2019 ANNUAL REPORT

SUNSTONE METALS LIMITED

CORPORATE DIRECTORY

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

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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ACN

123 184 412

SECURITIES EXCHANGE LISTING

Sunstone Metals Limited shares are listed on the Australian Securities Exchange

Ordinary fully paid shares
ASX Code: STM

Listed Options
ASX Code: STMO
(expire 31 August 2019)

SHARE REGISTRY

Computershare Investor Services

200 Mary Street
Brisbane Qld 4000

Investor Enquiries

1300 850 505
computershare.com.au

AUDITOR

BDO Audit Pty Ltd

Level 10/12 Creek Street
Brisbane Qld 4000

BANK

National Australia Bank Limited

Level 23, 100 Creek Street
Brisbane QLD 4000


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RIO BRASIL

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CHAIRMAN'S REVIEW

Dear Fellow Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 2019 Annual Report for Sunstone Metals Limited ('Sunstone' or 'Company'), and to thank all shareholders for your continued support of Sunstone.

Sunstone made significant steps during the year towards a major discovery at the Bramaderos gold-copper project in southern Ecuador, securing the environmental permit required to commence drilling.

Exciting results were received from the initial drill holes at Limon and Bramaderos Main. Drilling at Bramaderos Main confirming the best historical drilling results and zones of higher-grade gold and copper within a large low-grade gold-copper porphyry system. Results at Limon are indicating that the second hole drilled into the peripheral halo adjacent to the main core of the porphyry system where there is most likely to be significantly enhanced accumulations of copper and gold. Drilling will continue in the upcoming year at Limon, Bramaderos Main and West Zone, with a second drill rig mobilised to the project in August. Work will also continue in the coming year on several other high priority porphyry targets to prepare them for drill testing.

Major mining companies such as BHP, Codelco, Newcrest and FMG are now active in Ecuador and many companies are expanding their presence.

The Company has built a team in the junior resource sector that we believe is second to none. The teams previous work in Ecuador and overseas has led to significant discoveries and shareholder value growth, and the Sunstone team will work towards repeating that success at Bramaderos.

During the year, the Company completed the sale of the Viscaria Copper Project to Swedish listed exploration company, Copperstone Resources AB (listed on Nasdaq First North). Following completion of the transaction, Sunstone became the largest shareholder of Copperstone with around 38% of shares, and hence retains exposure to the Viscaria Copper Project as well as to Copperstone's other copper exploration projects in Sweden.

The Company continues to receive strong support from its shareholders and during the year completed an over-subscribed placement to existing shareholders and new sophisticated investors. In addition to this, the exercising of 154,837,500 Listed Options exercisable at $0.03 expiring 31 August 2019 was successfully underwritten to raise $4.6 million before fees. Myself and my fellow non-executive directors have also exercised 4,500,000 options at $0.032 which were to expire on 31 August 2019.

I would like to take this opportunity to express my thanks to Sunstone's staff, management and my fellow directors for their dedication and work during the past 12 months. We are committed to delivering strong shareholder returns and progressing the Company through its advancement into Ecuador, and realising the value of the Southern Finland Gold Project and the investment in shares held in Copperstone.

Yours sincerely

Graham Ascough
Chairman
Sunstone Metals Limited

28 August 2019

OPERATING REVIEW

FOR THE YEAR ENDED
30 JUNE 2019

INTRODUCTION

Sunstone Metals Limited ("Sunstone" or "Company") is an exploration and mineral development company, focussed on creating value for shareholders from the Bramaderos Gold-Copper Project in Ecuador, the Southern Finland Gold Project, and the major shareholding in Copperstone Resources AB who hold the Viscaria Copper Project in Sweden. Value for shareholders will be created by:

1. Exploring and drill testing the Bramaderos Gold-Copper Project in Ecuador, working towards repeating the Sunstone team's previous success of significant discoveries of porphyry copper-gold systems and delivering shareholder value growth;

2. Realising the value of the Viscaria Copper Project for the benefit of shareholders through the significant shareholding in Copperstone Resources AB; and

3. Investigating potential opportunities to monetise or involve third parties in progressing the development of the Southern Finland Gold Project.

Sunstone has a strong technical and operational team, which is considered to be one of the key strengths of the company.

Sunstone's vision is to be a successful explorer in the porphyry copper-gold space. The Bramaderos Gold-Copper Project is considered to be highly prospective for the discovery of large gold-copper systems.

Sunstone Metals is in the business of maximising shareholder return through the discovery and development of safe, efficient and environmentally responsible mining projects that offer a clear path forward to development. We aim to outperform our peers through discovery in areas with ready access to existing infrastructure, low utility costs and recognised commodity exposure.

SUNSTONE METALS

COMPANY HIGHLIGHTS

Share price and market capitalisation increased from an average of 2.9 cents per share and $27.5 million respectively for the year ended 30 June 2018 to an average of 3.5 cents per share and $40.2 million for the year ended 30 June 2019;

2018	2019
$27.5m AVE MARKET CAP	**$40.2m** AVE MARKET CAP
2.9c AVE SHARE PRICE	**3.5c** AVE SHARE PRICE

Commencement of drilling activities at the Bramaderos Gold-Copper Project

Exciting initial results from exploration activities at the Bramaderos Gold-Copper Project

Completion of the sale of the Viscaria Copper Project

Successful placement to raise $2 million (67.3 million shares at $0.03 per share)

PROJECT OVERVIEW

BRAMADEROS GOLD-COPPER PROJECT

Sunstone is earning a majority interest in the 4,949 hectare "Bramaderos" concession (Figure 1) in southern Ecuador held by La Plata Minerales S.A. ("PLAMIN"), a subsidiary of Cornerstone Capital Resources Inc ("Cornerstone") (TSXV-CGP).

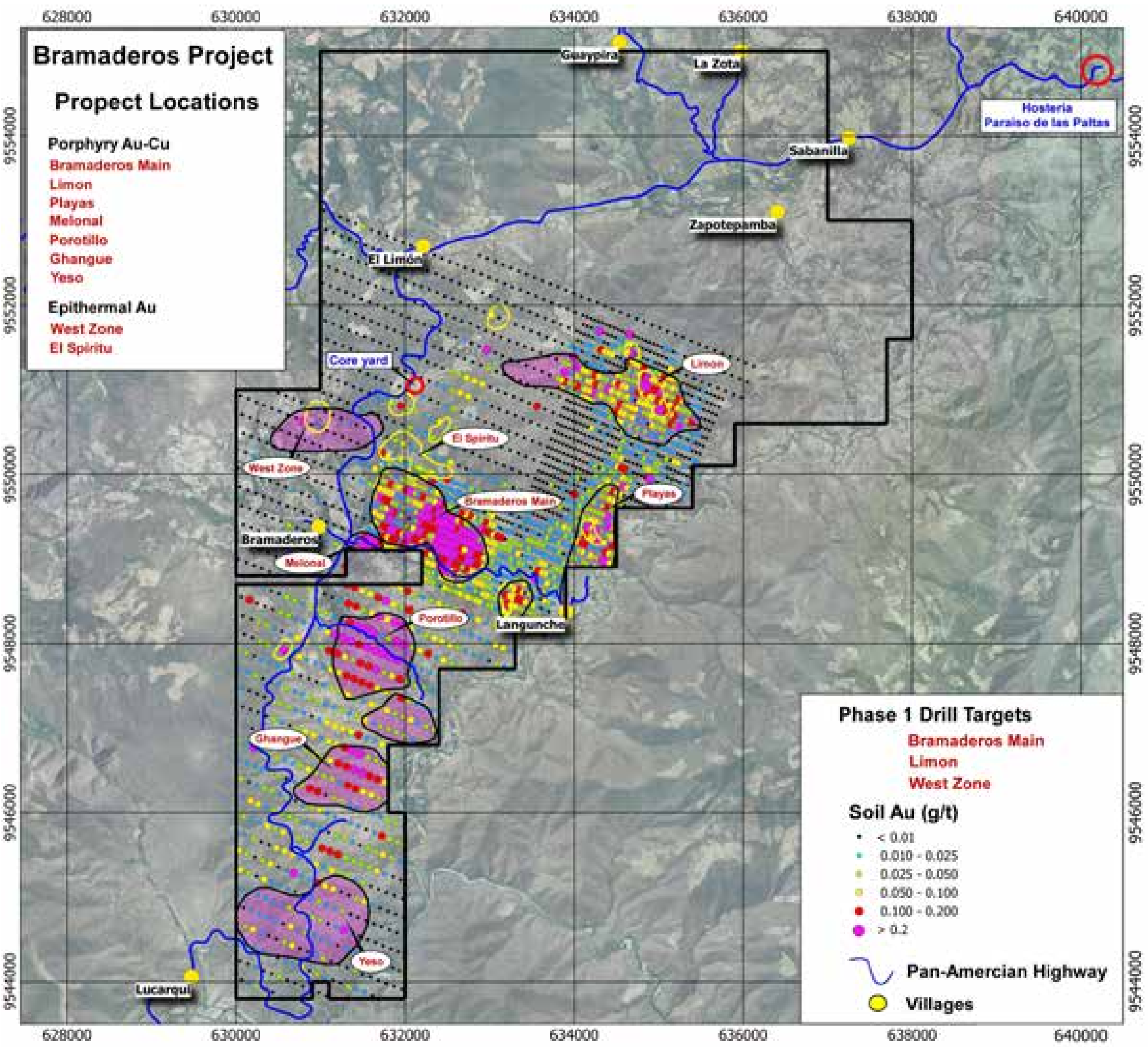
The Sunstone team has worked previously with Cornerstone on other projects in Ecuador which have led to significant discoveries and shareholder value growth, and the Sunstone team will work towards repeating that success at Bramaderos.

Subsequent to the end of the financial year Sunstone met the expenditure commitments required to earn 51% of the Bramaderos Project. As part of moving to 51% ownership Sunstone will transition to become the operator of the project over the next 6 months.

The Bramaderos concession is located in Loja province, some 90 km (1.5-hour drive) from the city of Catamayo and is considered to be highly prospective for the discovery of large gold-copper systems. Easy access is provided by the sealed Pan American Highway that crosses the western part of the concession.

Multiple targets have been defined and strengthened based on the integration of detailed heli-magnetic and radiometric survey results, trenching, geological mapping and soil sampling results. The defined areas of interest comprise 10 targets for porphyry gold-copper and an additional 10 targets for epithermal gold-silver.

Figure 1: Bramaderos project showing the location of the gold-copper porphyry targets, and the West Zone epithermal gold system.



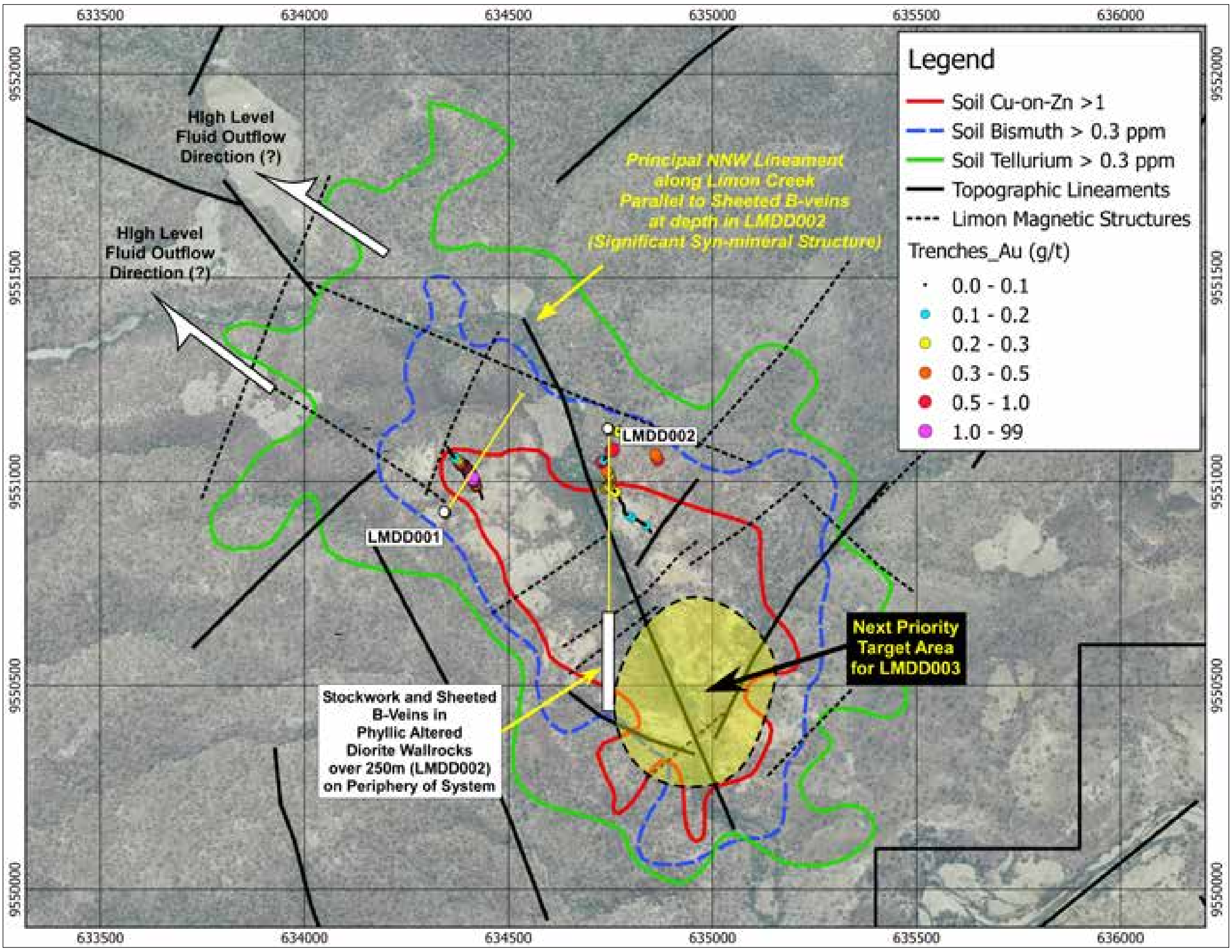


Figure 2: Plan view of surface geochemical zoning in soil sample assays and locations of holes LMDD001 and LMDD002. Hole LMDD001, which was drilled under trench Tr-LM01, lies near the north-western-most edge of the broader system. Hole LMDD002 was targeted to intersect structural features interpreted from various datasets, and to drill towards the centre of the Cu/Zn ratio contour. In the third dimension the porphyry zone is interpreted to be plunging to the south-east. The shaded yellow area outlines the follow-up target zone.

LIMON TARGET

Drilling at the Limon target commenced in April 2019. The first drill hole, LMDD001, was completed on April 25 at a depth of 490.6m (vertical depth of 340m) and appears to have drilled below an interpreted plunging mineralised porphyry intrusion. The second hole at Limon, LMDD002 was terminated at 893.58m. The original planned end-of-hole was 600m, but very encouraging visual results justified pushing the hole deeper.

Hole 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 (refer to ASX announcement dated 2 July 2019).

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 most likely to be significantly further enhanced accumulations of copper and gold.

The assay results from LMDD002 are entirely consistent with this geological interpretation and provide strong support for targeting the next hole at Limon approximately ~200-300m to the east of hole LMDD002 (Figure 2).

Previous surface sampling in the Limon area has returned up to 1.8% copper and 1.45g/t gold in rock chip samples, and paired samples of 1.24g/t gold and 0.23% copper, and 1.45g/t gold and 0.45% copper. Historic soil sampling has defined areas of coincident copper, gold and molybdenum anomalies over an area of approximately 1.4km x 0.5km.

Trench LM-01 at Limon intersected 97.6m grading 0.71g/t gold and 0.23% copper, including 65.0m @ 0.93g/t gold and 0.31% copper. Laterally, the trench sampled strongly altered rocks which overprint the underlying porphyry gold-copper system (refer to ASX Announcement dated 29 May 2018). Peak gold and copper assays are 1.94m at 1.20g/t gold and 1.25% copper and 2.06m at 1.74g/t gold and 0.41% copper from separate samples.

