SUNSTONE
METALS

ANNUAL REPORT 2022

SUNSTONE METALS LIMITED

ABN 68 123 184 412

Contents

Overview

Chairman's Review

8 September 2022

On behalf of the Board of Directors, it is my pleasure to present the 2022 Annual Report for Sunstone Metals Limited ('**Sunstone**' or '**Company**'), and to thank all shareholders for your continued support of Sunstone.

Dear Fellow Shareholders,

It has been a year of significant growth for the Company highlighted by two globally significant discoveries.

Sunstone, like many other companies, has been impacted by the global COVID-19 pandemic. The local exploration team in Ecuador has stepped up during this time of restricted travel and done a fantastic job throughout the pandemic, bringing on the El Palmar project and implementing exploration programs under the direction of the Australia based executive team and under strict operating procedures to responsibly manage the risks associated with COVID-19.

At El Palmar in Northern Ecuador, first assays of gold and copper over wide intersections from surface were announced in October 2021 confirming a significant gold-copper porphyry discovery. The Company is acquiring a 100% interest in the El Palmar project and currently holds 70% through a staged acquisition agreement. The drilling results to date demonstrate El Palmar has substantial scale and gold-copper grades. The area has proven world class potential as El Palmar is in close proximity to the 1.0Bt Llurimagua copper-molybdenum porphyry deposit, and in the same structural belt hosting the 2.6Bt Alpala copper-gold deposit within the Cascabel project. There is immense upside at El Palmar for further discoveries as drilling to date has been limited to the south-eastern portion of the main target area with the western and northern portions remaining largely untested along with a number of regional targets.

The success at El Palmar was soon followed by further discovery success at Bramaderos in southern Ecuador where the initial drill program of the Alba target returned high-grade gold values and gold-copper values over significant widths. Ongoing drilling success at Alba and the nearby Brama target has significantly extended the scale of the combined Brama-Alba system and has consistently returned grades and widths in line with, or better than, other porphyry gold-copper deposits. The Brama-Alba system is at least 1.1km long and open to the east and west and an initial mineral resource estimate is planned for late 2022 – a significant milestone for the Project and the Company.

The Company continues to grow its footprint in Ecuador in line with its aspirations to become a safe and responsible discoverer and developer in the porphyry copper gold space. In June 2022 Sunstone signed a Letter of Intent to acquire the Verde Chico Project located to the west of the El Palmar through a Staged Acquisition Agreement.

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 and El Palmar.

During the year, the company monetised a portion of its investment in Swedish listed copper development company, Copperstone Resources AB (listed on Nasdaq Sweden First North) which realised cash of approximately $10.2 million through sale of shares. In addition, a successful Placement and Share Purchase Plan was undertaken in April-May 2022 to raise $22.4 million before fees. At the end of the financial year the Company held $24 million in cash and the value of our remaining interest in Copperstone and other listed securities was $1.7 million, providing a very healthy balance sheet for the Company.

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 growing the Company through its activities in Ecuador.

Yours sincerely

Mr Graham Ascough
Chairman

Company Highlights

- Discovery success at the highly prospective El Palmar Gold-Copper Porphyry Project in Northern Ecuador;
- Discovery success at the new Alba Gold-Copper Porphyry target at the Bramaderos project in Southern Ecuador;
- Advancement to 70% ownership of the El Palmar Gold-Copper Porphyry Project through a Staged Acquisition Agreement;
- Expanding the scale of the El Palmar and Bramaderos Gold-Copper Projects through ongoing drilling success and related technical studies including the commencement of metallurgical test work;
- Monetising approximately $10.2 million during the year from the sale of shares in Copperstone Resources AB; and
- Raising funds of $22.4 million through an oversubscribed placement bringing new institutional investors on board and a Share Purchase Plan to existing shareholders;

Operating Review

The Company's vision is to be a discovery business in the porphyry copper-gold space. The Bramaderos and El Palmar Gold-Copper Projects are considered to be highly prospective for the discovery of large gold-copper systems.

INTRODUCTION

Sunstone Metals Limited ("Sunstone" or "Company") is an exploration and mineral development company, focussed on creating value for shareholders from gold-copper projects in Ecuador. Value for shareholders will be created by:

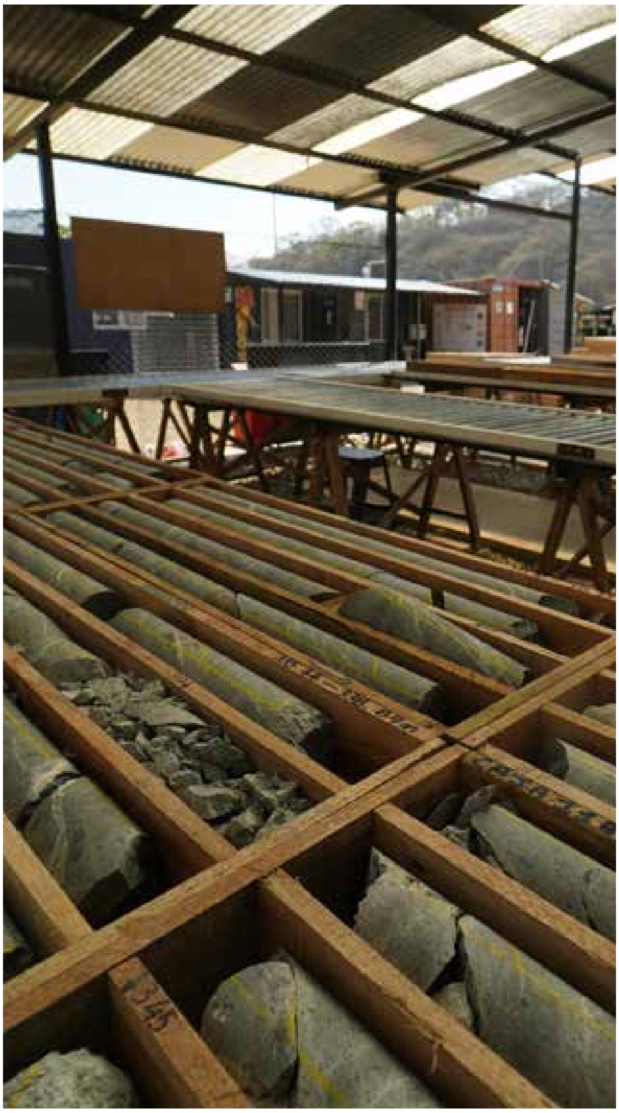
- Exploring and drill testing the Bramaderos Gold-Copper Project and the El Palmar Copper-Gold Project in Ecuador, working towards repeating the Sunstone team's previous success of significant discoveries of porphyry copper-gold systems and delivering shareholder value growth; and
- Evaluating potential new opportunities to continue to grow our business in Ecuador to add to our portfolio where clear shareholder value can be demonstrated

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

The Company's vision is to be a discovery business in the porphyry copper-gold space. The Bramaderos and El Palmar Gold-Copper Projects are considered to be highly prospective for the discovery of large gold-copper systems.

Sunstone is in the business of maximising shareholder return through the discovery and development of safe, efficient and environmentally and socially responsible mining projects that offer a clear path 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, like many other companies, has been impacted by the global COVID-19 pandemic. Sunstone takes the welfare of its employees very seriously and has implemented strict operating procedures to responsibly manage the risks associated with COVID-19.



Project Overview

BRAMADEROS GOLD-COPPER PORPHYRY PROJECT (SUNSTONE 87.5%)

The Bramaderos Project is ideally located immediately adjacent to the Pan American highway in Loja province, southern Ecuador, some 90km (1.5-hour drive) from the city of Loja, and within reasonable distance of available hydroelectric power, supporting the economics of potential development opportunities. The project has gentle topography with an average elevation of around 1,100m above sea level and is also supported by nearby commercial airports and significant population centres like the city of Loja. The project employs members of the local communities and has ongoing community support.

Brama-Alba target

During the year, a significant discovery was achieved at the Alba target with assays returning 111m at 2.3g/t gold, including 7.2m at 26.9g/t, from hole BMDD012 (see ASX announcement dated 18 November 2021).

The Alba gold-copper porphyry discovery at Bramaderos hosts grades in line with or better than those seen in many gold-copper porphyries around the world. The system is consistently well mineralised with local higher grades of a significant scale which now measures at least 300m in diameter and a vertical extent exceeding 400m (see ASX announcement dated 17 March 2022).

The results at Alba have extended the scale of the combined Brama-Alba target with the system currently at least 1,100m x 400m lateral dimension and a vertical extent of at least 400m. Mineralisation grade is variable within this envelope with discrete higher-grade sub-vertical domains enclosed within broader mineralised diorite. Some of these higher-grade domains extend to surface (Figure 3). During the year 22 holes were drilled at Brama-Alba for 12,386m.

The potential for Brama-Alba to host a substantial gold-copper porphyry system is being reinforced with ongoing drilling. There is also potential for this system to extend significantly towards adjacent targets Melonal and Playas (Figure 4).

Drilling at the Bramaderos project will continue throughout 2022 and be spread across several target areas. At Brama it is expected that 1 drill rig will continue drilling at least 5 holes for a total of ~2,000m. At Alba, at least 6 holes are planned for a total of ~2,400m. Drilling will also be undertaken at Limon (commenced during June) and complete at least 6 holes for ~3,500m. Planning for drilling is also underway at the Melonal (located southwest of Alba) and Sandia targets where at least one hole for ~500m is expected at each target.

The drilling programs at Brama-Alba will form the basis for an initial Mineral Resource Estimate (MRE). The goal of this MRE is to establish an initial resource estimate that can then be expanded as exploration continues at Brama-Alba and the other nearby targets such as Limon, Playas, Melonal, and Sandia.

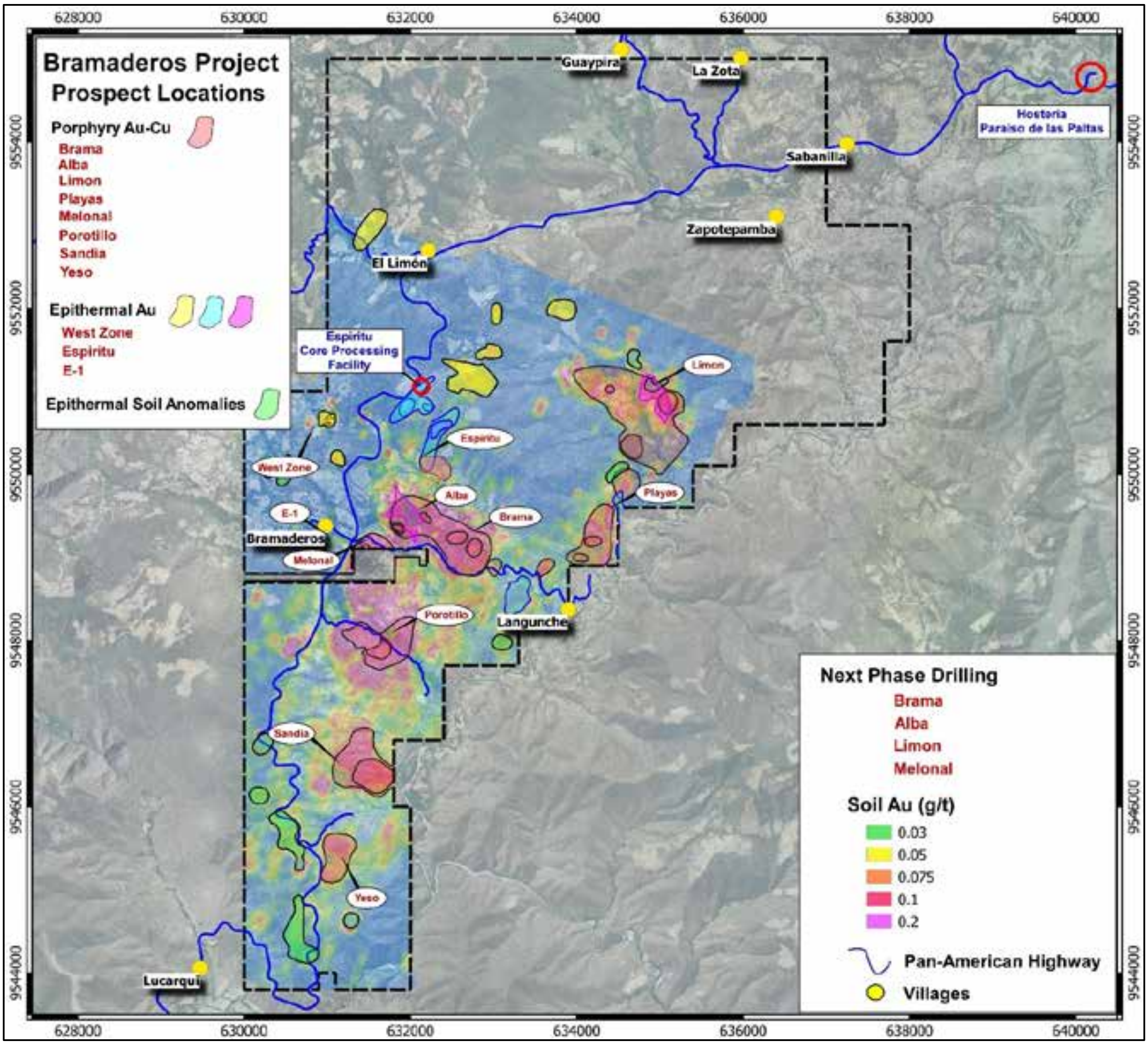


Figure 1: Location of the Brama-Alba target and the multiple gold-copper porphyry systems within the Bramaderos concession.

