proceed with the issue of the Director Shares and will need to seek alternative funding.

### **Corporations Act 2001 (Cth)**

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give "a financial benefit" to a "related party", which includes a director, unless one of the exceptions to the section apply or shareholders, at a general meeting, approve the giving of that financial benefit to the related party.

Section 210 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given at arm's length, that is on terms that:

- (a) would be reasonable in the circumstances if the public company and the related party were dealing at arms' length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a).

The Directors (other than Mr Duffy) consider that the proposed issue of securities the subject of Resolution 2 is on reasonable arm's length terms because it is occurring on the same terms including price as the issue of the Placement Shares and the allocation of shares to Mr Duffy was determined on an arm's length basis, within the exception set out in section 210 of the Corporations Act.

The Directors (other than Mr Ascough) consider that the proposed issue of securities the subject of Resolution 3 is on reasonable arm's length terms because it is occurring on the same terms including price as the issue of the Placement Shares and the allocation of shares to Mr Ascough was determined on an arm's length basis, within the exception set out in section 210 of the Corporations Act.

The Directors (other than Mr Stroud) consider that the proposed issue of securities the subject of Resolution 4 is on reasonable arm's length terms because it is occurring on the same terms including price as the issue of the Placement Shares and the allocation of shares to Mr Stroud was determined on an arm's length basis, within the exception set out in section 210 of the Corporations Act.

The Directors (other than Mr O'Connor) consider that the proposed issue of securities the subject of Resolution 5 is on reasonable arm's length terms because it is occurring on the same terms including price as the issue of the Placement Shares and the allocation of shares to Mr O'Connor was determined on an arm's length basis, within the exception set out in section 210 of the Corporations Act.

## **RESOLUTION 2 – Approval for issue of shares to Director – Mr Patrick Duffy**

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- a) The securities the subject of Resolution 2 are to be issued to Mr Duffy (or his nominee/s), who falls within category 10.11.1 under Listing Rule 10 as he is a related party as a director of the Company;
- b) The maximum number of shares to be issued is 4,545,455 fully paid ordinary shares;
- c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- d) The issue price of the shares will be \$0.011 (1.1 cents) per share;
- e) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- f) The issue of securities to Mr Duffy will raise approximately \$50,000 before costs. Funds raised by the issue of securities to Mr Duffy will be used, together with the other funds raised under the Placement, to fund the Company's Exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and provide working capital for the Company as described above.

Mr Duffy declines to make a recommendation to Shareholders in relation to Resolution 2 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 2, recommend that Shareholders vote in favour of Resolution 2. The Board, other than Mr Duffy, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 2.

**Recommendation: The Board, with Mr Duffy abstaining, unanimously recommends that Shareholders vote in favour of Resolution 2.**

## **RESOLUTION 3 – Approval for issue of shares to Director – Mr Graham Ascough**

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- a) The securities the subject of Resolution 3 are to be issued to Mr Ascough (or his nominee/s), who falls within category 10.11.1 under Listing Rule 10 as he is a related party as a director of the Company;
- b) The maximum number of shares to be issued is 2,727,272 fully paid ordinary shares;
- c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- d) The issue price of the shares will be \$0.011 (1.1 cents) per share;
- e) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- f) The issue of securities to Mr Ascough will raise approximately \$30,000 before costs. Funds raised by the issue of securities to Mr Ascough will be used, together with the other funds raised under the Placement, to fund the Company's Exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and provide working capital for the Company as described above.

Mr Ascough 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. The Board, other than Mr Ascough, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 3.

**Recommendation: The Board, with Mr Ascough abstaining, unanimously recommends that Shareholders vote in favour of Resolution 3.**

#### **RESOLUTION 4 – Approval for issue of shares to Director – Mr Stephen Stroud**

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- a) The securities the subject of Resolution 4 are to be issued to Mr Stroud (or his nominee/s), who falls within category 10.11.1 under Listing Rule 10 as he is a related party as a director of the Company;
- b) The maximum number of shares to be issued is 1,818,182 fully paid ordinary shares;
- c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- d) The issue price of the shares will be \$0.011 (1.1 cents) per share;
- e) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- f) The issue of securities to Mr Stroud will raise \$20,000 before costs. Funds raised by the issue of securities to Mr Stroud will be used, together with the other funds raised under the Placement, to fund the Company's Exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and provide working capital for the Company as described above.