The intensely altered 'lithocap' at Limon is typical of the higher-level rock alteration associated with porphyry gold-copper systems, and the strongly mineralised diorite, over which the trench was cut, is interpreted to be an outcropping window of a more extensive mineralised diorite body at depth.

BRAMADEROS MAIN TARGET

At Bramaderos Main, a large magnetic body has been modelled (Figure 3) with a vertical depth of 1km and a surface expression that coincides with the areas of best historical drilling and significant gold anomalism defined in the recent trenching program. The most magnetic area of the magnetic anomaly has not been previously drill tested and occurs just beyond the highest assay results from historical hole CURI-03 (drilled to a depth of 257.24m in November-December 1999 by Paragon del Ecuador for Ecuanor), which included 30.2m at 0.8g/t gold and 0.2% copper at the bottom of the hole.

The first hole at the Bramaderos Main porphyry target, BMDD001, was completed at 669.49m down-hole and drilled parallel to, and 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, and below a surface longitudinal trench that delivered 615m at 0.52g/t gold and 0.11% copper (Figures 4 & 5). Hole BMDD002 was completed in July 2019 and is located approximately 150m to the south of BMDD001 to test the interpreted down-plunge geometry of the porphyry system (refer to ASX announcements dated 9 May 2018, 18 July 2019, 20 August 2019 and 26 August 2019).

Assay results from Bramaderos Main hole BMDD001 and the top 400m of hole BMDD002 have identified zones of higher-grade gold and copper within a large lower-grade porphyry gold-copper system. High-grade zones include down hole widths of up to 97m at 0.61g/t gold and 0.18% copper from 39.3m down hole in BMDD001 and 241.6m at 0.42g/t gold and 0.14% copper from 68.7m down hole in BMDD002, including 55.8m at 0.74g/t gold and 0.15% copper from 250m down hole.

Early results from trenching and drilling indicate that the higher-grade zones can be mapped at surface and in drill holes as well-defined sub-vertical zones (Figures 4 - 5). At least three of these zones can be seen at surface in the early exploration datasets and trend NW.

Trenching at Bramaderos Main has delivered several encouraging intersections (refer to ASX Announcements dated 9 May 2018 and 1 February 2018) including:

- 615m at 0.52g/t gold and 0.11% copper from trench BM14, with cumulative intervals from the trench that are >0.3g/t gold and >10m length totalling 397m @ 0.69g/t gold and 0.14% copper;
- 140.6m at 0.57g/t gold and 0.15% copper, including 68.2m at 0.80g/t gold and 0.18% copper from trench BM02; and
- 215.7m at 0.50g/t gold and 0.09% copper, including 121.8m at 0.61g/t gold and 0.09% copper from trench BM07, which was positioned over the top of the historical diamond drill hole CURI-13 and is parallel and 200m away from trench BM02 sited over the top of hole CURI-03.

Further historical drilling results at Bramaderos Main include wide intervals such as 404.30m @ 0.41g/t gold, 0.10% copper (from 3.66m depth), including 187m @ 0.50g/t gold, 0.10% copper (from 131m depth). The historic drill holes further reinforce the potential for significant vertical extent to the mineralised zones intersected by trenching at surface, defines significant strike extent, and demonstrates lateral continuity in grade.

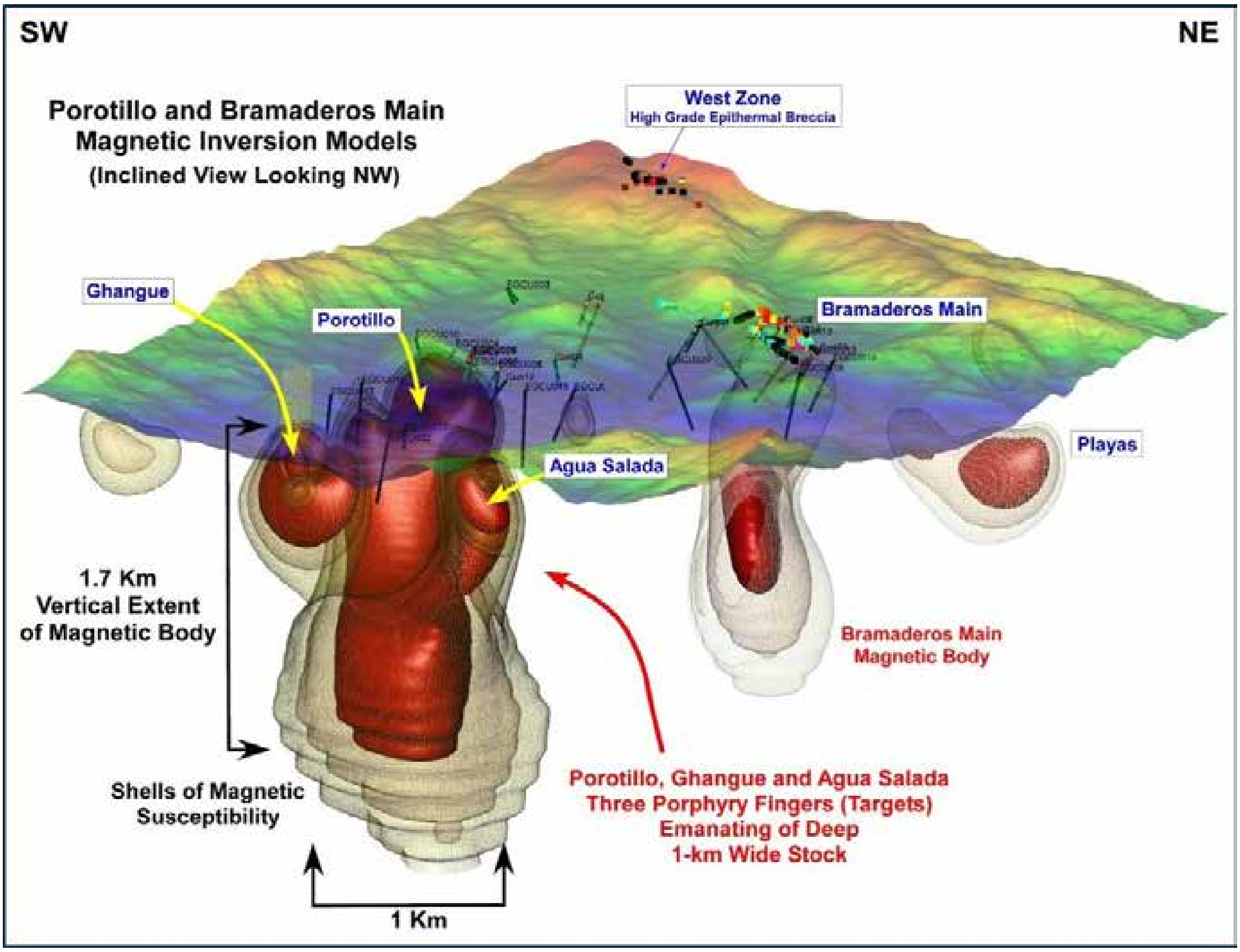


Figure 3: 3-D view of the helimagnetic inversion model, looking towards the NW (towards West Zone) and across the Bramaderos Main and Porotillo porphyry targets. Gold in trenches shown at Bramaderos Main and West Zone.

WEST ZONE TARGET

Trenching results at the West Zone breccia include a zone of 42m at 3.7g/t gold. Drilling at West Zone is anticipated to commence shortly with a second drill rig mobilised to site in August.

OTHER TARGETS

The magnetic modelling has also enhanced the Porotillo target, located 1.5km south of Bramaderos Main (Figures 1 and 3), by providing context for areas of significant gold-in-soil anomalies, and historical drilling which appears to have been drilled on the periphery of the magnetic target zone. The 3-D modelling has defined a large magnetic body, which transitions near surface into a cluster of magnetic bodies, with a vertical extent exceeding 1.7km and coinciding at surface with anomalous gold and copper soil sampling results.

This work has also defined a widespread and continuous area of alteration covering over 17 km2 which coalesces around, and envelopes, many of these target areas. Some of the porphyry and epithermal targets overlap, which is to be expected from a technical perspective.

Drilling will continue in the upcoming year at Limon, Bramaderos Main and West Zone, with a second drill rig mobilised in August, and work will also continue on several other high priority porphyry targets to prepare them for drill testing.

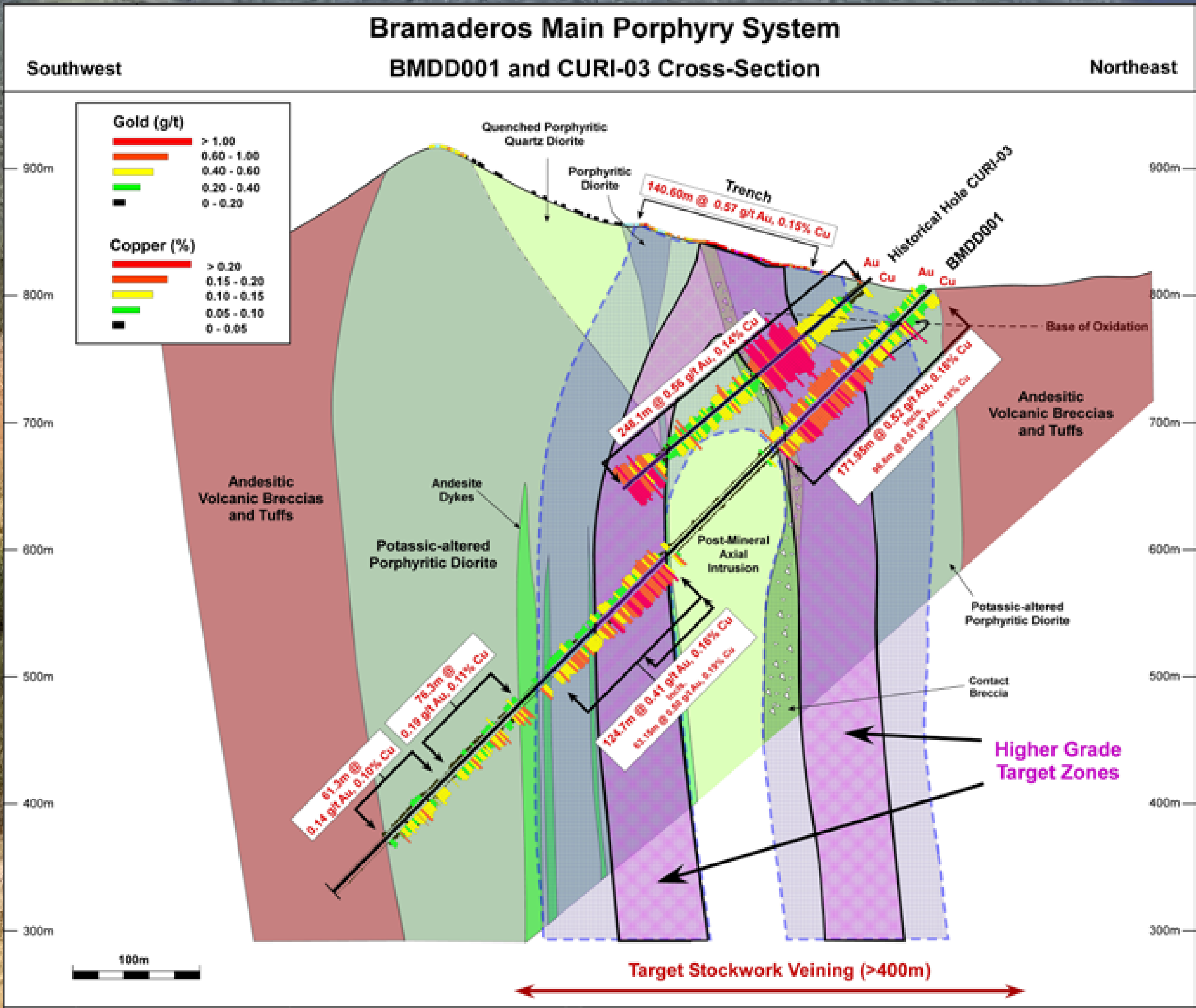


Figure 4: Cross section showing BMDD001 showing current interpretation of steep higher-grade zones, within a broad lower grade porphyry system.

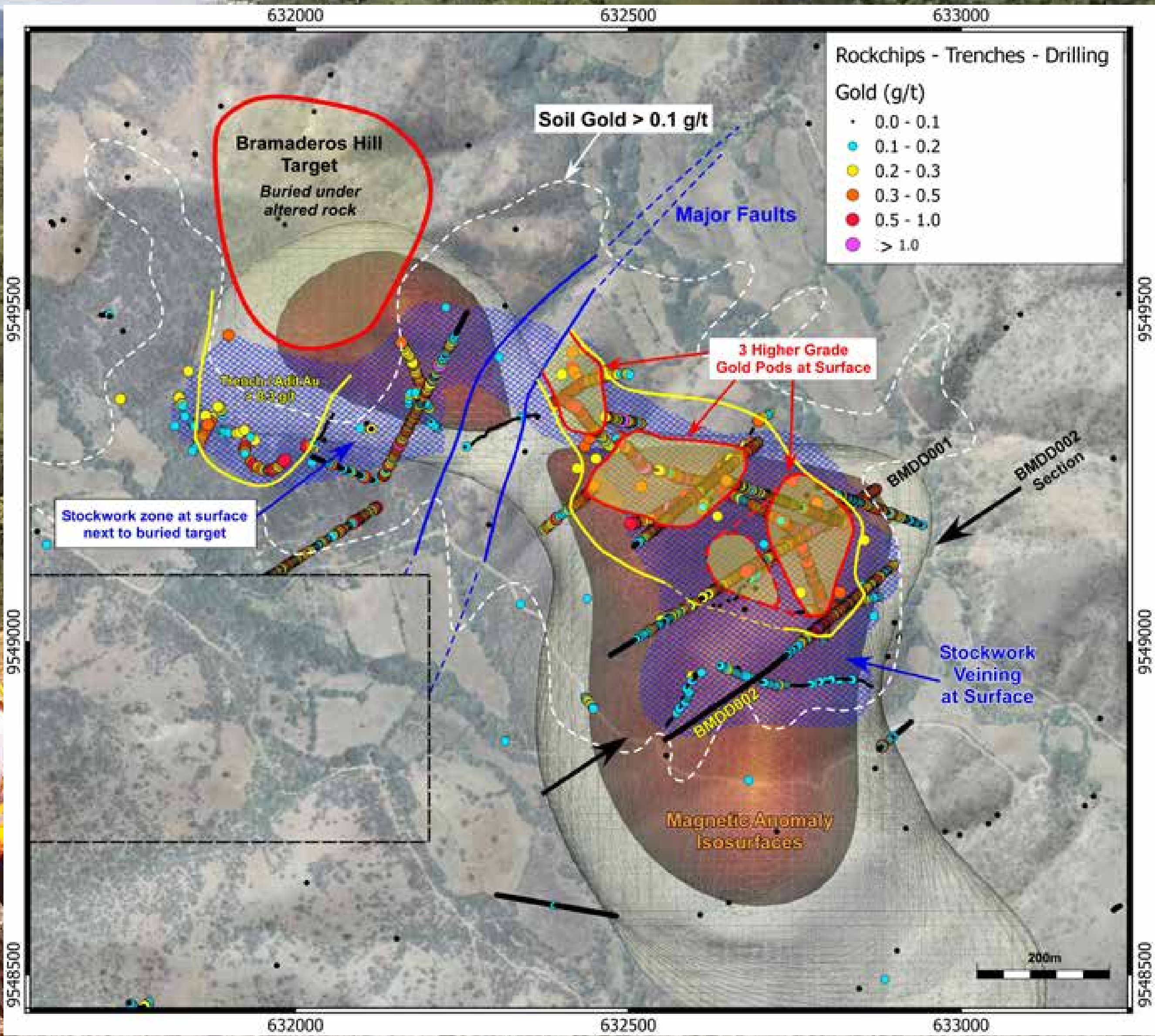


Figure 5: Trenches, drill holes, surface veining and 3-D magnetic body - Plan view showing the location of BMDD001 and BMDD002 cross sections, within the context of the broader Bramaderos Main target and specifically the relationship to a southeast plunging magnetic body and a surface expression of mineralisation-related stockwork veining.