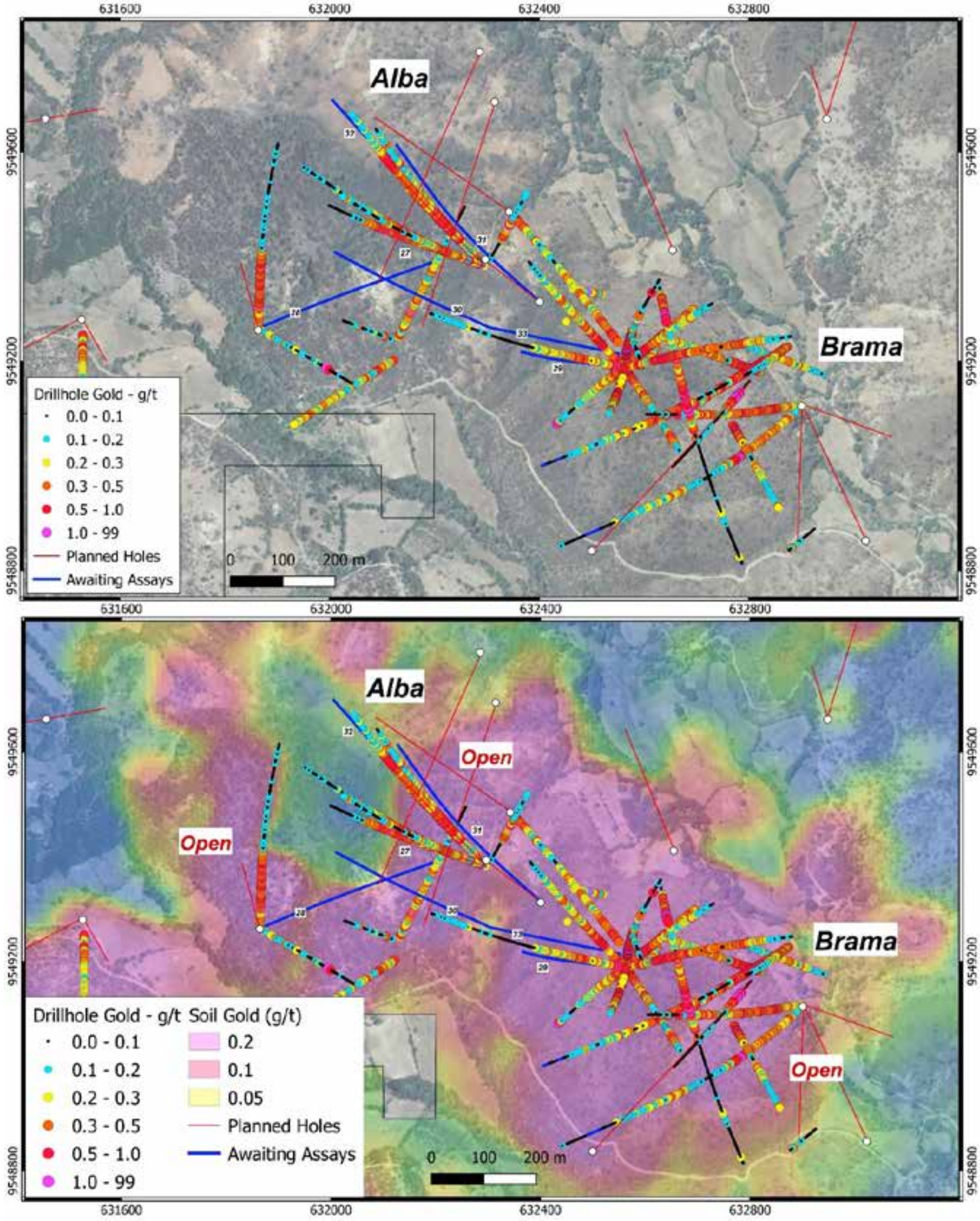


Figure 2: Alba and Brama target drill status plan showing gold in drill holes and gold in soil samples, areas where mineralisation is not yet closed off by drilling, and planned drill holes to be drilled.

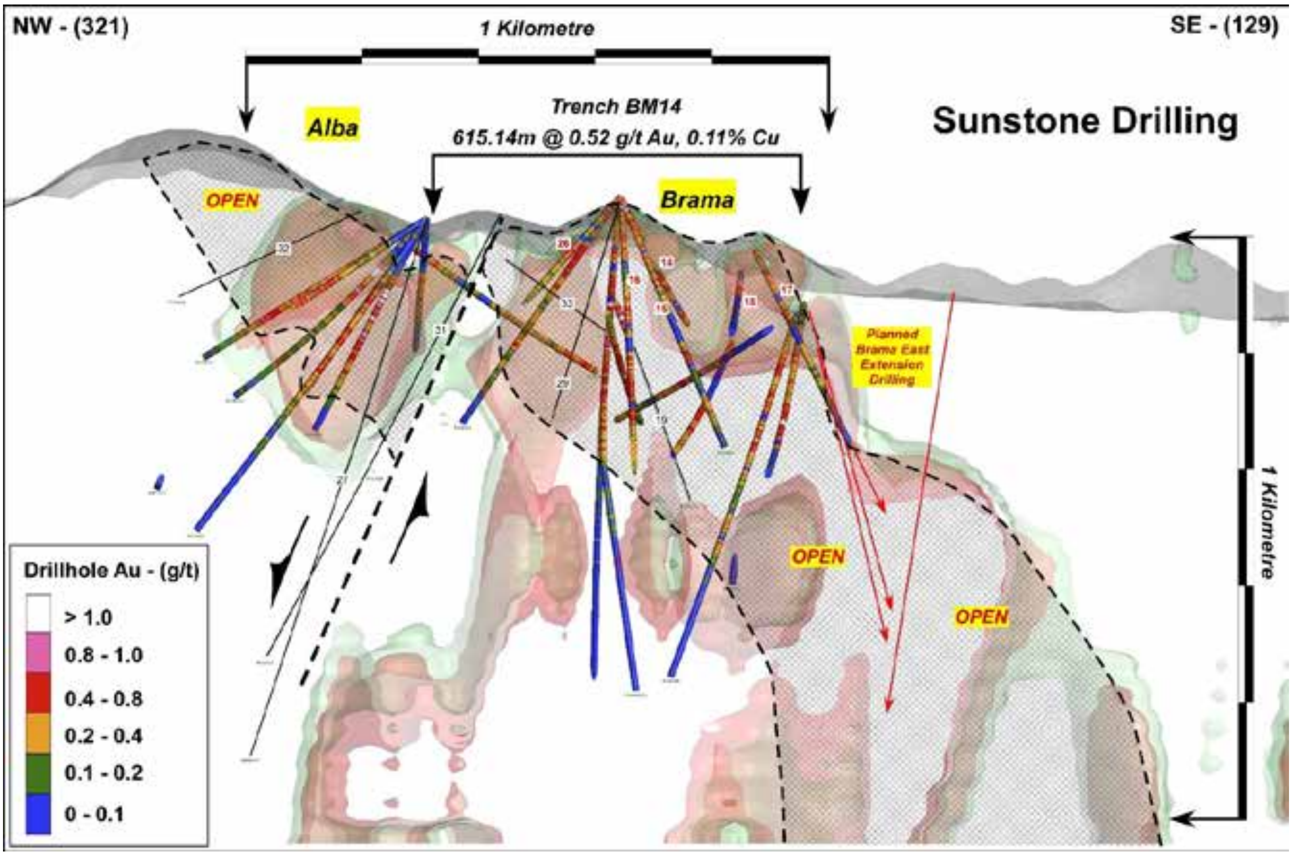


Figure 3: Brama-Alba long section showing current interpreted relationship between Alba and Brama and potential for Brama to extend to the east. This area will be tested with planned drilling as shown.

Other Bramaderos targets

Drilling at Limon commenced during June (hole LMDD007 completed to 1,016m in July 2022) and is targeting chargeability and conductivity anomalies defined in the Spartan MT and Orion DCIP surveys, and geological follow-up to previously drilled high-sulphidation mineralisation which returned 59.6m at 0.16% copper, including 13.3m at 0.43% copper and 0.11g/t gold (see ASX announcement 15th October 2019), and stockwork veining in surface trenches which returned 97.6m at 0.71g/t gold and 0.23% copper (see ASX announcement 29th May 2018).

Further drilling is planned be undertaken at Limon and complete at least 6 holes for ~3,500m.

At Playas the pipe-like magnetic bodies correlate with areas of highest-grade gold and copper in surface samples giving us confidence that drilling will extend that mineralisation to depth. Playas has never been drilled.

Melonal, Porotillo and Sandia all present similar relationships.

Planning for drilling is underway at Melonal (located southwest of Alba) where at least one hole for ~500m is expected.

At Porotillo a historical drill hole (CURI-05) intersected 26m at 1.1g/t gold and 0.2% copper demonstrating that significantly higher grades can be delivered from these systems.

