

The Board of Directors of Copperstone Resources AB (publ)'s proposal and statement regarding addendum with Sunstone Metals Ltd

Certain transactions between related parties shall, pursuant to the general statement from the Swedish Securities Council AMN 2019:25, be submitted to the General Meeting for approval. The Board of Directors of Copperstone Resources AB (publ) ("**Copperstone**" or the "**Company**") proposes that the General Meeting of Copperstone resolves upon approving an agreement amendment in accordance with an addendum ("**Addendum**") with Sunstone Metals Ltd ("**Sunstone**") regarding the share purchase agreement for the Viscaria acquisition from 2019, more precisely regarding a cash prepayment of the remaining additional purchase price which currently amounts to SEK 21.2 million, in accordance with the following.

Background and rationale

In November 2018, the Company entered into an agreement (the "**Viscaria Agreement**") with Sunstone regarding the acquisition of Avalon Minerals Viscaria AB, which was completed in March 2019 when Copperstone issued 160 million shares (at the time corresponding to approximately 25 per cent of all shares); hereby Sunstone became Copperstone's largest shareholder. At the time of this statement, Sunstone is the Company's largest owner with 154,020,781 shares, corresponding to 24.02 per cent. The Viscaria Agreement stipulates an additional purchase price ("**APP**"), which Copperstone potentially shall pay to Sunstone. The APP was conditional upon the Viscaria acquisition being granted environmental permit for the contemplated mining operations, and has consisted of a cash portion of SEK 20 million (if the permit was granted within seven years; however, see just below regarding already executed agreement amendment as a result of paid down payment) and an equity portion of 46 million new shares (without limitation in time for the permit). The equity portion is subject to recalculation of the number of new shares in case of intervening splits, rights issues or other relevant corporate events (anti-dilution protection), and the share portion could potentially become payable in cash in the event that future general meeting(s) fail to grant due authorization regarding the presumed issuance of such new shares.

As announced by press release on 20 November 2020, the Company and Sunstone have now agreed upon paying the APP in advance, meaning that the Company in total – in an unconditional instalment and in an instalment conditional upon the approval of the General Meeting – shall pay SEK 26 million in cash in order to pay the APP in full.

Description of the transaction

Therefore, the addendum with Sunstone means that the APP shall be paid finally by the Company in two instalments making two payments in cash to Sunstone amounting to in total SEK 26 million. Within this framework, a down payment of SEK 4.8 million shall be paid before the EGM as the first instalment, meaning that the General Meeting shall resolve upon approving the payment of the second instalment of the remaining SEK 21.2 million as final prepayment of the APP.

The down payment amounting to SEK 4.8 million to be paid before the EGM is not paid back to the Company if the prepayment of the APP is not completed for some reason. The down payment will in itself result in an irreversible down payment of the potential cash debt from SEK 20 million to SEK 11.4 million. The irreversible down payment structure has been agreed by the parties for risk management purposes on both sides, the transaction value of which is below the threshold for the General Meeting requirement pursuant to the abovementioned AMN statement. The remainder of the prepayment amounting to SEK 21.2 million, assuming approval by the EGM, will become payable when the contemplated rights issue is completed. Furthermore, the remaining cash prepayment is conditional upon the completion of the rights issue, in the sense that either party may otherwise secede from the Addendum in this part. The remaining cash prepayment is not conditional upon the subscription level or outcome of the rights issue.

The potential APP obligation (cash and shares) corresponds to a long-term liability according to IFRS in Copperstone's balance sheet as of 30 September 2020 of approximately SEK 46 million; this accounting assessment is inter alia taking an assumed uncertainty regarding the environmental permit into account. The prepayment transaction is in total expected to result in a strengthening of the Company's equity of approximately SEK 20 million as of the coming turn of the year. As stated above, the Company's financial position is also strengthened in the event that the remaining payment would not be made (as a result of a failure of the General Meeting to give approval or for other reasons), due to the fact that the cash portion of the initially agreed APP has already been depreciated from SEK 20 million to SEK 11.2 million. The final effect on the equity will be dependent on the current stock price, even in the event that the share portion of the APP would remain in addition to the just mentioned SEK 11.2 million. As a result of the transaction, Sunstone will have no further claims against Copperstone under the Viscaria Agreement as the Viscaria acquisition will be paid in full.

Proposal on resolution and the Board of Director's recommendation

The Board of Directors proposes that the EGM pursuant to the addendum with Sunstone approves final payment of the APP amounting to SEK 21.2 million in cash to Sunstone. The Board of Directors can thus, based on the above, leave a will-founded recommendation for Copperstone's shareholders, besides Sunstone, to vote for the mail, remaining part of the prepayment that is conditioned of the approval of the General Meeting.

Majority requirements

A valid resolution requires that the resolution has been supported by shareholders representing more than half of the votes cast at the General Meeting, however the shares and votes directly or indirectly held by Sunstone shall be disregarded.

Kiruna in December 2020

Copperstone Resources AB (publ)

the Board of Directors