

ASX ANNOUNCEMENT

26 JULY 2019

JUNE 2019 QUARTERLY ACTIVITIES REPORT

Bramaderos Gold-Copper Project, Ecuador (Sunstone earning up to 80%)

- Drill rig mobilised to site and drilling underway
- Two holes drilled into the Limon prospect with assays received demonstrating consistency with the geological interpretation defining close proximity to the core of a porphyry system
- Initial assay results from the upper portion of the first hole (BMDD001) drilled at the Bramaderos Main prospect indicate a well mineralised porphyry system and include:
 - 164m (from 11.45m downhole) at 0.52g/t gold and 0.16% copper including,
 - 96.6m (from 78.8m downhole) at 0.61g/t gold and 0.18% copper
 - 54m (from 301m downhole) at 0.50g/t gold and 0.19% copper
- The assay results confirm and extend the historical results from CURI-03 which was mineralised from 9m to 257m (end of hole) and returned 248m at 0.56g/t gold and 0.14% copper and is located approximately 50m from BMDD001
- Geometry of the mineralised system appears to be correlating well with the 3-D magnetic model which has a vertical extent of at least 1,000m
- Assay Results from the lower portion of BMDD001 are expected in early August
- Hole BMDD002 has just been completed, at 835m down-hole and is located ~120m south-southeast of BMDD001, with hole BMDD003 to commence before end of July

Viscaria Copper Project, Sweden

- Receivable due from Copperstone Resources AB (Copperstone) of 20 million Swedish Kronor (SEK) at end of quarter in regard to the Viscaria Transaction
- Copperstone paid to Sunstone 10 million SEK (~A\$1.5 million) cash of the receivable in July 2019
- Copperstone completed a Rights Issue in July and as part of that process Sunstone, as a 38% shareholder, has agreed to subscribe for Copperstone shares in lieu of 5 million SEK of the balance owed and accrued interest, equating to 12.5 million shares
- The final 5 million SEK of the remaining cash amount is now payable no later than four months from 9th July and will accrue interest at 1.5% per month, plus incur a one-off fee of 300,000 SEK
- Copperstone will use a significant component of the funds from the Rights Issue to commence drilling at Viscaria in order to increase shareholder value with further holes planned at A and D Zones

Corporate Highlights

- A\$1.9 million in cash at 30 June 2019
- 10 million SEK (~A\$1.5 million) cash received early July 2019 and additional 12.5 million Copperstone shares
- 5 million SEK (~A\$0.75 million) cash receivable by 9 November 2019

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EXPLORATION AND DEVELOPMENT ACTIVITIES

Bramaderos Gold-Copper Project

The Bramaderos Project is located in southern Ecuador and is the subject of an earn-in JV with Cornerstone Capital Resources Inc. (“Cornerstone”) (TSXV-CGP) through its subsidiary La Plata Minerales S.A. (“PLAMIN”). Sunstone has the right to earn a majority interest in the 4,949 hectare Bramaderos concession (Figure 1) subject to the satisfaction of certain conditions (see ASX announcement dated 10th April 2017).

The project area has easy access provided by the sealed Pan American Highway that crosses the western part of the concession, has nearby available hydro-power, and gentle topography with an average elevation of around 1,100m above sea level. Mineralisation, based on historical exploration and drilling, outcrops at surface.

The Sunstone team has worked previously with Cornerstone on other projects in Ecuador which have led to significant discoveries and shareholder value growth, and the Sunstone team will work towards repeating that success at Bramaderos.

On 14 March 2019, Sunstone announced that the Environmental Impact Assessment had been approved by the Ecuadorian Ministry of Environment allowing for drilling across the entire concession.

During the June quarter a drill rig was mobilised to site and two holes were completed at the Limon prospect and one hole at the Bramaderos Main prospect. Drilling is ongoing at Bramaderos Main.

At Limon, the first hole (LMDD001) drilled below an interpreted plunging mineralised porphyry intrusion.

LMDD002 intersected an interval of porphyry-related mineralisation with visible and persistent chalcopyrite (copper sulphide) and molybdenite (molybdenum sulphide), minor bornite (copper sulphide), anhydrite veining and widespread pyrite in quartz stockwork B-veining in the lower parts of the drill hole.

This is interpreted to indicate that the intersection lies within the peripheral halo adjacent to the main core of the porphyry system where there is more likely to be significantly further enhanced accumulations of copper and gold, as shown in Figure 2. Core photos are shown in Figures 4, 5 and 6.

The assay results from LMDD002 are entirely consistent with this geological interpretation and provide strong support for targeting the next hole at Limon approximately ~300m to the east of hole LMDD002 (as shown in Figure 3). Significant intersections are summarised in Table 1.

Table 1: Significant intersections LMDD002

Hole ID	From	To	Interval	Au (g/t)	Ag (g/t)	Cu (ppm)	Mo (ppm)	Zn (ppm)
LMDD002	8.6	112	103.4	0.064	0.37	98	0.4	2696
LMDD002	626.85	893.58	266.73	0.054	0.39	749	22.1	
including	835.4	893.58	58.18	0.073	0.75	1260	36.3	
including	879.6	893.58	13.98	0.101	1.73	1991	40.8	543

Note: 1000ppm = 0.1%

The third planned drillhole at Limon is expected to commence in August (Figure 3).