Mr Stroud declines to make a recommendation to Shareholders in relation to Resolution 4 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 4, recommend that Shareholders vote in favour of Resolution 4. The Board, other than Mr Stroud, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

**Recommendation: The Board, with Mr Stroud abstaining, unanimously recommends that Shareholders vote in favour of Resolution 4.**

#### **RESOLUTION 5 – Approval for issue of shares to Director – Mr Neal O'Connor**

The following information is provided in accordance with the requirements of Listing Rule 10.13:

- a) The securities the subject of Resolution 5 are to be issued to Mr O'Connor (or his nominee/s), who falls within category 10.11.1 under Listing Rule 10 as he is a related party as a director of the Company;
- b) The maximum number of shares to be issued is 4,545,455 fully paid ordinary shares;
- c) The securities will be issued no later than one (1) month after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules);
- d) The issue price of the shares will be \$0.011 (1.1 cents) per share;
- e) The shares will rank equally with the Company's existing listed fully paid ordinary shares. The Company will apply to ASX for admission of the shares issued for quotation on ASX;
- f) The issue of securities to Mr O'Connor will raise approximately \$50,000 before costs. Funds raised by the issue of securities to Mr O'Connor will be used, together with the other funds raised under the Placement, to fund the Company's Exploration at the Bramaderos gold-copper project in southern Ecuador, the El Palmar gold-copper project in Northern Ecuador and provide working capital for the Company as described above.

Mr O'Connor declines to make a recommendation to Shareholders in relation to Resolution 5 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 5, recommend that Shareholders vote in favour of Resolution 5. The Board, other than Mr O'Connor, are not aware of any other information which would reasonably be required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5.

**Recommendation: The Board, with Mr O'Connor abstaining, unanimously recommends that Shareholders vote in favour of Resolution 5.**



## **RESOLUTION 6 – Approval to issue up to 15,000,000 Performance Rights to CEO/Managing Director, Patrick Duffy or his nominee.**

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### **Background**

The Board is seeking Shareholder approval for Resolution 6 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 Duffy 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 Duffy is a director of the Company, hence Shareholder approval under Listing Rule 10.14 is being sought.

If Resolution 6 is passed, the Company will be able to issue the 15,000,000 Performance Rights to Mr Duffy and, subject to the performance conditions being met, issue the shares on the vesting of the Performance Rights. If Resolution 6 is not passed, the Company will not be able to issue the Performance Rights to Mr Duffy and will need to reconsider the remuneration arrangements for Mr Duffy.

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 6 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 6 as required by Listing Rule 10.15 are as follows:

<b>Required disclosure</b>	
Proposed allottees	Mr Patrick Duffy, or his nominee
Nature of relationship with Sunstone	Mr Patrick Duffy falls within category 10.14.1 under Listing Rule 10 as he 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 Duffy will be issued up to 15,000,000 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 Duffy as they are being granted for no consideration.

<p>The number of securities that have previously been issued to the Allottee under the scheme (since 2015) and the average acquisition price (if any) paid by the allottee for those securities</p>	<p>No Performance Rights have previously been issued to Mr Duffy under the Employee Performance Rights Plan.</p>
<p>Terms of issue and material terms of the Employee Performance Rights Plan</p>	<p>The terms and conditions of the Performance Rights to be issued to Mr Duffy under Resolution 6 and the material terms of the Employee Performance Rights Plan are set out in Annexure B 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 Duffy, the Performance Rights to be issued and the performance conditions required for vesting are as follows:</p> <ul style="list-style-type: none"> <li>(i) 15,000,000 Performance Rights, with an exercise period of 13 months commencing on the date Shareholder approval is granted; and</li> <li>(ii) Performance Conditions for Vesting of: <ul style="list-style-type: none"> <li>a) Tranche 1 – 33.33% or 5,000,000 Performance Rights to vest upon the Closing Price of Sunstone Shares being at or above \$0.0232 on or before 30 June 2025;</li> <li>b) Tranche 2 – 33.33% or 5,000,000 Performance Rights to vest upon TSR performance as measured against the ASX Small Resources Index (<b>Index</b>), as follows: <ul style="list-style-type: none"> <li>• Performance below the Index - no shares will vest.</li> <li>• 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.</li> <li>• Testing will be on 30<sup>th</sup> June 2025.</li> </ul> </li> <li>c) Tranche 3 – 33.33% or 5,000,000 Performance Rights to vest upon the Closing Price of Sunstone Shares being at or above \$0.0310 on or before 30 June 2025:</li> </ul> </li> </ul>

