



ABN 68 123 184 412

# **Half-Year Financial Report 31 December 2022**

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## CORPORATE DIRECTORY

### Directors

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

### Company Secretary

Gavin Leicht

### Securities Exchange Listing

Sunstone Metals Limited shares are listed on the Australian Securities Exchange  
Ordinary fully paid shares (ASX Code: STM)

### Share Registry

Computershare Investor Services Pty Ltd  
200 Mary Street  
Brisbane Qld 4000  
Investor Enquiries: 1300 850 505  
Website: [www.computershare.com.au](http://www.computershare.com.au)

### Auditor

BDO Audit Pty Ltd  
Level 10/12 Creek Street  
Brisbane Qld 4000

### Bank

National Australia Bank  
Level 23, 100 Creek Street  
Brisbane QLD 4000

### Registered Office and principal place of business

#### Australia

9 Gardner Close  
Milton Qld 4064  
Telephone: 07 3368 9888

Web site: [www.sunstonemetals.com.au](http://www.sunstonemetals.com.au)

Email: [info@sunstonemetals.com.au](mailto:info@sunstonemetals.com.au)

## Directors' Report

Your Directors present their report on Sunstone Metals Limited ("Sunstone" or "Company") and the entities it controlled ("Consolidated Entity" or "Group") for the half-year ended 31 December 2022.

### Directors

The following persons were Directors of Sunstone at any time during the half-year and up to the date of this report unless otherwise stated:

Mr Graham Ascough	Non-Executive Chairman
Mr Malcolm Norris	CEO/Managing Director
Mr Stephen Stroud	Non-Executive Director

### Principal activities

During the period the principal activities of the Group consisted of mineral exploration and evaluation.

### Dividends

No dividends were paid or recommended to members during the financial period.

### Review of operations

A summary of consolidated revenues and results is set out below:

	Half-year ended	
	2022 \$	2021 \$
Interest income	158,781	6,210
Loss before income tax	(1,163,266)	(579,283)
Income tax expense	-	-
Loss attributable to members of Sunstone Metals Limited	(1,166,090)	(572,349)
Profit/(loss) attributable to non-controlling interests	2,824	(6,934)
<b>Earnings per share</b>	<b>2022</b>	<b>2021</b>
	<b>cents</b>	<b>cents</b>
Basic and diluted earnings per share	(0.0)	(0.0)

### Financial Performance

During the half-year ended 31 December 2022 the Group incurred a loss of \$1,163,266 (2021: loss of \$579,283). The loss for this period is largely due to corporate costs incurred to fund the progression of activities in Ecuador offset by a net fair value gain on financial assets recognised, primarily related to the shareholding in Copperstone Resources AB ("Copperstone") of \$440,112 (2021: \$732,063). During the half year the Group sold 5,442,134 shares in Copperstone at an average price of 1.2864 SEK, while the value of Copperstone shares held during the half year increased with the share price increasing from 0.958 SEK at 30 June 2022 to 1.278 SEK at 31 December 2022).

## Directors' Report

The Company's non-current assets increased from \$42,982,704 at 30 June 2022 to \$57,465,375 at 31 December 2022, primarily due to capitalised exploration expenses on the Bramaderos and El Palmar Projects in Ecuador.

During the half-year, the Company had a net increase in contributed equity of \$1,843,296 related to the vesting of Employee Performance Rights.

At the end of the financial period, the Group had cash balances of \$10,041,699 (June 2022 \$23,997,222) and net assets of \$66,126,047 (June 2022: \$66,369,314). Total liabilities amounted to \$2,592,333 (June 2022: \$2,444,046) and included trade, other payables and provisions.

### **Operations Summary**

#### **Bramaderos gold-copper and silver-gold project (Sunstone 87.5%)**

The Bramaderos Project is located in Loja province, southern Ecuador, some 90km (1.5-hour drive) from the city of Loja and is highly prospective for the discovery of large gold-copper deposits. Easy access is provided by the sealed Pan American Highway that crosses the western part of the concession (Figure 1). The area has nearby available hydro-power, supporting the economics of potential development opportunities, and gentle topography with an average elevation of around 1,100m above sea level. The project is also supported by nearby commercial airports and significant population centres such as the city of Loja, and the project has strong community support. Gold and copper mineralisation outcrops at surface.

During the half-year ended 31 December 2022, Sunstone announced an initial Mineral Resource estimate (MRE) and an initial Exploration Target for the Bramaderos gold-copper porphyry project in southern Ecuador (see ASX announcement dated 13th December 2022).

The initial MRE, from the Brama-Alba target only, reported in accordance with the JORC Code is 156Mt at 0.53g/t AuEq (0.35g/t gold and 0.11% copper), for 2.7Mozs AuEq. Preliminary pit optimisation was applied to the deposit to constrain the MRE and demonstrate the potential to be mined economically by open pit methods.

In addition, the initial Exploration Target, reported in accordance with the JORC Code consists of between approximately 255 and 360Mt at a grade between 0.40 and 0.74g/t AuEq (gold + copper) for contained metal of between 3.3Mozs and 8.6Mozs AuEq. The Exploration Target range is in addition to the initial MRE. The potential quantity and grade of the Exploration Target is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource for the target area reported. It is uncertain if further exploration will result in the estimation of a Mineral Resource.

The initial MRE for Brama-Alba, together with the Exploration Target, demonstrates that Bramaderos is a very significant project with huge potential for growth. Exploration is continuing across several porphyry targets within the Bramaderos concession with the goal of ultimately delivering a 5-10Moz AuEq inventory, with much of that material extending from surface.

# Directors' Report

## **El Palmar Porphyry Copper-Gold Project (Sunstone 70%)**

Sunstone has made a significant discovery at the highly prospective El Palmar gold-copper porphyry project, located in northern Ecuador, 60km north-west of Ecuador's capital Quito. The property sits on the regionally significant Toachi Fault Zone, in the vicinity of the 1Bt Llurimagua copper-molybdenum porphyry deposit, and in the same regional structural belt that hosts the 2.6Bt Alpala copper-gold porphyry deposit grading 0.25g/t gold and 0.37% copper, and the 0.53Bt Tandayama-America deposit grading 0.19g/t gold and 0.24% copper within the Cascabel project (see [www.solgold.com.au](http://www.solgold.com.au) for MRE details) (Figure 5). Sunstone is acquiring 100% of the El Palmar project and currently holds 70% under the Staged Acquisition Agreement signed on 12th August 2020.

Drilling commenced in August 2021 with assays from EPDD001 delivering 163.55m at 0.71g/t gold and 0.20% copper from 52.35m, within a broad interval of 480.85m at 0.41g/t gold and 0.15% copper from 11.3m.

The results at El Palmar continue to expand the area of known mineralisation and reveal significant higher-grade zones of >0.2% copper and 0.35g/t gold that are expected to deliver a highly attractive gold-equivalent result once metallurgical results are in hand.

The results demonstrate that El Palmar has substantial scale and grades which are in line with those seen in many of the world's high-profile porphyry deposits.