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The first hole at the outcropping Bramaderos Main porphyry target, BMDD001, was completed at 669.45m down-hole (Figure 7 and 8). It was drilled approximately 50m below the historical intersection of 248m at 0.56g/t gold and 0.14% copper obtained from near surface in hole CURI-03 (drilled to a depth of 257.24m in November-December 1999 by Paragon del Ecuador for Ecuator), and below a surface longitudinal trench that delivered 615m at 0.52g/t gold and 0.11% copper (refer to ASX announcement dated 9 May 2018).

Based on visual inspection, the geology in BMDD001 appears to correlate well with that reported from the historical hole in the upper 250m. Below this depth, in BMDD001, intense quartz veining in altered intrusive rocks suggests that the mineralisation extends to depth well beyond the end of hole CURI-03.

The interval of intense quartz veining within this porphyry system correlates well with the peak of the magnetic anomaly and provides confidence in targeting future drill holes at Bramaderos Main (see Figure 9).

Hole BMDD002 has just been completed to a depth of 835m down-hole and is located approximately 120m south-southeast of BMDD001 to test the interpreted down-plunge geometry of the porphyry system. Hole BMDD003 (see Figure 7) is expected to commence in late July.

The assay results presented below in Table 2, and shown in Figure 8, are for a portion of hole BMDD001. Assay results for the complete hole are expected during August.

Table 2: Significant intersections BMDD001

Hole ID	From	To	Interval	Au (g/t)	Cu (%)	Ag
BMDD001	11.45	175.4	164.0	0.52	0.16	1.84
<i>Incl.</i>	78.8	175.4	96.6	0.61	0.18	2.08
BMDD001	301.05	355.05	54.0	0.50	0.19	2.17
<i>Incl.</i>	301.05	337.05	36.0	0.58	0.19	1.97

The overall Bramaderos Project Phase 1 drilling program across the three targets of Limon, Bramaderos Main and West Zone is anticipated to be ~5,000m. Drilling at the West Zone target, where surface trenching has delivered 15.6m at 6.1g/t gold, is expected to commence in August (refer to ASX announcement dated 8 November 2017).

Viscaria Copper Project

On 2 October 2018 Sunstone announced that it had entered into a binding Share Sale and Purchase Agreement (SPA) 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 was completed on 8 March 2019, with receipt of cash of 20 million Swedish Kronor (SEK) (approximately A\$3 million) and 160 million Copperstone B-shares at closing, and a further 20 million SEK cash receivable by 8 July 2019 (as per the amendment to the SPA as announced on 25 February 2019).

The second phase of the transaction, which is subject to receipt of the Environmental Permit for Viscaria, comprises cash of 20 million SEK and 46 million Copperstone B-shares.

A fee of 3% of the total transaction value (taking into account the expected timing of the second tranche) was paid in early April, plus legal advisor fees, totalling approximately A\$1.1 million.

Copperstone completed a Rights Issue following the end of the quarter and as part of that process Sunstone, as a 38% shareholder, has subscribed for Copperstone shares in lieu of 5 million SEK of the balance owed plus accrued interest, equating to an additional 12.5 million shares.

Copperstone paid to Sunstone 10 million SEK (~A1.5 million) cash in July.

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The final 5 million SEK of the remaining cash amount is now payable no later than four months from 9th July and will accrue interest at 1.5% per month, plus incur a one-off fee of 300,000 SEK.

Copperstone will use a significant component of the funds from the Rights Issue to commence drilling at Viscaria in order to increase shareholder value with further holes planned at A and D Zones.

Sunstone holds approximately 38.2% of Copperstone's issued shares as at 30 June 2019 (subject to a voluntary escrow ("lock-up") agreement for a period of 18 months from closing, with the Directors of Copperstone entering a similar escrow agreement for the majority of the shares that they currently hold). The value of Sunstone's investment in Copperstone at 30 June 2019 is A\$11.5 million (160 million shares at 0.47 SEK)

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.

Gold Portfolio

Tammela Gold Project, Finland (Sunstone 80%)

The Nortec earn-in agreement includes two known gold opportunities, Satulinmäki and Riukka, held within the claim areas. Reconnaissance scale prospecting has been completed through the belt which contains these gold deposits and interpretation of results is underway.

Interpretation of results from the Ionic Leach soil sampling survey has identified 9 priority target areas (Factor 1 anomalies, which show the highest degree of correlation between Cr-Hg-As-I-Nb-Sb-W-Ti-V-Cs and overlap with Au-Ag anomalies). Given that both Riukka and Satulinmaki Gold prospects are mapped by Factor 1 anomalies, these 9 targets will be followed up in due course.

Other Gold Opportunities (Sunstone 100%)

Based on Sunstone's regional assessment of gold prospectivity in southern Finland, areas of interest are held under approved Exploration Permits and Exploration Reservations, and recently new applications have been lodged for Exploration Permits covering known gold occurrences. These areas are held 100% by Sunstone and will be explored systematically.

Lithium Portfolio (Sunstone 80% and 100%)

The Nortec earn-in agreement area includes the Kietyönmäki lithium occurrence which was discovered by the Finnish Geological Survey (GTK) in the mid-1980's. There was no significant activity during the quarter. Drilling by Sunstone's wholly owned subsidiary Scandian Metals Pty Ltd (Scandian) in September 2016 returned assays of up to 24.2m at 1.44% Li₂O.