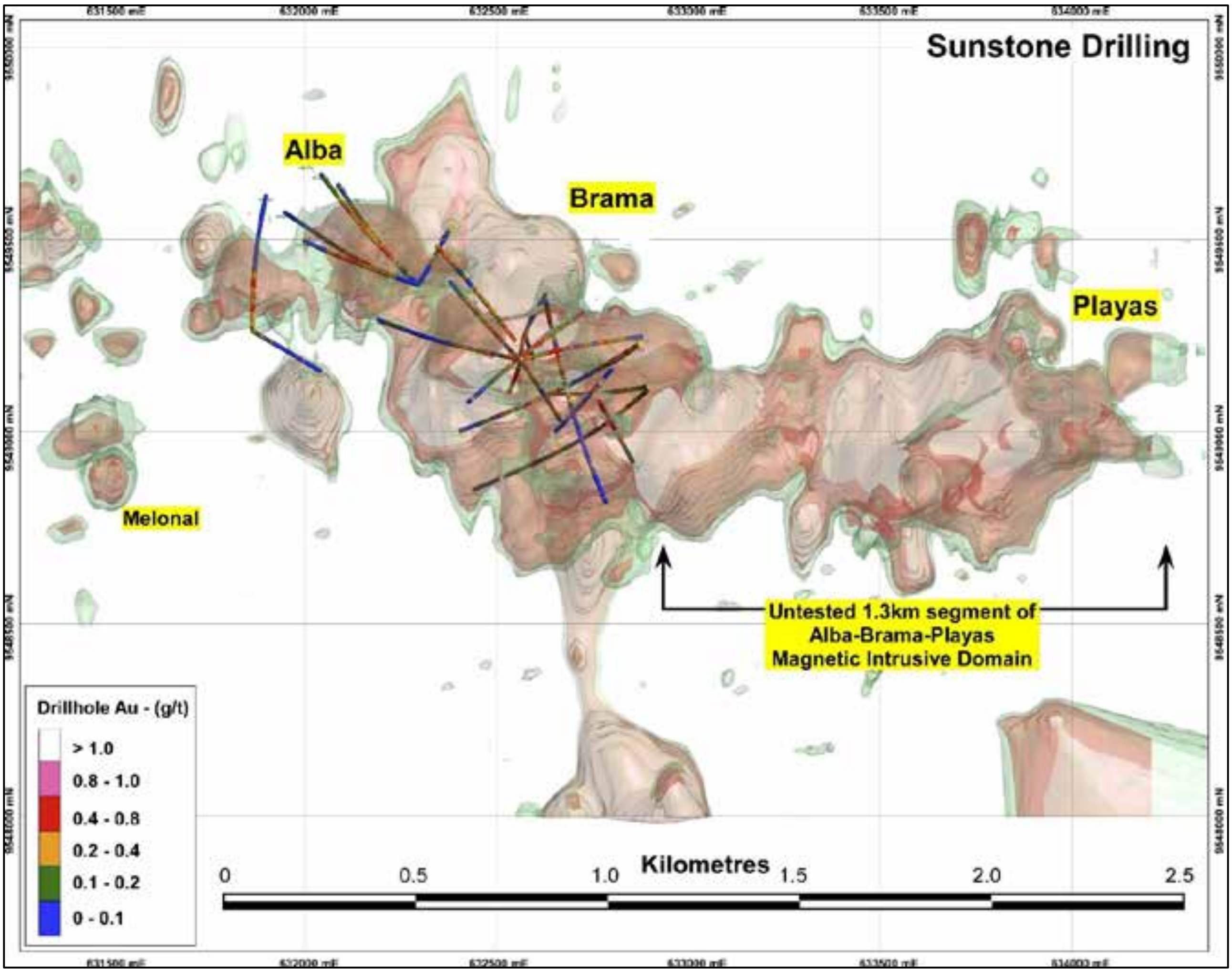


Figure 4: Melonal-Alba-Brama-Playas trend in 3-D magnetics highlighting the potential scale increase to be delivered with more drilling at Bramaderos. The drilling results at Alba and Brama have upgraded the nearby drill targets, and these will see some initial testing during 2022.

EL PALMAR COPPER-GOLD PORPHYRY PROJECT – NORTHERN ECUADOR (SUNSTONE 70% – ACQUIRING UP TO 100%)

Sunstone has made a significant discovery at the highly prospective El Palmar gold-copper porphyry project, located in northern Ecuador, 60km north-west of Ecuador's capital Quito. Travel time to site from Quito is approximately 3 hours. The property sits on the regionally significant Toachi Fault Zone, in the vicinity of the 1Bt Llurimagua copper-molybdenum porphyry deposit, and in the same regional structural belt that hosts the 2.6Bt Alpala copper-gold porphyry deposit grading 0.25g/t gold and 0.37% copper, and the 0.53Bt Tandayama-America deposit grading 0.19g/t gold and 0.24% copper within the Cascabel project (see www.solgold.com.au for MRE details) (Figure 5). Sunstone is acquiring 100% of the El Palmar project and currently holds 70% under the Staged Acquisition Agreement signed on 12th August 2020.

Drilling commenced in August 2021 with assays from EPDD001 delivering 163.55m at 0.71g/t gold and 0.20% copper from 52.35m, within a broad interval of 480.85m at 0.41g/t gold and 0.15% copper from 11.3m. Peak values were 1m at 1.34g/t gold and 0.41% copper from 192.2-193.2m. During the year 13,000m has been drilled at El Palmar and drilling is ongoing.

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

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

Geological modelling of the El Palmar system is suggesting a steep northerly plunge to the group of intrusives that host, and are coeval with, the gold-copper mineralisation. This interpretation, which is evolving based on 3-D modelling of drill hole logs and assays, is guiding the location of future drill holes.

Soil sampling is also rapidly progressing and providing definition to additional targets within the concession in preparation for drill testing. Porphyry targets have been defined to the southeast near the Toachi fault, and also immediately northeast of the main El Palmar target. Both of these regions exhibit geochemical signatures typical of the alteration caps that lie above porphyry systems. Soil sampling is now progressing to the north and covering multiple areas of outcropping epithermal gold mineralisation, including where historical surface rock chip sampling yielded an 85m-long (and open) zone from which 101 surface samples averaged 1.2 g/t Au, 25 g/t Ag and 0.16% Cu, with peak values for these elements being 6.47 g/t Au, 225g/t Ag and 0.78% Cu.

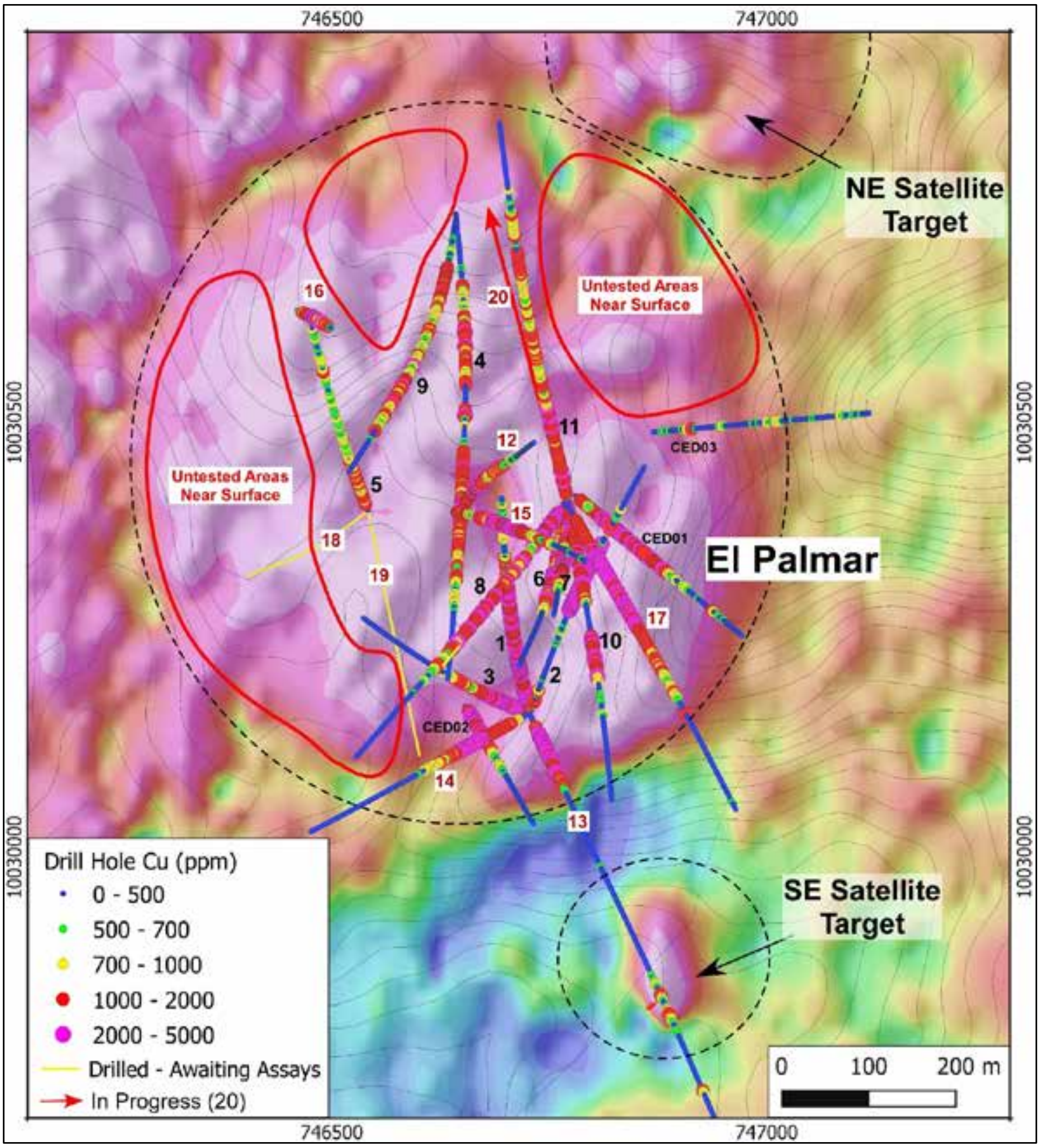


Figure 5: Distribution of copper (shown in ppm; 2000ppm = 0.2%) in drillholes at El Palmar. Assays are pending for holes 18 and 19 (yellow traces) whilst hole 20 (red trace) recently completed.

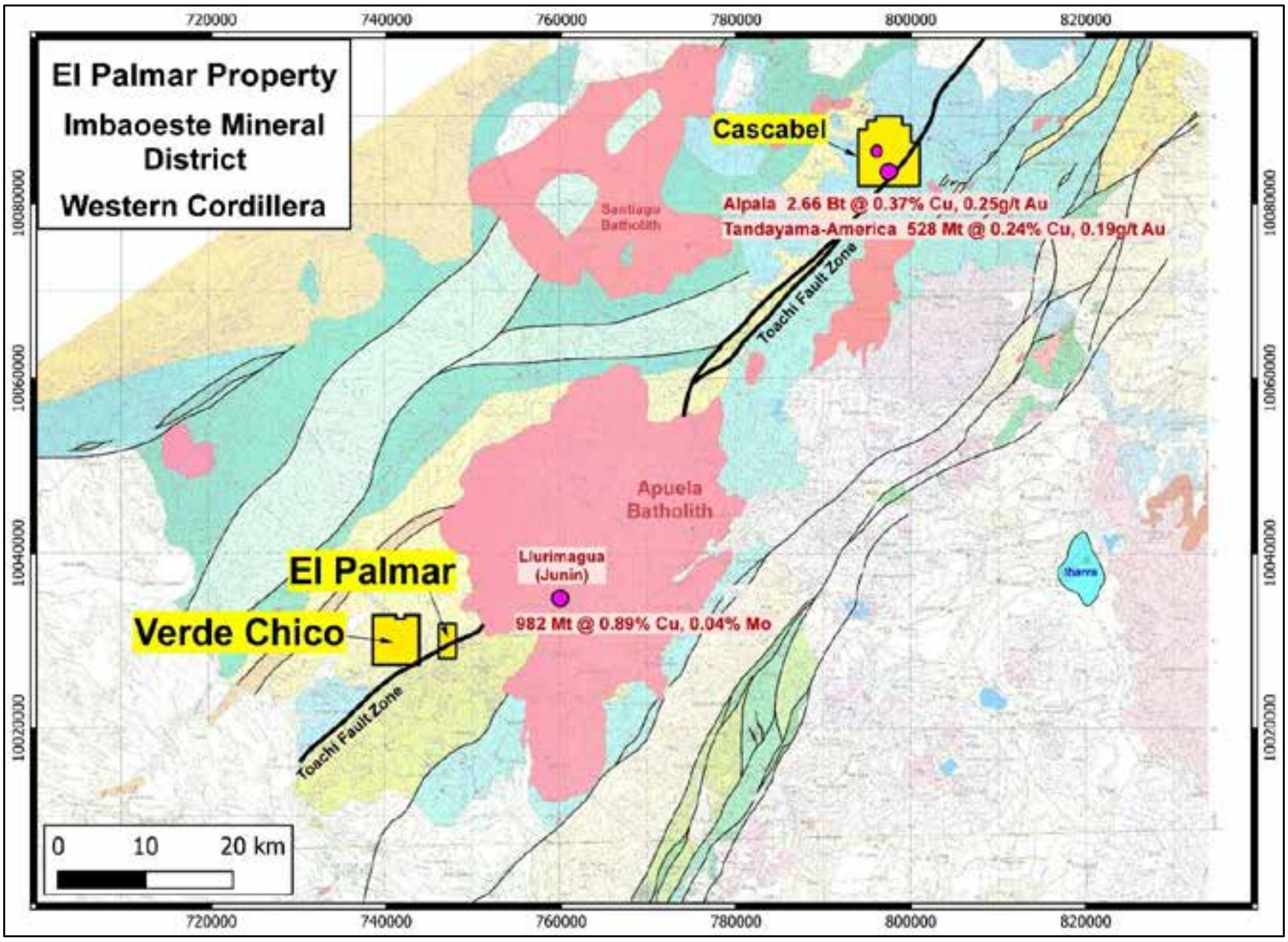


Figure 6: Location of the El Palmar project (and Verde Chico property) relative to the Llurimagua and Cascabel Alpala and Tandayama-America deposits, and the Toachi fault system which is considered important for the localisation of porphyry copper-gold-molybdenum mineralisation in northern Ecuador.