Drilling was undertaken during the period at the new T2 porphyry target, located east of the main El Palmar porphyry system (now referred to as T1). At T2, surface sampling defined a 220m long zone of porphyry vein stockworks including an area of at least 70m x 50m with rock chip sampling averaging 0.4g/t gold and 0.1% copper underlying a silica-clay altered cap. The rock chip samples were consistently mineralised and included six samples which returned assays of greater than 1 g/t gold, which is encouragingly very high for porphyry systems. Soil sampling at T2 has defined a significant and coherent gold-copper-molybdenum anomaly coincident with an extensive alteration cap. Geophysical surveying has defined a conductive body coincident with the surface metal anomalism.

Several epithermal gold targets have also been defined within the El Palmar concession, with the highest priority at this stage being the Tituana target. Tituana is currently undergoing trenching and in-fill soil sampling in areas where rock chip sampling has yielded a >85m-long (and open) zone from which 101 surface samples averaged 1.2 g/t Au, 25 g/t Ag and 0.16% Cu, with peak values for these elements being 6.47 g/t Au, 225g/t Ag and 0.78% Cu.

The Tituana target, where drilling has recently commenced, is located on a NNE trending structure, which may link to the south to the main El Palmar T1 porphyry system – a common scenario in porphyry and epithermal systems. The interpreted geometry of the Tituana epithermal system is consistent with known epithermal mineralisation in the district such as at the nearby operating El Corazon gold mine and the historically defined Verde Chico gold system.

## **Verde Chico Project**

As announced on 21st June 2022, Sunstone signed a Letter of Intent to acquire the Verde Chico Project, located to the west of Sunstone's El Palmar gold-copper porphyry discovery in northern Ecuador, through a Staged Acquisition Agreement from the Verde Chico Group. The Verde Chico project quadruples Sunstone's land position in this prospective belt in northern Ecuador to 3,672ha. A Staged Acquisition Agreement and associated documents were signed on 23 September 2022.

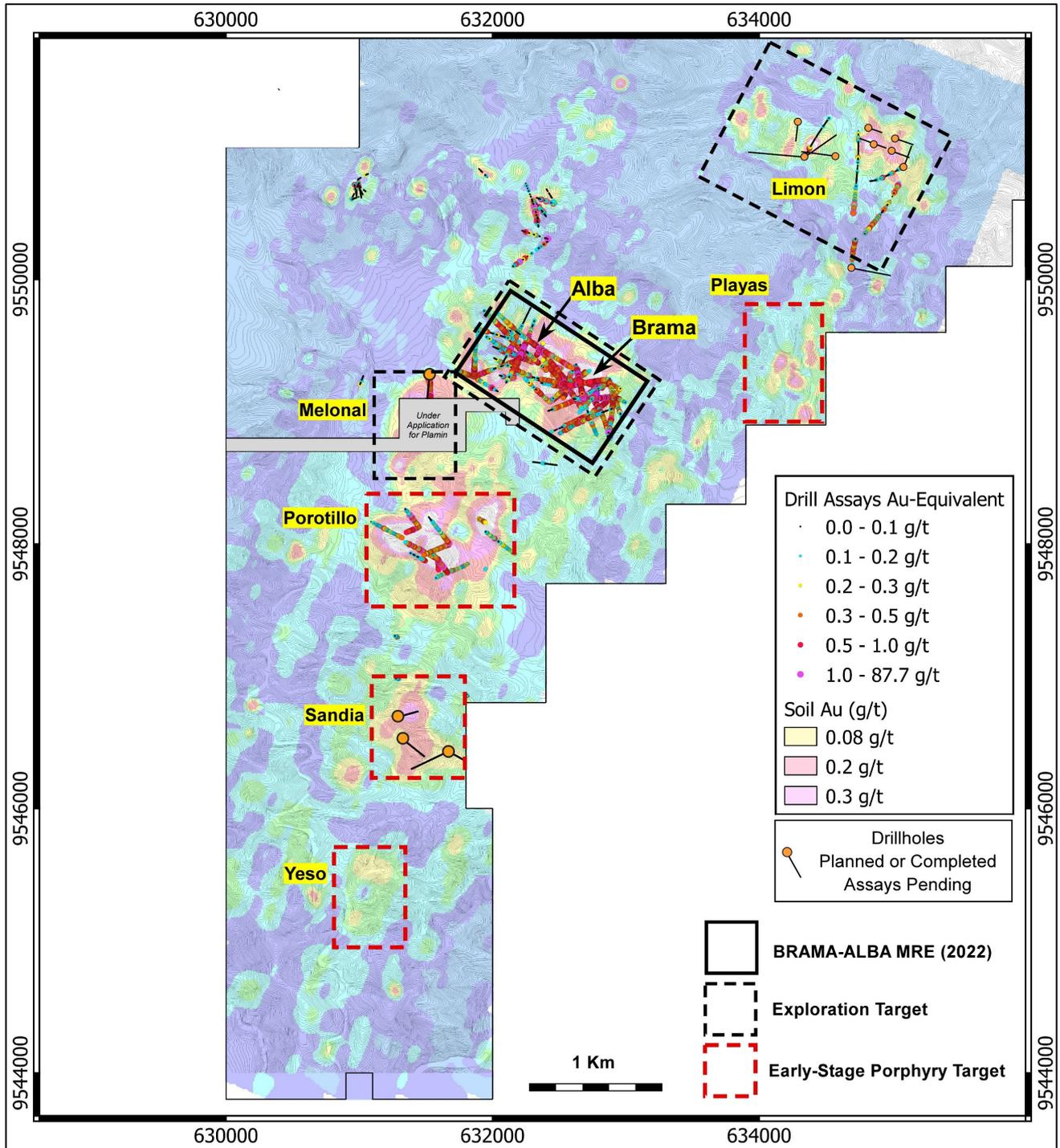
The program for the commencement of exploration at Verde Chico has been defined. A preliminary small program of rock chip sampling and stream sediment sampling was undertaken in December, to be followed by formal community agreements and environmental baseline surveys in January and February 2023. More detailed soil sampling, geological mapping and rock chip sampling, and ground magnetics are also planned.

# Directors' Report



**Figure 1:** Location of the El Palmar project in northern Ecuador, the Verde Chico project nearby, and the Bramaderos Project in southern Ecuador.

