

10 APRIL 2019

MARCH 2019 QUARTERLY ACTIVITIES REPORT**Bramaderos Gold-Copper Project, Ecuador (Sunstone earning up to 80%)**

- **Environmental Impact Assessment (EIA) required for the issuance of an Environmental Licence for exploratory diamond drilling approved by the Ecuadorian Ministry of Environment**
- **Drill rig mobilised to site**
- **The Environmental Licence (drilling permit) issued in early April**
- **Final preparations for drilling at the Limon prospect underway**
- **Drilling expected to commence within days**

Viscaria Copper Project, Sweden

- **Completion of transaction on 8 March 2019 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)**
- **SEK 20 million cash and 160 million Copperstone shares received**
- **Further SEK 20 million cash plus interest to be received by 8 July 2019**
- **Sunstone Metals is the largest shareholder in Copperstone with an approximate 38.6% shareholding at end of March quarter**
- **The Copperstone shareholding will provide ongoing exposure to the upside at Viscaria as well as to Copperstone's existing exploration projects in Sweden**

Corporate Highlights

- **A\$4.8 million in cash at 31 March 2019**
- **Value of investment in Copperstone at 31 March 2019 A\$16.3 million**
- **20 million SEK (~A\$3 million) cash receivable by 8 July 2019**

ASX ANNOUNCEMENT

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 (EIA; submitted in late 2017) had been approved by the Ecuadorian Ministry of Environment. Work completed in the current quarter was primarily focussed on the EIA in addition to geological mapping and surface rock chip sampling at the Yeso Prospect in the south of the concession. In preparation for the upcoming drill program, a diamond drill rig and associated equipment was also mobilised to site.

The Environmental Licence (drilling permit) was issued in early April and final preparation for commencement of drilling at the Limon prospect is underway. First assay results are expected in late May or early June.

The permit allows for drilling across the entire concession giving the Company the ability to test the numerous porphyry and epithermal gold targets it has identified, as well as providing flexibility to test additional targets on the concession in the future.

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. A further 20 million SEK cash (plus interest) is 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) has been paid to our Swedish corporate advisors in early April, plus legal advisor fees, totalling approximately A\$1.1 million.

Sunstone holds approximately 38.6% of Copperstone’s issued shares as at 31 March 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 lock-up for the majority of the shares that they currently hold).

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. Sunstone’s CEO and Managing Director has been appointed to the Board of Copperstone as a non-executive Director, and under the terms of the SPA Sunstone will have the right, but not the obligation, to appoint up to two directors to the Board of Copperstone.

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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. There were no significant activities to report for the quarter.

Other Gold Opportunities (Sunstone 100%)

Based on Sunstone's regional assessment of gold prospectivity in southern Finland, areas of interest are held as Exploration Permits (approved or in application) and as Exploration Reservations. These areas are held 100% by Sunstone and will be explored systematically. There were no significant activities to report for the quarter.

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. 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. There were no significant activities to report for the quarter.

Tenements

Following the completion of the Viscaria transaction, Sunstone now holds three remaining exploration permits in Sweden, which form part of the Ladum Lithium Project. These Exploration Permits were to be transferred back to the previous minority shareholders of Scandian Metals Pty Ltd under an agreement for Sunstone to acquire their minority interest, however that agreement has subsequently been amended with those parties no longer requiring this transfer and the tenements will be surrendered during the next quarter.

Scandian Metals AB has relinquished the Hietahauto and Viitala lithium exploration tenements in Finland following a review of the prospectivity of these areas.

Corporate

Cash Resources - The Company's unaudited cash position for 31 March 2019 was A\$4.8 million.

Shareholder Information

As at 31 March 2019, the Company had 1,214,876,776 fully paid ordinary shares on issue and 1,494 shareholders.

Notes Specific – March 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:

Viscaria Transaction Update	25/02/2019
Viscaria Copper Project Transaction Closes	11/03/2019
Bramaderos EIA Approved	14/03/2019
Half Yearly Report and Accounts	15/03/2019