VERDE CHICO PROJECT

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

The Verde Chico project was explored by the Rio Tinto group (then called RTZ) in 1992-1995, and by Canadian junior Balaclava Mines in 1998. No exploration has been undertaken on the land since 1998. The historical exploration identified a 1.1km-long gold-in-soil anomaly that is open to the north and south, and which includes several high-grade gold-bearing veins at surface and wide lower grade zones of gold mineralisation in some drill holes. A total of 12 trenches for 683m were opened and sampled following mineralised structures. A total of 28 drill holes for 4,436m were drilled by RTZ and Balaclava.

Historical exploration comprised regional stream sediment sampling, soil sampling, limited geophysics (CSAMT), trench sampling, and diamond drilling. The soil sampling by Rio Tinto which defined the >1.1km long gold-in-soil anomaly is coincident with a CSAMT resistivity anomaly. This area was drilled at several locations and returned significant intervals of gold mineralisation including 68.5m at 1.05g/t gold from surface in hole RVC-08, including 1m at 11.3g/t gold from 40.5m.

ESG ACTIVITIES

Sunstone is committed to building its Environmental, Social, and Governance (ESG) credentials. Through our actions, we can make our operations safer, our decision-making more transparent, our communities increasingly resilient and our environmental stewardship stronger. In short, how we can improve our business.

Metals and mining remain fundamental to the development of society. We are playing our part in meeting global demand for metals in a responsible and sustainable manner. Sustainability is firmly embedded in our business strategy, as it is not only the right thing to do but creates business value by fostering innovative solutions to operational and global challenges while mitigating business risk. Recognizing the unique role we can play as an investor and employer in rural and remote areas, we seek to be agents of positive social and economic development wherever we operate and to be responsible stewards of the environment.

At Sunstone, we believe that the success of our project lies when we work in direct collaboration with communities to achieve long-term social, environmental, and economic outcomes. We seek to create and contribute to social value in local communities through the positive social and economic benefits generated by our activity, our commitment and support of important issues, and our contribution as part of the community.

We remain committed to respecting and protecting human rights, and to ensuring early, transparent, and inclusive consultation and engagement with landowners and communities related to our activities. This includes incorporating their views into our decision-making and developing long-term partnerships.

Sunstone is committed to working with local communities in a spirit of reciprocity and transparency, developing long-term sustainable agreements and partnerships that are mutually beneficial.

Sunstone is proud to support the surrounding communities during the most critical times of the pandemic in Ecuador. We have worked closely with the communities in which we operate to establish support mechanisms for health, wellbeing, and resilience to help protect the most vulnerable from infection, manage any potential outbreaks and mitigate the wider impacts of this pandemic.

Our priority remains to reduce the risk of transmission of COVID-19 and protect our workers, their families, and our local communities. We have a safety, health and environment team that constantly monitors the situation to ensure the well-being of our workers and keep our projects running safely, supporting all those who rely on us.

Sunstone maintains a deep commitment to human rights. Our policy and code of conduct explicitly state our respect for human rights, and this is reflected in our core values of security, concern and respect, integrity, and accountability. In addition, we are committed to complying with the applicable laws and regulations of the countries where we operate.

MATERIAL BUSINESS RISKS

The business of the Group is exploration, with a vision to be a discovery business in the porphyry copper-gold space. Exploration activities involve various inherent risks including the risk that exploration may be unsuccessful, or the risk that laws may change in various jurisdictions in which we operate, that could have a negative impact, resulting in potential impairment in the value of the tenements, diminishing the cash reserves of the Group and possible relinquishment of the tenements.

INVESTMENT IN COPPERSTONE RESOURCES AB

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

As at 30 June 2022 Sunstone held 10,595,878 shares in Copperstone (2021: 61,638,652).

During the financial year ended 30 June 2022 Sunstone sold a total of 51,042,774 shares held in Copperstone realising ~$10.2 million in cash, with the remaining shares held at year end valued at ~$1.4 million (10,595,878 shares at 0.958 SEK).

Since the closing of the transaction to sell Viscaria to Copperstone, Sunstone has to date received cash of approximately $33.3 million (comprising 35 million Swedish Kronor (MSEK) equal to approximately $5.4 million, 12.5 million shares in lieu of 5 MSEK cash owed plus interest, sold on market for ~$0.9m, 26 MSEK in cash for early payout of the at-risk contingent tranche 2 consideration due upon receipt of an environmental permit equal to approximately $4.1 million and sale of 149,404,122 of the 160 million shares in Copperstone for 149.5 MSEK equal to approximately $22.9 million).

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

LITHIUM PORTFOLIO

During the financial year ending 30 June 2022 Sunstone sold its interest in the Finland Lithium project to Canadian Securities Exchange-listed United Lithium Corp ('CSE:ULTH').

Consideration payable to Sunstone on closing was CAD420,000 cash (A$459,900) and CAD420,000 worth of shares (871,803 shares equivalent to A$486,858) in United Lithium.

As at 30 June 2022 the value of the shares held in United Lithium was recorded as A$186k (871,803 shares at closing price of CAD0.19).

TENEMENT SCHEDULE

Gold-Copper Tenements – Ecuador

Tenement Holder	Tenement Name	Location	Status	Sunstone Ownership
La Plata Minerales S.A.	Bramaderos[1]	Loja, Ecuador	Granted	87.5%
La Plata Minerales S.A.	Cueva de Leon[1]	Loja, Ecuador	Granted	87.5%
Golden Exploration Ecuador S.A.	El Palmar[2]	Ibarra, Ecuador	Granted	70%
Minera Verde Chico S.A.	Verde Chico[3]	Ibarra, Ecuador	Granted	0%

1 Sunstone announced on 7 January 2020 that the terms of the Earn-in Joint Venture with TSX-V listed Cornerstone Capital Resources (TSXV:CGP) had been amended to provide Sunstone with an immediate 87.5% interest and Cornerstone with a loan carried 12.5% interest in La Plata Minerales S.A. (PLAMIN) the holder of the Bramaderos concession. Cueva de Leon is a small scale mining concession contiguous with Bramaderos.

2 Subject to Staged Acquisition Agreement to acquire 100%.

3 Subject to Staged Acquisition Agreement to acquire 100%. Tenement in process of being transferred to Minera Verde Chico S.A.

Financial Report

Directors' 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 2022.

Directors' Report

continued

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 2022.

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 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 other income and results is set out below:

	2022 $	2021 $
Revenue and other income	**100,060**	333,466
Profit/(loss) before income tax	**(2,870,279)**	3,224,218
Income tax expense	**-**	-
Profit/(loss) attributable to members of Sunstone Metals Limited	**(2,866,269)**	3,228,929
Profit/(loss) attributable to non-controlling interests	**(4,010)**	(4,711)

Earnings per share	2022 cents	2021 cents
Basic earnings per share	**(0.1)**	0.1

Financial Performance

During the year ended 30 June 2022 the Group incurred a loss of $2,870,279 (2021: profit of $3,224,218). While normal expenses are generally in line with prior year, the loss is largely due to non-cash share based payments expense for employee performance rights of $938,806 and net fair value loss on financial assets at fair value through profit or loss of $359,378 due to decrease in share price for the equities Sunstone hold in Copperstone Resources AB ("Copperstone"), United Lithium Corp and NewPeak Metals Ltd. In the prior year the profit was primarily related to an increase in the fair value of the investment in Copperstone shares.

Financial Position

The Company's non-current assets increased from $31,923,061 at 30 June 2021 to $42,982,704 at 30 June 2022 primarily due to expenditure incurred on the Bramaderos and El Palmar Projects in Ecuador, offset by the sale of 51,042,774 shares held in Copperstone and the reclassification of the balance of shares held in Copperstone as a current asset. The Company's current assets increased significantly from $12,210,099 at 30 June 2021 to $25,830,656 at 30 June 2022 due to cash received from a placement and Share Purchase Plan in April and May 2022 as well as the reclassification of the Copperstone shares to a current asset.

At the end of the financial period, the Group had cash balances of $23,997,222 (2021 $12,171,240) and net assets of $66,369,314 (2021: $43,336,675). Total liabilities amounted to $2,444,046 (2021: $796,484) and included trade, other payables, lease liabilities and provisions.

During the year, the Company had an increase in contributed equity of $21,633,583, after fees, for the placement and Share Purchase Plan in April and May 2022.

Events occurring after reporting date

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

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 also currently non-executive Chairman of ASX listed companies: PNX Metals Limited, Black Canyon 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 has served as a director of several companies listed on the Australian Securities Exchange in recent years. He 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)
Musgrave Minerals Limited (appointed 26 May 2010)
Black Canyon Limited (appointed 25 August 2013; Company listed on ASX 5 May 2021)

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

Member of the Audit and Financial Risk Committee

Experience and expertise

Mr Norris (MSc, MAppFin, 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 35 years of industry experience including 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; Ceased 3 February 2020)

Directors' Report
continued

Mr Stephen Stroud *(appointed as a Non-Executive Director 6 September 2017)*

Chairman of the Audit and Financial Risk Committee
Experience and expertise
Mr Stroud (BBus.Acc, GDip.AppFin, CPA) is an experienced CPA qualified corporate finance executive with over 20 years experience advising across all aspects of corporate finance. He advises 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 Advisory 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:
Nil

Company Secretary

Mr Gavin Leicht *(appointed 28 April 2015)*

Mr Leicht (B.Com, FGIA) has over 25 years experience in various financial roles, including 20 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 is a Fellow of the Governance Institute of Australia and has also been a Member of the Australian Society of Certified Practising Accountants, and the Finance & Treasury Association.

Meetings of Directors

There were 9 meetings of the Company's board of Directors held during the year ended 30 June 2022. The number of meetings attended by each Director were:

	Meeting of Directors		Audit and Financial Risk Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr Graham Ascough	9	9	2	2
Mr Malcolm Norris	9	9	2	2
Mr Stephen Stroud	9	9	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 Officer, 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 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.

Remuneration report (Audited) (continued)

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 does not generate any revenue from product sales and therefore growth in earnings is not considered relevant. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly.

	2022	2021	2020	2019	2018	2017
Impact on shareholder wealth						
Gain/(Loss) per share (cents)	(0.1)	0.1	0.3	(1.9)	(0.2)	(0.4)
Share price (cents)	4.5	1.5	0.7	4.1	3.8	1.5

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.

Remuneration report (Audited) (continued)

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. Any 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 options and performance rights issued 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 2021/22 year includes four KPIs, each one equating to a cash bonus of 25% of base salary if achieved (2021: 5 KPIs equal to 20% each). 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. The measures were chosen as they represent the key drivers for the short-term success of the business, strategic initiatives around the growth of the Company, and provide a framework for delivering long-term value for shareholders.