<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 Duffy 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 Duffy as a means of:</p> <ul style="list-style-type: none"> <li>• retaining his services by providing a competitive remuneration package;</li> <li>• providing incentives linked to the performance of the Company, thereby aligning his interests more closely with that of the Company; and</li> <li>• providing him with an opportunity to acquire equity in the Company.</li> </ul> <p>It is further considered that the performance of Mr Duffy and the performance and value of the Company will be closely related.</p> <p>Mr Duffy brings a wealth of experience to the Company and valuable fundraising and mine development experience.</p> <p>The Directors (other than Mr Duffy) believe that the proposed issue of Performance Rights are in the best interests of the Company on the basis that the Managing Director will be aligned and 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 2025 financial year and beyond, to deliver superior performance that creates shareholder value.</p> <p><i>Closing share price being the higher of \$0.0232 or more for 10 trading days?</i></p> <p>This vesting condition was chosen as it represents a share price equal to 50% higher than the 7 trading day VWAP prior to the commencement date as Chief Executive Officer and Managing Director on 15 April 2024 of \$0.0155.</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 being the higher of \$0.031 or more for 10 trading days?</i></p> <p>This vesting condition was chosen as it represents a share price equal to 100% higher than the 7 trading day VWAP prior to the commencement date as Chief Executive Officer and Managing Director on 15 April 2024 of \$0.0155.</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>22 Corporate Advisory Pty Ltd, as independent valuers, has determined that the total value of the Performance Rights to be issued to Mr Duffy is (as at the date of the Performance Rights Valuations) \$72,000.</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 Duffy) determined that the financial reward to Mr Duffy was appropriate and aligned his interests with that of all Shareholders.</p>
<p>Valuation of the financial benefit</p>	<p>The Company engaged 22 Corporate Advisory Pty Ltd to undertake valuations of the Performance Rights proposed to be issued to Mr Duffy (<b>Performance Rights Valuations</b>).</p> <p>22 Corporate Advisory Pty Ltd valued the Performance Rights using the Monte Carlo Simulation (MCS) Methodology, which utilises the Binomial Option Pricing Model, to estimate the fair value of the Rights.</p> <p>The valuation models use the following variables to determine the value of the Performance Rights:</p> <ol style="list-style-type: none"> <li>a) value of the underlying asset – share price of \$0.011 being the closing share price on ASX as at 16 May 2024;</li> <li>b) vesting conditions – as referred to above, with Tranche 1 share price hurdle being \$0.0232 and Tranche 3 being \$0.0310;</li> <li>c) expected volatility of the share price – 85% based on 12 month historical volatility;</li> <li>d) expected volatility of the ASX Small Resources Index – 25% based on 12 month index volatility;</li> <li>e) risk free rate – the Australian Government 3-year bond rate as at 16 May 2024 of 4.217%;</li> <li>f) time to maturity – the Performance Rights expire 1.12 years from the date of commencement as CEO &amp; MD; and</li> <li>g) expected dividend yield – Nil, given the Company is a mineral exploration company with no history of paying dividends.</li> </ol> <p>Based on the assumptions outlined above, 22 Corporate Advisory Pty Ltd calculated the value of the Performance Rights to be \$72,000, with a total value for each Tranche as follows:</p> <ul style="list-style-type: none"> <li>• Tranche 1 – \$0.0064 per Performance Right = \$32,000</li> <li>• Tranche 2 – \$0.0036 per Performance Right = \$18,000</li> <li>• Tranche 3 – \$0.0044 per Performance Right = \$22,000</li> </ul> <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</p>