VISCARIA COPPER PROJECT

During the year ended 30 June 2019, the Company sold its interest in the Viscaria Copper Project in Sweden to Copperstone Resources AB for a combination of cash and shares. The Viscaria Copper Project is a high quality, Pre Feasibility Study-stage copper project, with excellent exploration upside, holding significant value in a strengthening copper price environment.

Sunstone received on closing of the transaction cash of 20 million Swedish Kronor (MSEK) equal to approximately $3.1 million and 160 million shares in Copperstone, valued at approximately $24.4 million at closing.

Further consideration of 10 MSEK cash was received on 11 July 2019, with 5 MSEK plus accrued interest converted to an additional 12.5 million shares in Copperstone, and a further 5 MSEK cash plus interest to be received by November 2019.

In addition, future consideration of 20 MSEK cash, and 46 million shares in Copperstone will be received upon receipt of an environmental permit for the Viscaria Copper Project.

As at 30 June 2019 Sunstone holds ~38% of the shares in Copperstone, and thus retains significant exposure to Viscaria as well as to Copperstone's other copper exploration projects in Sweden, with potential synergies across the projects.

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

Figure 6: Scandinavian project locations.

SOUTHERN FINLAND GOLD PORTFOLIO

Sunstone holds an 80% interest in claim areas that include two known gold opportunities, Satulinmäki and Riukka. Historical drilling was undertaken by the Finnish Geological Survey (GTK) and only tested to ~70m below surface, but delivered very strong results including 22m @ 3.6 g/t gold from 50 metres (hole 391) at Satulinmäki.

Sunstone completed a large Induced Polarisation (IP) geophysical survey at Satulinmäki during 2017. Geophysical mapping of interpreted sericite alteration and distribution of sulphides, both known to be associated with gold mineralisation from drilling, has shown two main trends –

- The main Satulinmäki gold trend, which had been outlined over a ~300m strike length from drilling, has been extended to 1.2 kilometres by the IP survey; and
- A new northwest trending zone measuring 800m long.

Conductivity results have identified discrete anomalies that coincide with the high-grade intersections delivered by holes such as SMDD007, 23.5m at 3.3g/t gold including 9.2m at 7.3g/t gold (refer ASX announcement dated 14 November 2016).

An Ionic leach soil sampling program was completed in October 2018 that is designed to detect pathfinder metal ions related to gold mineralisation. This survey was conducted to identify anomalous areas that lie along the Satulinmäki to Riukka gold trend on the Tammela Gold Project. Several anomalies were defined, and these will be followed up. The results of the 2017 IP survey were also re-processed and re-interpreted, and the results have enhanced the confidence in target definition and further defined areas for follow-up trenching and drilling.

Based on Sunstone's regional assessment of gold prospectivity in southern Finland, areas of interest are held under approved Exploration Permits and Exploration Reservations, plus 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's subsidiary Scandian Metals Pty Ltd (Scandian) holds an 80% interest in the lithium rights within claim areas that include the Kietyönmäki lithium occurrence which was discovered by the Finnish Geological Survey (GTK) in the mid-1980's.

During the financial year Sunstone issued 600,000 Sunstone shares in consideration for the sale/transfer to Sunstone of the recipients' 20% minority interest in Scandian, with Sunstone holding 100% of Scandian as a result.

There was no significant field activity during the year.

MINERAL RESOURCE

Due to the sale of Avalon Minerals Viscaria AB which holds the Viscaria Copper Project, the Mineral Resource Estimates from the 2018 Annual Report which related to Viscaria have now been removed.

TENEMENT SCHEDULE

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 AND SWEDEN

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

^ Sunstone has a right to earn up to 80% under the terms of the earn-in agreement announced to ASX on 10 April 2017. During August 2019 the expenditure commitments were met to earn 51% of the project.

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

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.

DIRECTOR'S REPORT

Your Directors present their report on Sunstone Metals Ltd ("Sunstone" or "Company"), and the entities it controlled ("Consolidated Entity" or "Group") for the financial year ended 30 June 2019.

DIRECTORS

The following persons were Directors of Sunstone Metals Ltd at all times during the financial 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 Don Hyma	Non-Executive 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 be paid to members during the financial period.

REVIEW OF OPERATIONS

Refer to the Operating Review contained in the Annual Report for further discussion regarding the Company's operations.

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

	2019 $	2018 $
Revenue and other income	**87,262**	57,137
Profit/(loss) before income tax	**(22,934,205)**	(1,760,165)
Income tax expense	**-**	-
Profit/(loss) attributable to members of Sunstone Metals Limited	**(22,930,603)**	(1,760,165)
Profit/(loss) attributable to non-controlling interests	**(3,602)**	(10,495)
Earnings per share	**2019 cents**	2018 cents
Basic earnings per share	**(1.9)**	(0.2)

FINANCIAL PERFORMANCE

During the year ended 30 June 2019 the Group incurred a loss of $22,934,205 (2018: loss of $1,760,165). The loss is largely due to impairment expenses, loss on sale and net fair value losses recognised of $20,610,183 in total, for the sale of Avalon Minerals Viscaria AB to Copperstone Resources AB ("Copperstone"), (representing the calculated value of the transaction at closing with the future consideration receivable discounted to present value compared to the carried value of the investment in Viscaria), as well as the decrease in value of the shares held in Copperstone between the initial recognition and 30 June 2019 and the write down of exploration costs on relinquished tenements. In addition to this, there are corporate costs incurred to fund the progression of activities in Ecuador, Sweden and Finland.

FINANCIAL POSITION

The Company's non-current assets decreased from $44,543,167 at 30 June 2018 to $23,749,070 at 30 June 2019 due to the disposal of the Viscaria Copper Project and the value of the shares held in Copperstone falling with share price moving from 1.015 SEK per share at closing to 0.47 SEK per share at 30 June 2019, offset by expenditure incurred on the Bramaderos Project in Ecuador and the Southern Finland Gold Project.

During the year, the Company had a net increase in contributed equity of $2,104,720 as a result of:

- A placement of 67,330,665 fully paid shares for a consideration of $2,019,920 excluding fees (3 cents per share) in November 2018.
- Issue of 600,000 shares in July 2018 with a value of $22,800 to acquire the minority interest of subsidiary Scandian Metals Pty Ltd.
- Vesting of 5,244,072 performance rights with a value of $66,529 in September 2018.
- Vesting of 6,000,000 performance rights with a value of $103,200 in April 2019.

At the end of the financial period, the Group had cash balances of $1,874,864 (2018 $2,653,789) and net assets of $28,127,130 (2018: $46,966,675). Total liabilities amounted to $695,959 (2018: $310,250) and included trade, other payables and provisions.

EVENTS OCCURRING AFTER REPORTING DATE

Further consideration of 10 million Swedish Kronor (SEK) cash ($1.5 million) for the sale of the Viscaria Copper Project was received on 11 July 2019, with 5 million SEK plus accrued interest ($0.9 million) converted to an additional 12.5 million shares in Copperstone, and a further 5 million SEK cash plus interest to be received by November 2019.

Listed Options that expire 31 August 2019 with an exercise price of $0.03 each were underwritten on 2 August 2019, for the receipt of $4.6 million (before fees) for the exercising of 154,837,500 Options.

Subsequent to the end of the financial year, the Company reached the expenditure required to earn 51% of the Bramaderos project under the terms of the agreement with Cornerstone. Sunstone will now become a 51% shareholder in the company which holds the Bramaderos Concession and will become the Operator of the Joint Venture.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those matters discussed in this report, no significant changes in the state of affairs of the Group occurred during the financial period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue exploration and development activities. The Group assesses commercial opportunities for corporate growth, including the acquisition of interests in projects, as they arise. Due to the unpredictable nature of these opportunities, developments could occur at short notice.

ENVIRONMENTAL REGULATION

The Group is subject to the environmental laws and regulations imposed under the Environmental Codes in the jurisdictions in which it operates. The Group is currently engaged in exploration activities which are governed by conditions or recommendations imposed through the granting of a licence or permit to explore. Compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve. There were no known breaches of any environmental laws or regulations during the year.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year were:

CURRENT DIRECTORS

MR GRAHAM ASCOUGH

(appointed as Non-Executive Chairman 29 November 2013)

Member of the Audit and Financial Risk Committee & Remuneration Committee

Experience and expertise

Mr Ascough (BSc, PGeo, MAusIMM) is a senior resources executive with more than 30 years of industry experience evaluating mineral projects and resources in Australia and overseas. He is currently non-executive Chairman of ASX listed companies: PNX Metals Limited and Musgrave Minerals Limited.

Mr Ascough, a geophysicist by training, has had broad industry involvement playing a leading role in setting the strategic direction for companies, completing financing and in implementing successful exploration programmes. He is a member of the Australasian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Limited, which was acquired by Xstrata Plc in 2006.

Other directorships of listed companies in the past three years

- PNX Metals Limited (formerly Phoenix Copper Limited) (appointed 7 December 2012)
- Mithril Resources Limited (appointed 9 October 2006; Ceased 15 May 2019)
- Musgrave Minerals Limited (appointed 26 May 2010)

MR MALCOLM NORRIS

(appointed as CEO & Managing Director 1 April 2014)

Member of the Audit and Financial Risk Committee & Remuneration Committee

Experience and expertise

Mr Norris (MSc, MAppFin, MAICD, FAusIMM) is a senior mining industry professional with extensive experience in business management, mineral exploration, development of new business opportunities and asset transactions. His roles have covered a wide range of commodities, geographic locations and management of global portfolios of projects in both large and small organisations.

Mr Norris holds an MSc in Geology and a Masters in Applied Finance. He has more than 30 years of industry experience and in the last 15 years has focused primarily on corporate roles. He led the team which discovered the giant 2Bt Tujuh Bukit copper-gold deposit in Indonesia. Previous experience has included 23 years with WMC Resources, followed by roles with Intrepid Mines and SolGold.

- Other directorships of listed companies in the past three years
- Magmatic Resources Limited (appointed 20 December 2016)

MR DON HYMA

(appointed as a Non-Executive Director 19 March 2014)

Chairman of the Remuneration Committee & member of the Audit and Financial Risk Committee

Experience and expertise

Mr Hyma (BSc, MSc, PEng, IED) is a mining industry executive with more than 25 years of progressive capital project experience in the resource sector in Canada, Chile, New Caledonia and Australia. His experience includes direct involvement in delivering numerous major projects, taking them from studies through to implementation, for several multi-national resource companies in the nickel, copper and iron ore industries.

Mr Hyma holds a BSc in Mining Engineering and an MSc in Mineral Processing, along with an International Executive Management Diploma (INSEAD). Based in Perth, Mr Hyma is currently Project Director for Fortescue Metals Group and was previously Chief Technical Officer with Mitsui & Co as well as previously providing independent advisory services to several multi-national trading and resource companies. Prior to these engagements, Mr Hyma was Vice-President – Expansion Projects for the Iron Ore Company of Canada and General Manager, Mine and Infrastructure Projects for Rio Tinto Iron Ore. Mr Hyma has also held senior management and engineering roles at Falconbridge Limited working on the Koniambo nickel, Raglan nickel and Collahuasi copper projects.

Other directorships of listed companies in the past three years: Nil

MR STEPHEN STROUD

(appointed as a Non-Executive Director 6 September 2017)

Chairman of the Audit and Financial Risk Committee & member of the Remuneration Committee

Experience and expertise

Mr Stroud (B.Acc, CPA, FINSIA) is an experienced CPA qualified corporate finance executive with over 20 years experience advising across all aspects of corporate finance both as an advisor and client. He has advised boards and management teams across a broad range of transactions including public and private equity raisings, debt/hybrid debt, Initial Public Offerings, mergers & acquisitions, sell-downs and restructures both in Australia and overseas.

Mr Stroud is Director - Corporate Finance with Morgans Financial Limited, with a key focus on the small-mid cap market listed space on the ASX working across a broad range of sectors including IT, retail, FMCG, healthcare, metals and mining, energy, property and general industrials. Mr Stroud possesses strong relationships across buy and sell side clients across Australia, Asia, UK and North America.

Other directorships of listed companies in the past three years:

- Explaurum Limited (appointed 21 January 2016; Ceased 6 March 2019)

COMPANY SECRETARY

MR GAVIN LEICHT

(appointed 28 April 2015)

Mr Leicht has over 20 years experience in various financial roles, including more than 15 years in senior financial positions in the resources sector in Australia and overseas with Rio Tinto Limited and PanAust Limited. Mr Leicht holds a Bachelor of Commerce degree from the University of Newcastle. He has also been a Member of the Australian Society of Certified Practising Accountants, Governance Institute of Australia and the Finance & Treasury Association.

Meetings of Directors There were 7 meetings of the Company's board of Directors held during the year ended 30 June 2019. The number of meetings attended by each Director were:

	Meeting of Directors		Remuneration Committee		Audit and Financial Risk Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Graham Ascough	7	7	1	1	2	2
Mr Malcolm Norris	7	7	1	1	2	2
Mr Don Hyma	7	7	1	1	2	2
Mr Stephen Stroud	7	7	1	1	2	2

Further details of the operation of all Committees are contained in the Corporate Governance Statement.

REMUNERATION REPORT (AUDITED)

KEY MANAGEMENT PERSONNEL

The remuneration report outlines the Director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this report, the term "executive" encompasses the chief executive, senior executives, general managers and the Chief Financial Officer & Company Secretary of the Group. Key management personnel during the year and at the date of this report (unless otherwise stated) are:

DIRECTORS OF THE COMPANY

CHAIRMAN

Mr Graham Ascough	Non-Executive Chairman (appointed 29 November 2013)

CEO & MANAGING DIRECTOR

Mr Malcolm Norris	CEO & Managing Director (appointed 1 April 2014)

NON-EXECUTIVE DIRECTORS

Mr Don Hyma	Non-Executive Director (appointed 19 March 2014)
Mr Stephen Stroud	Non-Executive Director (appointed 6 September 2017)

OTHER KEY MANAGEMENT PERSONNEL

Mr Ray Robinson	General Manager Studies & Technical Services (appointed 12 January 2015)
Dr Bruce Rohrlach	General Manager Geology (appointed 7 April 2015)
Mr Gavin Leicht	Chief Financial Officer & Company Secretary (appointed 20 April 2015)

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Executive contractual arrangements
D Share-based compensation

A PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The Group's executive reward framework is designed to reward performance for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and seeks to conform to market best practice for delivery of rewards. The Board considers the following key criteria for good reward governance practices in determining executive rewards:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management.

The Group has structured an executive remuneration framework that aims to be market competitive and complimentary to the reward strategy of the organisation.

ALIGNMENT TO SHAREHOLDERS' INTERESTS:

- focuses on exploration success and project development as the creation of shareholder value and returns
- attracts and retains high calibre executives.

ALIGNMENT TO PROGRAM PARTICIPANTS' INTERESTS:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The overall level of executive reward takes into account the performance of the Group. The Group is involved in mineral exploration and did not derive a profit and therefore growth in earnings is not considered relevant. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly.

	2019	2018	2017	2016	2015
Impact on shareholder wealth					
Gain/(Loss) per share (cents)	**(1.9)**	(0.2)	(0.4)	(1.0)	(1.2)
Share price	**4.1**	3.8	1.5	1.6	3

The Company's performance rights plan links employees' remuneration to the share price of the Company as the performance conditions include ASX trading price hurdles.

EXECUTIVE PAY

The executive pay and reward framework has two components:

- Fixed remuneration (base salary, superannuation & other non-monetary benefits)
- Variable remuneration (long-term incentives through participation in the performance rights plan and short-term incentives through cash bonuses)

The combination of these components comprises the executive's total remuneration.

FIXED REMUNERATION

- Base salary

  Base salary is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits.

  Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to assess if the executive's pay is competitive with the market.

  There are no guaranteed base pay increases included in any senior executives' contracts.

- Non-monetary benefits

  Executives may receive benefits including car allowances, car parking and reasonable entertainment expenses.