  A cash bonus of 20% of base salary was paid to the Managing Director and the three other Key Management Personnel during the financial year ended 30 June 2022, relating to the achievement of a KPI connected to monetising the shares held in Copperstone Resources AB for a value higher than the Volume Weighted Average Price of Copperstone shares from the closing of the transaction to sell the Viscaria Project to Copperstone. No other cash bonuses have been paid during the year ended 30 June 2022 (2021: 20%).

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 2021. Fees for the Chairman are $90,000 p.a. and fees for other Non-executive Directors $55,000 p.a. (last increased 2018 to $85,000 and $50,000 respectively). 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.

Remuneration report (Audited) (continued)

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.

2022	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
Name	**Cash salary and fees $**	**Cash bonus $**	**Super-annuation $**	**Annual/Long service leave $**	**Options and Rights $**	**Total $**	**Performance related $**
Directors of Sunstone Metals Ltd:							
Mr G Ascough	90,000	–	–	–	124,000	214,000	57.9%
Mr M Norris	316,000	60,200	31,600	34,084	372,566	814,450	55.5%
Mr S Stroud	55,000	–	–	–	124,000	179,000	69.3%
Other key management personnel:							
Mr R Robinson	266,000	50,700	26,600	15,334	318,240	676,874	55.8%
Mr G Leicht	256,200	48,800	25,620	10,634	318,240	659,494	56.6%
Dr B Rohrlach	256,200	48,800	25,620	14,684	318,240	663,544	56.6%
Total	**1,239,400**	**208,500**	**109,440**	**74,736**	**1,575,286**	**3,207,362**	

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.

2021	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
Name	**Cash salary and fees $**	**Cash bonus $**	**Super-annuation $**	**Annual/Long service leave $**	**Options and Rights $**	**Total $**	**Performance related $**
Directors of Sunstone Metals Ltd:							
Mr G Ascough	90,666	–	–	–	6,133	96,799	6.3%
Mr M Norris	316,050	60,200	30,025	(10,776)	49,603	445,102	24.1%
Mr S Stroud	52,500	–	–	–	6,133	58,633	10.5%
Other key management personnel:							
Mr R Robinson	274,625	50,700	26,089	28,165	33,643	413,223	21.9%
Mr G Leicht	256,200	48,800	24,339	10,224	33,643	373,206	22.7%
Dr B Rohrlach	256,200	48,800	24,339	22,615	33,643	385,597	22.7%
Total	**1,246,241**	**208,500**	**104,792**	**50,229**	**162,799**	**1,772,561**	

As a result of COVID-19 cash salary and fees for Directors and key management personnel was voluntarily deferred by 20% from March/April 2020 to June 2020, and was repaid during the year ended 30 June 2021.

Loans to key management personnel

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

Remuneration report (Audited) (continued)

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 $316,000, reviewed annually on 1 July of each year and was last increased on 1 July 2021. Four weeks annual leave and statutory long service 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 an increase last occurring on 1 July 2021. Four weeks annual leave and statutory long service leave is provided.

D Share-based compensation

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

Performance Rights movements during the financial year:

						Vested		Lapsed	
2022	**Beginning Balance**	**Granted as remuneration**	**Vested during year**	**Lapsed**	**Balance at end of year**	**$**	**%**	**$**	**%**
Directors of Sunstone Metals Ltd:									
Mr M Norris	13,646,468	8,400,000	(9,133,333)	(113,135)	12,800,000	288,053	41.4%	4,525	0.5%
Other key management personnel:									
Mr R Robinson	10,457,947	7,200,000	(6,800,000)	(57,947)	10,800,000	194,720	38.5%	2,318	0.3%
Mr G Leicht	10,457,947	7,200,000	(6,800,000)	(57,947)	10,800,000	194,720	38.5%	2,318	0.3%
Dr B Rohrlach	10,457,947	7,200,000	(6,800,000)	(57,947)	10,800,000	194,720	38.5%	2,318	0.3%
Total	**45,020,309**	**30,000,000**	**(29,533,333)**	**(286,976)**	**45,200,000**	**872,213**	**39.4%**	**11,479**	**0.4%**

Vested value reflects share price at vesting 2022 for 31% of shares for Mr Norris and 35% for Other KMP, with the remaining 69% of shares for Mr Norris and 65% for Other KMP subject to disposal restrictions as at end of financial year and calculated at closing share price 30 June 2022. Lapsed value reflects the value calculated at grant date for the rights that lapsed during the year.

During the 2022 financial year several tranches of share price hurdle related performance rights vested for key management personnel as follows:

Grant Date	Share Price Hurdle	Number Vested	Date Vested	Disposal Restriction
23 Oct 2020: Tranche 1	$0.0276	10,000,000	20/10/2021	No
23 Oct 2020: Tranche 3	$0.0500	10,000,000	28/10/2021	Yes
31 Oct 2019: Tranche 1	$0.0800	2,600,000	30/11/2021	Yes
27 Nov 2018: Tranche 1	$0.0500	3,466,667	28/10/2021	Yes
27 Nov 2018: Tranche 3	$0.0650	3,466,666	9/11/2021	Yes
Total		**29,533,333**		

Remuneration report (Audited) (continued)

Shareholder approval was obtained at the Annual General Meeting held on 28 October 2021, for the issue of 8,400,000 Performance Rights with an exercise period of 3 years to Mr M Norris on the following terms (also 7,200,000 granted to each of the three 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 $0.071 or more for 10 trading days out of any 20 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 $0.094 or more for 10 trading days out of any 20 consecutive trading days; and
  - 12 months after issue.

During the 2022 financial the share price hurdles for tranches 1 and 3 have been met however vesting is still subject to the recipients remaining as an employee for 12 months after date of issue.

Option movements during the financial year:

2022	Beginning Balance	Granted as remuneration	Lapsed	Exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors of Sunstone Metals Ltd:						
Mr G Ascough	4,000,000	6,000,000	–	–	10,000,000	4,000,000
Mr S Stroud	4,000,000	6,000,000	–	–	10,000,000	4,000,000
Total	**8,000,000**	**12,000,000**	**–**	**–**	**20,000,000**	**8,000,000**

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.

2022	Beginning Balance	Vesting of Performance Rights	Exercise of Options	Purchases	Disposals	Balance at end of year
Directors of Sunstone Metals Ltd:						
Mr G Ascough	19,417,381	–	–	447,762	–	19,865,143
Mr M Norris	22,101,217	9,133,333	–	927,762	–	32,162,312
Mr S Stroud	9,605,264	–	–	947,762	–	10,553,026
Other key management personnel:						
Mr R Robinson	8,251,776	6,800,000	–	–	–	15,051,776
Mr G Leicht	14,067,837	6,800,000	–	746,270	–	21,614,107
Dr B Rohrlach	7,265,516	6,800,000	–	–	–	14,065,516
Total	**80,708,991**	**29,533,333**	**–**	**3,069,556**	**–**	**113,311,880**

Shares held by M Norris are via direct interest in 11,371,106 shares, 14,067,577 shares held by superannuation funds where Mr Norris is a direct beneficiary, and 6,723,629 shares held by an associate of Mr Norris.

End of Remuneration Report (Audited)

Shares under option

At the date of this report, there were 20 million unquoted options over ordinary shares of the Company outstanding, 8 million at an exercise price of 4.2 cents, expiring 31 October 2022 and 12 million at an exercise price of 10 cents, expiring 2 November 2024.

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 27.

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:

	2022 $	2021 $
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		
BDO Audit Pty Ltd	**66,355**	59,440
BDO Sweden and Finland	**4,396**	12,457
Other services		
Taxation matters - Australia	**15,929**	11,628
Taxation matters - Scandinavia	**–**	2,319
	86,680	85,844

Directors' Report

continued

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

Mr Graham Ascough
Chairman

Brisbane, Queensland
8 September 2022

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF SUNSTONE METALS LIMITED

As lead auditor of Sunstone Metals Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 Limited and the entities it controlled during the year.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 8 September 2022

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 (fourth edition) in February 2019. 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 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 one independent, Non-Executive Director. 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.

The Committee members are:

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

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 had previously established a Remuneration Committee with all directors being members of the Committee. With the resignation of the Chairman of the Remuneration Committee in April 2020 all matters previously considered by the Remuneration Committee are now the responsibility of the full Board of directors.

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 a separate Remuneration Committee.

The Board 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 Board 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 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 Board 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 Board undertakes an annual review of key executives, evaluating their performance and remuneration levels. This annual review was last undertaken in June 2022.

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

Each Director 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*. The Company's Securities Trading Policy can be found on the Company's website.

Communication to market and shareholders

The Board Charter, Code of Conduct and Securities 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 two non-executive directors in Australia and currently has no female employees or directors. In Ecuador the Company's subsidiaries have 46 full-time permanent employees, of which fifteen are female (32%).

Our commitment to ESG

Sunstone is committed to building Environmental, Social, and Governance (ESG) credentials.

Sunstone understands that there are many opportunities for the company to help the local communities where we operate.

Our objective is to develop a mutually beneficial and respectful relationship with local communities within the area of our Bramaderos and El Palmar projects. By working with the communities, landowners, and government, we strive for meaningful and socially responsible ways to collaborate with them as a means of empowering each party to play a key role in planning and implementing a strategy for achieving an environmentally and economically sustainable future for the region.

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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

	Note	2022 $	2021 $
Interest income		**11,117**	20,260
Other income		**88,943**	313,206
Employee Benefits Expense	4	**(1,883,577)**	(972,991)
Corporate and administration expenses		**(645,455)**	(669,577)
Share of associate gains/(losses) using the equity method		**-**	343,094
Net fair value gain/(loss) on financial assets at fair value through profit or loss	8	**(359,378)**	5,250,640
Depreciation expense		**(68,820)**	(66,922)
Reversal of impairment/(impairment expense)	4	**-**	481,066
Loss on sale of subsidiary		**-**	(1,466,504)
Interest paid		**(13,109)**	(8,054)
Profit/(Loss) before income tax		**(2,870,279)**	3,224,218
Income tax expense	5	**-**	-
Net profit/(loss) for the period		**(2,870,279)**	3,224,218
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**2,776,813**	(2,047,990)
Total comprehensive profit/(loss) for the period		**(93,466)**	1,176,228
Net profit/(loss) for the period is attributable to:			
Members of Sunstone Metals Ltd		**(2,866,269)**	3,228,929
Non-controlling interests		**(4,010)**	(4,711)
		(2,870,279)	3,224,218
Total comprehensive profit/(loss) for the period attributable to:			
Members of Sunstone Metals Ltd		**(89,125)**	1,180,561
Non-controlling interests		**(4,341)**	(4,333)
		(93,466)	1,176,228

Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	17	**(0.1)**	0.3
Diluted earnings per share	17	**(0.1)**	0.3

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 2022

	Note	30 June 2022 $	30 June 2021 $
Current assets			
Cash and cash equivalents	6	**23,997,222**	12,171,240
Trade and other receivables	7	**128,136**	38,858
Financial assets at fair value through profit or loss	8	**1,705,298**	-
Total current assets		**25,830,656**	12,210,098
Non-current assets			
Financial assets at fair value through profit or loss	8	**-**	11,783,019
Plant and equipment	9	**678,391**	189,852
Exploration and evaluation	10	**42,304,313**	19,950,190
Total non-current assets		**42,982,704**	31,923,061
Total assets		**68,813,360**	44,133,159
Current liabilities			
Trade and other payables	11	**1,534,173**	195,020
Lease liabilities		**39,903**	35,900
Provisions	12	**554,891**	284,288
Total current liabilities		**2,128,967**	515,208
Non-current liabilities			
Lease liabilities		**32,579**	72,483
Provisions	12	**282,500**	208,793
Total non-current liabilities		**315,079**	281,276
Total liabilities		**2,444,046**	796,484
Net assets		**66,369,314**	43,336,675
Equity			
Contributed equity	13	**109,827,200**	88,193,617
Reserves	14	**6,590,894**	2,321,815
Accumulated losses		**(50,919,564)**	(48,053,295)
Equity attributable to owners of Sunstone Metals Limited		**65,498,530**	42,462,137
Non-controlling interests	15	**870,784**	874,538
Total equity		**66,369,314**	43,336,675