	<p>with the relevant assumptions made under the Performance Rights Valuations compared to any future valuations.</p> <p>The Board (other than Mr Duffy) 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 Duffy has in the resolution, none of the Directors have an interest in the outcome of Resolution 6.																
Date of issue of the Performance Rights	If Resolution 6 is passed, the Performance Rights to be issued to Mr Duffy (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 Duffy 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 Duffy, 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 Duffy for the current financial year are:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Current financial year remuneration</th> </tr> </thead> <tbody> <tr> <td>Mr Patrick Duffy</td> <td>           \$331,800 per annum plus statutory superannuation*             15,000,000 Performance Rights per Resolution 6 (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 Patrick Duffy	\$331,800 per annum plus statutory superannuation*  15,000,000 Performance Rights per Resolution 6 (subject to shareholder approval)												
Related party	Current financial year remuneration																
Mr Patrick Duffy	\$331,800 per annum plus statutory superannuation*  15,000,000 Performance Rights per Resolution 6 (subject to shareholder approval)																
Securities held in the Company	<p>The current relevant interests (i.e. before Resolutions 2 and 6 are approved) of Mr Duffy in the securities of the Company are set out below*:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Patrick Duffy</td> <td>11,106,528</td> <td>6,000,000</td> <td>NIL</td> </tr> </tbody> </table> <p>If Resolutions 2 and 6 are approved by shareholders, the relevant interests (i.e. after the Resolutions are approved) of Mr Duffy in the securities of the Company will be as set out below:</p> <table border="1"> <thead> <tr> <th>Related party</th> <th>Shares</th> <th>Options</th> <th>Performance Rights</th> </tr> </thead> <tbody> <tr> <td>Mr Patrick Duffy</td> <td>15,651,983</td> <td>6,000,000</td> <td>15,000,000</td> </tr> </tbody> </table> <p><i>* Includes direct and Indirect holdings</i></p>	Related party	Shares	Options	Performance Rights	Mr Patrick Duffy	11,106,528	6,000,000	NIL	Related party	Shares	Options	Performance Rights	Mr Patrick Duffy	15,651,983	6,000,000	15,000,000
Related party	Shares	Options	Performance Rights														
Mr Patrick Duffy	11,106,528	6,000,000	NIL														
Related party	Shares	Options	Performance Rights														
Mr Patrick Duffy	15,651,983	6,000,000	15,000,000														

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 to be granted to Mr Duffy pursuant to Resolution 6 vest, a total of 15,000,000 Shares would be allotted and issued. This would increase the total number of Shares on issue from 3,670,833,364 to 3,685,833,364 (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 0.4%.
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 Duffy, assuming that Shareholders pass Resolution 6:

Current shares issued	3,670,833,364	Dilution effect
Shares issued assuming all existing Options and Performance Rights are exercised	88,000,000	2.4%
Shares issued assuming exercise of the Performance Rights to be granted to Mr Duffy pursuant to Resolution 6	15,000,000	0.4%
<b>Total shares</b>	<b>3,773,833,364</b>	<b>2.8%</b>

### **Section 200E of the Corporations Act – retirement benefits**

Section 200B of the Corporations Act requires shareholder approval by ordinary resolution, and in accordance with the provisions of section 200E of the Corporations Act, in order to access the exemption from the prohibition on a company giving a person a benefit in connection with that person's retirement from an office or employment in that company where that person is, or was in the three years prior to his or her retirement, in a managerial or executive office in that company.

The Employee Performance Rights Plan allows the Board, in its discretion, to determine that some or all of the Performance Rights are deemed to have vested in the event a participant's employment ceases (**Accelerated Vesting**).

In the circumstance of Accelerated Vesting, the value of the termination benefits that the Board may give under the Employee Performance Rights Plan cannot be determined in advance, as many of the factors that will or are likely to affect that value will not be known until the benefit is decided to be given (if at all). The Board has not determined whether it will exercise discretion to grant any Accelerated Vesting or, in what circumstances, it will exercise its discretion.

Specifically, the value of an Accelerated Vesting will depend on a number of factors, including the Company's share price at the time of vesting of the Performance Rights and the number of Performance Rights that the Board determines to vest early (if any).

**Additional information and Directors' recommendation**

Mr Duffy declines to make a recommendation to Shareholders in relation to Resolution 6 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 6, recommend that Shareholders vote in favour of Resolution 6.

**Recommendation:** The Board, with Mr Duffy abstaining, unanimously recommend that Shareholders vote in favour of Resolution 6.

## GLOSSARY

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

**\$** means Australian dollars.

**Allottee** means a person who participated in the Placement.

**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 dependent 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.

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

**Director** means a director of the Company within the previous six months up to the date of the Explanatory Memorandum.

**Director Shares** means 13,636,364 to be issued to Directors on the same terms as the Placement.

**Explanatory Memorandum** means the explanatory memorandum that accompanies and forms part of the Notice of Meeting.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**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 general meeting including the Explanatory Memorandum and the Proxy Form.

**Option** means an option to acquire a fully paid ordinary share in the Company.

**Placement** means the placement of 170,181,818 Shares at an issue price of \$0.011 announced on 3 May 2024. It does not include the Director Shares.



**Placement Shares** means the 170,181,818 Shares issued under the Placement.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolution** means a resolution as set out in the Notice.