# Directors' Report

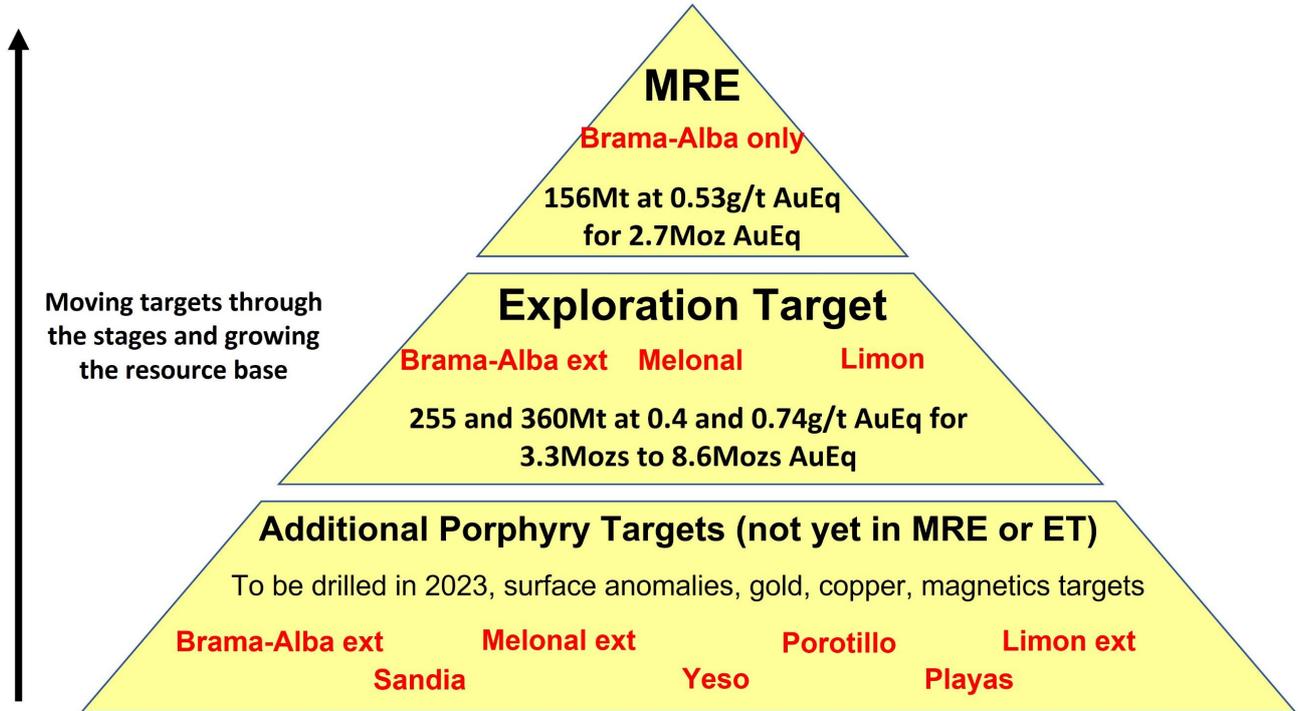


**Figure 2:** Bramaderos concession showing the area of the MRE at Brama-Alba, and the 3 areas that make up the Exploration Target at Melonal, Alba-Brama, and Limon, and the 4 additional targets that are at an early stage comprising Yeso, Sandia, Porotillo, and Playas.

The background image is gold-in-soil and highlights the potential scale increase to be delivered with more drilling at Bramaderos across several porphyry centres.

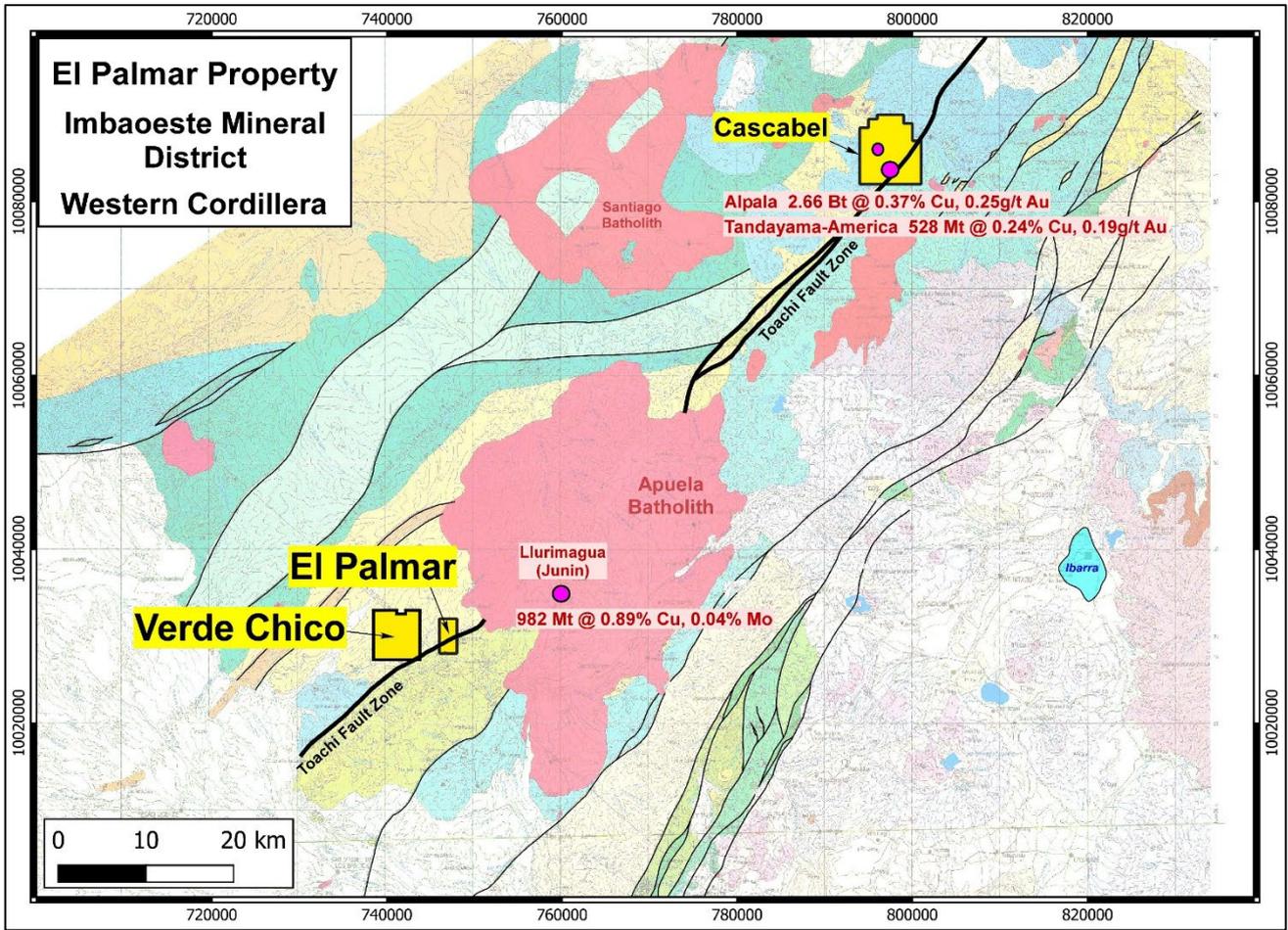
# Directors' Report

## Bramaderos Project – Building a very large gold-copper inventory



**Figure 3:** Summary of potential growth options for the Bramaderos project. Further drilling on multiple opportunities is expected to significantly grow the gold and copper inventory.