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 2022

2022	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	**88,193,617**	**3,946,319**	**(1,624,504)**	**(48,053,295)**	**42,462,137**	**874,538**	**43,336,675**
Profit/(loss) for the year	**-**	**-**	**-**	**(2,866,269)**	**(2,866,269)**	**(4,010)**	**(2,870,279)**
Other comprehensive Income	**-**	**-**	**2,777,144**	**-**	**2,777,144**	**(331)**	**2,776,813**
Total comprehensive income/(loss) for the year	**-**	**-**	**2,777,144**	**(2,866,269)**	**(89,125)**	**(4,341)**	**(93,466)**
Shares issued	**22,749,480**	**(309,480)**	**-**	**-**	**22,440,000**	**-**	**22,440,000**
Share issue costs	**(1,115,897)**	**-**	**-**	**-**	**(1,115,897)**	**-**	**(1,115,897)**
Share based payment transactions		**1,801,415**	**-**	**-**	**1,801,415**	**-**	**1,801,415**
Recognition on acquisition/disposal		**-**	**-**	**-**	**-**	**587**	**587**
Total Equity at the end of the financial year	**109,827,200**	**5,438,254**	**1,152,640**	**(50,919,564)**	**65,498,530**	**870,784**	**66,369,314**

2021	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	**88,193,617**	**3,783,520**	**423,864**	**(51,282,224)**	**41,118,777**	**882,963**	**42,001,740**
Profit/(loss) for the year				3,228,929	3,228,929	(4,711)	3,224,218
Other comprehensive Income			(2,048,368)		(2,048,368)	378	(2,047,990)
Total comprehensive income/(loss) for the year	**-**	**-**	**(2,048,368)**	**3,228,929**	**1,180,561**	**(4,333)**	**1,176,228**
Shares issued					–	(4,092)	(4,092)
Share issue costs					–		–
Share based payment transactions		162,799			162,799		162,799
Total Equity at the end of the financial year	**88,193,617**	**3,946,319**	**(1,624,504)**	**(48,053,295)**	**42,462,137**	**874,538**	**43,336,675**

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows to/from operating activities			
Payments to suppliers and employees		**(1,576,244)**	(1,476,500)
Proceeds from sale of shares	8	**4,606,706**	–
Sundry income		**–**	152,000
Interest paid		**(13,109)**	(8,838)
Interest received		**11,117**	20,260
Net cash outflow from operating activities	16	**3,028,470**	(1,313,078)
Cash flows to/from investing activities			
Proceeds from/(payments for) plant and equipment		**(41,108)**	27,338
Exploration and evaluation expenditure		**(18,680,032)**	(7,189,594)
Net cash acquired with subsidiary		**149,051**	–
Proceeds from sale of subsidiary	8	**459,900**	4,281,222
Proceeds from sale of shares	8	**5,598,495**	12,707,682
Net cash used in investing activities		**(12,513,694)**	9,826,648
Cash flows to/from financing activities			
Proceeds from issue of securities	13(b)	**22,440,000**	–
Costs of share issues	13(b)	**(1,104,361)**	–
Principal paid on lease liabilities		**(35,900)**	(30,122)
Net cash provided by financing activities		**21,299,739**	(30,122)
Net cash provided by financing activities			
Net increase/(decrease) in cash		**11,814,515**	8,483,449
Effect of exchange rate fluctuations on cash held		**11,467**	1,442
Cash and cash equivalents at the beginning of the financial year		**12,171,240**	3,686,349
Cash at the end of the financial year		**23,997,222**	12,171,240

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

Notes to the Financial Statements
for the year ended 30 June 2022

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 2022, unless otherwise stated.

Corporate information
The consolidated financial report of Sunstone Metals Limited and its controlled entities for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 8 September 2022.

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.

(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 loss of $2,870,279 for the year ended 30 June 2022. As at 30 June 2022 the Group has net cash reserves of $23,997,222 and a net current asset surplus of $23,701,689.

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

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

While the Group has a strong cash position at 30 June 2022, an aggressive exploration and drilling program is planned on both the Bramaderos and El Palmar projects throughout the 2023 financial year. These conditions give rise to a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

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

- The cash balance of the Group as at 30 June 2022 is $23,997,222;
- During the financial year ended 30 June 2022 the Group successfully monetised $10,205,201 by selling Copperstone shares on market. The value of the remaining shares held as at 30 June 2022 equates to $1,705,298;
- To date the Group has funded its activities through issuance of equity securities and during the financial year ended 30 June 2022 successfully raised $22,440,000 before fees through a placement and Share Purchase Plan. It is expected that the Group will be able to fund its future activities through further issuances of equity securities;
- The directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

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

(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 2022 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.

Note 1. Summary of Significant Accounting Policies (continued)

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) Revenue and other income recognition

Interest income

Interest income recognised as it 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 Group 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.

(f) 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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

(g) 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.

(h) Other receivables

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

(i) 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 shares held in listed companies Copperstone Resources AB, United Lithium Corp and NewPeak Metals Ltd (refer to Note 8), do not satisfy the solely payment of principal and interest test and are therefore classified as financial assets and recorded in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

(j) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a term of 12 months or less. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the group's incremental borrowing rate on commencement of the lease.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(k) 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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

(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) 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.

Note 1. Summary of Significant Accounting Policies (continued)

(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) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service 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) Other long-term employee benefits

Provision is made for employees' long service leave not expected to be settled in full within 12 months after the end of the reporting period in which the employees' render the services. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

(iii) 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.

(iv) 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. 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. The fair value at grant date is independently valued using a Trinomial or Monte Carlo 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.

(q) 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.

(r) 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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

(s) 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 Ecuador, Sweden and Finland. 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.

(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

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2021.

The amendments did not have a significant impact on the Group's financial statements.

(v) New Accounting Standards issued but not yet effective

There are no accounting standards that are not yet effective and that are expected to have a material impact to the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements
for the year ended 30 June 2022

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. The carrying value of exploration and evaluation assets at 30 June 2022 is $42,304,313 (2021: $19,950,190).

The financial assets at fair value through profit or loss fall under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement i.e. their fair value has been determined using quoted market prices. Refer to notes 8 and 21 for further detail regarding the key estimates applied to determine the fair value of these financial assets.

Investments in shares in listed companies (note 8) has been classified as a current asset as it is management's intention, subject to favourable market conditions, that these investments will be sold within 12 months.

Note 3. Other income

	2022 $	2021 $
Other income - Gain on sale of investment in shares	-	133,868
Other income - Gain on sale of assets	**88,943**	27,338
Other income - Government grants	-	152,000
	88,943	313,206

Note 4. Expenses
Profit/(loss) before income tax includes the following:

	2022 $	2021 $
Employee benefits expense*		
Salaries & wages	**633,226**	553,614
Directors' fees	**145,000**	143,166
Defined contribution superannuation expense	**42,473**	42,238
Share based payments (refer Note 18(b))	**938,806**	162,799
Movement in leave provisions	**78,122**	58,448
Other	**45,950**	12,726
	1,883,577	972,991
* Excludes employee costs capitalised to exploration and evaluation expenditure		
Impairment Expense/(Reversal of Impairment)		
Exploration concessions	-	410,928
Shares in Copperstone Resources AB	-	(891,994)
	-	(481,066)

Note 5. Income tax

	2022 $	2021 $
(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 profit/(loss) before income tax	**(2,870,279)**	3,224,218
At the Group's statutory income tax rate of 30% (2021: 30%)	**(861,084)**	967,265
Expenditure not allowable for income tax purposes	**371,789**	(1,383,519)
Deferred tax asset not brought to account as realisation is not considered probable	**489,295**	416,254
Income tax expense	**-**	**-**

Statement of Financial Position	2022 $	2021 $
Deferred tax assets		
Employee provisions	**134,056**	110,619
Other accruals and provisions	**-**	25,789
Share issue costs charged to equity	**56,450**	13,878
Unused income tax losses	**5,143,957**	4,646,133
Lease liability	**21,745**	32,515
Deferred tax assets offset by deferred tax liabilities	**(21,356)**	(1,993,439)
Total deferred tax assets	**5,334,852**	2,835,495
Total unrecognised deferred tax assets	**(5,334,852)**	(2,835,495)
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

	2022 $	2021 $
Cash on hand and at bank	**23,997,222**	12,171,240

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 0.81% (2021: 0.01% and 0.05%). The carrying amounts of cash and cash equivalents represent fair value.

Restricted cash balances totalling $15,225 (2021: $15,225) representing term deposits securing various performance guarantees have been disclosed under other receivables (refer Note 7).

Note 7. Other receivables

	2022 $	2021 $
Other debtors	**103,621**	17,184
Deposits	**15,225**	15,225
Prepayments	**9,290**	6,449
	128,136	38,858

Note 7. Other receivables (continued)

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

	2022 $	2021 $
Current		
Shares in Copperstone Resources AB	**1,437,516**	–
Shares in NewPeak Metals Ltd	**81,690**	–
Shares in United Lithium Corp	**186,092**	–
	1,705,298	–

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

	2022 $	2021 $
Opening fair value	**–**	
Reclassification - Financial assets at fair value through profit or loss	**6,916,488**	–
Additions	**486,858**	–
Copperstone Shares sold during the financial year	**(4,606,607)**	–
Fair value increments/(decrements)	**(1,091,441)**	–
Closing fair value	**1,705,298**	–

	2022 $	2021 $
Non-current		
Shares in Copperstone Resources AB	**–**	11,619,638
Shares in NewPeak Metals Ltd	**–**	163,381
	–	11,783,019

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

	2022 $	2021 $
Opening fair value	**11,783,019**	5,036,204
Additions	**–**	250,000
Shares sold during the financial year	**(5,598,594)**	(11,949,130)
Cash received	**–**	(4,131,223)
Fair value increments/(decrements)	**732,063**	5,250,640
Reclassification - Financial assets at fair value through profit or loss	**(6,916,488)**	17,326,528
Closing fair value	**–**	11,783,019

From 1 January 2022 Sunstone changed from classifying the shares held in Copperstone and NewPeak From 1 January 2022 Sunstone changed from classifying the shares held in Copperstone and NewPeak Metals Ltd as non-current to current financial assets at fair value through profit or loss, as the intention was no longer to hold these long term, subject to favourable market conditions. Shares held in listed companies are recognised at the market value on the reporting date of $1,705,298 (2021: $11,783,019) under level 1 of the fair value hierarchy referred to in AASB 13 Fair Value measurement.

Note 8. Financial assets at fair value through profit or loss (continued)

During the financial year Sunstone sold 51,042,774 shares in Copperstone for $10,205,201 cash consideration, with a $583,016 net gain on sale of the shares recognised as an offset to the fair value decrement. At 30 June 2022 the Copperstone share price was 0.958 SEK (2021: 1.21 SEK), resulting in fair value decrement on the remaining 10,595,878 shares held in Copperstone of $559,937.

During the financial year ended 30 June 2022 Sunstone sold its interest in the Finland Lithium Project to United Lithium Corp (CSE:ULTH), receiving CAD420,000 in cash (equivalent to $459,900) and CAD420,000 in ULTH shares upon settlement (871,803 shares valued at CAD 0.51 per share, equivalent to $486,858). The market value of the shares held at reporting date decreased due to the share price closing at CAD 0.19 resulting in a fair value decrement of $300,767.

The value of Sunstone's 81,690,362 shares held in NewPeak Metals Ltd (ASX:NPM) decreased due to the share price closing at 0.001 (2021: $0.002) resulting in a fair value decrement of $86,619.