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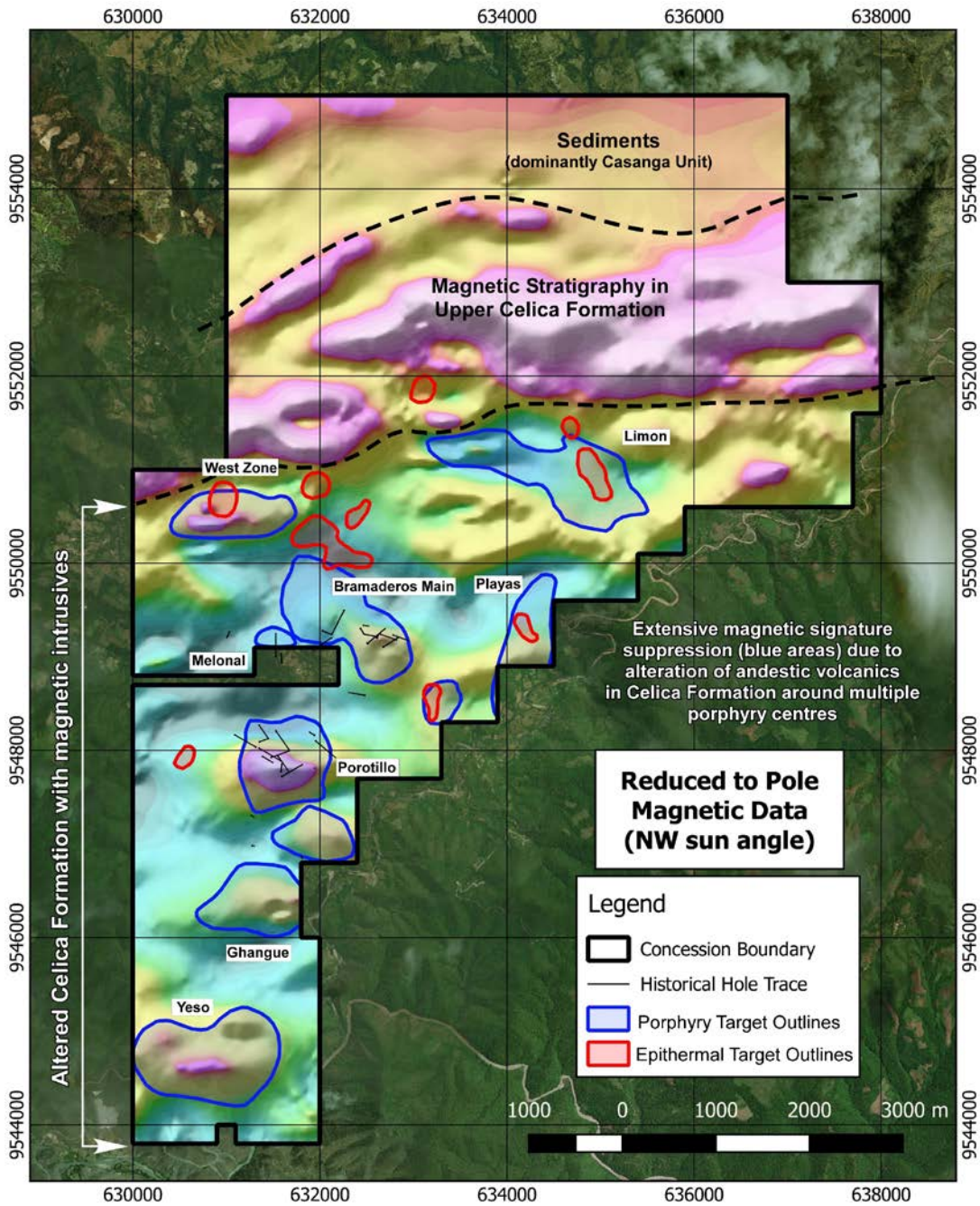


Figure 1: Bramaderos project showing the location of the gold-copper porphyry targets, and the West Zone epithermal gold system. The background image is detailed heli-magnetics on a satellite image.