# Directors' Report



**Figure 4:** Location of the El Palmar and Verde Chico properties with respect to the Toachi fault zone which is considered important for the localisation of porphyry copper-gold-molybdenum mineralisation in northern Ecuador.

# Directors' Report

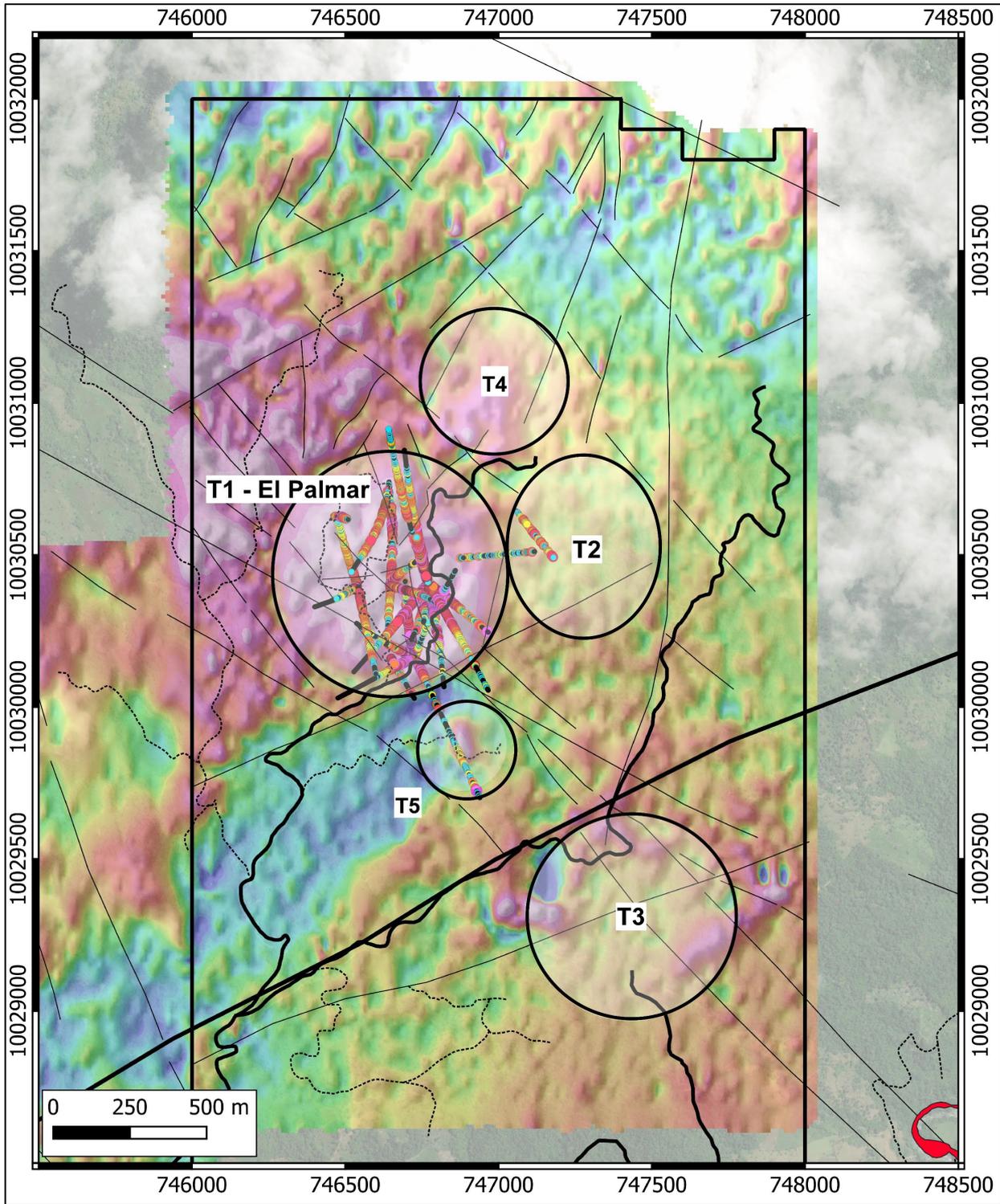
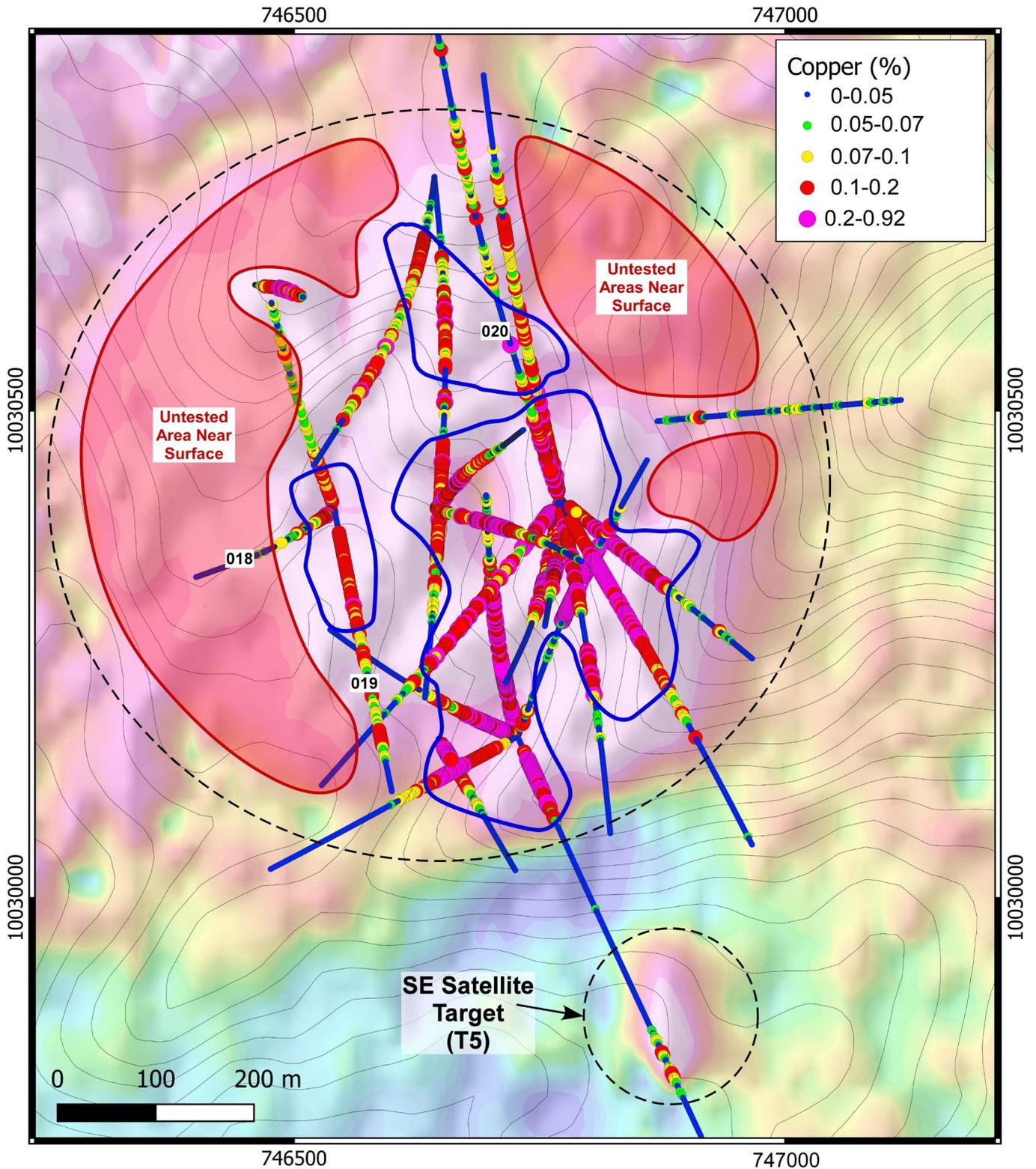