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

Note 9. Property, plant and equipment

	Office equipment $	Computer equipment $	Exploration equipment $	Right of use assets $	Total $
Year Ended 30 June 2022					
Carrying amount at beginning of financial year	849	1,803	89,373	97,827	189,852
Additions	23,817	224,873	402,842	–	651,532
Disposals	–	–	–	–	–
Depreciation expensed	(154)	(6,972)	(26,120)	(35,574)	(68,820)
Depreciation capitalised as exploration	(3,037)	(31,607)	(59,631)	–	(94,275)
Effect of movement in foreign exchange	71	31	–	–	102
Carrying amount at end of financial year	21,546	188,128	406,464	62,253	678,391
As at 30 June 2022					
At Cost	48,983	283,317	533,438	173,735	1,039,473
Accumulated Depreciation	(27,437)	(95,189)	(126,974)	(111,482)	(361,082)
	21,546	188,128	406,464	62,253	678,391
Year Ended 30 June 2021					
Carrying amount at beginning of financial year	1,024	4,978	115,493	28,721	150,216
Additions	–	–	–	106,720	106,720
Disposals	–	–	–	–	–
Depreciation expensed	(93)	(3,096)	(26,120)	(37,614)	(66,923)
Depreciation capitalised as exploration	–	–	–	–	–
Effect of movement in foreign exchange	(82)	(79)	–	–	(161)
Carrying amount at end of financial year	849	1,803	89,373	97,827	189,852
As at 30 June 2021					
At Cost	25,071	60,295	130,597	173,735	389,698
Accumulated Depreciation	(24,222)	(58,492)	(41,224)	(75,908)	(199,846)
	849	1,803	89,373	97,827	189,852

Right of use assets relates to office lease.

Notes to the Financial Statements
for the year ended 30 June 2022

Note 10. Exploration and evaluation assets

	2022 $	2021 $
At Cost - less amounts written off	**42,304,313**	19,950,190
Balance at 1 July	**19,950,190**	16,972,821
Exploration and evaluation expenditure	**21,913,115**	6,447,590
Impairment recognised	**-**	(410,928)
Uplift on acquisition of subsidiary	**1,386**	-
Effect of movement in foreign exchange	**1,237,844**	(902,879)
Disposal of subsidiary	**(798,222)**	(2,156,415)
Balance at 30 June	**42,304,313**	19,950,190

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.

Refer to Notes 8 and 24 for further details relating to the disposal of subsidiary.

Note 11. Trade and other payables

	2022 $	2021 $
Trade payables	**1,518,022**	133,742
Sundry payables and accrued expenses	**16,151**	61,278
	1,534,173	195,020

Note 12. Provisions

	2022 $	2021 $
Current		
Employee leave liabilities	**554,891**	284,288
Non-current		
Employee leave liabilities	**282,500**	208,793

Note 13. Contributed equity

(a) Share capital

	Number of shares	2022 $
Ordinary shares - fully paid	**2,574,446,418**	109,827,200

(b) Movements in ordinary share capital

		Number of shares	Issue price $	$
	Balance as at 1 July 2020	**2,209,987,646**		**88,193,617**
	Balance as at 1 July 2021	**2,209,987,646**		**88,193,617**
Nov-21	Vesting of Employee Performance Rights	3,466,667	0.026	90,133
Nov-21	Vesting of Employee Performance Rights	10,000,000	0.007	74,600
Nov-21	Vesting of Employee Performance Rights	10,000,000	0.004	41,700
Nov-21	Vesting of Employee Performance Rights	3,466,666	0.023	80,427
Dec-21	Vesting of Employee Performance Rights	2,600,000	0.009	22,620
Apr-22	Share placement	298,507,463	0.067	20,000,000
May-22	Share Purchase Plan	36,417,976	0.067	2,440,000
	Share issue costs			(1,115,897)
	Balance as at 30 June 2022	**2,574,446,418**		**109,827,200**

The issue price for vested employee performance rights is deemed to be the accumulated amount recorded in the share based payment reserve at the vesting period. No cash is received when the rights are exercised.

(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 Performance Right's Plan, including details of instruments issued, exercised and lapsed during the financial year are set out in Note 18.

(e) Options/Performance Rights

At the end of the 2022 financial year there were 20,000,000 unlisted options, and 51,200,000 performance rights over ordinary shares on issue (see Note 18).

(f) Capital management

The objective is to ensure the Group 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.

Note 13. Contributed equity (continued)

(f) Capital management (continued)

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 and monetisation of investments held such as shares in listed entities.

	2022 $	2021 $
Current assets	**25,830,656**	12,210,098
Current liabilities	**2,128,967**	515,208
Liquidity ratio	**12.1 : 1**	23.7 : 1

The Company intends to either monetise investments held such as shares in listed entities or raise funds in the medium term to fund its exploration, investigating and evaluation activities.

Note 14. Reserves

	2022 $	2021 $
Share based payments reserve	**5,438,254**	3,946,319
Foreign currency translation reserve	**1,152,640**	(1,624,504)
Total reserves	**6,590,894**	2,321,815
Movements in reserves were as follows:		
Share based payments reserve		
Opening balance	**3,946,319**	3,783,520
Share based payments - employees	**1,801,415**	162,799
Shares Issued on vesting	**(309,480)**	–
Closing balance	**5,438,254**	3,946,319
Foreign currency translation reserve		
Opening balance	**(1,624,504)**	423,864
Foreign exchange gains/(losses) on translation	**2,777,144**	(2,048,368)
Closing balance	**1,152,640**	(1,624,504)

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 15. Non-controlling interests

	2022 $	2021 $
Interest In:		
Share capital	**935,783**	939,615
Foreign currency translation reserve	**-**	331
Recognition on acquisition/disposal	**4,420**	-
Retained earnings	**(69,419)**	(65,408)
	870,784	874,538

Note 16. Cash Flow Information

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

	2022 $	2021 $
Operating profit/(loss) after income tax	**(2,870,279)**	3,224,218
Non-cash flows in profit/(loss)		
Depreciation	**68,820**	66,922
(Reversal of impairment) / Impairment expense	**-**	(481,066)
Net fair value (gain) / loss on financial assets at fair value through profit or loss	**359,378**	(5,250,640)
Gain on sale of shares	**4,606,706**	(133,868)
(Gain)/Loss on sale of assets	**(88,943)**	1,439,166
Share of associates loss	**-**	(343,094)
Share based payments - performance rights/options	**938,806**	162,799
Changes in operating assets and liabilities		
Decrease/(increase) in trade & other receivables	**(90,048)**	30,916
(Decrease)/increase in trade & other payables	**25,909**	(113,471)
(Decrease)/increase in provisions	**78,122**	85,824
	3,028,470	(1,312,294)

Non-cash financing and investing activities:

Non-cash investing and financing activities are disclosed in Note 8 relating to shares received as consideration on sale of subsidiaries.

Cash and non-cash movements in liabilities arising from financing activities

	2022 $	2021 $
Opening Balance	**108,382**	30,122
Non-cash: Additions	**-**	108,382
Cash: Lease payments	**(35,900)**	(30,122)
Closing Balance	**72,482**	108,382

Note 17. Earnings per share

	2022 cents	2021 cents
Basic earnings per share	**(0.1)**	0.1
Diluted earnings per share	**(0.1)**	0.1
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	**2,290,407,950**	2,209,987,646
Effect of dilution:		
Share options/performance rights		53,020,309
	2,290,407,950	2,263,007,955
	$	$
Profit/(losses) used in calculating basic and diluted losses per share	**(2,866,269)**	3,224,218

Due to the loss incurred in the current year no share options or performance rights have been included in the calculation as they have an anti-dilutive effect on the loss.

Note 18. 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 using the historical 3 year volatility.

The tables below outline the key details for all options and performance rights outstanding as at 30 June 2022:

Options:

Grant Date	Options Outstanding	Expiry Date	Value per Option	Total Value	Exercise Price	Share price at Grant Date	Share Volatility	Risk Free rate of return
Options:								
31 October 2019	8,000,000	31/10/2022	$0.0046	$36,800	$0.042	$ 0.019	94%	0.66%
3 November 2021	12,000,000	2/11/2024	$0.0310	$372,000	$0.100	$0.068	131%	0.69%
	20,000,000			**$408,800**				

Weighted Average remaining life 1.5 years

Note 18. Share-based payments (continued)

(a) Issue of Options and Performance Rights (continued)

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:								
3 Nov 2021: Tranche 1	12,000,000	3/11/2024	$ 0.0508	$610,139	$ 0.0710	$0.068	131%	0.69%
3 Nov 2021: Tranche 2	12,000,000	3/11/2024	$ 0.0487	$584,141	TSR	$0.068	131%	0.69%
3 Nov 2021: Tranche 3	12,000,000	3/11/2024	$ 0.0457	$548,798	$0.094	$0.068	131%	0.69%
23 Oct 2020: Tranche 1	–	23/10/2023	$ 0.0075	$74,600	$0.0276	$0.019	115%	0.27%
23 Oct 2020: Tranche 2	10,000,000	23/10/2023	$ 0.0111	$111,400	TSR	$0.019	115%	0.27%
23 Oct 2020: Tranche 3		23/10/2023	$ 0.0042	$41,700	$0.050	$0.019	115%	0.27%
31 Oct 2019: Tranche 1	–	31/10/2022	$ 0.0087	$22,620	$0.080	$0.019	94%	0.66%
31 Oct 2019: Tranche 2	2,600,000	31/10/2022	$ 0.0156	$40,560	TSR	$0.019	94%	0.66%
31 Oct 2019: Tranche 3	2,600,000	31/10/2022	$ 0.0072	$18,720	$0.110	$0.019	94%	0.66%
	51,200,000			**2,052,678**				
Weighted Average $			$ 0.0374			$ 0.053		

Weighted Average remaining life 1.9 years

The tables below outline the movements for share-based payments options and performance rights during 2022:

Options:

Grant Date	Beginning Balance	Granted during year	Exercised during year	Lapsed	Balance at end of year	Vested and Exercisable
31 October 2019	8,000,000	–	–	–	8,000,000	8,000,000
2 November 2021	–	12,000,000	–	–	12,000,000	–
Total	**8,000,000**	**12,000,000**	**–**	**–**	**20,000,000**	**8,000,000**

Note 18. Share-based payments (continued)

(a) Issue of Options and Performance Rights (continued)

Performance Rights:

Grant Date	Beginning Balance	Granted as remuneration	Exercised during year	Lapsed	Balance at end of year	Vested and Exercisable
3 Nov 2021: Tranche 1	–	12,000,000	–	–	12,000,000	–
3 Nov 2021: Tranche 2	–	12,000,000	–	–	12,000,000	12,000,000
3 Nov 2021: Tranche 3	–	12,000,000	–	–	12,000,000	–
23 Oct 2020: Tranche 1	10,000,000	–	(10,000,000)	–	–	–
23 Oct 2020: Tranche 2	10,000,000	–		–	10,000,000	10,000,000
23 Oct 2020: Tranche 3	10,000,000	–	(10,000,000)	–	–	–
31 Oct 2019: Tranche 1	2,600,000	–	(2,600,000)	–	–	–
31 Oct 2019: Tranche 2	2,600,000	–	–	–	2,600,000	–
31 Oct 2019: Tranche 3	2,600,000	–	–	–	2,600,000	–
27 Nov 2018: Tranche 1	3,466,667	–	(3,466,667)	–	–	–
27 Nov 2018: Tranche 2	286,976	–	–	(286,976)	–	–
27 Nov 2018: Tranche 3	3,466,666	–	(3,466,666)	–	–	–
Total	**45,020,309**	**36,000,000**	**(29,533,333)**	**(286,976)**	**51,200,000**	**22,000,000**

During the 2022 financial year 36 million performance rights were granted with the following performance conditions attached:

Tranche 1 – to vest upon the later of both the following conditions occurring:

- The Closing Price of Sunstone Shares being $0.071 or more for 10 trading days out of any 20 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; and
- Testing will be annually on 30th June.

Tranche 3 – to vest upon the later of both the following conditions occurring:

- The Closing Price of Sunstone Shares being $0.094 or more for 10 trading days out of any 20 consecutive trading days; and
- 12 months after issue.