Tenements

Following the completion of the Viscaria transaction, Sunstone no longer has any direct interest in any tenements in Sweden.

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Corporate

Cash Resources - The Company's unaudited cash position for 30 June 2019 was A\$1.9 million. 10 million SEK (~A\$1.5 million) cash received early July 2019 and additional 12.5 million Copperstone shares.

5 million SEK (~A\$0.75 million) cash receivable by 9 November 2019

Shareholder Information

As at 30 June 2019, the Company had 1,220,876,776 fully paid ordinary shares on issue and 1,605 shareholders. The Company also had 154,837,500 listed options on issue with an exercise price of \$0.03 and an expiry date of 31 August 2019.

Notes Specific – June 2019 Quarter ASX Announcements

The following announcements, which relate to information in this Quarterly Report, were lodged with the ASX during the Quarter. Further details (including JORC 2012 Code Reporting Tables, where applicable) for the results summarised above can be found in the announcements:

Strong assays received from first drillhole at Bramaderos Main	18/07/2019
Viscaria Sale Update – Funds Received	11/07/2019
Limon Drill Assays and Bramaderos Main Visuals	02/07/2019
Presentation Resource Rising Stars	04/06/2019
Limon Drilling Intersects Mineralised Porphyry	30/05/2019
Bramaderos – first drill hole completed	01/05/2019
Bramaderos Drilling Update	18/04/2019
Change of Director's Interests Notice	17/04/2019

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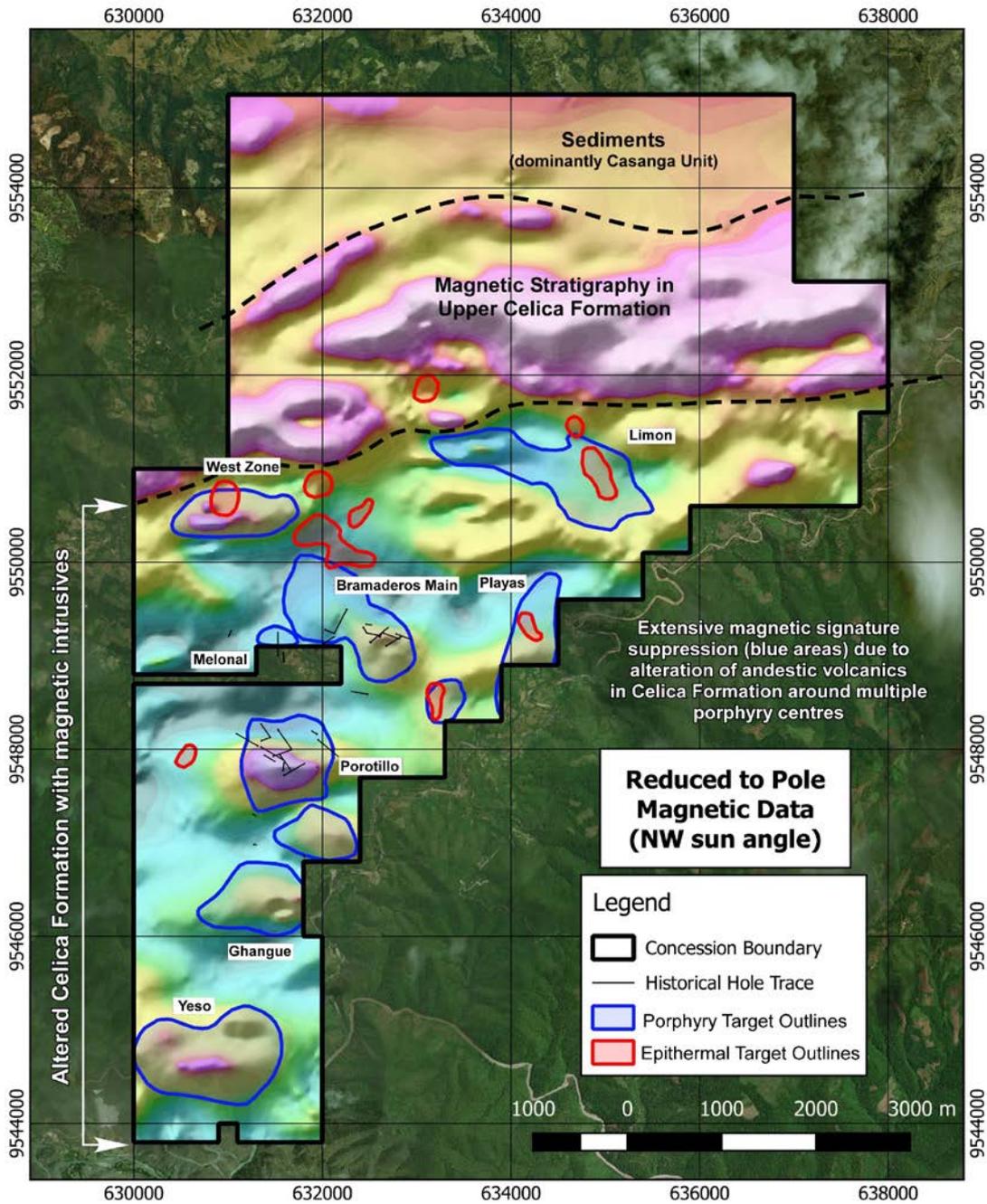


Figure 1: Bramaderos project showing the location of the gold-copper porphyry targets, and the West Zone epithermal gold system. The background image is detailed heli-magnetics on a satellite image.