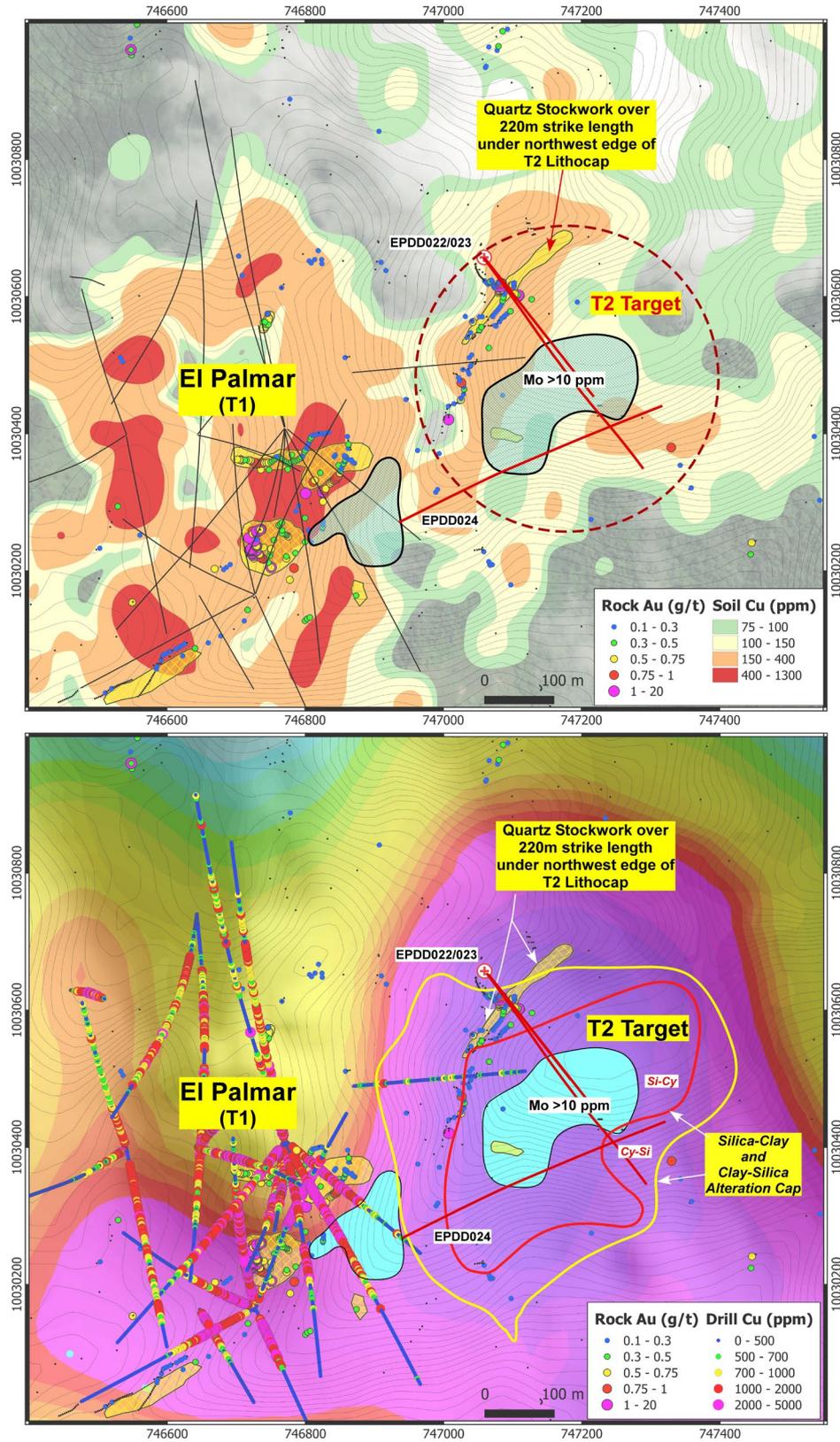
Figure 5: Location of the porphyry exploration targets at El Palmar

# Directors' Report



**Figure 6:** Drill status plan for El Palmar target T1. Blue outline areas represent surface projection of a cluster of higher grade gold-copper mineralised porphyry domains within a broader domain of lower grade peripheral wallrocks. Extensive areas in red outline and shading are still to be drilled.

# Directors' Report



**Figure 7:** Plan view of the T2 target located immediately east of the area of drilling to date at El Palmar. The upper panel shows copper-in soils with the main molybdenum anomalies, rock chip gold results and area of quartz stockwork mapped at T2. The lower panel background image is MT conductivity at 400m below surface.

# Directors' Report

## **Investment in Copperstone Resources AB**

In March 2019, the Company sold its interest in the Viscaria Copper Project in Sweden to Copperstone Resources AB (Nasdaq First North (Stockholm) COPP B) for a combination of cash and shares.

During the half year ended 31 December 2022 Sunstone sold a total of 5,442,134 shares held in Copperstone realising ~\$1 million in cash.

As at 31 December 2022 Sunstone held 5,153,744 shares in Copperstone (~0.3 per cent of the shares on issue) valued at ~\$0.9 million (at 1.278 SEK).

Since the closing of the transaction to sell Viscaria to Copperstone, Sunstone has to date received cash of approximately \$34.3 million (comprising 35 million Swedish Kronor (MSEK) equal to approximately \$5.4 million, 12.5 million shares in lieu of 5 MSEK cash owed plus interest, sold on market for ~\$0.9m, 26 MSEK in cash for early payout of the at-risk contingent tranche 2 consideration due upon receipt of an environmental permit equal to approximately \$4.1 million and sale of 154,846,256 of the 160 million shares in Copperstone for 156.8 MSEK equal to approximately \$23.9 million).

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

## **Events occurring after reporting period**

During January 2023 the remaining shares held in Copperstone Resources were sold, realising \$920,007 in cash.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's position, the results of those operations, or the Group's state of affairs in future financial periods, except as already disclosed in the half-year financial statements.

## **Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

This report is made in accordance with a resolution of the Directors.