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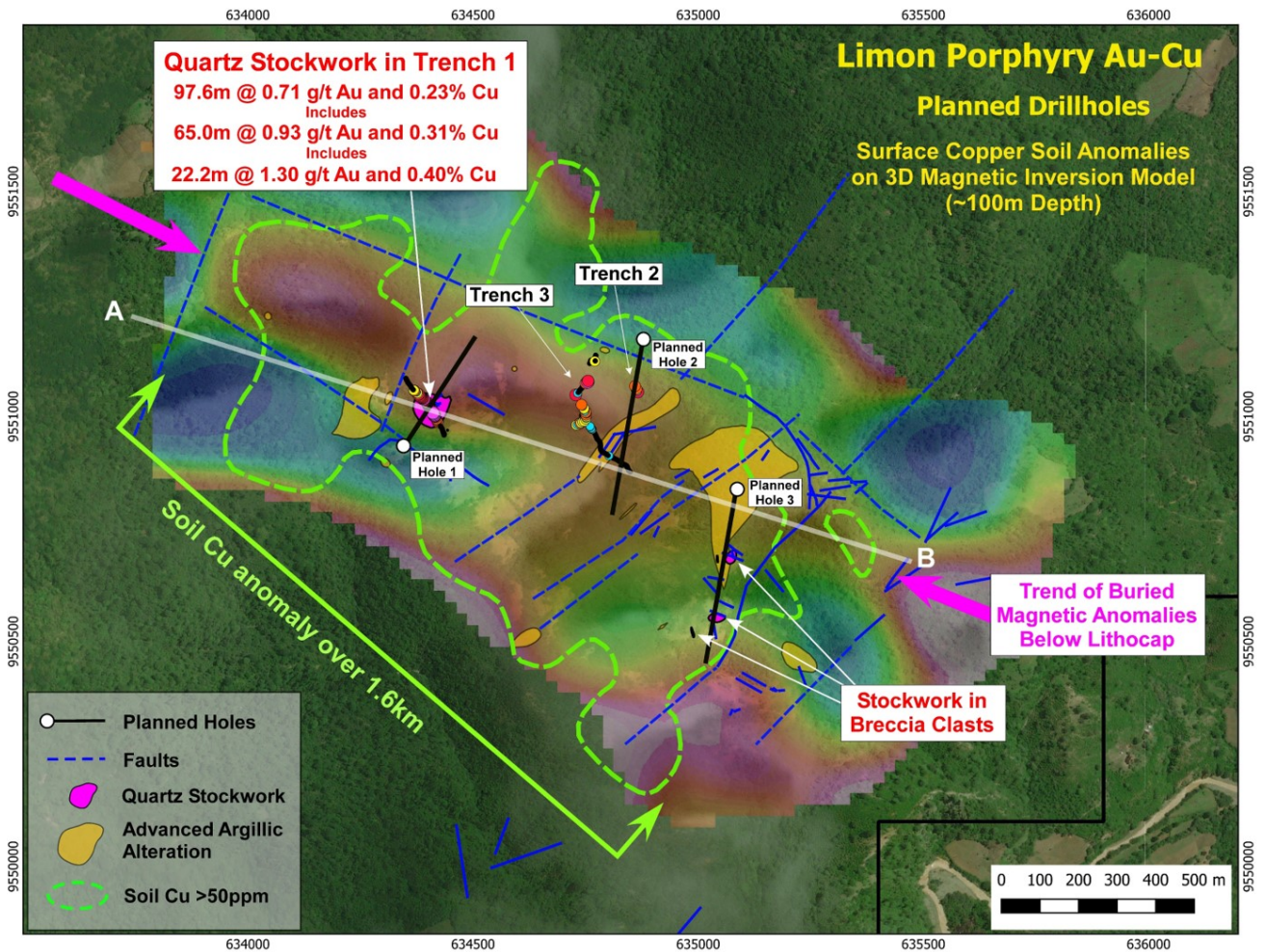


Figure 2: Diagram showing the location of trench LM-01 in the context of the greater Limon Prospect target. The extent of copper anomalism in soil sampling, and rock alteration typical of the higher levels of a porphyry gold-copper system, covers an area of 1.6km x 0.9km. Detailed modelling of heli-magnetics data has identified subtle but extensive magnetic anomalies that correspond with the target zone. Three proposed diamond drill holes are shown as black line traces. Line A-B shows the Figure 3 long section.