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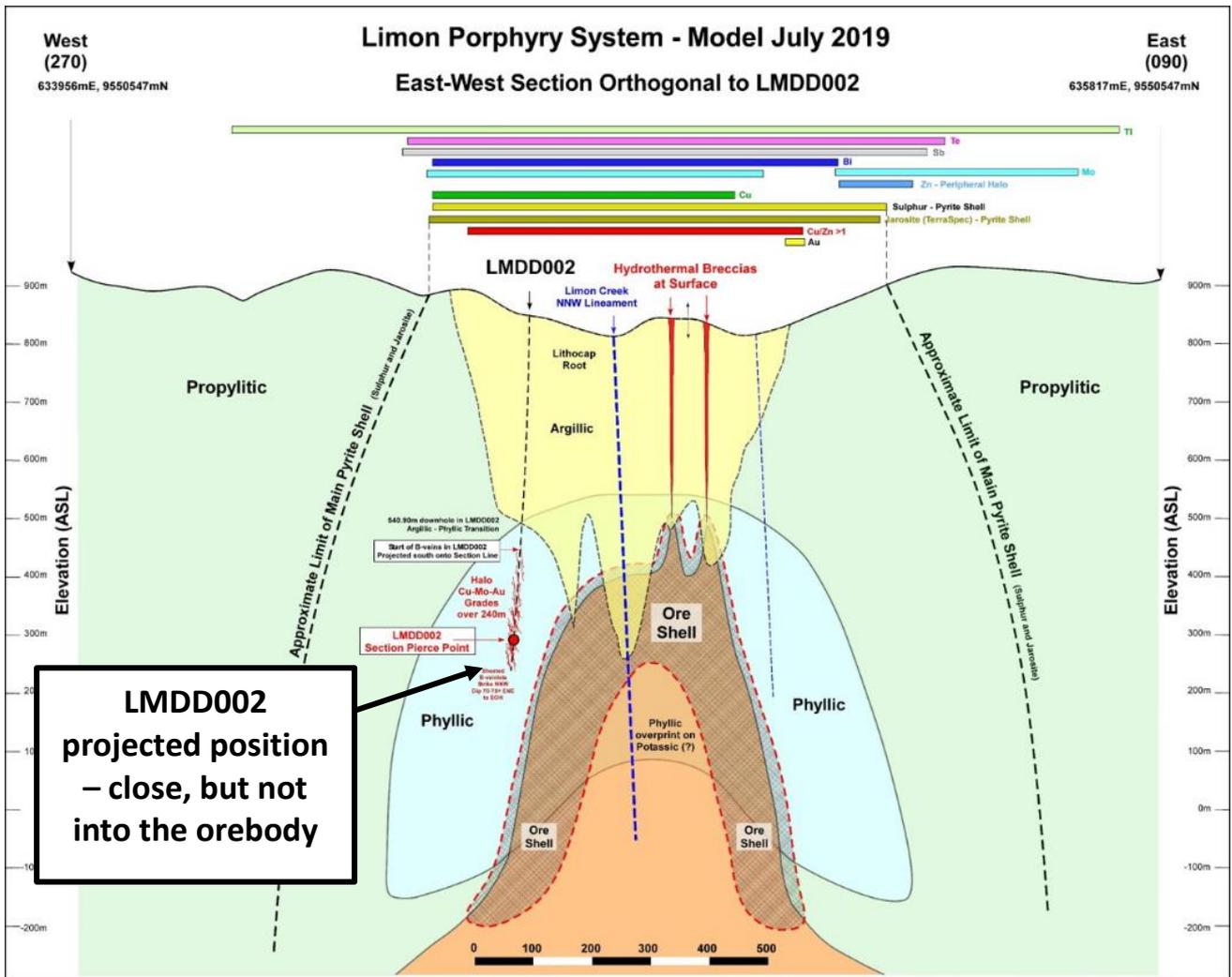


Figure 2: Sectional view showing the location of drill hole LMDD002 in the context of the greater Limon Prospect target. The extent of copper anomalism in soil sampling, and rock alteration typical of the higher levels of a porphyry gold-copper system, covers an area of 1.6km x 0.9km. Detailed modelling of heli-magnetics data has identified extensive magnetic anomalies that correspond with the target zone.