**Graham Ascough**

**Chairman  
Sunstone Metals Ltd**

**13 March 2023**

## Auditor's Independence Declaration



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GPO Box 457 Brisbane QLD 4001  
Australia

### DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF SUNSTONE METALS LIMITED

As lead auditor for the review of Sunstone Metals Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sunstone Metals Limited and the entities it controlled during the period.



**A J Whyte**  
Director

**BDO Audit Pty Ltd**

Brisbane, 13 March 2023

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2022

	Note	Half-year ended	
		2022 \$	2021 \$
Interest income	4	158,781	6,210
Employee Benefits Expense	5	(1,339,448)	(897,063)
Corporate and administration expenses		(379,568)	(381,257)
Net fair value gain/(loss) on financial assets at fair value through profit or loss	7	440,112	732,063
Depreciation expense	8	(38,032)	(33,211)
Interest paid		(5,111)	(6,025)
<b>Loss before income tax</b>		<b>(1,163,266)</b>	<b>(579,283)</b>
Income tax expense		-	-
<b>Net loss for the period</b>		<b>(1,163,266)</b>	<b>(579,283)</b>
<b>Other comprehensive income / (loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		348,986	504,952
<b>Total comprehensive profit/(loss) for the period</b>		<b>(814,280)</b>	<b>(74,331)</b>
<b>Net profit/(loss) for the period is attributable to:</b>			
Members of Sunstone Metals Ltd		(1,166,090)	(572,349)
Non-controlling interests		2,824	(6,934)
		<b>(1,163,266)</b>	<b>(579,284)</b>
<b>Total comprehensive profit/(loss) for the period attributable to:</b>			
Members of Sunstone Metals Ltd		(817,104)	(68,371)
Non-controlling interests		2,824	(5,960)
		<b>(814,280)</b>	<b>(74,331)</b>
<b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(0.0)	(0.0)
Diluted earnings per share		(0.0)	(0.0)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

### As at 31 December 2022

	Note	31-Dec-22 \$	30-Jun-22 \$
<b>Current assets</b>			
Cash and cash equivalents		10,041,699	23,997,222
Trade and other receivables	6	59,778	128,136
Financial assets at fair value through profit or loss	7	1,151,528	1,705,298
<b>Total current assets</b>		<b>11,253,005</b>	<b>25,830,656</b>
<b>Non-current assets</b>			
Plant and equipment	8	878,986	678,391
Exploration and evaluation	9	56,586,389	42,304,313
<b>Total non-current assets</b>		<b>57,465,375</b>	<b>42,982,704</b>
<b>Total assets</b>		<b>68,718,380</b>	<b>68,813,360</b>
<b>Current liabilities</b>			
Trade and other payables	10	1,765,660	1,534,173
Lease liabilities	11	38,727	39,903
Provisions	12	455,260	554,891
<b>Total current liabilities</b>		<b>2,259,647</b>	<b>2,128,967</b>
<b>Non-current liabilities</b>			
Lease liabilities	11	11,027	32,579
Provisions	12	321,659	282,500
<b>Total non-current liabilities</b>		<b>332,686</b>	<b>315,079</b>
<b>Total liabilities</b>		<b>2,592,333</b>	<b>2,444,046</b>
<b>Net assets</b>		<b>66,126,047</b>	<b>66,369,314</b>
<b>Equity</b>			
Contributed equity	13	111,670,496	109,827,200
Reserves	14	5,667,597	6,590,894
Accumulated losses		(52,085,654)	(50,919,564)
Equity attributable to owners of Sunstone Metals Limited		65,252,439	65,498,530
Non-controlling interests	15	873,608	870,784
<b>Total equity</b>		<b>66,126,047</b>	<b>66,369,314</b>

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

### For the half-year ended 31 December 2022

2022	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>At the beginning of the financial year</b>	<b>109,827,200</b>	<b>5,438,254</b>	<b>1,152,640</b>	<b>(50,919,564)</b>	<b>65,498,530</b>	<b>870,784</b>	<b>66,369,314</b>
Profit/(loss) for the year	-	-	-	(1,166,090)	(1,166,090)	2,824	(1,163,266)
Other comprehensive Income	-	-	348,986	-	348,986	-	348,986
<b>Total comprehensive income/(loss) for the half-year</b>	<b>-</b>	<b>-</b>	<b>348,986</b>	<b>(1,166,090)</b>	<b>(817,104)</b>	<b>2,824</b>	<b>(814,280)</b>
Shares issued	1,854,478	(1,854,478)	-	-	-	-	-
Share issue costs	(11,182)	-	-	-	(11,182)	-	(11,182)
Share based payment transactions	-	582,195	-	-	582,195	-	582,195
<b>Total Equity at 31 December 2022</b>	<b>111,670,496</b>	<b>4,165,971</b>	<b>1,501,626</b>	<b>(52,085,654)</b>	<b>65,252,439</b>	<b>873,608</b>	<b>66,126,047</b>
2021	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>At the beginning of the financial year</b>	<b>88,193,617</b>	<b>3,946,319</b>	<b>(1,624,504)</b>	<b>(48,053,295)</b>	<b>42,462,137</b>	<b>874,538</b>	<b>43,336,675</b>
Profit/(loss) for the year	-	-	-	(572,349)	(572,349)	(6,934)	(579,283)
Other comprehensive Income	-	-	503,978	-	503,978	974	504,952
<b>Total comprehensive income/(loss) for the half-year</b>	<b>-</b>	<b>-</b>	<b>503,978</b>	<b>(572,349)</b>	<b>(68,371)</b>	<b>(5,960)</b>	<b>(74,331)</b>
Shares issued	309,480	-	-	-	309,480	(3,832)	305,648
Share issue costs	(11,536)	-	-	-	(11,536)	-	(11,536)
Share based payment transactions	-	47,251	-	-	47,251	-	47,251
<b>Total Equity at 31 December 2021</b>	<b>88,491,561</b>	<b>3,993,570</b>	<b>(1,120,526)</b>	<b>(48,625,644)</b>	<b>42,738,961</b>	<b>864,746</b>	<b>43,603,707</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

### For the half-year ended 31 December 2022

	Note	Half-year ended	
		2022 \$	2021 \$
<b>Cash flows to/from operating activities</b>			
Payments to suppliers and employees		(1,159,780)	(865,839)
Interest paid		(5,111)	(6,025)
Interest received	4	158,781	6,210
Net cash outflow from operating activities		(1,006,110)	(865,654)
<b>Cash flows to/from investing activities</b>			
Proceeds from/(payments for) plant and equipment		-	(11,931)
Exploration and evaluation expenditure		(13,867,700)	(7,384,841)
Proceeds from sale of shares	7	993,882	5,598,594
Net cash used in investing activities		(12,873,818)	(1,798,178)
<b>Cash flows to/from financing activities</b>			
Costs of share issues	13	(11,182)	-
Principal paid on lease liabilities		(25,000)	(17,469)
Net cash used in financing activities		(36,182)	(17,469)
Net increase/(decrease) in cash		(13,916,110)	(2,681,301)
Effect of exchange rate fluctuations on cash held		(39,413)	2,865
Cash and cash equivalents at the beginning of the financial year		23,997,222	12,171,240
<b>Cash at the end of the financial year</b>		<b>10,041,699</b>	<b>9,492,804</b>

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### Note 1 Basis of preparation and changes in accounting policies

##### a) Basis of preparation

This general purpose condensed financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all of the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Sunstone Metals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules. The annual report and any public announcements issued can be located on the company's website [www.sunstonemetals.com.au](http://www.sunstonemetals.com.au).