- Post-employment benefits

  Executives are permitted to nominate a superannuation fund of their choice to receive contributions.

- Long-term benefits

  Long-term benefits include long service leave entitlements.

VARIABLE REMUNERATION

- Long Term Incentive (Employee Performance Rights Plan)

  At the discretion of the Board, employees can be invited to participate in the Company's Employee Performance Rights Plan. The issue of performance rights is designed to reward key employees for performance and align their performance with the Company growth and strategic objectives. Options may also be granted, at the discretion of the Board, to employees upon commencement of employment with the Company. Options and performance rights issued to Directors are subject to shareholder approval. The Board feels that the expiry date, exercise price and, where applicable, vesting performance conditions of option and performance rights issues to executives is appropriate to align the goals of the executives with those of the shareholders to maximise shareholder wealth.

- Short Term Incentive (Cash bonuses)

  The Board reviews the Company's Short Term Incentive (STI) program annually and sets the Key Performance Indicators (KPIs) required to be achieved to receive any STI payment. The total potential STI available to individual executives is set at a level so as to provide sufficient incentive to executives to achieve their targets while ensuring that the cost to the Company is reasonable in the circumstances.

  The STI for the 2018/19 year includes five KPIs, each one equating to a cash bonus of 20% of base salary if achieved. At the Board's discretion a payment under the STI may be increased to a maximum of double in recognition of exceptional performance, therefore the maximum potential STI payment is 200% of base salary. Cash bonuses equivalent to 40% of base salary were issued to all four executives during the year ended 30 June 2019 following achievement of two KPIs in relation to securing the necessary permits to commence drilling in Ecuador and sale of the Viscaria Copper Project (2018: nil).

  The measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.

As part of the terms and conditions of employment, the Company prohibits executives from entering into arrangements to protect the value of unvested long term incentive awards. This includes entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package. Entering into such arrangements has been prohibited by law since 1 July 2011.

NON-EXECUTIVE DIRECTORS

Fees and payments to non-executive Directors are structured to reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Directors' fees

The base remuneration was reviewed and increased by the Board from 1 July 2018, subject to commencement of drilling in Ecuador. Fees for the Chairman increased from $75,000 p.a. to $85,000 p.a. and fees for other Non-executive Directors increased from $45,000 p.a. to $50,000 p.a. Directors' remuneration is inclusive of committee fees.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at $300,000.

RETIREMENT ALLOWANCES FOR DIRECTORS

Directors are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made to Directors or other key management personnel and their related parties.

B DETAILS OF REMUNERATION

Details of the remuneration of the Directors and the key management personnel of Sunstone Metals Ltd are set out in the following tables.

2019	Short-term benefits		Post-employment benefits		Share-based payments		
Name	Cash salary and fees	Cash bonus	Super-annuation	Termination Payments	Options and Rights	Total	Performance related
	$	$	$	$	$	$	%
Directors of Sunstone Metals Ltd							
Mr G Ascough	85,000	-	-	-	9,016	94,016	9.6%
Mr M Norris	275,400	110,160	26,163	-	39,093	450,816	33.1%
Mr D Hyma	50,000	-	-	-	9,016	59,016	15.3%
Mr S Stroud	50,000	-	-	-	9,016	59,016	15.3%
Other key management personnel							
Mr R Robinson	234,600	93,840	22,287	-	50,247	400,974	35.9%
Mr G Leicht	204,000	81,600	20,531	-	52,497	358,628	37.4%
Dr B Rohrlach	204,000	81,600	20,531	-	52,497	358,628	37.4%
Total	**1,103,000**	**367,200**	**89,513**	**-**	**221,382**	**1,781,095**	

Performance Rights issued are dependent on the satisfaction of performance conditions, and the amounts included in the above table represent the accounting expense recognised during the financial year.

STI payment equates to 20% of maximum potential STI being awarded with 80% of maximum potential STI forfeited.

2018	Short-term benefits		Post-employment benefits		Share-based payments		
Name	Cash salary and fees	Cash bonus	Super-annuation	Termination Payments	Options and Rights	Total	Performance related
	$	$	$	$	$	$	%
Directors of Sunstone Metals Ltd							
Mr G Ascough	75,000	-	-	-	3,434	78,434	4.4%
Mr M Norris	270,000	-	25,650	-	24,604	320,254	7.7%
Mr C Henderson [1]	18,750	-	-	-	-	18,750	0.0%
Mr D Hyma	45,000	-	-	-	3,434	48,434	7.1%
Mr S Stroud[2]	36,875	-	-	-	3,434	40,309	8.5%
Other key management personnel							
Mr R Robinson	239,583	-	22,760	-	33,302	295,645	11.3%
Mr G Leicht	200,000	-	19,000	-	32,467	251,467	12.9%
Dr B Rohrlach	200,000	-	19,000	-	32,467	251,467	12.9%
Total	**1,085,208**	**-**	**86,410**	**-**	**133,142**	**1,304,760**	

1. Resigned 22 November 2017
2. Appointed 6 September 2017

Shareholder approval was obtained at the Annual General Meeting held on 22 November 2017 for the issue of 1,500,000 options to each of the 3 non-executive directors, exercisable at $0.032, vesting 22 November 2018 and expiring 31 August 2019. The options have a calculated value as at grant date of $0.0083 per option for a total expense of $37,350 to be recognised over the term of the options.

Performance Rights issued are dependent on the satisfaction of performance conditions. During the 2018 financial year the 2017 performance rights subject to a $0.045 per share price hurdle vested for the other key management personnel.

C EXECUTIVE CONTRACTUAL ARRANGEMENTS

Remuneration for the CEO & Managing Director and Key Management Personnel are formalised in service agreements.

Mr Malcolm Norris, CEO & Managing Director

Base salary, exclusive of superannuation and other benefits, is $275,400, following a 2% CPI increase on 1 July 2018, to be reviewed annually on 1 July of each year. Four weeks annual leave is provided.

The Executive Services Agreement stipulates Mr Norris or the Company may provide six (6) months written notice of termination. The agreement includes a provision for a termination payment equal to the maximum amount calculated in accordance with section 200F of the Corporations Act 2001 (Cth), subject to any restrictions or approvals under the Listing Rules and the Corporations Act.

Other Key Management

Contracts for other Key Management Personnel have no fixed duration and can be terminated by the employee by providing three (3) months written notice. The Company may terminate employment by providing three (3) months written notice or by payment of six (6) months salary in lieu of notice.

Base salary for other Key Management Personnel are reviewed annually on 1 July of each year, with a 2% CPI increase occurring on 1 July 2018.

D SHARE-BASED COMPENSATION

Options and performance rights provided as remuneration and shares issued on exercise

Performance Rights movements during the financial year:

2019	Beginning Balance	Granted as remun-eration	Vested during year	Lapsed	Balance at end of year	Vested		Lapsed	
						$	%	$	%
Directors of Sunstone Metals Ltd									
Mr M Norris	5,943,356	4,100,000	1,311,018	1,604,356	7,127,982	39,331	13.1%	24,672	16.0%
Other key management personnel									
Mr R Robinson	7,009,723	2,100,000	3,311,018	1,366,988	4,431,717	123,331	36.3%	21,022	15.0%
Mr G Leicht	6,831,108	2,100,000	3,311,018	1,188,373	4,431,717	123,331	37.1%	18,275	13.3%
Dr B Rohrlach	6,831,108	2,100,000	3,311,018	1,188,373	4,431,717	123,331	37.1%	18,275	13.3%
Total	**26,615,295**	**10,400,000**	**11,244,072**	**5,348,090**	**20,423,133**	**409,322**	**30.4%**	**82,245**	**14.4%**

Shareholder approval was obtained at the Annual General Meeting held on 27 November 2018, for the issue of 4,100,000 Performance Rights with an exercise period of 3 years to Mr M Norris on the following terms (also 2,100,000 granted to each of the other key management personnel during the financial year on the same terms and same allocation between tranches):

- Tranche 1 – 33.33% to vest upon the later of both the following vesting conditions occurring:
  - Closing Price of Sunstone Shares being $0.05 or more for 10 consecutive trading days; and
  - 12 months after issue;
- Tranche 2 – 33.33% to vest upon TSR performance as measured against the ASX Small Resources Index, as follows:
  - Performance below the index no shares will vest.
  - Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Sunstone's performance be greater than 25% above the index performance.
  - Testing will be annually on 30th June; and
- Tranche 3 – 33.33% to vest upon the later of both the following vesting conditions occurring:
  - Closing Price of Sunstone Shares being $0.065 or more for 10 consecutive trading days; and
  - 12 months after issue.

During the 2019 financial year a total of 11,244,072 performance rights that were granted in 2017 vested for key management personnel:

- 2,244,072 performance rights subject to a Total Shareholder Return (TSR) hurdle, with the Sunstone share price outperforming the ASX Small Resources Index over the relevant testing period by 12.4% resulting in 74.8% of the relevant 2017 performance rights vesting;
- 3,000,000 performance rights subject to $0.036 per share price and TSR hurdle; and
- 6,000,000 performance rights subject to $0.042 per share price hurdle.

The shares for the TSR and $0.036 performance rights were issued following the calculation of the 12 month TSR and valued at the 5 day VWAP prior to issue of $0.03 per share. The shares for the $0.042 performance rights were issued following achievement of the 10 continuous days closing at or above the share price of $0.042.

Performance Rights issued in 2015 expired in December 2018, with 5,348,090 performance rights for key management personnel lapsing.

Subsequent to the end of the financial year, a further 2,785,060 performance rights subject to TSR hurdles plus 2,785,880 and 696,265 subject to share price hurdles of $0.07 and $0.045 respectively issued in July 2016 lapsed, while 3,668,874 performance rights issued in November 2018 that were subject to TSR hurdles vested.

Option movements during the financial year:

2019	Beginning Balance	Granted as remuneration	Other movements	Exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors of Sunstone Metals Ltd						
Mr G Ascough	2,437,500	-	-	-	2,437,500	2,437,500
Mr D Hyma	1,500,000	-	-	-	1,500,000	1,500,000
Mr S Stroud	1,500,000	-	-	-	1,500,000	1,500,000
Mr M Norris	3,125,000	-	-	-	3,125,000	3,125,000
Other key management personnel						
Mr R Robinson	1,312,500	-	-	-	1,312,500	1,312,500
Mr G Leicht	1,362,500	-	-	-	1,362,500	1,362,500
Dr B Rohrlach	800,000	-	-	-	800,000	800,000
Total	**12,037,500**	**-**	**-**	**-**	**12,037,500**	**12,037,500**

The balances above include listed options, not received as a component of remuneration, that were issued to the Directors and the key management personnel under the terms of their participation in the Share Placement announced on 6 July 2016 whereby each Share subscribed for received one attaching option having an exercise price of $0.03 and expiry of 31 August 2019.

Shareholdings of key management personnel

The numbers of shares in the Company held during the financial year by each Director and the other key management personnel of the Group, including their personally related entities, are set out below.

2019	Beginning Balance	Vesting of Performance Rights	On-Market Purchases	Disposals	Balance at end of year
Directors of Sunstone Metals Ltd					
Mr G Ascough	10,979,881	-	-	-	10,979,881
Mr M Norris	12,442,108	1,311,018	700,000	-	14,453,126
Mr D Hyma	703,125	-	-	-	703,125
Mr S Stroud	2,105,264	-	-	-	2,105,264
Other key management personnel					
Mr R Robinson	3,360,081	3,311,018	-	-	6,671,099
Mr G Leicht	3,526,142	3,311,018	100,000	-	6,937,160
Dr B Rohrlach	2,436,321	3,311,018	750,000	-	6,497,339
Total	**35,552,922**	**11,244,072**	**1,550,000**	**-**	**48,346,994**

Shares held by M Norris are via direct interest in 7,492,574 shares, 6,047,025 shares held by superannuation funds where Mr Norris is a direct beneficiary, and 913,527 shares held by an associate of Mr Norris.

There were no other shares issued as a result of the exercise of options during the 2019 year.

END OF REMUNERATION REPORT (AUDITED)

INSURANCE OF OFFICERS

During the period the Company paid a premium to insure the Directors and officers of the Company. Under the terms of the policy the Company cannot publish amounts paid for premiums or the extent of the liabilities insured.

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of the consolidated group.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 40.

AUDIT AND NON-AUDIT SERVICES

During the year BDO Audit Pty Ltd, or its related entities, has performed certain other services in addition to the statutory audit.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reason:

The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not result in the auditor reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, currently BDO Audit Pty Ltd, and their related practices for audit and non-audit services provided during the year are set out below:

	2019	2018
	$	$
BDO		
Audit services		
Auditors of the Group		
Audit and review of financial reports	71,312	49,492
Other assurance services		
Technical accounting advice	-	2,547
Other services		
Taxation compliance and advice	23,827	75,043
	95,139	**127,081**

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

Mr Graham Ascough
Chairman

Brisbane, Queensland
28 August 2019

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DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF SUNSTONE METALS LTD

As lead auditor of Sunstone Metals Ltd for the year ended 30 June 2019, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 28 August 2019

CORPORATE GOVERNANCE STATEMENT

STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Sunstone Metals Limited ("Company") have adhered to the principles of corporate governance and this statement outlines the main corporate governance practices in place throughout the financial year. The ASX Corporate Governance Council released revised Corporate Governance Principles and Recommendations (third edition) on 27 March 2014. Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The current Directors of the Company at the date of this report are:

Mr Graham Ascough	Non-Executive Chairman	Independent
Mr Malcolm Norris	CEO & Managing Director	
Mr Don Hyma	Non-Executive Director	Independent
Mr Stephen Stroud	Non-Executive Director	Independent

For information on each Director, refer to the Directors' Report.

The following policies or obligations have been established by the Board:

- Continuous disclosure
- Code of conduct
- Share trading
- Audit & Financial Risk
- Board Charter
- Risk Management

INDEPENDENT DIRECTORS

When determining whether or not a Non-Executive Director is independent, the Director must not fail any of the following materiality thresholds:

- more than 5% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- no sales are made to, or purchases made from, any entity or individual directly or indirectly associated with the Director; and
- none of the Directors' income or the income of an individual or entity directly or indirectly associated with the Director, is derived from a contract with any member of the Group other than income as derived as a Director of the entity.

At the date of this report, the board consists of one independent Non-Executive Chairman, one Executive Director and two independent, Non-Executive Directors. Independent Directors have shareholdings less than 5% of the total shares on issue. The board is considered to be appropriate for the size of the Company and the nature of its activities. It is a cost effective structure for managing the Company and there is no justification for appointing additional independent directors.

BOARD COMPOSITION

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the Company. Any director so appointed must then stand for election at the next meeting of shareholders of the Company.

DIRECTOR AND EXECUTIVE EDUCATION

All new Directors are educated about the nature of the business, current issues, the corporate strategy, the culture and values of the Group, and the expectations of the Group concerning performance of Directors. In addition, Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and stakeholders. Directors have the opportunity to visit Group facilities and meet with management to gain a better understanding of operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge upon joining the Group. Directors will be educated on the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with respective rights, duties, responsibilities and roles of the individual and the Board.

TERM OF APPOINTMENT AS A DIRECTOR

The constitution of the Company provides that a director, other than the Managing Director, may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the directors must retire each year and are eligible for re-election. The directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

RISK MANAGEMENT AND INTERNAL COMPLIANCE AND CONTROLS

AUDIT AND FINANCIAL RISK COMMITTEE

The board has established an Audit and Financial Risk Committee.

All directors are members of the Committee, with a Non-Executive Director that is not the Chairman of the Board being the Chairman of the Committee. Given the size of the Company and the nature of its activities, it is considered important that all directors participate in matters relating to audit and financial risk. It is a cost effective structure and there is no justification for appointing additional independent directors.