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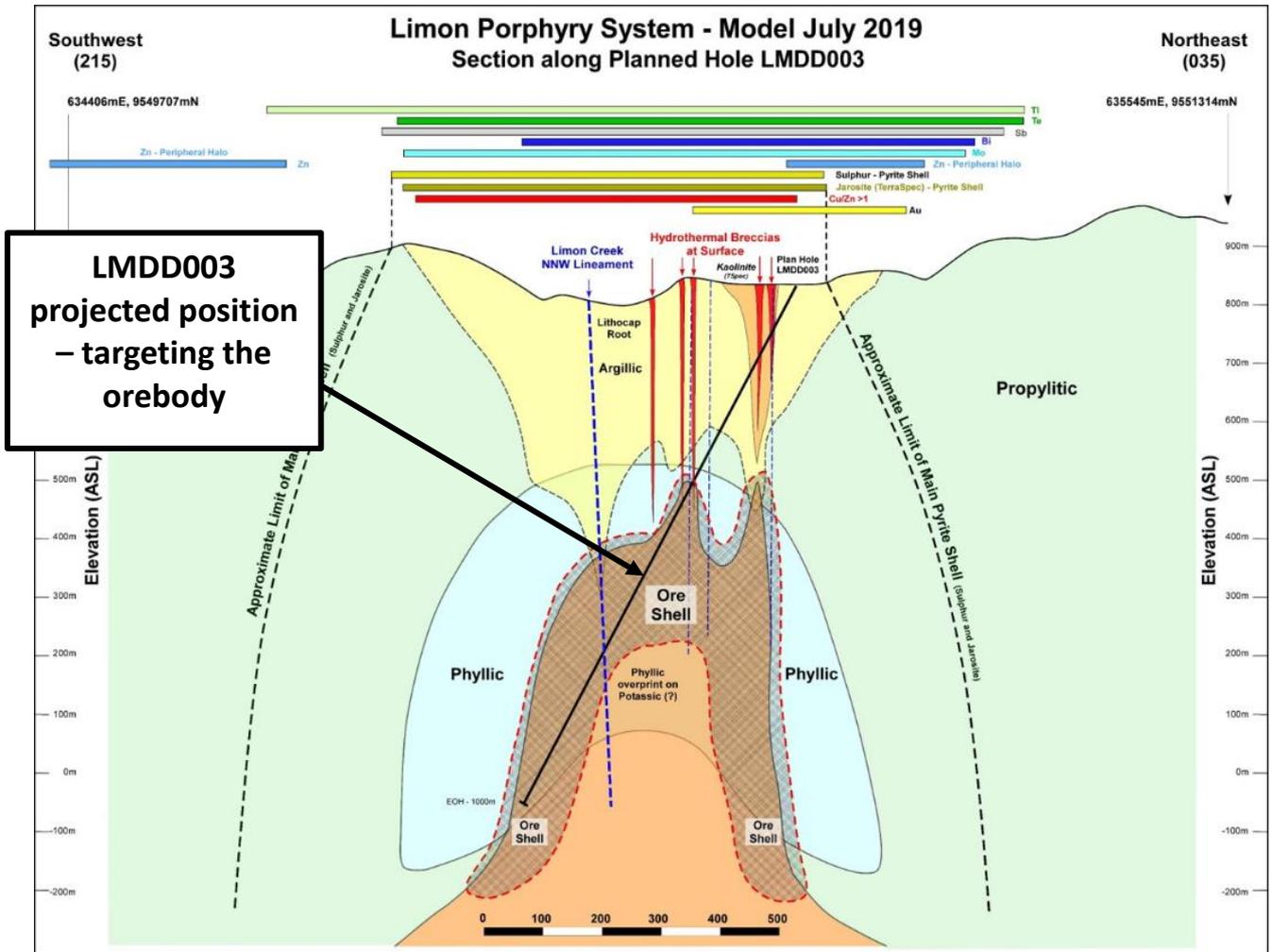


Figure 3: Sectional view through the Limon porphyry Au-Cu prospect, illustrating the geological interpretation and planned drillhole LMDD003 to be drilled in August 2019.

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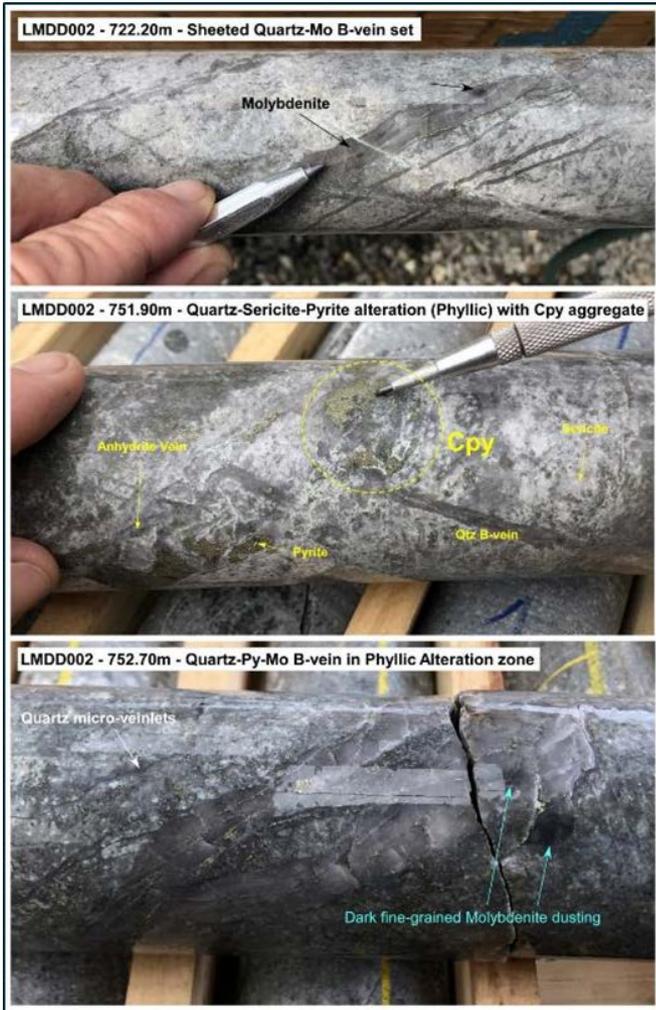


Figure 4: Variety of porphyry B-vein textures seen in LMDD002 (Cpy = chalcopyrite).