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

##### b) Going Concern

The Group incurred a net loss of \$1,163,266 and had \$1,006,110 of cash outflows from operating activities for the half year ended 31 December 2022. As at 31 December 2022 the Group has net cash reserves of \$10,041,699 and a net current asset surplus of \$8,993,358.

The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the company to raise additional capital in the future; and
- the successful exploration and subsequent exploitation of the Group's tenements

While the Group has a strong cash position at 31 December 2022, an aggressive exploration and drilling program is planned on both the Bramaderos and El Palmar projects throughout 2023. These conditions give rise to a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- The cash balance of the Group as at 31 December 2022 is \$10,041,699;
- During the half year ended 31 December 2022 the Group successfully monetised \$993,882 by selling Copperstone shares on market. The remaining shares held in Copperstone as at 31 December 2022 have been sold during January 2023, realising \$920,007 in cash;
- To date the Group has funded its activities through issuance of equity securities and it is expected that the Group will be able to fund its future activities through further issuances of equity securities;
- The directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

##### c) Fair Values

Financial assets where the contractual cash flows are not solely payments of principal and interest are classified as financial assets at fair value through profit or loss.

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### Note 2 Segment reporting

The Group has determined its operating segment based upon reports reviewed by the Board (Chief Operating Decision Makers) for making strategic decisions. The Board has identified three operating segments being the two exploration projects in Ecuador, Bramaderos and El Palmar, as well as Corporate investments held through the Australian Parent Company.

The reportable segment is based on aggregated operating segments determined by the geographical similarity of the Group's areas of interest and the economic environments in which the Group operates.

The Group continues to review and assess other resource projects both within Australia and overseas as opportunities arise. The accounting policies used by the Group in reporting segments internally are the same as those used in preparing the annual report.

	<b>31-Dec-22</b> \$	30-Jun-22 \$
<b>Profit/(loss)</b>		
Corporate	(1,183,179)	(2,840,787)
Bramaderos	19,913	(19,539)
El Palmar	-	(9,953)
	<b>(1,163,266)</b>	<b>(2,870,279)</b>
<b>Current assets</b>		
Corporate	10,205,623	24,828,637
Bramaderos	459,237	485,921
El Palmar	588,145	516,098
	<b>11,253,005</b>	<b>25,830,656</b>
<b>Non-current assets</b>		
Corporate	300,717	266,524
Bramaderos	40,339,624	30,736,477
El Palmar	16,825,034	11,979,704
	<b>57,465,375</b>	<b>42,982,704</b>
<b>Current liabilities</b>		
Corporate	549,530	443,954
Bramaderos	1,004,848	932,713
El Palmar	705,269	752,300
	<b>2,259,647</b>	<b>2,128,967</b>
<b>Non-current liabilities</b>		
Corporate	267,478	260,608
Bramaderos	46,878	39,975
El Palmar	18,330	14,496
	<b>332,686</b>	<b>315,079</b>

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### Note 3 Accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Below are key estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of certain assets and liabilities within the next annual reporting period.

Exploration and evaluation assets have been capitalised on the basis that the Group will commence commercial production in the future from which the costs will be amortised in proportion to the depletion of the mineral resources. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The financial assets at fair value through profit or loss fall under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement i.e. their fair value has been determined using quoted prices in an active market. Refer to note 7 for further detail regarding the key estimates applied to determine the fair value of these financial assets.

Investments in shares in listed companies have been classified as a current asset as it is management's intention, subject to favourable market conditions, that these investments may be sold within 12 months.

#### Note 4 Revenue and Other Income

	Half-year ended	
	31-Dec-22 \$	31-Dec-21 \$
Interest Revenue	158,781	6,210

#### Note 5 Expenses

Profit/(Loss) before income tax includes the following:

	Half-year ended	
	31-Dec-22 \$	31-Dec-21 \$
<b>Employee benefits expense*</b>		
Salaries & wages	905,247	416,574
Directors' fees	77,500	72,500
Defined contribution superannuation expense	26,363	20,807
Share based payments	318,698	356,731
Movement in leave provisions	(8,494)	26,076
Other	20,134	4,375
	<b>1,339,448</b>	<b>897,063</b>

\* Excludes employee costs capitalised to exploration and evaluation expenditure

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### Note 6 Other receivables

	31-Dec-22 \$	30-Jun-22 \$
Other debtors	37,089	103,621
Deposits	15,225	15,225
Prepayments	7,464	9,290
	<b>59,778</b>	<b>128,136</b>

Other debtors consist of invoices for recovery of costs as per contract terms, GST and VAT receivables from the taxation authorities and other minor amounts. All receivables are carried at amortised cost which approximates their fair value.

All other receivables excluding deposits are non-interest bearing and balances are current.

#### Note 7 Financial assets at fair value through profit or loss

	31-Dec-22 \$	30-Jun-22 \$
<b>Current</b>		
Shares in Copperstone Resources AB	928,221	1,437,516
Shares in NewPeak Metals Ltd	81,690	81,690
Shares in United Lithium Corp	141,617	186,092
	<b>1,151,528</b>	<b>1,705,298</b>

Reconciliation of the written down values at the beginning and end of the financial year:

	31-Dec-22 \$	30-Jun-22 \$
Opening fair value	1,705,298	-
Reclassification - Investments accounted for using the equity method	-	6,916,488
Additions	-	486,858
Shares sold during the financial year	(993,882)	(4,606,607)
Fair value increments / (decrements)	440,112	(1,091,441)
Closing fair value	<b>1,151,528</b>	<b>1,705,298</b>

Shares held in listed companies are recognised at the market value on the reporting date of \$1,151,528 (30 June 2022: \$1,705,298) under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement.

During the financial year Sunstone sold 5,442,134 shares in Copperstone for \$993,882 cash consideration, with a \$255,561 net gain on sale of the shares recognised as a component of the fair value increment. At 31 December 2022 the Copperstone share price was 1.278 SEK (30 June 2022: 0.958 SEK), resulting in fair value increment on the remaining 5,153,744 shares held in Copperstone of \$229,026.

The value of Sunstone's 871,803 shares held in United Lithium Corp (CSE:ULTH) decreased due to the share price closing at CAD 0.15 (30 June 2022: CAD 0.19) resulting in a fair value decrement of \$44,475.

The value of Sunstone's 81,690,362 shares held in NewPeak Metals Ltd (ASX:NPM) remained the same due to the share price closing at \$0.001 (30 June 2022: \$0.001).

