

22 May 2024

Ms Nancy Tang
ASX

Via email: ListingsComplianceSydney@asx.com.au

SUNSTONE METALS LTD: Cleansing Notice – Aware Query

Dear Ms Tang,

I refer to your letter dated 17 May 2024 containing specific queries in relation to Sunstone Metals Ltd's ("STM") announcement entitled "Cleansing Notice" lodged on the ASX Market Announcements Platform and released at 09:54 AM on 15 May 2024 (the '**Announcement**'), disclosing that STM had issued 170,181,818 fully paid ordinary shares in the capital of STM and that, at the time of the Cleansing Notice, there was no excluded information for the purposes of sections 708A(7) and 708A(8) of the Corporations Act.

STM's announcement titled "El Palmar significant gold-copper mineralisation at surface" released on the ASX Market Announcements Platform at 8:44 AM on 16 May 2024 disclosed assay results from its El Palmar Copper-Gold 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.*

Sunstone has three projects, Bramaderos, El Palmar and Verde Chico, each with numerous targets. The 16 May announcement related to one of these projects - the El Palmar Project – and then only one area within that project – the T1 target area. The reported assay results were consistent with previous drill and trenching results.

Sunstone believes that investors consider trenching to be a component of an exploration program that is a helpful but indicative-only guide to the design of a potential future drilling strategy or other procedures that may be adopted to prove up the true extent of the mineralisation of a deposit.

The Company does not believe that trenching results consistent with previously announced results at the El Palmar T1 target area alone, are material to the price or value of its securities. The trading activity on the day the Information was released supports this view, with the share price closing unchanged that day and the volume weighted average price (VWAP) of \$0.0109 being equal to the VWAP for May 2024 month-to-date.

The reason the Information was released and marked market sensitive was to distinguish it with a routine procedural disclosure and because administratively the Company has taken a conservative approach to the assessment of materiality, which is generally to classify and release as market sensitive, information in the nature of assay results.

3. *When did STM first become aware of the Information referred to in question 1 above? In answering this question, please specify the date and time when STM first became aware of the Information or any part thereof.*

Sunstone undertakes a rigorous quality control review of all raw assay data to ensure accuracy, incorporating the data into our geological database, modelling, analysing and interpreting the data. Once finalised, the associated Announcement goes through an appropriate internal review and approval process.

STM believes this preparation and review process is essential in ensuring that the information is definite and accurate before release to avoid any potential erroneous information provided to investors. Therefore, the timing of any announcement of exploration results will follow this rigorous process and be released at the earliest possible appropriate time following review and approval to ensure compliance with Listing Rule 3.1A.1.

The Information involved several trenches where assays were received, with the first batch of assays received on 13 April 2024, and then the total data required to go through the quality control process described above. This quality control process included a visual inspection of the trenches by an appropriately qualified geologist on 5 May 2024 prior to fully interpreting the data, followed by the results being combined, reviewed and approved on 16 May 2024 when the Information was released.

4. *Please explain the basis for STM's statement in the Cleansing Notice that there was no 'excluded information' as defined by sections 708A(7) and (8) of the Corporations Act.*

The company was still undertaking the necessary steps to review and finalise the El Palmar trench assay results on the date of the Cleansing Notice. Based on the incomplete information at the time of the Cleansing Notice, there was no reasonable basis to consider that the trench assay results alone would be material.

5. *Does STM consider the Cleansing Notice to have been validly issued? If so, please explain the basis for that view.*

Yes, for the reasons given in the response to Questions 4 and 2.

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

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

7. *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.*

STM confirms that the above responses have been authorised and approved by the board.

Gavin Leicht

CFO & Company Secretary



17 May 2024

Reference: 94553

Mr Gavin Leicht
CFO & Company Secretary
Sunstone Metals Ltd

By email: gleich@sunstonemetals.com.au

Dear Mr Leicht

Sunstone Metals Ltd ('STM'): Cleansing notice – Aware Query

ASX refers to the following:

- A. STM's announcement titled "Cleansing Notice" released on the ASX Market Announcements Platform ('MAP') at 9:54 AM on 15 May 2024 ('Cleansing Notice'), disclosing that STM had issued 170,181,818 fully paid ordinary shares in the capital of STM and that, at the time of the Cleansing Notice, there was no excluded information for the purposes of sections 708A(7) and 708A(8) of the Corporations Act.
- B. STM's announcement titled "El Palmar significant gold-copper mineralisation at surface" released on MAP at 8:44 AM on 16 May 2024, in which STM disclosed assay results from its El Palmar Copper-Gold Project ('Information').

ASX observes that STM indicated the announcement was 'market-sensitive' when it was lodged on MAP.

- C. 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.
- D. The definition of 'aware' in Chapter 19 of the Listing Rules. This definition 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.'
- E. Section 4.4 in *Guidance Note 8 Continuous Disclosure*: Listing Rules 3.1 – 3.1B 'When does an entity become aware of information?'
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.

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

3.1A.1 One or more of the following 5 situations 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.”*

Request for information

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

1. Does STM consider the Information, or any part thereof, to be information that a reasonable person would expect to have 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 referred to in question 1 above? In answering this question, please specify the date and time when STM first became aware of the Information or any part thereof.
4. Please explain the basis for STM’s statement in the Cleansing Notice that there was no ‘excluded information’ as defined by sections 708A(7) and (8) of the Corporations Act.
5. Does STM consider the Cleansing Notice to have been validly issued? If so, please explain the basis for that view.
6. Please confirm that STM is complying with the Listing Rules and, in particular, Listing Rule 3.1.
7. 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 **9:30 AM AEST Thursday, 23 May 2024**. 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 by e-mail to 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.

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

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

ASX Compliance