Figure 5:
Limon LMDD002
at 723.2m,
B veins



Figure 6:
Limon LMDD002 at
890.5m,
Coarse grained
chalcopyrite +
pyrite

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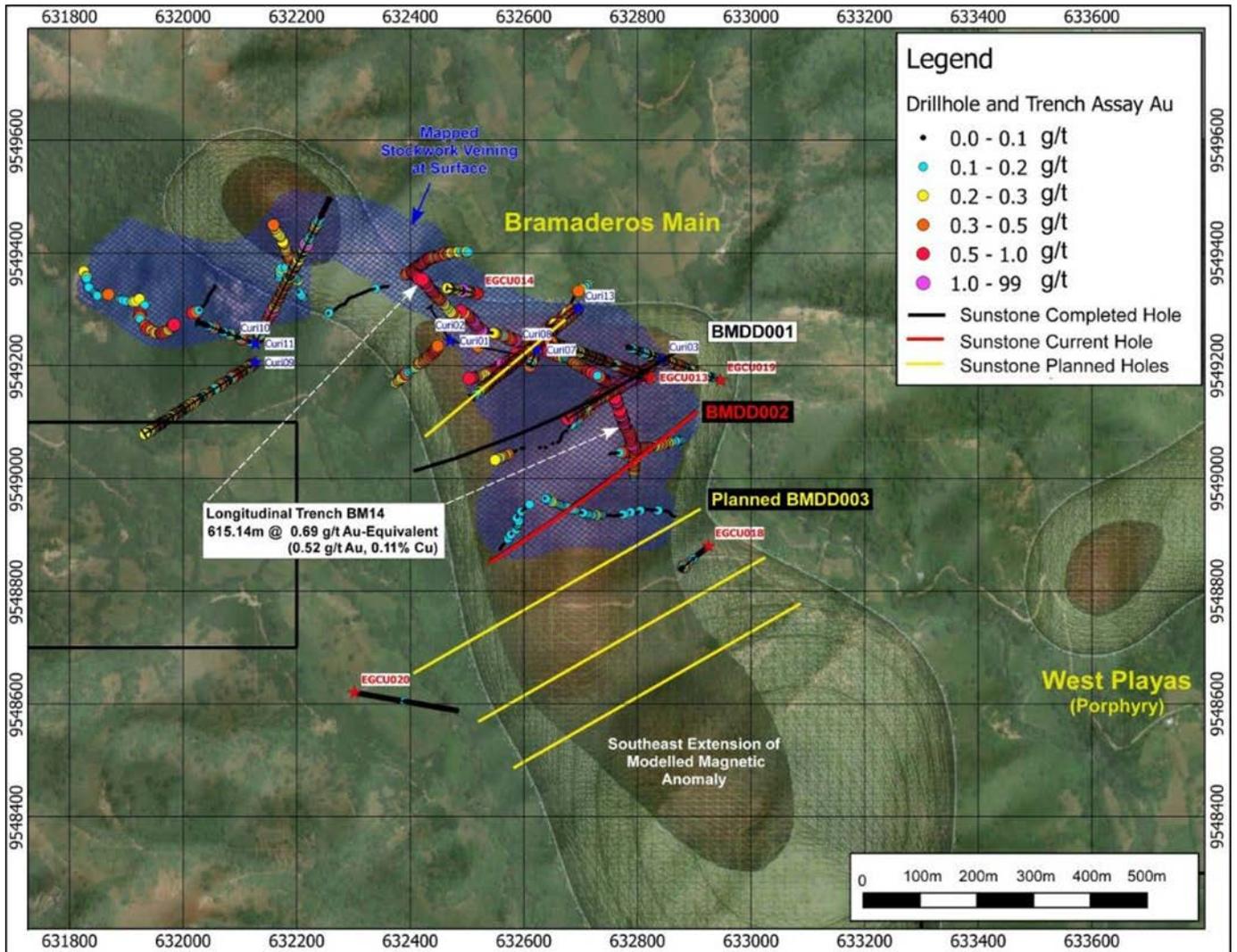


Figure 7: Plan image of the Bramaderos Main prospect showing gold in historical drilling, all trenching gold results and distribution of quartz veining (blue) at Bramaderos Main. Completed drill hole BMDD001 is illustrated in black. Current drill hole BMDD002 is illustrated in red. Planned drill holes are illustrated in yellow.