It is noted that this value may fluctuate from period to period due to share price movements and changes in the exchange rate between the Australian Dollar and the Swedish Krona and Canadian Dollar.

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### Note 8 Property, plant and equipment

	Office equipment \$	Computer equipment \$	Exploration equipment \$	Right of use assets \$	Total \$
<b>Half-year Ended 31 December 2022</b>					
Carrying amount at beginning of financial year	21,546	188,128	406,464	62,253	678,391
Additions	4,266	26,375	262,830	-	293,471
Depreciation expensed	-	(7,185)	(13,060)	(17,787)	(38,032)
Depreciation capitalised as exploration	(1,558)	(28,928)	(32,657)	-	(63,143)
Effect of movement in foreign exchange	348	2,424	5,527	-	8,299
Carrying amount at end of financial year	24,602	180,814	629,104	44,466	878,986
<b>As at 31 December 2022</b>					
At Cost	53,652	312,652	802,755	173,735	1,342,794
Accumulated Depreciation	(29,050)	(131,838)	(173,651)	(129,269)	(463,808)
	24,602	180,814	629,104	44,466	878,986

Right of use assets relates to office lease.

#### Note 9 Exploration and evaluation assets

	31-Dec-22 \$	30-Jun-22 \$
At Cost - less amounts written off	56,586,389	42,304,313
Balance at 1 July	42,304,313	19,950,190
Exploration and evaluation expenditure	13,764,688	21,913,115
Research and development rebate	-	1,386
Effect of movement in foreign exchange	517,388	1,237,844
Disposal of subsidiary	-	(798,222)
Balance	56,586,389	42,304,313

The recovery of the Group's interest in exploration assets is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

**Notes to the Financial Statements**  
For the half-year ended 31 December 2022

**Note 10 Trade and other payables**

	<b>31-Dec-22</b>	30-Jun-22
	\$	\$
Trade payables	<b>1,709,935</b>	1,518,022
Sundry payables and accrued expenses	<b>55,725</b>	16,151
	<b>1,765,660</b>	1,534,173

**Note 11 Lease liabilities**

	<b>31-Dec-22</b>	30-Jun-22
	\$	\$
<b>Current</b>		
Office lease	<b>38,727</b>	39,903
<b>Non-current</b>		
Office lease	<b>11,027</b>	32,579

**Note 12 Provisions**

	<b>31-Dec-22</b>	30-Jun-22
	\$	\$
<b>Current</b>		
Employee leave liabilities	<b>455,260</b>	554,891
<b>Non-current</b>		
Employee leave liabilities	<b>321,659</b>	282,500

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### Note 13 Equity securities issued

	Number of shares	31-Dec-22 \$
Ordinary shares - fully paid	2,620,446,418	111,670,496

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

	Number of shares	Issue price \$	\$
<b>Balance as at 1 July 2021</b>	<b>2,209,987,646</b>		<b>88,193,617</b>
Nov-21 Vesting of Employee Performance Rights	3,466,667	0.026	90,133
Nov-21 Vesting of Employee Performance Rights	10,000,000	0.007	74,600
Nov-21 Vesting of Employee Performance Rights	10,000,000	0.004	41,700
Nov-21 Vesting of Employee Performance Rights	3,466,666	0.023	80,427
Dec-21 Vesting of Employee Performance Rights	2,600,000	0.009	22,620
Apr-22 Share placement	298,507,463	0.067	20,000,000
May-22 Share Purchase Plan	36,417,976	0.067	2,440,000
Share issue costs			(1,115,897)
<b>Balance as at 30 June 2022</b>	<b>2,574,446,418</b>		<b>109,827,200</b>

	Number of shares	Issue price \$	\$
<b>Balance as at 1 July 2022</b>	<b>2,574,446,418</b>		<b>109,827,200</b>
Jul-22 Vesting of Employee Performance Rights	22,000,001	0.032	695,541
Nov-22 Vesting of Employee Performance Rights	20,000,000	0.048	965,781
Nov-22 Vesting of Employee Performance Rights	3,999,999	0.048	193,156
Share issue costs			(11,182)
<b>Balance as at 31 December 2022</b>	<b>2,620,446,418</b>		<b>111,670,496</b>

#### Performance Rights

During the half-year, a total of 28,000,000 performance rights have been issued to employees, with 5,600,000 of these being issued to the Managing Director following approval at the Company's AGM on 27 October 2022. The performance rights expire upon the earlier of cessation of employment or three years from issue and are split into three separate tranches, Tranche 1 - 9,333,335 rights vesting upon the closing price of the Company's share price being \$0.09 or more for 10 trading days out of any 20 consecutive trading days and minimum 12 months from issue date until vesting; Tranche 2 - 9,333,333 rights vesting dependent on the Company's Total Shareholder Return performance against the ASX Small Resources Index; Tranche 3 - 9,333,332 rights vesting upon the closing price of the Company's share price being \$0.135 or more for 10 trading days out of any 20 consecutive trading days and minimum 12 months from issue date until vesting.

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### Note 14 Reserves

	31-Dec-22 \$	30-Jun-22 \$
Share based payments reserve	4,165,971	5,438,254
Foreign currency translation reserve	1,501,626	1,152,640
<b>Total reserves</b>	<b>5,667,597</b>	<b>6,590,894</b>
Movements in reserves were as follows:		
<b>Share based payments reserve</b>		
Opening balance	5,438,254	3,946,319
Share based payments - employees	582,195	1,801,415
Shares Issued on vesting	(1,854,478)	(309,480)
<b>Closing balance</b>	<b>4,165,971</b>	<b>5,438,254</b>
<b>Foreign currency translation reserve</b>		
Opening balance	1,152,640	(1,624,504)
Foreign exchange gains/(losses) on translation	348,986	2,777,144
<b>Closing balance</b>	<b>1,501,626</b>	<b>1,152,640</b>

#### Note 15 Non-controlling interests

	31-Dec-22 \$	30-Jun-22 \$
Interest In:		
Share capital	935,783	935,783
Recognition on acquisition/disposal	4,420	4,420
Accumulated Losses	(66,595)	(69,419)
<b>Total</b>	<b>873,608</b>	<b>870,784</b>

#### Note 16 Dividends

There were no dividends declared or paid during the half-year (2021: Nil).

#### Note 17 Events occurring after reporting period

During January 2023 the remaining shares held in Copperstone Resources were sold, realising \$920,007 in cash.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's position, the results of those operations, or the Group's state of affairs in future financial periods, except as already disclosed in the half-year financial statements.

## Directors' Declaration

In the opinion of the Directors:

- (a) the financial statements and notes of the Consolidated Entity as set out on pages 15 to 26 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001;
- (b) subject to the achievement of matters described in note 1(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.

On behalf of the Board



Graham Ascough  
Chairman

Brisbane, Queensland  
13 March 2023

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sunstone Metals Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Sunstone Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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### **Responsibility of the directors for the financial report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **BDO Audit Pty Ltd**

BDO  


**A J Whyte**  
Director

Brisbane, 13 March 2023