Each tranche of Shares will not be able to be released from the Employee Performance Rights Plan until the performance based Vesting Conditions for that tranche have been achieved. During the 2022 financial the share price hurdles for tranches 1 and 3 have been met however vesting is still subject to the recipients remaining as an employee for 12 months after date of issue. Subsequent to 30 June 2022, the TSR testing for the tranche 2 grants for 2020 and 2021 resulted in Sunstone's performance being greater than 25% above the index performance and 22 million performance rights vested, while the tranche 2 performance rights granted in 2019 will lapse.

Note 18. Share-based payments (continued)

(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 2022 was $690,806 (2021: $150,532). A further $862,609 was capitalised as it related to employees working exclusively on the exploration projects including Ecuadorian staff. Expense for options was $248,000 (2021: $12,267).

Note 19. 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

	2022 $	2021 $
Short-term employee benefits	**1,239,400**	1,246,241
Cash bonus	**208,500**	208,500
Post employment benefits	**109,440**	104,792
Share based payments	**1,575,286**	162,799
	3,132,626	1,722,332

There were no other related party transactions during the financial year (2021: Nil)

Note 20. Capital and other commitments

Commitments on Tenements	2022 $	2021 $
– not later than 12 months	**152,372**	2,157,028
– between 12 months and 5 years	**180,139**	142,110
	332,511	2,299,138

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 the government in Ecuador and 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.

Sunstone now holds 70% of the highly prospective El Palmar copper-gold porphyry project in Ecuador. Under this Staged Acquisition Agreement, for Sunstone to acquire a 100% interest a final cash payment of US$2,000,000 is required by 1 July 2024. Sunstone holds the right to exit the Agreement between 30 June 2023 and 30 June 2024 whereby its interest will revert to 51%.

Note 21. 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.

Note 21. Financial instruments and financial risk management (continued)

(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 the reporting date all operating accounts are with this bank, except for funds transferred to Ecuador, Finland and 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 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.

(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:

	2022 $	2021 $
Liquid financial liabilities		
Three months or less	**1,543,814**	224,808
Three - twelve months	**30,263**	27,234
Between 12 months and 5 years	**32,579**	72,483
	1,606,656	324,525

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 (refer Note 8).

(iii) Interest rate risk

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

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

	2022 $	2021 $
Financial assets		
Cash and cash equivalents	**23,997,222**	12,171,240
	23,997,222	12,171,240

The following sensitivity analysis is based on the interest rate risk exposure in existence at the reporting date. The 1% sensitivity (2021: 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.

Note 21. Financial instruments and financial risk management (continued)

At 30 June 2022, 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:

	2022 $	2021 $
Post tax gain/(loss)		
+1.0% (100 basis points)	**239,972**	121,712
-1.0% (100 basis points)	**(239,972)**	(121,712)

The average interest rate for the year ended 30 June 2022 was 0.215% (2021: 0.03%).

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

(iv) Market risk

As a result of significant investment in Ecuador, the Group's statement of financial position can be affected significantly by movements in the US Dollar/Australian Dollar exchange rates.

In addition, included in current assets is financial assets at fair value of $1,705,298 for the value of the shares held in Copperstone Resources AB, listed on Nasdaq Stockholm and denominated in Swedish Krona, shares of CSE listed United Lithium Corp denominated in Canadian dollars, and shares in ASX listed NewPeak Metals Ltd. If either the market price of the shares or the Australian dollar/Swedish Krona and the Australian dollar/Canadian dollar rates move this will have an impact on post-tax profit or loss.

At 30 June 2022, if either the market price of the shares or the Australian dollar/Swedish Krona and the Australian dollar/Canadian dollar rates had moved, with all other variables held constant, post-tax loss would have been affected as follows:

	2022 $	2021 $
Financial assets		
Financial assets at fair value through profit or loss	**1,705,298**	11,783,019
	1,705,298	11,783,019

	2022 $	2021 $
Post tax gain/(loss)		
+10% change in market price or exchange rate	**170,530**	1,178,302
-10% change in market price or exchange rate	**(170,530)**	(1,178,302)

Note 22. Remuneration of auditors

	2022 $	2021 $
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		
BDO Audit Pty Ltd	**66,355**	59,440
BDO Sweden and Finland	**4,396**	12,457
Other services		
Taxation matters - Australia	**15,929**	11,628
Taxation matters - Scandinavia	**-**	2,319
	86,680	85,844

Note 23. Subsidiaries

Name of entity	Country of incorporation	Class of shares	Ownership interest held by group*	
			2022	2021
Avalon Minerals Adak AB	Sweden	Ordinary	100%	100%
Scandian Metals Pty Ltd	Australia	Ordinary	100%	100%
Scandian Metals AB	Sweden	Ordinary	100%[1]	100%[1]
Litiumloydos Oy	Finland	Ordinary	0%	83.6%[2]
Sunstone Metals Canada Limited	Canada	Ordinary	100%	100%
Sunstone Metals Ecuador S.A.	Ecuador	Ordinary	100%[3]	100%[3]
La Plata Minerales SA	Ecuador	Ordinary	87.5%	87.5%
Golden Exploration Ecuador SA	Ecuador	Ordinary	70%[4]	0%[4]

* 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 Litiumloydos Oy was an 83.6% owned subsidiary of Scandian Metals AB before being sold
3 Sunstone Metals Ecuador is a 100% owned subsidiary of Sunstone Metals Canada
4 Golden Exploration Ecuador SA is subject to a Staged Acquisition Agreement for Sunstone to ultimately hold 100%

On 7 October 2021 Sunstone acquired 51% of the shares in Golden Exploration Ecuador SA ("GOEX"), having met the requirements under the Staged Acquisition Agreement dated 5 October 2020 for US$2 million in exploration expenditure and payments to the vendors totalling US$600,000.

On 25 February 2022 Sunstone elected to move to 70% ownership of GOEX by payment of an additional US$300,000 to the vendors.

Sunstone holds the right under the agreement to acquire 100% of GOEX by making an additional payment to the vendors of US$2 million on or before 1 July 2024.

Note 24. Contingent assets and liabilities

Future consideration of $1.5 million is receivable from NewPeak Metals Limited contingent on delivery of at least 450,000 ounces of gold in Measured and Indicated Resources from the acquired permits in Finland. As the project is at an early stage of exploration it is not considered virtually certain that this milestone will be met, as required under AASB 137, and therefore Sunstone has not recognised a receivable for this further consideration contributing to the loss on sale of subsidiary in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Company is not aware of any other material contingent assets or liabilities at 30 June 2022 not otherwise disclosed in the Financial Statements.

Note 25. 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 2022 (2021: nil).

The balance of the Company's franking account is nil (2021: nil).

Note 26. Events occurring after reporting date

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 27. Segment reporting

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

Note 27. Segment reporting (continued)

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

Summary financial information by geographical location is detailed below.

	2022 $	2021 $
Profit/(loss)		
Corporate	**(2,833,701)**	3,277,656
Bramaderos	**(19,539)**	(22,596)
El Palmar	**(9,953)**	–
Finland	**(7,086)**	(30,840)
	(2,870,279)	3,224,220
Current assets		
Corporate	**24,816,525**	11,819,291
Bramaderos	**485,921**	230,103
El Palmar	**516,098**	–
Finland	**12,112**	160,704
	25,830,656	12,210,098
Non-current assets		
Corporate	**6,139,247**	11,971,653
Bramaderos	**23,984,530**	19,165,239
El Palmar	**12,849,062**	–
Finland	**9,865**	786,169
	42,982,704	31,923,061
Current liabilities		
Corporate	**443,954**	376,259
Bramaderos	**932,713**	138,845
El Palmar	**752,300**	–
Finland	**–**	104
	2,128,967	515,208
Non-current liabilities		
Corporate	**260,608**	260,172
Bramaderos	**39,975**	21,104
El Palmar	**14,496**	–
	315,079	281,276

Note 28. Parent Entity Information

Information relating to Sunstone Metals Limited:

	2022 $	2021 $
Current assets	**25,024,145**	11,819,046
Non-current assets	**29,143,038**	21,271,708
Total assets	**54,167,183**	33,090,754
Current liabilities	**443,956**	636,434
Non-current liabilities	**260,608**	–
Total liabilities	**704,564**	636,434
Net assets	**53,462,620**	32,454,320
Issued Capital	**109,827,200**	88,193,617
Accumulated losses	**(61,802,834)**	(59,685,616)
Share based payment reserve	**5,438,254**	3,946,319
Total shareholders' equity	**53,462,620**	32,454,320
Net income/(loss) for the year	**(2,117,218)**	5,100,219
Total Comprehensive income/(loss)	**(2,117,218)**	5,100,219

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 (2021: $15,225) representing term deposits securing performance guarantees over rental of the Company's office premises.

Directors' 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 2022 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 2022.

On behalf of the Board

Mr Graham Ascough
Chairman

Brisbane, Queensland
8 September 2022

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INDEPENDENT AUDITOR'S REPORT

To the members of Sunstone Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sunstone Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2022 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 (including Independence Standards)* (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.

Material uncertainty related to going concern

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

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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 has capitalised exploration and evaluation assets in relation to the application of the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation asset us 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 include but 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 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 • Review budgets and evaluated assumptions made by the entity to ensure that substantive expenditure on further exploration for and evaluation of the mineral resource in the areas of interest were planned.

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 2022, 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 at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Sunstone Metals Limited, for the year ended 30 June 2022, 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

R M Swaby
Director

Brisbane, 8 September 2022

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

There are no substantial shareholders within the Company (above 5%) as per announcements to ASX as at 31 August 2022.

Class of shares and voting rights

At 31 August 2022, there were 3,993 holders of the ordinary shares of the Company. The voting rights attached to the ordinary shares, set out in clause 93 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 31 August 2022, 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.

Distribution of Share Holders (as at 31 August 2022)

Category	Number of holders Ordinary shares
1 – 1,000	120
1,001 – 5,000	82
5,001 – 10,000	283
10,001 – 100,000	1,649
100,001 – 1,000,000	1,498
1,000,001 and over	361
	3,993

There were 505 holders holding less than a marketable parcel of ordinary shares as at 31 August 2022.

On-market buy-back

There is no current on-market buy-back.

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 31 August 2022.

Twenty Largest Security holders as at 31 August 2022

Holder name	Ordinary Shares Number	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	324,921,582	12.51
BNP PARIBAS NOMS PTY LTD <DRP>	93,595,376	3.60
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	76,407,150	2.94
POTEZNA GROMADKA LTD	57,566,320	2.22
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	38,182,235	1.47
BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	38,000,000	1.46
CITICORP NOMINEES PTY LIMITED	35,063,389	1.35
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	34,025,762	1.31
MR ROHAN WILLIAM HALFPENNY + MRS PHITSAMAI THONGLA HALFPENNY	33,496,564	1.29
LOTUS RESEARCH PTY LTD	23,500,000	0.91
NINIGO INVESTMENTS PTY LTD	22,017,000	0.85
RAYMOND ARTHUR ROBINSON	19,851,776	0.76
CROMMO PTY LTD	17,756,000	0.68
DR BRUCE ROHRLACH	17,735,516	0.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	17,612,411	0.68
MR GAVIN LEICHT	17,515,599	0.67
MR BRIAN GERARD SHEAHAN <SHEAHAN FAMILY ACCOUNT>	17,250,000	0.66
WYNTORC SA	16,777,778	0.65
NATIONAL NOMINEES LIMITED	15,899,486	0.61
REZANN PTY LTD <RIPKA FAMILY A/C>	15,440,000	0.59
Total	**932,613,944**	**35.92**

Other information

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

Corporate Directory

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

Company Secretary
Gavin Leicht

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

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

Share Registry
Computershare Investor Services Pty Ltd
200 Mary Street
Brisbane Qld 4000
Investor Enquiries: 1300 850 505
Website: www.computershare.com.au

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

Registered Office and principal place of business

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