**Share** or **Shares** means a fully paid ordinary share in the Company.

**Shareholder** means a holder of a Share in the Company.

**VWAP** means volume weighted average market price.

## ANNEXURE A – MATERIAL TERMS AND CONDITIONS OF

### CEO/MANAGING DIRECTOR PERFORMANCE RIGHTS AND EMPLOYEE PERFORMANCE RIGHTS PLAN

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#### 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. 15,000,000 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 5,000,000 Performance Rights to vest on or before 30 June 2025 upon the Closing Price of Sunstone Shares being at or above \$0.0232, being 50% above the 7 trading day VWAP prior to commencement date of Mr Duffy as Chief Executive Officer and Managing Director (15 April 2024).
  - b) Tranche 2 – 33.33% or 5,000,000 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 on 30 June 2025.
  - c) Tranche 3 – 33.33% or 5,000,000 Performance Rights to vest on or before 30 June 2025 upon the Closing Price of Sunstone Shares being at or above \$0.0310, being 100% above the 7 trading day VWAP prior to commencement date of Mr Duffy as Chief Executive Officer and Managing Director (15 April 2024).
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

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.

## Material terms of Employee Performance Rights Plan

<b>Eligibility</b>	<p>Any person, including an Executive Director, who is engaged in full time or part time employment (including contractors) of the Company or an associated body corporate of the Company or any person acquiring and holding any EPRP share or option for the benefit of any such person.</p> <p>If an Executive Director is to participate in the EPRP, the issues of Performance Rights to the Executive Director will be subject to first obtaining shareholder approval.</p> <p>Non-Executive Directors are not eligible to participate in the EPRP.</p>
<b>Performance Conditions</b>	<p>Vesting conditions may be imposed by Directors for each grant under the EPRP. These vesting conditions may differ for each grant of Performance Rights under the EPRP, as they consider appropriate.</p>
<b>Grant of Performance Rights</b>	<p>Unless the Board otherwise determines, all Performance Rights are to be offered to participants for no consideration. The offer must be in writing and specify, amongst other things, the number of Performance Rights for which the participant may apply, any conditions to be satisfied before vesting, and the expiry date (if any) (as determined by the Board).</p>
<b>Performance Right Limit</b>	<p>The maximum number of Performance Rights the Board may grant under this Plan (including any Rights previously issued under this Plan within the last 3 years) is 5% of the ordinary shares of the Company on issue as at the invitation.</p>
<b>Vesting</b>	<p>The Performance Rights may vest, subject to the performance related vesting conditions imposed by the Board, prior to the expiry date. The Company will apply for official quotation of any Shares issued on vesting of any Performance Rights.</p>
<b>Lapse</b>	<p>Unless the Board otherwise determines, the Performance Rights shall lapse in accordance with specific offer terms or events contained in the EPRP rules, including termination of employment or resignation, redundancy, death or disablement (subject to the Directors' discretion to extend the term of exercise in restricted cases).</p>
<b>Rights of participants</b>	<p>Once Shares are allotted upon exercise of the Performance Rights the participant will hold the Shares free of restrictions. The Shares will rank equally in all respects with all other ordinary shares on issue except as regards any rights attaching to ordinary shares by reference to a record date before the date of their allotment.</p> <p>Should the Company undergo a reorganisation or reconstruction of capital or any other such change, the terms of the Performance Rights will be reorganised in the manner provided for by the Listing Rules.</p> <p>Subject to the terms and conditions of a grant of Performance Rights and Applicable Laws, in the event of a change of control, all Performance Rights will automatically vest and convert to ordinary shares.</p> <p>A holder of Performance Rights is not entitled to participate in dividends, a new issue of Shares or other securities made by the Company to Shareholders merely because he or she holds Performance Rights.</p> <p>If there is a bonus share issue of securities, the number of shares over which Performance Rights are exercisable will be increased by the</p>

	number of shares which the participant would have received if the Performance Rights had been exercised before the record date for the bonus issue.
<b>Assignment</b>	The Performance Rights are not transferable or assignable without the prior written approval of the Board.
<b>Administration</b>	The EPRP will be administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate special terms and conditions (subject to the Listing Rules) in addition to those set out in the EPRP.
<b>Termination and amendment</b>	The Board has, subject to certain restrictions contained in the EPRP, the Corporations Act, the Listing Rules or the Company's Constitution, the discretion or power to alter, modify or add to the EPRP.