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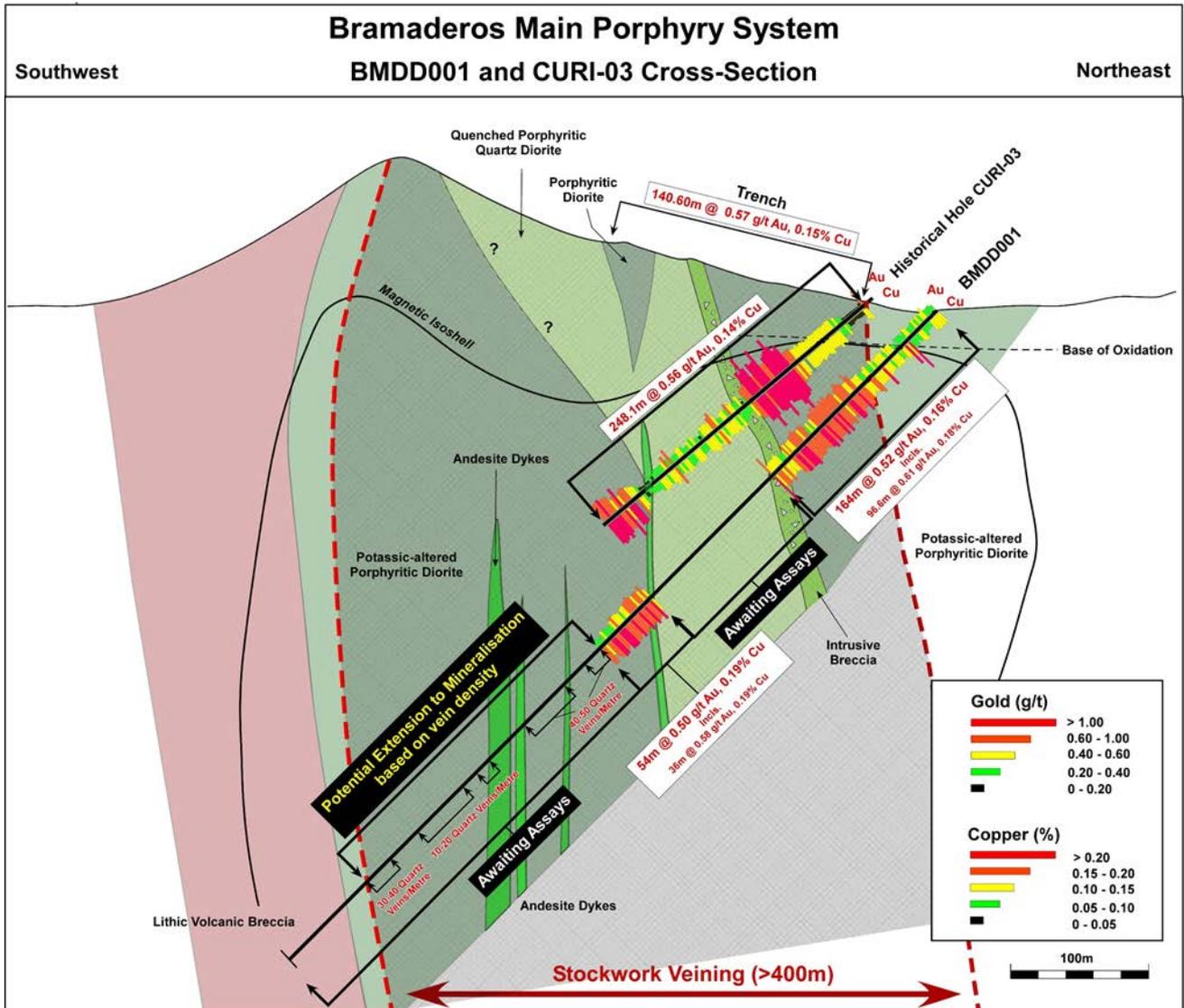


Figure 8: Cross section showing BMDD001, interpreted geology, and assay results as reported. Intervals still awaiting assays are also shown.

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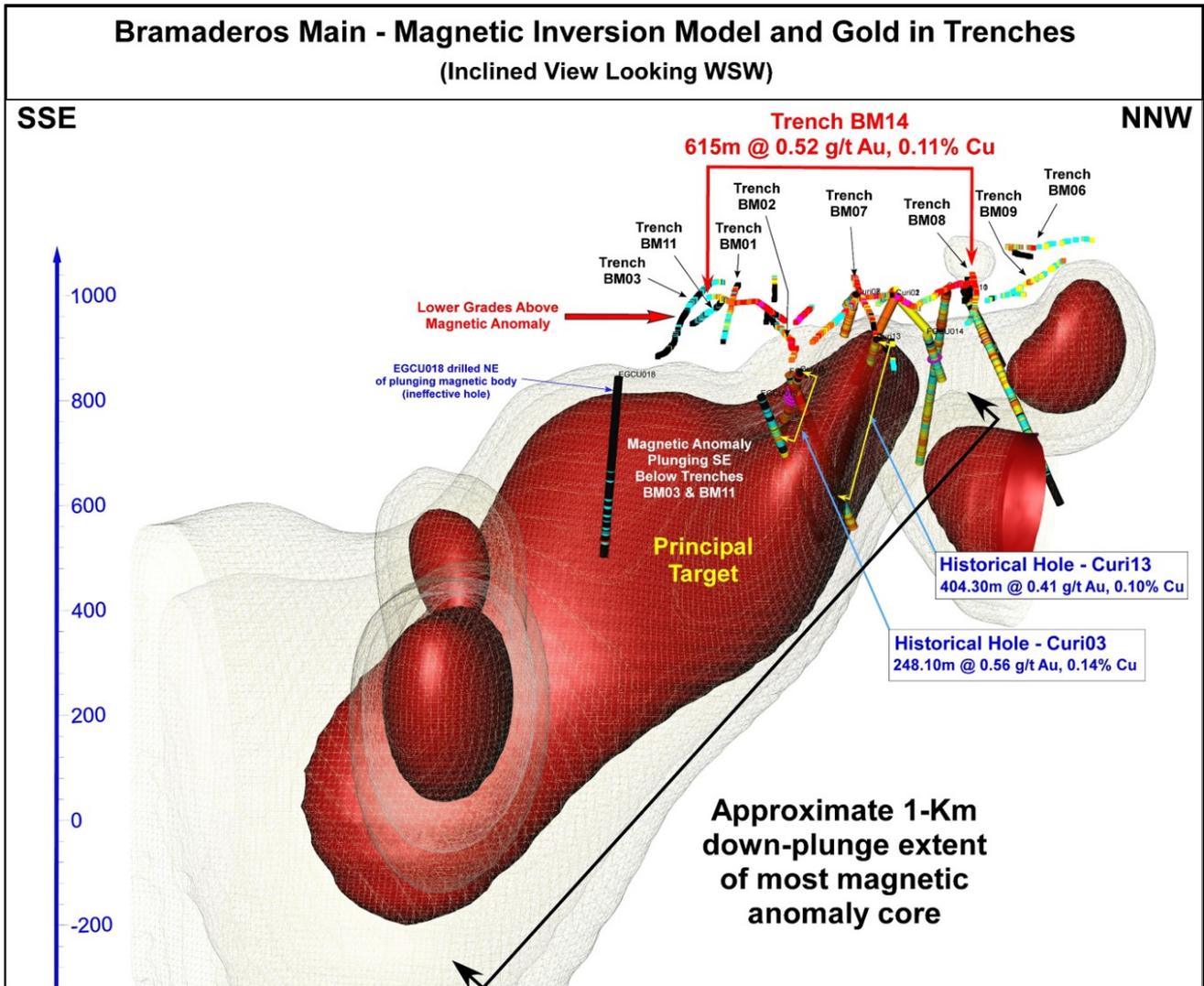