The Committee members are:

Mr Stephen Stroud (Chairman), Mr Graham Ascough, Mr Malcolm Norris and Mr Don Hyma

The Committee's responsibilities include:

- providing the Board with advice and recommendations regarding the ongoing development of financial risk oversight and management policies (covering oversight, risk profile, risk management, compliance and control) that set out the roles and respective accountabilities of the Board, the Audit Committee and management;
- receiving and reviewing management's recommendations and providing the Board with advice and recommendations regarding the establishment of a financial risk management system and financial risk profile;
- regularly reviewing the Company's financial risk profile (provided by management) having regard to key financial risk, legal and regulatory risk and disclosure reporting;
- reviewing internal controls and their effectiveness, in the absence of a formal internal audit function;
- reviewing financial statements provided by management for accuracy, adequacy and clarity to ensure they give a true and fair view of the Company's financial position and adhere to accounting standards and policies and legislative requirements;
- with respect to the external auditor, approving and recommending policies and procedures for appointing or removing an external auditor and terms of engagement;
- regularly reviewing and assessing the compliance of the external auditor with policies and procedures, the effectiveness, and independence of the external auditor; and
- monitoring the relationship between management and the auditor.

The Audit and Financial Risk Committee has met twice during the financial year. The CEO & Managing Director and the Chief Financial Officer & Company Secretary are invited to attend the Committee meetings.

Where appropriate, the Board and the Audit and Financial Risk Committee engage independent experts or professional advisors to assist with the identification and/or management of any key risk areas identified.

To ensure that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified, the Board has also adopted a Risk Management Policy to:

- ensure the Company's risk management policies and procedures are adequate;
- monitor compliance with the Company's risk management policies and procedures;
- keep itself appraised of the latest developments, policies, trends in relation to financial matters, rules, regulations, to the extent that they may affect the Company or the markets in which the Company operates;
- review the Company's internal financial control mechanisms and risk management policies;
- compile a risk profile of the material risks facing the Company;
- review major non-financial regulatory matters covering areas of exposure including the environment, safety and health, asset protection (including insurance), discrimination and harassment, conflict of interest and ethical standards.

The Company does not believe it has any material exposure to economic, environmental or social sustainability risks due to its size and nature of activities.

This financial year the CEO & Managing Director and the Chief Financial Officer & Company Secretary provided a statement to the Board in writing in respect to the integrity of the financial statements, that they are founded on a sound system of risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

REMUNERATION/NOMINATION AND PERFORMANCE

The Board has established a Remuneration Committee with all directors being members of the Committee. Given the size of the Company and the nature of its activities, it is considered that all directors participate in matters relating to remuneration and director nomination. It is a cost effective structure and there is no justification for appointing additional independent directors.

The Committee members are:

Mr Don Hyma, (Chairman), Mr Graham Ascough, Mr Malcolm Norris and Mr Stephen Stroud

The Committee deals with matters of remuneration and nomination. The nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives, is performed by the Committee and recommendations made to the Board as a whole for approval by resolution (with abstentions from relevant directors where there is a conflict of interest). Where the Committee or the Board considers that particular expertise or information is required, which is not available from within the Board, appropriate external advice may be taken prior to a final decision.

The Committee also deals with the remuneration of Directors and key executives of the Company. The Company's policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought where required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders.

The Company does not currently have a documented formal process for periodically evaluating the performance of the board, its committees and individual directors, however, does undertake informal evaluations. The Committee undertakes an annual review of key executives, evaluating their performance and remuneration levels. This annual review was last undertaken in June 2019.

CODE OF CONDUCT

The board has adopted a Code of Conduct to guide Directors, officers, employees and contractors in carrying out their duties and responsibilities. This Code of Conduct set out the principles and standards which the Board, management, employees and contractors of the Company are encouraged to strive towards when dealing with each other, shareholders and the community as a whole.

CONFLICT OF INTEREST

The Directors must keep the Company informed on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right of access to all relevant Company information and to the Company's executives. Directors have the right, in connection to their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. For independent legal advice in excess of a cost of $15,000, prior approval of the Chairman is required, which will not be unreasonably withheld, before any expense is incurred on behalf of the Company.

SHARE TRADING POLICY

Directors and employees are not permitted to trade shares whist in the possession of price sensitive information. Directors and employees are prohibited from trading in securities whilst in possession of any inside information in accordance with the Corporations Act 2001.

COMMUNICATION TO MARKET AND SHAREHOLDERS

The Board Charter, Code of Conduct and Share Trading Policy all recognise legal and other obligations and support the legitimate interests of all stakeholders. Directors aim to ensure that the shareholders, on behalf of whom they act are informed of all information necessary to assess the performance of the Directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report, which is available to all shareholders:
- other periodic reports, such as Quarterly Reports, which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate;
- the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate;
- electronic reporting to shareholders from the Company's share registry; and
- the Company's website.

The continuous disclosure policy adopted by the Board ensures procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which securities are traded.

DIVERSITY POLICY

The Company does not at present have a Diversity Policy in place due to the size and stage of development of the Company. The Company currently has five fulltime employees and 3 non-executive directors and currently has no female employees or directors.

EXTERNAL AUDITORS

The external auditor is BDO Audit Pty Ltd. The external auditor attends the Annual General Meeting and part of the agenda is the tabling of the financial statements and inviting shareholders to ask the Directors or the auditor any questions with regard to the financial statements and the audit report.

OTHER INFORMATION

The Corporate Governance Policies of the Company will be continually reviewed in accordance with the standards required of the Company by the Directors, ASX, ASIC and other stakeholders to ensure that appropriate governance standards are maintained.

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at www.sunstonemetals.com.au.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Interest		**87,262**	57,137
Employee Benefits Expense	4	**(1,360,758)**	(784,374)
Corporate and administration expenses		**(738,022)**	(813,969)
Share of associate losses using the equity method		**(300,922)**	-
Net fair value loss on financial assets at fair value through profit or loss	8	**(2,256,932)**	-
Loss on sale of subsidiary	4	**(5,549,471)**	-
Depreciation expense		**(5,325)**	(10,356)
Impairment expense	4	**(12,803,781)**	(204,668)
Interest paid		**(6,256)**	(3,935)
Profit/(Loss) before income tax		**(22,934,205)**	(1,760,165)
Income tax expense	5	**-**	-
Net profit/(loss) for the period		**(22,934,205)**	(1,760,165)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**1,921,637**	(765,028)
Total comprehensive profit/(loss) for the period		**(21,012,568)**	(2,525,193)
Net profit/(loss) for the period is attributable to:			
Members of Sunstone Metals Ltd		**(22,930,603)**	(1,749,670)
Non-controlling interests		**(3,602)**	(10,495)
		(22,934,205)	(1,760,165)
Total comprehensive profit/(loss) for the period attributable to:			
Members of Sunstone Metals Ltd		**(21,010,445)**	(2,522,458)
Non-controlling interests		**(2,123)**	(2,735)
		(21,012,568)	(2,525,193)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share	19	**(1.9)**	(0.2)
Diluted earnings per share	19	**(1.9)**	(0.2)

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 30 JUNE 2019

	Note	30-Jun-19 $	30-Jun-18 $
Current assets			
Cash and cash equivalents	6	**1,874,864**	2,653,789
Trade and other receivables	7	**3,199,156**	79,969
Total current assets		**5,074,020**	2,733,758
Non-current assets			
Financial assets at fair value through profit or loss	8	**4,057,458**	-
Plant and equipment	9	**4,626**	68,476
Exploration and evaluation	10	**8,151,339**	44,474,691
Investments accounted for using the equity method	11	**11,535,646**	-
Total non-current assets		**23,749,069**	44,543,167
Total assets		**28,823,089**	47,276,925
Current liabilities			
Trade and other payables	12	**525,509**	165,460
Provisions	13	**170,450**	144,790
Total current liabilities		**695,959**	310,250
Total liabilities		**695,959**	310,250
Net assets		**28,127,130**	46,966,675
Equity			
Contributed equity	14	**79,607,540**	77,502,820
Reserves	15	**4,198,781**	2,210,518
Accumulated losses		**(55,667,713)**	(32,737,110)
Equity attributable to owners of Sunstone Metals Limited		**28,138,608**	46,976,228
Non-controlling interests	16	**(11,478)**	(9,553)
Total equity		**28,127,130**	46,966,675

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

2019	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Non-controlling interests $	Total equity $
At the beginning of the financial year	**77,502,820**	**3,732,841**	**(1,522,323)**	**(32,737,110)**	**46,976,228**	**(9,553)**	**46,966,675**
Profit/(loss) for the year				**(22,930,603)**	**(22,930,603)**	**(3,602)**	**(22,934,205)**
Other comprehensive Income			**1,920,158**		**1,920,158**	**1,479**	**1,921,637**
Total comprehensive income/(loss) for the year	**-**	**-**	**1,920,158**	**(22,930,603)**	**(21,010,445)**	**(2,123)**	**(21,012,568)**
Shares issued	**2,212,449**				**2,212,449**	**198**	**2,212,647**
Share issue costs	**(107,729)**				**(107,729)**		**(107,729)**
Share based payment transactions		**68,105**			**68,105**		**68,105**
Total Equity at the end of the financial year	**79,607,540**	**3,800,946**	**397,835**	**(55,667,713)**	**28,138,608**	**(11,478)**	**28,127,130**

2018	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $	Non-controlling interests $	Total equity $
At the beginning of the financial year	**69,799,393**	**3,629,353**	**(749,535)**	**(30,987,440)**	**41,691,771**	**(7,275)**	**41,684,496**
Profit/(loss) for the year				(1,749,670)	(1,749,670)	(10,495)	(1,760,165)
Other comprehensive Income			(772,788)		(772,788)	7,760	(765,028)
Total comprehensive income/(loss) for the year	**-**	**-**	**(772,788)**	**(1,749,670)**	**(2,522,458)**	**(2,735)**	**(2,525,193)**
Shares issued	8,154,074				8,154,074	457	8,154,531
Share issue costs	(450,647)				(450,647)		(450,647)
Share based payment transactions		103,488			103,488		103,488
Total Equity at the end of the financial year	**77,502,820**	**3,732,841**	**(1,522,323)**	**(32,737,110)**	**46,976,228**	**(9,553)**	**46,966,675**

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

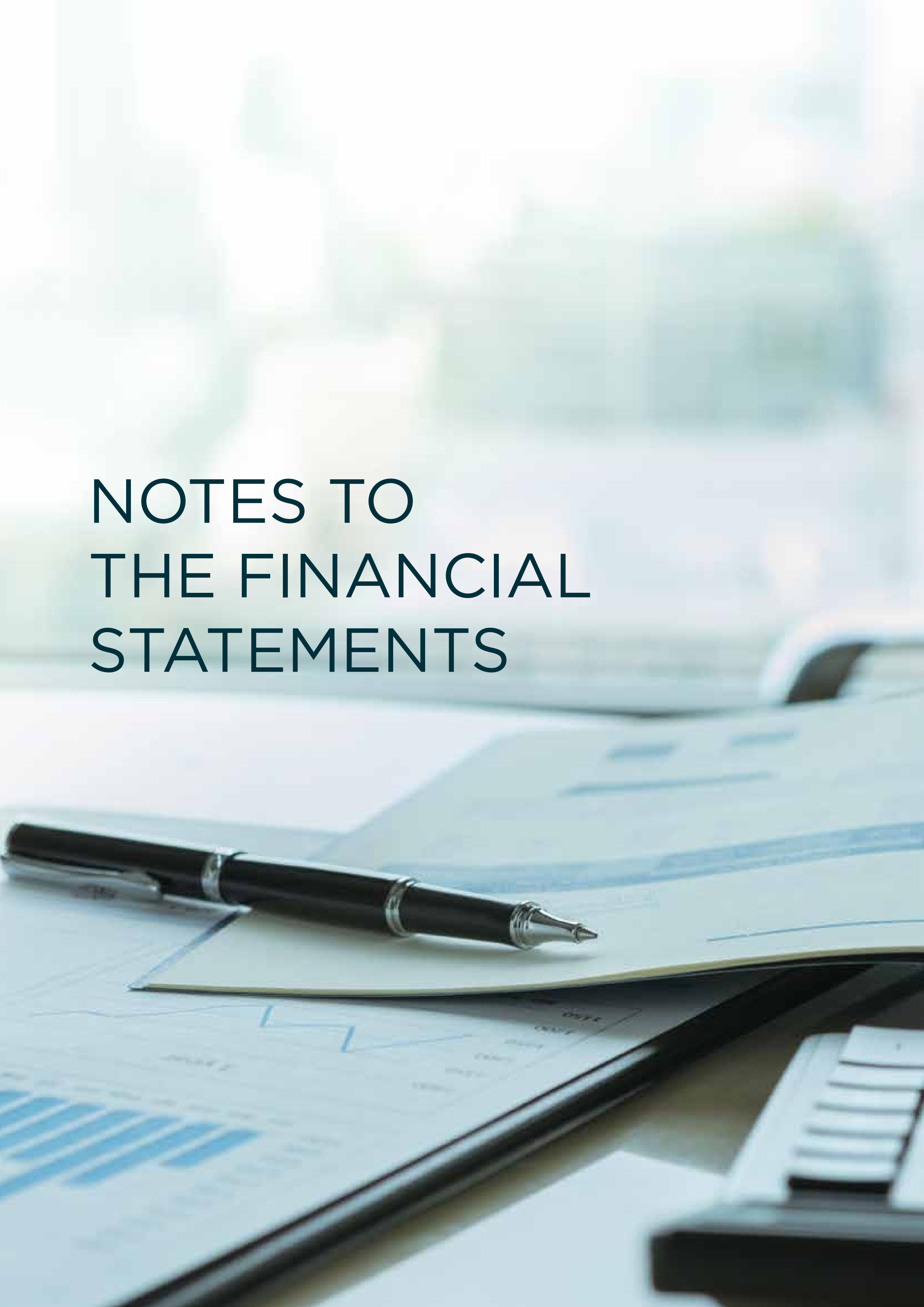
CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2019

	Note	2019 $	2018 $
Cash flows from to/from operating activities			
Payments to suppliers and employees		(1,875,495)	(1,578,901)
Interest paid		(6,256)	(3,935)
Interest received		21,057	57,137
Net cash outflow from operating activities	17	(1,860,694)	(1,525,699)
Cash flows to/from investing activities			
Payments for plant and equipment		(3,878)	(2,704)
Exploration and evaluation expenditure		(2,840,019)	(3,823,584)
Research and development rebate		-	(141,952)
Proceeds from sale of subsidiary		1,974,729	-
Net cash used in investing activities		(869,167)	(3,968,240)
Cash flows to/from financing activities			
Proceeds from issue of securities		2,019,920	8,121,065
Costs of share issues		(107,729)	(450,647)
Net cash provided by financing activities		1,912,191	7,670,418
Net increase/(decrease) in cash		(817,670)	2,176,479
Effect of exchange rate fluctuations on cash held		38,745	1,628
Cash and cash equivalents at the beginning of the financial year		2,653,789	475,682
Cash at the end of the financial year		1,874,864	2,653,789

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

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied for the financial year to 30 June 2019, unless otherwise stated.

CORPORATE INFORMATION

The consolidated financial report of Sunstone Metals Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 28 August 2019.

Sunstone Metals Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is 9 Gardner Close, Milton QLD 4064.

The Group is a for-profit entity. A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report.

Through the use of the internet, the Company seeks to ensure that our corporate reporting is timely, complete and available globally at minimum cost to the Group. All financial reports, Company announcements and other information are available on the Company's website: www.sunstonemetals.com.au

(a) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The presentation currency is Australian dollars.

The report has been prepared on the basis of the going concern and historical cost conventions.

Going concern

The Group incurred a net loss of $22,934,205 for the year ended 30 June 2019 (2018: $1,760,165 loss). As at 30 June 2019 the Group has net cash reserves of $1,874,864 (2018: $2,653,789) and a net current asset surplus of $4,378,060 (2018: $2,423,508).