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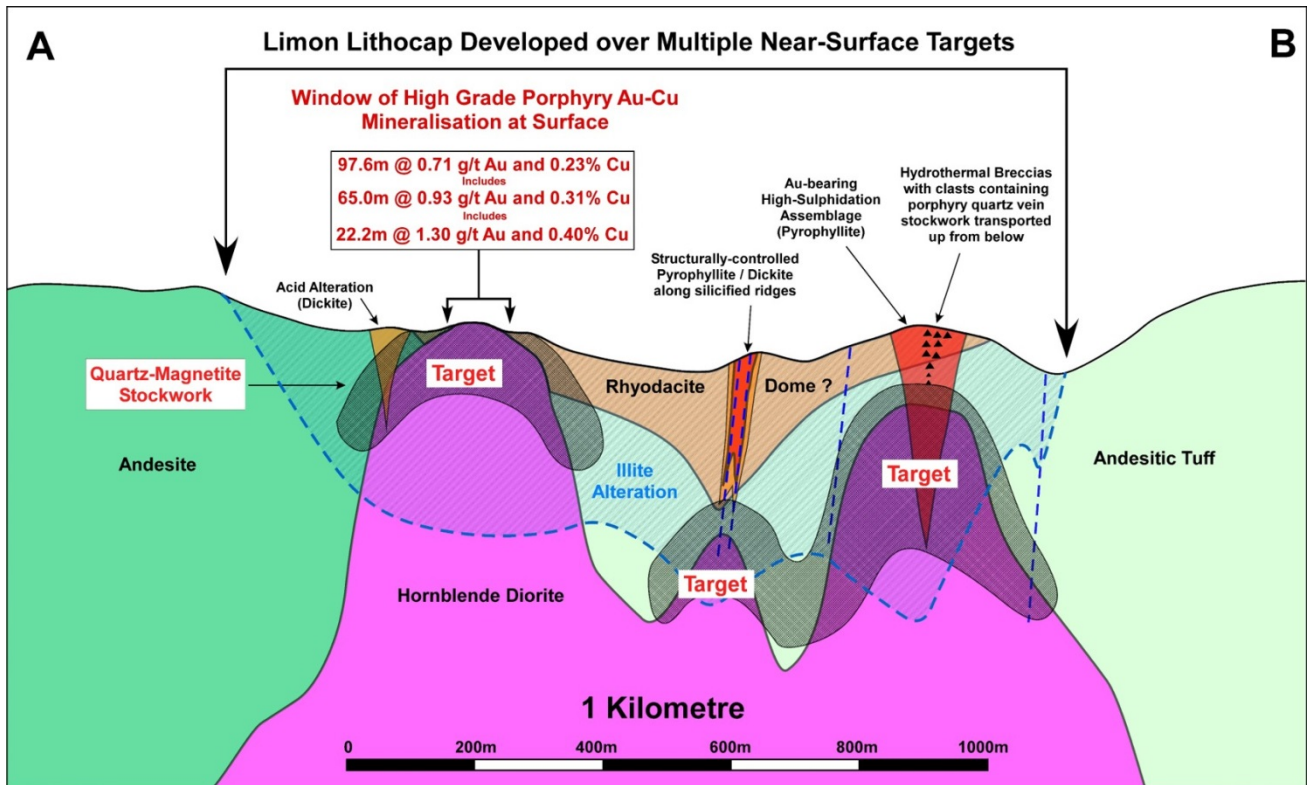


Figure 3: Long-section (oriented WNW-ESE; see Figure 2) through the Limon porphyry Au-Cu prospect, illustrating key geological features that suggest an extensive underlying mineralised porphyry gold-copper system below the leached clay-altered lithocap (illite). Strongly mineralised diorite outcrops as a window through an overlying and altered rhyodacite body.

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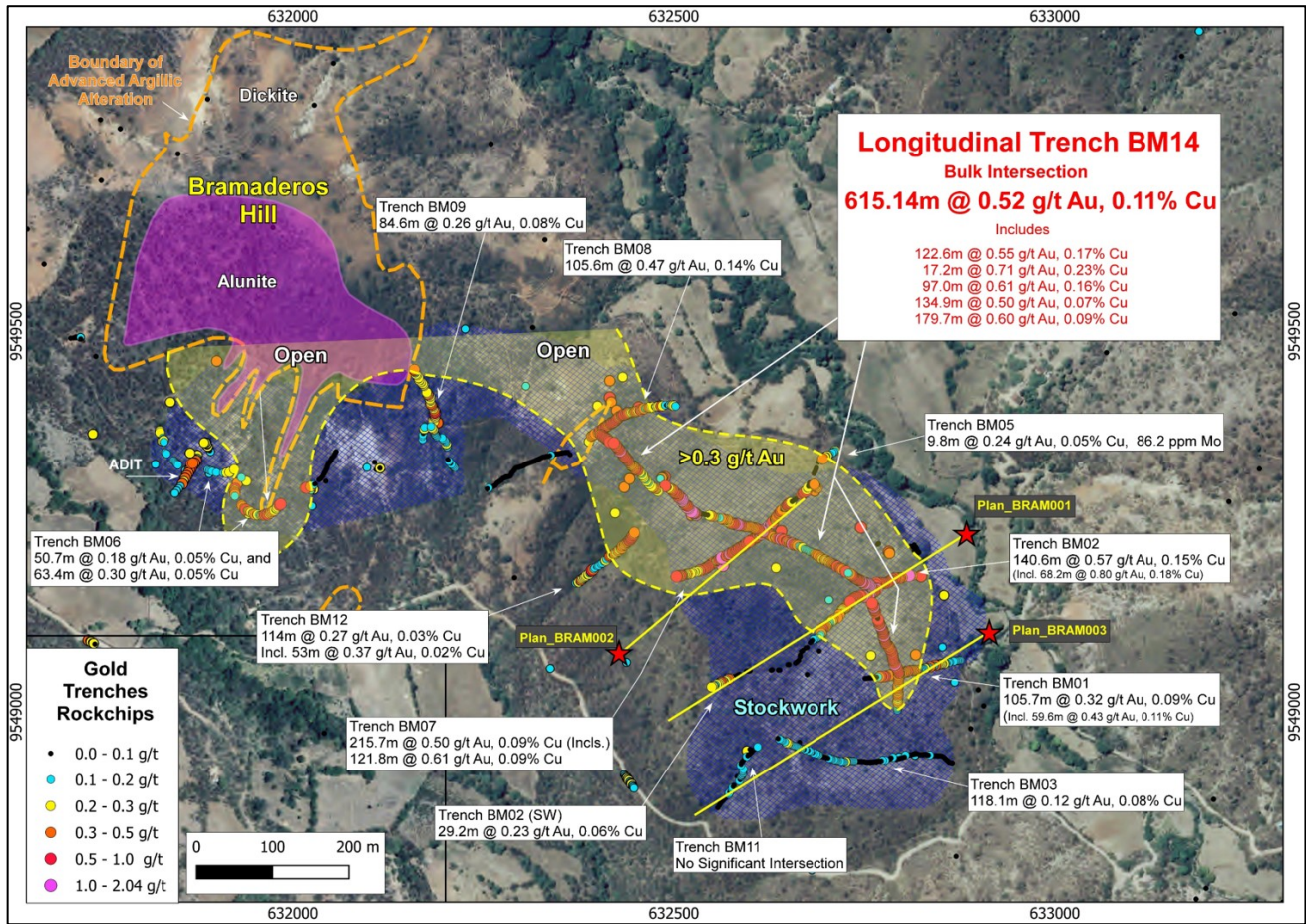