Figure 9: Interpretation of 3-D modelled heli-magnetics, looking towards the west-southwest, and showing a SE plunging body at Bramaderos Main with a vertical extent of at least 1km.

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TENEMENT SCHEDULE

At the end of the quarter, the Company holds the following tenements:

Gold-Copper Tenements – Ecuador

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
La Plata Minerales S.A.	Bramaderos [^]	Loja, Ecuador	Granted	0%

Gold Tenements - Finland

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
Kultatie Oy	Somero*	Somero, Finland	Granted	80%
Kultatie Oy	Perämäki*	Somero, Finland	Application	80%
Kultatie Holding Oy	Katinhanta	Somero, Finland	Application	100%
Kultatie Holding Oy	Luutasuo	Somero, Finland	Application	100%
Kultatie Holding Oy	Palikkala	Somero, Finland	Granted	100%
Kultatie Holding Oy	Arolanmäki	Somero, Finland	Granted	100%
Kultatie Holding Oy	Humppila	Somero, Finland	Granted	100%

Lithium Tenements – Finland

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
Litiumloydos Oy	Tammela*	Somero, Finland	Granted	80%
Litiumloydos Oy	Ojalankulma*	Somero, Finland	Application	80%

[^]Sunstone has a right to earn up to 80% under the terms of the earn-in agreement announced to ASX on 10 April 2017

*Subject to earn-in joint venture with Nortec Minerals Corp.

Competent Persons Statement

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

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DIRECTORY

SUNSTONE METALS LIMITED
ABN 68 123 184 412

Web site: www.sunstonemetals.com.au
Email: info@sunstonemetals.com.au

Stock Exchange Listing

Australian Stock Exchange ASX Code: STM

Investor Information Contacts:

Mr Gavin Leicht - Company Secretary
Sunstone Metals Limited
Tel: 07 3368 9888
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Shareholder Enquiries:

Share registry matters should be directed to:

Computershare Investor Services
Phone: 1300 850 505
Website: www.computershare.com.au

Registered Office:

9 Gardner Close
Milton Queensland 4064
Phone: 07 3368 9888
Fax: 07 3368 9899

Issued capital:

Ordinary shares: 1,220,876,776 (STM)
Quoted Options: 154,837,500 (STMO)*
(at 30 June 2019)
* exercisable at 3 cents on or before 31 August 2019

Directors:

Graham Ascough – Non-Executive Chairman
Malcolm Norris – CEO/Managing Director
Don Hyma - Non-Executive Director
Stephen Stroud - Non-Executive Director

Company Secretary:

Gavin Leicht

For further information please visit www.sunstonemetals.com.au or contact:

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Sunstone Metals Limited

ABN

68 123 184 412

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(977)	(2,117)
(b) development		
(c) production		
(d) staff costs	(665)	(1,751)
(e) administration and corporate costs	(219)	(854)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	21
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds	0	0
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,856)	(4,701)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(0)	(4)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)	(1,069)	1,975
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(1,069)	1,971

2.2(b) for current quarter represents legal and advisory fees paid relating to Viscaria transaction

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		2,020
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(3)	(108)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	0	1,912

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,768	2,654
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,856)	(4,701)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,069)	1,971
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(3)	1,912
4.5 Effect of movement in exchange rates on cash held	35	39
4.6 Cash and cash equivalents at end of period	1,875	1,875

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	678	4,101
5.2 Call deposits	1,197	667
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,875	4,768

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

246

Directors remuneration includes Managing Director salary.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,200
9.2 Development	
9.3 Production	
9.4 Staff costs	378
9.5 Administration and corporate costs	300
9.6 Other (provide details if material) Tax Payment	
9.7 Total estimated cash outflows	2,878

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 26 July 2019

Print name: GAVIN LEICHT

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.