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

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

- 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;
- Subsequent to the end of the financial year 10 million SEK cash ($1.5 million) was received from Copperstone for the purchase of the Viscaria project with a further 5 million SEK cash ($0.77m) plus interest due by November 2019;
- Listed Options exercisable at $0.03 each expiring 31 August 2019 have been underwritten, for the exercising of 154,837,500 Options. A further 4,500,000 Options issued to directors exercisable at $0.032 each also expire 31 August 2019 and firm commitments from the directors to exercise these options have been received. In total, approx. $4.6 million after fees will be raised; and
- 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.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

(b) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sunstone Metals Limited ("Company", "Sunstone" or "Parent Entity") as at 30 June 2019 and the results of all the subsidiaries for the financial period then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity.

Subsidiaries are all those entities (including structured entities) over which the Group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use its controlling power to affect those returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and production process;
- Type or class of customer for the products; and
- Methods used to distribute the products

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for 'all other segments'.

(e) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the period of the lease (refer to Note 21).

(f) REVENUE RECOGNITION

Interest income

Revenue recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government grants

Revenue received from government grants, such as Research and Development rebates, are recognised in profit or loss on a systematic basis over the period(s) in which the entity recognises, as expenses, the costs for which the grant was intended to compensate. If the offset relates to items that have been capitalised (e.g. exploration assets, development assets, etc.), the offset income must be deferred by deducting the offset from the carrying amount of the asset for which the offset/grant was intended to compensate.

(g) INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(i) OTHER RECEIVABLES

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(j) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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.

The non-current contingent consideration receivable being Copperstone receivable – cash and Copperstone receivable – shares, does not satisfy the solely payment of principal and interest test and is therefore classified as financial assets at fair value through profit or loss.

(k) ASSOCIATES

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate and less impairment losses. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(l) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in profit or loss.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) EMPLOYEE BENEFITS

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled in full within 12 months after the end of the reporting date are recognised for employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Retirement benefit obligations

The Group contributes to various defined contribution superannuation funds for its employees.

Contributions to the funds are recognised as an expense as they become payable.

(iii) Share based payments

Share based compensation benefits are provided to employees via the employee performance rights plan, and options approved by the Board from time to time.

The fair value of options and performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. Where applicable the fair value is measured at grant date and recognised over the period during which the Directors or employees become unconditionally entitled to the options or performance rights. Where applicable the fair value at grant date is independently valued using a Binomial pricing model.

The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of options or performance rights that will ultimately vest because of internal conditions of the options or performance rights, such as the employee having to remain with the Company until vesting date, or such that employees are required to meet internal targets. No expense is recognised for options/performance rights that do not ultimately vest because internal conditions are not met. An expense is still recognised for options/performance rights that do not ultimately vest because a market condition was not met.

(n) TRADE AND OTHER PAYABLES

Trade payables are carried at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Consolidated Entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) GOODS AND SERVICES TAX (GST) / VALUE ADDED TAX (VAT)

GST is applicable to Australia and reported through the Australian Taxation Office whilst VAT is applicable in Sweden and reported through the Swedish Skatteverket Office. GST and VAT are similar tax instruments.

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the respective taxation offices. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the respective taxation offices is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the respective taxation offices, are presented as operating cash flows.

(s) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific focus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation. Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that the rights to tenure of the area of interest are current and one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is written off, furthermore, the Directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off. All capitalised exploration assets are not being depreciated.

(t) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The functional currency of the Consolidated Entity's foreign operations is primarily US Dollar as well as Euro and Swedish Krona.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period end exchange rate. Exchange differences arising on the translation of foreign currency transactions are recognised in profit or loss.

(iii) Group companies

The results and the financial position of all the Group entities (none of which has a currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(u) APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the standards. The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

AASB 9 Financial Instruments – Impact of adoption.

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out below. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated.

(i) Classification and Measurement

On 1 July 2018 (the date of initial application of AASB 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. There was no change to the measurement of these assets.

(ii) Impairment of financial assets

The group has two types of financial asset that is subject to AASB 9's new expected credit loss model, being equity investments and other receivables. The group was required to revise its impairment methodology under AASB 9. There was no material impact of the change in impairment methodology on the group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

AASB 9 Financial Instruments – Accounting policies applied from 1 July 2018

Investments and other financial assets

(i) Classification and Measurement

Refer to Note 1 (i, j & n).

(ii) Impairment of financial assets

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Exceptions include mining and exploration leases, short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $98,222. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

NOTE 2. 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. Following the sale of Avalon Minerals Viscaria AB, the carrying value of exploration and evaluation assets at 30 June 2019 has reduced to $8,151,339 (2018: $44,474,691).

At 30 June 2019 the Group has a 38.2% interest in Copperstone Resources AB. A key judgement made by management is that the Group does not control Copperstone Resources AB, but rather has significant influence over Copperstone Resources AB.

The financial assets at fair value through profit or loss fall under level 3 of the fair value hierarchy referred to in AASB 13 Fair Value measurement ie their fair value has been determined using unobservable inputs. Refer to note 8 for further detail regarding the key estimates applied to determine the fair value of these financial assets.

NOTE 3. 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 exploration for and evaluation of copper, gold and lithium projects in Ecuador and Finland (2018 also included Sweden), as well as 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.

GEOGRAPHICAL AREAS

Revenue from external sources, mainly derived from interest, and non-current assets by geographical location is detailed below.

	2019 **$**	2018 $
Revenue/Income		
Australia	**87,258**	57,132
Sweden	**-**	5
Finland	**4**	-
	87,262	57,137
Non-current assets		
Australia	**16,008,659**	417,000
Sweden	**-**	38,981,161
Finland	**2,749,274**	2,566,897
Ecuador	**4,991,136**	2,578,108
	23,749,070	44,543,167

NOTE 4. EXPENSES

PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING:

	2019 $	2018 $
Employee benefits expense*		
Salaries & wages	**753,738**	389,333
Directors' fees	**184,999**	175,625
Defined contribution superannuation expense	**55,229**	36,987
Share based payments	**260,634**	136,497
Movement in leave provisions	**25,660**	21,513
Other	**80,498**	24,419
	1,360,758	**784,374**
* Excludes employee costs capitalised to exploration and evaluation expenditure		
Impairment Expense		
Relinquished exploration concessions	**215,330**	204,668
Shares in Copperstone Resources AB	**12,588,451**	-
	12,803,781	**204,668**
Rental expense related to operating lease	**38,481**	59,743

The consideration for the sale of Avalon Minerals Viscaria AB to Copperstone Resources AB ("Copperstone") includes 20 million Swedish Kronor (SEK) ($3.1 million) and 160 million shares in Copperstone at closing, a further 20 million SEK cash receivable by 8 July 2019 and consideration contingent on receipt of an environmental permit for Viscaria of 20 million SEK cash and a further 46 million Copperstone shares, which for accounting purposes has been recognised at fair value at closing (Note 8) resulting in a $5.5 million loss on sale recognised.

The Copperstone share price at closing of the transaction was 1.015 SEK and the share price at 30 June 2019 was 0.47 SEK, resulting in the impairment recognised for the value of the 160 million shares Sunstone holds in Copperstone, as well as the future consideration to be received in shares. It is noted that this value may fluctuate from period to period due to share price movements of Copperstone and exchange rates between Australian Dollars and Swedish Kronor.

Subsequent to the end of the financial year 10 million SEK cash ($1.5 million) out of the 20 million SEK cash receivable by 8 July was received, with 5 million SEK plus interest ($0.9 million) converted into 12.5 million Copperstone shares at 0.46 SEK per share, and the remaining 5 million SEK cash plus interest payable by November 2019.

NOTE 5. INCOME TAX

	2019	2018
	$	$
(a) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Accounting loss before income tax	**(22,934,205)**	(1,760,165)
At the Group's statutory income tax rate of 30% (2018: 27.5%)	**(6,880,262)**	(484,045)
Expenditure not allowable for income tax purposes	**1,744,984**	40,911
Prior year adjustment to Deferred Tax Assets	**-**	174,266
Deferred tax asset not brought to account as realisation is not considered probable	**5,135,277**	268,868
Income tax expense	**-**	-

	Statement of Financial Position	
	2019	2018
	$	$
Deferred tax assets		
Employee provisions	**46,874**	39,817
Other accruals and provisions	**13,276**	15,076
Share issue costs charged to equity	**17,476**	21,819
Unused income tax losses	**8,529,080**	3,150,522
Deferred tax assets offset by deferred tax liabilities	**-**	-
Total deferred tax assets	**8,606,706**	3,227,234
Total unrecognised deferred tax assets	**(8,606,706)**	(3,227,234)
Net deferred tax assets	**-**	-

The Group has not recognised the deferred tax assets in the financial statements as it is not considered probable that sufficient taxable amounts will be available in future periods with which to be offset.

NOTE 6. CASH AND CASH EQUIVALENTS

	2019	2018
	$	$
Cash on hand and at bank	**1,874,864**	2,653,789

Cash at bank earns interest at floating rates based on daily bank deposit rates. The cash at bank is bearing floating interest rates between 0.01% and 2.15% (2018: 0.01% and 2.45%). The carrying amounts of cash and cash equivalents represent fair value.

Restricted cash balances totalling $15,225 (2018: $15,225) representing term deposits securing various performance guarantees have been disclosed under other receivables (refer Note 7).

NOTE 7. OTHER RECEIVABLES

	2019	2018
	$	$
Current		
Copperstone receivable - cash	**3,067,991**	-
Other debtors	**86,249**	48,797
Deposits	**15,225**	15,225
Prepayments	**29,690**	15,947
	3,199,155	79,969

Current Copperstone receivable - cash relates to the deferred consideration on sale of Avalon Minerals Viscaria AB to Copperstone of 20 million SEK. Subsequent to the end of the financial year 10 million SEK cash ($1.5 million) out of this 20 million SEK cash receivable was received, with 5 million SEK plus interest ($0.9 million) converted into 12.5 million Copperstone shares at 0.46 SEK per share, and the remaining 5 million SEK cash plus interest payable by November 2019.

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.

No allowance has been made for impairment of any other receivables as it is highly probable that they will be recovered. All other receivables excluding deposits are non-interest bearing and balances are current.

NOTE 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 $	2018 $
Non-current	**1,949,764**	-
Copperstone receivable - cash	**2,107,695**	-
Copperstone receivable - shares	**4,057,458**	-
	98,222	188,563

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

	2019 $	2018 $
Opening fair value	**-**	-
Additions	**6,314,390**	-
Fair value decrements	**(2,256,932)**	-
Closing fair value	**4,057,458**	-

Non-current financial assets at fair value through profit or loss relates to the contingent consideration upon receiving an environmental permit for Viscaria of 20 million SEK cash and 46 million Copperstone shares. These fall under level 3 of the fair value hierarchy referred to in AASB 13 Fair Value measurement ie their fair value has been determined using unobservable inputs.

Non-current financial assets at fair value are revalued at each reporting date using a discounted cash flow model that takes into account the SEK spot rate and Copperstone quoted share price at balance date (observable inputs), and the discount rate, management's assessment of the probability of receiving the environmental permit for Viscaria and the timeframe in which this is expected to occur (unobservable inputs).

Whilst management believe the probability of receiving the environmental permit for Viscaria is extremely high, a probability of 90% has been utilised to reflect that factors involved in the ultimate granting of the permit are out of the control of the Company.

Following is further detail regarding the unobservable inputs and the sensitivity in relation to these:

		Sensitivity	
Unobservable input	**Estimate applied**	**% Change**	**Increase / decrease in fair value $**
Discount rate	12%	1%	141,731
Probability of environmental licence approval	90%	5%	202,872
Period for environmental licence approval - years	3	1	434,727

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	Office equipment $	Computer equipment $	Exploration equipment $	Mine infrastructure $	Motor Vehicles $	Total $
Year Ended 30 June 2019						
Carrying amount at beginning of financial year	**70**	**6,003**	**-**	**62,403**	**-**	**68,476**
Additions	**-**	**3,878**	**-**	**-**	**-**	**3,878**
Disposals	**-**	**-**	**-**	**(62,403)**	**-**	**(62,403)**
Depreciation expensed	**(70)**	**(5,255)**	**-**	**-**	**-**	**(5,325)**
Depreciation capitalised as exploration	**-**	**-**	**-**	**-**	**-**	**-**
Effect of movement in foreign exchange	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at end of financial year	**-**	**4,626**	**-**	**-**	**-**	**4,626**
As at 30 June 2019						
At Cost	**23,944**	**57,741**	**121,687**	**-**	**-**	**203,372**
Accumulated Depreciation	**(23,944)**	**(53,115)**	**(121,687)**	**-**	**-**	**(198,746)**
	-	**4,626**	**-**	**-**	**-**	**4,626**
Year Ended 30 June 2018						
Carrying amount at beginning of financial year	354	13,468	11,999	65,651	-	91,472
Additions	-	2,704	-	-	-	2,704
Disposals	-	-	-	-	-	-
Depreciation expensed	(283)	(10,073)	-	-	-	(10,356)
Depreciation capitalised as exploration	-	(97)	(12,112)	(1,941)	-	(14,151)
Effect of movement in foreign exchange	-	1	113	(1,307)	-	(1,193)
Carrying amount at end of financial year	70	6,003	-	62,403	-	68,476
As at 30 June 2018						
At Cost	23,944	197,941	332,078	75,310	4,358	633,631
Accumulated Depreciation	(23,874)	(191,938)	(332,078)	(12,907)	(4,358)	(565,155)
	70	6,003	-	62,403	-	68,476

NOTE 10. EXPLORATION AND EVALUATION ASSETS

	2019 $	2018 $
At Cost - less amounts written off	**8,151,339**	44,474,691
Balance at 1 July	**44,474,691**	41,628,671
Exploration and evaluation expenditure	**2,361,621**	3,904,897
Relinquished tenements	**(215,330)**	(204,668)
Research and development rebate	**-**	(96,192)
Effect of movement in foreign exchange	**740,151**	(758,017)
Disposal of subsidiary	**(39,209,794)**	-
Balance at 30 June	**8,151,339**	44,474,691

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.

During the year the Company disposed of its interest in the Viscaria Copper Project.

NOTE 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2019 $	2018 $
Shares in Copperstone Resources AB	**24,124,097**	-
Less impairment	**(12,588,451)**	
	11,535,646	-

The consideration for the sale of Avalon Minerals Viscaria AB to Copperstone Resources AB ("Copperstone") included 160 million shares in Copperstone at closing, with a share price of 1.015 SEK. At 30 June 2019 the Copperstone share price was 0.47 SEK, resulting in the impairment recognised for the value of the 160 million shares Sunstone holds in Copperstone. It is noted that this value may fluctuate from period to period due to share price movements of Copperstone and exchange rates between Australian Dollars and Swedish Kronor.

Refer to note 24 for further information on interests in associates.

NOTE 12. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	**485,410**	123,126
Sundry payables and accrued expenses	**40,099**	42,334
	525,509	165,460

NOTE 13. PROVISIONS

	2019 $	2018 $
Employee leave liabilities	**170,450**	144,790

NOTE 14. CONTRIBUTED EQUITY

(a) SHARE CAPITAL

	Number of shares	2019 $
Ordinary shares - fully paid	**1,220,876,776**	**79,607,540**

(b) MOVEMENTS IN ORDINARY SHARE CAPITAL

		Number of shares	Issue price $	$
	Balance as at 1 July 2017	**650,847,134**		**69,799,393**
Jul-17	Share placement	162,711,777	0.014	2,277,965
Jul-17	Share Purchase Plan	70,178,615	0.014	982,500
Jul-17	Vesting of Employee Performance Rights	2,143,456	0.015	33,009
Nov-17	Share placement	221,400,000	0.019	4,206,600
Jan-18	Share placement	34,421,057	0.019	654,000
	Share issue costs			(450,647)
	Balance as at 30 June 2018	**1,141,702,039**		**77,502,820**

		Number of shares	Issue price	
			$	$
	Balance as at 1 July 2018	**1,141,702,039**		**77,502,820**
Jul-18	Consideration for 20% holding in Scandian Metals Pty Ltd	600,000	0.038	22,800
Sep-18	Vesting of Employee Performance Rights	5,244,072	0.013	66,529
Nov-18	Share placement	67,330,665	0.030	2,019,920
Apr-19	Vesting of Employee Performance Rights	6,000,000	0.042	103,200
	Share issue costs			(107,729)
	Balance as at 30 June 2019	**1,220,876,776**		**79,607,540**

(c) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) EMPLOYEE AND DIRECTOR'S OPTION PLAN / PERFORMANCE RIGHT'S PLAN

Information relating to the Employee share option plan and performance right's plan, including details of instruments issued, exercised and lapsed during the financial year are set out in Note 19.