Figure 4: Plan image of the Bramaderos Main prospect showing all trenching and rock chip results and distribution of veining (blue) and 'high level' alteration at Bramaderos Hill. Proposed drill hole collars are shown in red stars and expected drill traces as yellow lines.

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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	Application	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 and Sweden

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
Litiumloydos Oy	Tammela*	Somero, Finland	Application	80%
Litiumloydos Oy	Ojalankulma [#]	Somero, Finland	Application	80%
Scandian Metals AB	Hietahauta	Kaustinen, Finland	Relinquished	0%
Scandian Metals AB	Viitala	Kaustinen, Finland	Relinquished	0%
Scandian Metals AB	Ojaklacken nr 1†	Vasternorrlands, Sweden	Granted	0%
Scandian Metals AB	Fannbyasen nr 1†	Vasternorrlands, Sweden	Granted	0%
Scandian Metals AB	Fannbyasen nr 2†	Vasternorrlands, Sweden	Granted	0%

*Somero 1-12 and Tammela 1-3 Claims under the old legislation have been converted to Exploration Permit Applications under the new legislation.

[^]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.

[†] No longer to be transferred to the former 20% shareholders of Scandian Metals Pty Ltd, and will be relinquished.

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
Email: gleicht@sunstonemetals.com.au

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: 1,214,876,776 (STM)
Quoted Options: 154,837,500 (STMO)*
(at 31 March 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:

Sunstone Metals Limited
T: 07 3368 9888
E: info@sunstonemetals.com.au
www.sunstonemetals.com.au

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")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(271)	(1,139)
(b) development		
(c) production		
(d) staff costs	(339)	(1,082)
(e) administration and corporate costs	(256)	(639)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	16
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	(860)	(2,843)
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 (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)	3,043	3,043
(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	3,040	3,040

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		(105)
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	1,915

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,557	2,654
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(860)	(2,843)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	3,043	3,040
4.4 Net cash from / (used in) financing activities (item 3.10 above)	0	1,915
4.5 Effect of movement in exchange rates on cash held	28	2
4.6 Cash and cash equivalents at end of period	4,768	4,768

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	4,101	121
5.2 Call deposits	667	2,436
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)	4,768	2,557

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**

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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	1,700
9.2 Development	
9.3 Production	
9.4 Staff costs	730
9.5 Administration and corporate costs	250
9.6 Other (provide details if material) Tax Payment	
9.7 Total estimated cash outflows	2,680

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	<u>Sweden:</u> Viscaria tenements	Swedish concessions disposed of through sale of Swedish subsidiary.	100%	0%
	<u>Finland:</u> Hietahauta and Viitala	Lithium tenements relinquished after review of prospectivity	100%	0%
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: 10 April 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.