

Viscaria Copper Project - Partnership to Create Significant Scandinavian Copper Company

- Sunstone enters into a non-binding Letter of Intent that sets out the proposed terms for the sale of Sunstone's wholly owned subsidiary and holder of the Viscaria Copper Project to Copperstone Resources AB (Copperstone), a copper focused exploration company based in Sweden and listed on the Nasdaq First North (Stockholm)
- Sunstone Metals to become the largest shareholder in Copperstone with an approximate 30% shareholding
- The Copperstone shareholding will provide ongoing exposure to the upside at Viscaria as well as to Copperstone's existing exploration projects in Sweden. Post transaction the Viscaria Copper Project will be funded through feasibility studies and environmental permitting.

Sunstone Metals Limited (ASX:STM) is pleased to advise that it has entered into a non-binding Letter of Intent (LOI) with Swedish listed Copperstone Resources AB (Nasdaq First North (Stockholm) COPP B) for the sale of Sunstone's 100% owned subsidiary Avalon Minerals Viscaria AB, which owns 100% of the Viscaria Copper Project (Viscaria) in northern Sweden.

The transaction will be completed in 2 stages, with the consideration in the initial stage comprising cash of 40 million Swedish Kronor (SEK) and 160 million Copperstone B-shares payable at closing (approximately A\$6 million and A\$25 million respectively), and the second phase, which is subject to receipt of the Environmental Permit for Viscaria, comprising cash of 20 million SEK and 46 million Copperstone B-shares (approximately A\$3 million and A\$7 million respectively).

At the current exchange rates, and the current Copperstone share price, the transaction is valued at approximately A\$41 million.

Sunstone Managing Director Malcolm Norris said: *"Sunstone is pleased to be partnering with Copperstone with the vision of building a significant copper company in Scandinavia. We are excited about the future opportunities generated from this transaction. Sunstone will retain significant exposure to the upside presented from the Viscaria Copper Project, and we look forward to working with the experienced and strong Copperstone team".*

Copperstone Chairman Michael Mattsson said *"Copperstone and Viscaria constitute an excellent strategic fit; Copperstone being the local partner, well placed to bring the project forward and providing the Copperstone large scale potential and its Granliden, Svartliden and Eva assets to be combined with a potential significant copper producer, providing further employment opportunities to Norrbotten, our own region."*

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The Intended Transaction

Subject to agreement on final terms for the transaction, the purchase price of Avalon Minerals Viscaria AB will amount to SEK 40 million in cash and 160 million B-shares of Copperstone payable at closing (approximately A\$6 million and A\$25 million respectively). In addition, SEK 20 million in cash and 46 million B-shares of Copperstone will be payable upon receipt of the Environmental Permit (approximately A\$3 million and A\$7 million respectively), noting that this value may change due to share price movements of Copperstone and exchange rates between AUD and SEK.

The Transaction is subject to customary closing conditions including Copperstone raising capital for the cash component of the transaction and for ongoing working capital on Copperstone's existing projects and for Viscaria. Under the terms of any Final Agreement signed by the parties, the proposed transaction will be conditional upon Sunstone shareholders approving the transaction at the Company's Annual General Meeting, expected to be held around mid-November 2018, as well as the approval by Copperstone shareholders at an Extraordinary General Meeting expected to be held at approximately the same time.

Subject to closing of the transaction, and through the issue of shares under the LOI, Sunstone would be the largest shareholder of Copperstone. As Sunstone's shareholding in Copperstone may exceed 30%, an application for an exemption to the Swedish Securities Council regarding a mandatory public bid on Copperstone will be made. As the largest shareholder of Copperstone, Sunstone will retain significant exposure to Viscaria as well as to Copperstone's existing copper exploration projects in Sweden, with potential synergies across the projects.

It is proposed that Sunstone will be able to appoint two directors to the Board of Copperstone.

In regard to the shares it receives in Copperstone under the Transaction, Sunstone will enter a voluntary escrow ("lock-up") agreement for a period of 18 months from closing and the Directors of Copperstone will enter a similar escrow agreement for the majority of the shares that they currently hold.

The transaction is expected to close in November 2018 (see indicative timetable below).

The Letter of Intent is non-binding and the intended transaction would be subject to a number of conditions including but not limited to;

- satisfactory completion of due diligence by Copperstone and Sunstone, respectively;
- shareholder approval of the transaction by Copperstone and Sunstone, respectively; and
- all necessary anti-trust, regulatory, and other consents, if any, being obtained in a form reasonably satisfactory to each party.

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Indicative Timetable

August 2018

- Non-Binding Letter of Intent signed and announcement of the Intended Transaction;
- Sunstone files application for exception from mandatory offer requirement with the Swedish Securities Council;
- Completion of commercial, technical, legal and financial due diligence by both Sunstone and Copperstone;
- Drafting of formal documentation.

September 2018

- Signing and announcement of Final Agreements that would still be subject to shareholder approval;
- Notice of Meeting outlining the details of the final terms of the Intended Transaction for General Meetings to be held by both Copperstone and Sunstone respectively.

November 2018

- General Meetings to be held by both Companies;
- Closing (Payment of the initial stage cash consideration and issue of shares to Sunstone).

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About Copperstone

Copperstone is a public company trading as COPP B on NASDAQ First North (Stockholm). The Company is focused on base and precious metal exploration in the vicinity of the internationally recognised mining region of the Skellefte-field in northern Sweden. In January 2018 Copperstone began deep core drilling in Arvidsjaur Kommun, Norrbotten County, with the objective to locate and prove the existence of porphyry copper mineralisation. This phase of mineral exploration started in 2017 when integrated geophysical surveys identified the potential of discovering porphyry-style copper mineralization in the Granliden area.

Further details on Copperstone can be found on their website <https://copperstone.se/>

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.
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 has fulfilled the requirements to earn an 80% interest, 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.

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

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