(e) OPTIONS/PERFORMANCE RIGHTS

At the end of the 2019 financial year there were 154,837,500 listed options, 10,100,000 other unlisted options, and 23,023,133 performance rights over ordinary shares on issue (see Note 19).

(f) CAPITAL MANAGEMENT

The objective is to ensure the entity continues as a going concern as well as to maintain an optimal structure to reduce the cost of capital. Sunstone is a junior exploration company and it is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its exploration and evaluation assets. The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. The Company does not have any debt facilities and is not subject to any external capital requirements. Surplus funds are invested in a cash management account and are available as required. Financial liabilities of the Group at balance date are trade and other payables. Trade and other payables are unsecured and usually paid within 30 days of recognition.

The ability to raise equity in the future to fund the Group's operations, investigations and exploration activities is a risk that could influence the activities of the Company. The Group has historically raised sufficient capital to fund its operations, however, it recognises that it is at risk of financial markets which dictate its ability to fund operations beyond exhaustion of the current cash funds.

	2019	2018
	$	$
Current assets	**5,074,019**	2,733,758
Current liabilities	**695,959**	310,250
Liquidity ratio	**7.3 : 1**	8.8 : 1

The Company intends to raise funds in the medium term to fund its exploration, investigating and evaluation activities.

NOTE 15. RESERVES

	2019	2018
	$	$
Share based payments reserve	3,800,946	3,732,841
Foreign currency translation reserve	397,835	(1,522,323)
Total reserves	4,198,781	2,210,518
Movements in reserves were as follows:		
Share based payments reserve		
Opening balance	3,732,841	3,629,353
Share based payments - employees	237,834	136,497
Shares Issued on vesting	(169,729)	(33,009)
Closing balance	3,800,946	3,732,841
Foreign currency translation reserve		
Opening balance	(1,522,323)	(749,535)
Foreign exchange gains/(losses) on translation	1,920,158	(772,788)
Closing balance	397,835	(1,522,323)

NATURE AND PURPOSE OF RESERVES

Share-based payments reserve

The share based payments reserve is used to record the fair value of share based payments provided to Directors, employees, including key management personnel, and contractors as payment for services.

Foreign currency translation reserve

The foreign currency translation reserve is used to recognise foreign exchange gains or losses arising on the translation of the financial report of foreign subsidiary companies. The functional currency of Sunstone is the Australian Dollar and that of its foreign operations is primarily the US Dollar plus Swedish Krona and Euro.

NOTE 16. NON-CONTROLLING INTERESTS

	2019	2018
	$	$
Interest In:		
Share capital	**7,867**	7,669
Foreign currency translation reserve	**61**	6,341
Retained earnings	**(19,406)**	(23,563)
	(11,478)	(9,553)

NOTE 17. CASH FLOW INFORMATION

Reconciliation of net loss after tax to net cash outflow from operating activities:

	2019 $	2018 $
Operating profit/(loss) after income tax	**(22,934,205)**	(1,760,165)
Non-cash flows in loss		
Depreciation	**5,325**	10,356
Impairment expense	**12,803,781**	204,668
Net fair value loss on financial assets at fair value through profit or loss	**2,256,932**	-
Loss on sale of subsidiary	**5,549,471**	-
Share of associates loss	**300,922**	-
Share based payments - performance rights/options	**260,634**	136,497
Changes in operating assets and liabilities		
Decrease/(increase) in trade & other receivables	**(115,319)**	40,669
(Decrease)/increase in trade & other payables	**(13,895)**	(179,270)
(Decrease)/increase in provisions	**25,660**	21,545
	(1,860,694)	(1,525,699)

NOTE 18. EARNINGS PER SHARE

	2019 cents	2018 cents
Basic earnings per share	**(1.9)**	(0.2)
Diluted earnings per share	**(1.9)**	(0.2)
Weighted average number of shares used as the denominator	**Number**	Number
Weighted average number of shares used as the denominator in calculating basic earnings per share (post consolidation)	**1,189,881,026**	1,034,072,761
Gains/(losses) used in calculating basic and diluted losses per share	**$**	$
	(22,934,205)	(1,760,165)

As the potential ordinary shares (from options/performance rights on issue) have an anti-dilutive effect, they have not been included in the calculation of diluted earnings per share.

NOTE 19. SHARE-BASED PAYMENTS

(a) ISSUE OF OPTIONS AND PERFORMANCE RIGHTS

The fair values of the options and performance rights have been determined by an external party using a Trinomial Lattice model for options which defines the conditions under which employees are expected to exercise their options after vesting in terms of the share price reaching a specified multiple of the exercise price, and a Monte Carlo simulation for performance rights.

Share price volatility has a powerful influence on the estimation of the fair value of an option and performance right, much of the value of which is derived from its potential appreciation. The more volatile the share price, the more valuable the option. Volatility for the fair value of the options has been determined by the external party performing the valuation.

The tables below outline the key details for all options and performance rights outstanding as at 30 June 2019:

Options:

Grant Date	Options Issued	Expiry Date	Value per Option	Total Value	Exercise Price	Share price at Grant Date	Share Volatility	Risk Free rate of return
Options								
22 November 2017	4,500,000	31/8/19	$0.0083	$37,350	$0.032	$0.021	100%	1.78%
21 February 2017^	7,500,000	31/8/19	$0.0070	$52,500	$0.03	$0.021		
14 December 2016^	5,000,000	31/8/19	$0.0070	$35,000	$0.03	$0.022		
23 August 2016^	10,000,000	31/8/19	$0.0120	$120,000	$0.03	$0.044		
29 May 2015	300,000	29/5/20	$0.0186	$5,580	$0.08	$0.030	210%	2.26%
8 May 2015	1,800,000	5/5/20	$0.0186	$33,480	$0.08	$0.035	210%	2.26%
12 Jan 2015	1,000,000	12/1/20	$0.0158	$15,800	$0.08	$0.025	208%	2.25%
3 November 2014	2,500,000	3/11/19	$0.0433	$108,236	$0.08	$0.040	150%	2.97%
	32,600,000			**$407,946**				
Weighted Average $			$0.0125		$0.04	$0.031		
Weighted Average remaining life		0.2 years						

^ Quoted Options on ASX (STMO) issued to Hartleys Limited in lieu of cash advisory fees.

Valuation of Quoted Options relates to market price on date of issue. In addition to the options above, on 23 August 2016, 132,337,500 Quoted Options on ASX were issued, attaching to shares issued as part of Placement announced 6 July 2016 on a one for one basis. The options have an exercise price of $0.03 per option and an expiry date of 31 August 2019.

Performance Rights:

Grant Date	Rights Outstanding	Expiry Date	Value per Right	Total Value	Vesting Condition	Share price at Grant Date	Share Volatility	Risk Free rate of return
Performance Rights								
27 Nov 2018: Tranche 1	4,000,000	7/9/20	$0.0260	$104,000	$0.050	$0.018	140%	1.94%
27 Nov 2018: Tranche 2	4,000,000	7/9/20	$0.0266	$106,400	TSR	$0.018	140%	1.94%
27 Nov 2018: Tranche 3	4,000,000	7/9/20	$0.0232	$92,800	$0.065	$0.018	140%	1.94%
13 Mar 2018	1,000,000	13/3/21	$0.0172	$17,200	$0.062	$0.033	100%	2.09%
7 Sept 2017: Tranche 2	755,928	7/9/20	$0.0120	$9,071	TSR	$0.018	140%	1.94%
7 Sept 2017: Tranche 3	3,000,000	7/9/20	$0.0111	$33,300	$0.06	$0.018	140%	1.94%
23 Aug 2016: Tranche 1	696,265	23/8/19	$0.0154	$10,722	$0.045	$0.044	146%	1.50%
23 Aug 2016: Tranche 2	696,265	23/8/19	$0.0135	$9,400	TSR	$0.044	146%	1.50%
23 Aug 2016: Tranche 3	696,470	23/8/19	$0.0129	$8,984	$0.07	$0.044	146%	1.50%
15 Jul 2016: Tranche 2	2,088,795	15/7/19	$0.0135	$28,199	TSR	$0.027	146%	1.50%
15 Jul 2016: Tranche 3	2,089,410	15/7/19	$0.0129	$26,953	$0.07	$0.027	146%	1.50%
	23,023,133			**447,030**				
Weighted Average $			$0.0194			$0.023		
Weighted Average remaining life		0.9 years						

The tables below outline the movements for all share-based payments options and performance rights during 2019:

Options:

Grant Date	Beginning Balance	Granted during year	Exercised during year	Lapsed	Balance at end of year
22 November 2017	4,500,000	-	-	-	4,500,000
21 February 2017	7,500,000	-	-	-	7,500,000
14 December 2016	5,000,000	-	-	-	5,000,000
23 August 2016	10,000,000	-	-	-	10,000,000
29 May 2015	300,000	-	-	-	300,000
8 May 2015	1,800,000	-	-	-	1,800,000
12 Jan 2015	1,000,000	-	-	-	1,000,000
3 November 2014	2,500,000	-	-	-	2,500,000
Total	**32,600,000**	**-**	**-**	**-**	**32,600,000**

Performance Rights:

Grant Date	Beginning Balance	Granted as remuneration	Exercised during year	Lapsed	Balance at end of year
27 Nov 2018: Tranche 1	-	4,000,000	-	-	4,000,000
27 Nov 2018: Tranche 2	-	4,000,000	-	-	4,000,000
27 Nov 2018: Tranche 3	-	4,000,000	-	-	4,000,000
13 Mar 2018	1,000,000	-	-	-	1,000,000
20 Dec 2017	6,000,000	-	(6,000,000)	-	-
7 Sept 2017: Tranche 1	3,000,000	-	(3,000,000)	-	-
7 Sept 2017: Tranche 2	3,000,000	-	(2,244,072)	-	755,928
7 Sept 2017: Tranche 3	3,000,000	-	-	-	3,000,000
15 Jul 2016: Tranche 1*	696,265	-	-	-	696,265
15 Jul 2016: Tranche 2*	2,839,721	-	-	(54,661)	2,785,060
15 Jul 2016: Tranche 3*	2,840,558	-	-	(54,678)	2,785,880
14 Dec 2015: Tranche 1	2,267,800	-	-	(2,267,800)	-
14 Dec 2015: Tranche 2	938,227	-	-	(938,227)	-
14 Dec 2015: Tranche 3	2,268,400	-	-	(2,268,400)	-
Total	**27,850,971**	**12,000,000**	**(11,244,072)**	**(5,583,766)**	**23,023,133**

* Grant date for the Managing Director 23 August 2016 following shareholder approval at the General Meeting.

During the 2019 financial year a total of 11,244,072 performance rights that were granted in 2017 vested for key management personnel:

- 2,244,072 performance rights subject to a Total Shareholder Return (TSR) hurdle, with the Sunstone share price outperforming the ASX Small Resources Index over the relevant testing period by 12.4% resulting in 74.8% of the relevant 2017 performance rights vesting;
- 3,000,000 performance rights subject to $0.036 per share price and TSR hurdle; and
- 6,000,000 performance rights subject to $0.042 per share price hurdle.

The shares for the TSR and $0.036 performance rights were issued following the calculation of the 12 month TSR and valued at the 5 day VWAP prior to issue of $0.03 per share. The shares for the $0.042 performance rights were issued following achievement of the 10 continuous days closing at or above the share price of $0.042.

Performance Rights issued in 2015 expired in December 2018, in addition to performance rights expiring for an employee in Sweden who ceased employment during the year, resulting in 5,583,766 performance rights lapsing.

Subsequent to the end of the financial year, a further 2,785,060 performance rights subject to TSR hurdles plus 2,785,880 and 696,265 subject to share price hurdles of $0.07 and $0.045 respectively issued in July 2016 lapsed, while 3,668,874 performance rights issued in November 2018 that were subject to TSR hurdles vested.

Performance Conditions attached to the performance rights granted in the year ended 30 June 2019 were:

Tranche 1 – to vest upon the later of both the following conditions occurring:
- The Closing Price of Sunstone Shares being $0.05 or more for 10 consecutive trading days; and
- 12 months after issue.

Tranche 2 – TSR performance as measured against the ASX Small Resources Index, as follows:
- Performance below the index no shares will vest.
- Performance equal to the index will see 50% vest, increasing linearly with outperformance of the index by up to 25%, such that 100% of shares will vest should Sunstone's performance be greater than 25% above the index performance.
- Testing will be annually on 30th June; and

Tranche 3 – to vest upon the later of both the following conditions occurring:
- The Closing Price of Sunstone Shares being $0.065 or more for 10 consecutive trading days; and
- 12 months after issue.

Each tranche of Shares will not be able to be released from the Share Plan until the performance based Vesting Conditions for that tranche have been achieved.

(b) AMORTISATION EXPENSE OF OPTIONS AND PERFORMANCE RIGHTS

The amortised expense for performance rights in the statement of profit or loss and other comprehensive income for the year ended 30 June 2019 was $210,785 (2018: $126,196). Expense for options was $27,049 (2018: $10,301).

NOTE 20. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

CONTROLLING ENTITIES

The ultimate parent entity in the wholly-owned Group is Sunstone Metals Limited.

Interests in subsidiaries are disclosed in note 23.

KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 $	2018 $
Short-term employee benefits	**1,470,199**	1,085,208
Post employment benefits	**89,513**	86,410
Share based payments	**221,382**	133,142
	1,781,094	1,304,760

NOTE 21. CAPITAL AND OTHER COMMITMENTS

(a) CAPITAL COMMITMENTS

Commitments on Tenements	**2019** **$**	2018 $
- not later than 12 months	**579,716**	2,051,150
- between 12 months and 5 years	**-**	119,440
	579,716	2,170,590

Exploration tenement fees are required to keep licenses in good standing. The Group is committed to this expenditure on the current tenements. In order to maintain current rights to tenure of its mineral tenement leases, the Group will be required to pay exploration tenement/claim fees to landowners in Finland, in addition to prove reasonable exploration activities have been undertaken. These obligations may be varied from time to time, or subject to approval, and are expected to be fulfilled in the normal course of operations of the Group.

Under the terms of the binding agreement with Cornerstone Capital Resources Inc. ("Cornerstone") (TSXV-CGP), the Company will have the right to earn an initial 51% interest (the "First Option") in the mineral rights to the Bramaderos concession (the "Property") by incurring exploration and related expenditures on the Property in the total amount of US$3,400,000.

Expenditure up to 30 June 2019 on the Bramaderos Project is approximately US$3 million.

Subsequent to the end of the financial year, the Company reached the expenditure required to earn 51% of the Bramaderos project under the terms of the agreement with Cornerstone. Sunstone will now become a 51% shareholder in the company which holds the Bramaderos Concession and will become the Operator of the Joint Venture.

(b) LEASE COMMITMENTS

Operting lease payable	**2019** **$**	2018 $
- not later than 12 months	**48,271**	90,336
- between 12 months and 5 years	**49,951**	98,227
	98,222	188,563

The Company is currently occupying its registered office and pays rent to the owner on normal commercial terms and conditions. There are also properties in Sweden and Finland under operating leases.

NOTE 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors under policies approved by the Board.

The Board identifies and evaluates financial risks and provides written principles for overall risk management.

(i) Credit risk

The Group's maximum exposures to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables.

The Group trades only with recognised, credit worthy third parties. As the Group holds the majority of the Group's cash balances with one institution, the credit risk is concentrated in one area. Risk is considered minimal as the institution is Australian and AA rated.

The Group's primary banker is National Australia Bank Limited. At balance sheet date all operating accounts are with this bank, except for funds transferred to Sweden to meet the working capital needs of the subsidiary companies. The cash needs of the subsidiary operations are monitored by the Company and funds are advanced to the Swedish operations on an as needs basis. The Directors believe this is the most efficient method of balancing the monitoring and mitigation of potential credit risks arising out of holding cash assets in overseas jurisdictions, and the funding mechanisms required by the Group.

Refer to Notes 4, 8 and 11 for impairment of the Group's financial assets recognised during the year ended 30 June 2019 (2017: $NIL).

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due.

It is the Group's policy to review the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The remaining contractual maturities of the Group's liquid financial assets and financial liabilities are:

	2019 **$**	2018 $
Liquid financial assets		
Three months or less	**5,058,794**	2,702,689
Greater than three months	**15,608,329**	31,069
	20,667,123	2,733,758
Liquid financial liabilities		
Three months or less	**525,511**	165,460
	525,511	165,460

Fair values

All financial assets and liabilities recognised on the Consolidated Statement of Financial Position, whether they are carried at amortised cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

(iii) Interest rate risk

The Group's exposure to interest rates primarily relates to its cash and cash equivalents.

At balance date, the Group had the following exposure to variable interest rate risk.

	2019	2018
	$	$
Financial assets		
Cash and cash equivalents	**1,874,864**	2,653,789
	1,874,864	2,653,789

The following sensitivity analysis is based on the interest rate risk exposure in existence at the reporting date. The 1% sensitivity (2018: 1%) is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding five year period.

At 30 June 2019, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss would have been affected as follows:

	2019	2018
	$	$
Post tax gain/(loss)		
+1.0% (100 basis points)	**18,749**	26,538
-1.0% (100 basis points)	**(18,749)**	(26,538)

The average interest rate for the year ended 30 June 2019 was 1.10% (2018: 1.71%).

The Group deals with financial institutions that have an AA rating or better.

(iv) Foreign currency risk

As a result of significant investment in Ecuador and Europe, the Group's balance sheet can be affected significantly by movements in the US Dollar/Australian Dollar exchange rates, as well as Euro and Swedish Kronor.

Included in other receivables is current receivables of $3,067,991 (2018: Nil) and non-current receivables of $4,057,459 (2018: Nil) which are denominated in Swedish Kronor. If the Australian dollar weakened by 10% / strengthened by 10% against the Swedish Kronor and all other variables held constant, the consolidated entity's profit before tax would have been $647,768 lower / $791,717 higher.

NOTE 23. SUBSIDIARIES

Name of entity	Country of incorporation	Class of shares	Ownership interest held by group*	
			2019	2018
Avalon Minerals Adak AB	Sweden	Ordinary	100%	100%
Avalon Minerals Viscaria AB	Sweden	Ordinary	0%	100%
Scandian Metals Pty Ltd	Australia	Ordinary	100%	80%
Scandian Metals AB	Sweden	Ordinary	100%[1]	80%
Kultatie Holding Oy	Finland	Ordinary	100%	100%
Kultatie Oy	Finland	Ordinary	80%[2]	80%
Litiumloydos Oy	Finland	Ordinary	80%[3]	64%
Sunstone Metals Canada Limited	Canada	Ordinary	100%	100%
Sunstone Metals Ecuador S.A.	Ecuador	Ordinary	100%[4]	100%

* The proportion of ownership interest is equal to the proportion of voting power held

1. Scandian Metals AB is a 100% owned subsidiary of Scandian Metals Pty Ltd
2. Kultatie Oy is an 80% owned subsidiary of Kultatie Holding Oy
3. Litiumloydos Oy is an 80% owned subsidiary of Scandian Metals AB
4. 4 Sunstone Metals Ecuador is a 100% owned subsidiary of Sunstone Metals Canada

During the financial year, an agreement was signed with the minority shareholders of Scandian Metals Pty Ltd to transfer their shares to Sunstone in exchange for 600,000 Sunstone shares. As a result Sunstone now holds 100% of the shares in Scandian Metals Pty Ltd, thereby increasing the interest in Scandian Metals AB to 100% and Litiumloydos Oy to 80%.

NOTE 24. ASSOCIATES

At 30 June 2019 the Group held 160 million shares in Copperstone Resources AB which equated to 38.2% of the shares on issue (2018: Nil).

Summarised financial information:

	2019
	$
Current assets	1,191,147
Non-current assets	45,778,567
Total assets	46,969,715
Current liabilities	2,658,721
Non-current liabilities	13,474,923
Total liabilities	16,133,644
Net assets	30,836,070
Issued Capital	45,082,593
Accumulated losses	(14,246,523)
Share based payment reserve	-
Total shareholders' equity	30,836,070
Net income/(loss)	(779,592)
Total Comprehensive income/(loss)	(779,592)
Reconciliation of the consolidated entity's carrying amount:	
Opening carrying acount	-
Shares acquired on the disposal of Avalon Minerals Viscaria AB	24,425,019
Share of loss	(300,922)
Impairment	(12,588,451)
Closing carrying amount	11,535,646

NOTE 25. REMUNERATION OF AUDITORS

	2019 $	2018 $
During the period the following fees were paid or payable for services provided by the auditor of the Company and its related practices:		
Audit and Review Services		
Audit and review of consolidated financial statements	**56,434**	43,041
Audit of Scandinavian subsidiaries financial statements	**14,878**	6,450
Other services		
Taxation matters - Australia	**20,160**	72,714
Accounting advice - Scandinavia	**-**	2,547
Taxation matters - Scandinavia	**3,667**	2,329

NOTE 26. CONTINGENT LIABILITIES

The Company is not aware of any other material contingent liabilities at 30 June 2019 not otherwise disclosed in the Financial Statements.

NOTE 27. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial period ended 30 June 2019 (2017: nil).

The balance of the Company's franking account is nil (2017: nil).

NOTE 28. EVENTS OCCURRING AFTER REPORTING DATE

Further consideration of 10 MSEK cash ($1.5 million) for the sale of the Viscaria Copper Project was received on 11 July 2019, with 5 MSEK plus accrued interest ($0.9 million) converted to an additional 12.5 million shares in Copperstone, and a further 5 MSEK cash plus interest to be received by November 2019.

Listed Options that expire 31 August 2019 with an exercise price of $0.03 each were underwritten on 2 August 2019, for the receipt of $4.6 million (before fees) for the exercising of 154,837,500 Options.

Subsequent to the end of the financial year, the Company reached the expenditure required to earn 51% of the Bramaderos project under the terms of the agreement with Cornerstone. Sunstone will now become a 51% shareholder in the company which holds the Bramaderos Concession and will become the Operator of the Joint Venture.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

NOTE 29. PARENT ENTITY INFORMATION

Information relating to Sunstone Metals Limited:

	2019 $	2018 $
Current assets	**9,092,785**	2,574,068
Non-current assets	**17,902,532**	3,678,436
Total assets	**26,995,317**	6,252,504
Current liabilities	**686,960**	274,559
Total liabilities	**686,960**	274,559
Net assets	**26,308,357**	5,977,945
Issued Capital	**79,607,540**	77,502,820
Accumulated losses	**(57,100,130)**	(75,257,716)
Share based payment reserve	**3,800,946**	3,732,841
Total shareholders' equity	**26,308,357**	5,977,945
Net income/(loss) for the year	**18,157,586**	(2,951,567)
Total Comprehensive income/(loss)	**18,157,586**	(2,951,567)

The income for the year ended 30 June 2019 for the Parent Entity is due to loans to Avalon Minerals Viscaria AB that had an impairment recognised in previous years.

There have been no guarantees entered into by the Parent Entity in relation to any debts of its subsidiaries.

The Parent Entity has restricted cash balances totalling $15,225 (2018: $15,225) representing term deposits securing performance guarantees over rental of the Company's office premises.

Under the binding agreement to earn a 51% interest in the Bramaderos gold-copper concession, southern Ecuador, the Parent Entity has a contractual commitment to incur expenditure on this concession (refer Note 21).

DIRECTOR'S DECLARATION

In accordance with a resolution of the Directors of Sunstone Metals Limited I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Consolidated Entity 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 30 June 2019 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b)

(c) subject to the achievement of matters described in note 1(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board

Mr Graham Ascough
Chairman

Brisbane, Queensland
28 August 2019

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the members of Sunstone Metals Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sunstone Metals Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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* (the Code) that are relevant to our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

1. Recoverability of exploration and evaluation assets

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 10 in the financial report The Group carries a total of $8,151,339 of exploration and evaluation assets as at 30 June 2019 in relation to the application of the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation assets is a key audit matter due to: - The significance of the total balance; and - The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources ('AASB 6') in light of any indicators of impairment that may be present.	Our procedures included, but are not limited to the following: - Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as licence agreements and also considering whether the Group maintains the tenements in good standing; - Tested a sample of capitalised exploration expenditure during the year to ensure it meets the recognition criteria under AASB 6; - Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cash flow forecast for the level of budgeted spend on exploration projects; - Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required; and - Reviewed budgets and evaluated assumptions made by the entity to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the areas of interest were planned.

2. Accounting for the sale of Avalon Minerals Viscaria AB

Key audit matter	*How the matter was addressed in our audit*
On 8 March 2019, the Group sold Avalon Minerals Viscaria AB (Viscaria) to a Swedish copper exploration company, Copperstone Resources AB (Copperstone). The Group has recognised $5,549,471 loss on the sale at disposal date. As at 30 June 2019, the Group has a non-current receivable of $4,057,458 for the contingent cash and share consideration. The accounting for the sale of Viscaria is a key audit matter due to: • The significance of the transaction; and • Judgements made in determining the fair value of the contingent consideration which is recognised as a financial asset at fair value through profit or loss.	Our procedures included, but were not limited to the following: • Reviewed the Share Sale and Purchase Agreement including the subsequent amendment agreement to understand the terms and conditions of the sale; • Reviewed management's workings in accounting for the transaction for mathematical accuracy as well as obtained supporting information for inputs used in the calculations; • Obtained and reviewed supporting documents for the receipt of both cash and share consideration at completion date; • Reviewed management's calculation of the fair value of the contingent consideration including agreeing key assumptions to supporting documentation; and • Reviewed the relevant disclosures in the Group's financial statements to determine if appropriate.

3. Accounting for the share interest in Copperstone Resources AB

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 11 in the financial report The Group received 160 million class B shares in Copperstone as part of the purchase consideration on the sale of Viscaria. The shares received equates to approximately 38% interest in Copperstone. At 30 June 2019, after equity accounting for the associate, an impairment of approximately $12,588,451 was recognised in the Group's Statement of Profit or Loss and Other Comprehensive Income. The accounting for the investment in Copperstone is a key audit matter due to: • The significance of the total balance.	Our procedures included, but are not limited to the following: • Assessment of whether the Group had control or significant influence over Copperstone due to its 38% interest; • Determine if the initial recognition and subsequent measurement of the shares held is in accordance with the relevant accounting standards; and • Verified to quoted market prices the calculation for the fair value of the shares held at balance date and recalculated the corresponding impairment recognised.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 30 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Sunstone Metals Ltd, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

A J Whyte
Director

Brisbane, 28 August 2019

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited ("ASX") Listing Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS

The following are substantial shareholders within the Company as per announcements to ASX as at 27 August 2019.

Holders (above 5%)	Ordinary shares held	Interest held
Darren Carter	78,471,110	6.41%
Valbonne II	77,953,887	6.37%

CLASS OF SHARES AND VOTING RIGHTS

At 27 August 2019, there were 1,610 holders of the ordinary shares of the Company. The voting rights attached to the ordinary shares, set out in clause 12.7 of the Company's Constitution, are:

Subject to any special rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- on a poll every person present who is a Shareholder or a proxy, attorney, or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those shares, (excluding amounts credited).

At 27 August 2019, there were options and performance rights over unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised or the performance rights have vested.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

DISTRIBUTION OF SHARE HOLDERS (AS AT 20 AUGUST 2019)

	Number of holders	
Category	**Ordinary shares**	**Options**
1 – 1,000	84	1
1,001 – 5,000	30	2
5,001 – 10,000	17	-
10,001 – 100,000	615	4
100,001 and over	864	93
	1,610	**100**

There were 200 holders holding less than a marketable parcel of ordinary shares as at 27 August 2019.

UNQUOTED SECURITIES

Options and performance rights on issue were allotted as part of an employee share option plan and performance rights plan and are unquoted.

RESTRICTED SECURITIES

There were no restricted securities as at 27 August 2019.

TWENTY LARGEST SECURITY HOLDERS AS AT 27 AUGUST 2019

Holder name	Ordinary Shares	
	Number	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	89,571,557	7.31
BNP PARIBAS NOMS PTY LTD <DRP>	80,801,796	6.60
MR DARREN CARTER	78,471,110	6.41
POTEZNA GROMADKA LTD	57,566,320	4.70
ILWELLA PTY LTD	36,865,103	3.01
MR MOHD FAIQ ABU SAHID	33,552,414	2.74
WYNTORC SA	20,777,778	1.70
CITICORP NOMINEES PTY LIMITED	19,271,429	1.57
MR ANTANAS GUOGA	14,283,398	1.17
PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	13,750,000	1.12
BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	13,160,000	1.07
PNX METALS LIMITED	12,892,013	1.05
HARSHELL INVESTMENTS PTY LTD <KAPLAN FAMILY A/C>	12,478,000	1.02
BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	11,500,000	0.94
J P MORGAN NOMINEES AUSTRALIA LIMITED	11,467,682	0.94
MR HOSSEIN SABET	10,000,000	0.87
MR LIM HENG SUAN	9,893,633	0.81
MR JAMIE PHEROUS <BLACK DUCK HOLDINGS A/C>	9,709,724	0.79
MR GRAHAM LESLIE ASCOUGH + MRS PATRICIA LYNN ASCOUGH <ASCOUGH S/F A/C>	8,874,617	0.72
MR MALCOLM STEWART NORRIS	8,746,106	0.71
Total	**552,883,680**	**45.15**

TWENTY LARGEST QUOTED OPTION HOLDERS AS AT 20 AUGUST 2019

Holder Name	Quoted Options	
	Number	%
BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	11,500,000	7.43
WOODLANDS ASSET MANAGEMENT PTY LTD	11,250,000	7.27
MR DARREN CARTER	10,000,000	6.46
MR ROGER ADRIAN ALDRED PARKER + MRS MARGARET DENISE PARKER	9,648,000	6.23
ZENIX NOMINEES PTY LTD	7,175,000	4.63
SCINTILLA STRATEGIC INVESTMENTS LIMITED	7,000,000	4.52
ACTIVEST CAPITAL PTY LTD	5,000,000	3.23
MARILEI INTERNATIONAL LIMITED	5,000,000	3.23
MR KEVIN MICHAEL MEEHAN + MRS ELIZABETH MARY MEEHAN <HUDSON 105 SUPER FUND A/C>	5,000,000	3.23
POTEZNA GROMADKA LTD	5,000,000	3.23
MR KAH HOWE CHAN	4,900,000	3.16
GURRAVEMBI INVESTMENTS PTY LTD <THE GURRAVEMBI S/FUND A/C>	4,000,000	2.58
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	3,407,000	2.20
AL EL DEVELOPMENTS PTY LTD	3,267,975	2.11
MR SCOTT EDWARD DANIEL BEVIS	3,000,000	1.94
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,160,000	1.40
HAUSTELLA PTY LTD <RANSOM FAMILY A/C>	2,125,000	1.37
MR SAM ROBIN HAMMOND	2,109,459	1.36
HARSHELL INVESTMENTS PTY LTD <KAPLAN FAMILY A/C>	2,020,000	1.30
DR MARK ANTHONY BENNETT	2,000,000	1.29
MR RONALD GEORGE MERRITT + MRS ANNE MAREE MERRITT <MERRITT FAMILY SF A/C>	2,000,000	1.29
MRF CAPITAL PTY LTD <MAYNE RETIREMENT FUND A/C>	2,000,000	1.29
REVEDOR PTY LTD <BENNETT A/C>	2,000,000	1.29
Total	**111,562,434**	**72.05**

OTHER INFORMATION

Sunstone Metals Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Sunstone's vision is to be a successful explorer in the porphyry copper-gold space. The Bramaderos Gold-Copper Project is considered to be highly prospective for the discovery of large gold-copper systems.

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